

806646

AZRALVOVE INVESTMENTS LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

for the year ended
31 December 1992

16 DEC 1993
HOUSE

Company Number 806646

AZRALMOVE INVESTMENTS LIMITED

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DIRECTORS' REPORT for the year ended 31 December 1992

FINANCIAL STATEMENTS

The directors present their report and financial statements of the Company for the year ended 31 December 1992.

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 and 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.

PRINCIPAL ACTIVITIES AND RESULTS FOR THE YEAR

The principal activities of the Company are property and investment holding. The results for the year are as follows:

| | £ |
|-----------------------------------|-------------------|
| Loss for the year before taxation | (637,668) |
| Taxation | - |
| Loss retained for year | (637,668) |
| Deficit brought forward | (189,878) |
| Deficit carried forward | <u>£(827,546)</u> |

DIVIDEND

No dividend is recommended.

AZRAIHOVE INVESTMENTS LIMITED

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DIRECTORS' REPORT
for the year ended 31 December 1992 (continued)

DIRECTORS' AND THEIR INTERESTS

G R J Borwick - Chairman
Mrs J A Andrews
P F Cassidy
J Sayeed (appointed 6 May 1992)

None of the directors had any interest in the shares of the Company.

FIXED ASSETS

Movements in fixed assets are shown in notes 5 and 6 to the financial statements.

AUDITORS

A resolution to re-appoint BDO Binder Hamlyn as auditors and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

This report was approved by the Board on 3rd December 1993.

Director



AUDITORS' REPORT

to the members of Azraelove Investments Limited

We have audited the financial statements on pages 4 to 11 which have been prepared on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 1, 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 these statements and to report our opinion to you.

Basis of opinion

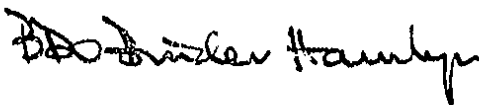
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Adverse opinion

Statement of Standard Accounting Practice 19 requires that investments properties are included in the balance sheet at their open market value. The company's investment property is included in the balance sheet at £4,475,229, being cost less accumulated depreciation, which the directors consider to be a fair estimate of its value. In our opinion the open market value, calculated using the conventional method of valuation for office property, is materially lower than the book value and, in accordance with SSAP19, an adjustment should be made to include the investment property as its open market value, thus increasing the loss for the year and the accumulated deficit on reserves.

In view of the effect of the failure to adjust for the valuation referred to above, in our opinion the financial statements do not give a true and fair of the state of the company's affairs as at 31 December 1992 and of its loss for the year ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditors

9 December 1993

AZRALNOVE INVESTMENTS LIMITED

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PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1992

| | Notes | 1992 £ | 1991 £ |
|--|-------|------------|------------|
| Rent receivable | | 236,384 | 157,260 |
| Administrative expenses | | (209,983) | (175,966) |
| Depreciation | | (139,107) | (138,619) |
| Operating loss | | (112,706) | (157,325) |
| Income from other fixed asset investments | | 14,755 | 14,755 |
| Interest receivable and similar income | 2 | 1,375 | 9,943 |
| Interest payable | 2 | (541,092) | (533,272) |
| Loss on ordinary activities before taxation | 3 | (637,668) | (665,899) |
| Tax on loss on ordinary activities | 4 | - | 138,479 |
| Loss for the financial year | | (637,668) | (527,420) |
| Retained profit brought forward | | (189,878) | 337,542 |
| Retained (loss)/profit carried forward | | £(827,546) | £(189,878) |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | 1992 £ | 1991 (as restated) £ |
|--|-----------|----------------------------|
| Loss for the financial year | (637,668) | (527,420) |
| Unrealised deficit on revaluation of listed investments | (287,729) | (44,266) |
| Total recognised gains and loss on relating to the year | (925,397) | (571,686) |
| Prior year adjustment (see notes 6 and 11) | 865,449 | 909,715 |
| Total gains and losses recognised since previous statutory accounts | £(59,948) | £338,029 |

BALANCE SHEET
as at 31 December 1992

| | Notes | 1992 | 1991 (as restated) |
|---|-------|--------------------|-----------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Tangible assets | 5 | 4,478,045 | 4,600,817 |
| Investments | 6 | 786,723 | 1,073,452 |
| | | <u>5,264,768</u> | <u>5,674,269</u> |
| CURRENT ASSETS | | | |
| Debtors | 7 | 35,028 | 69,350 |
| Cash at bank and in hand | | <u>126,684</u> | <u>76,001</u> |
| | | 161,712 | 145,351 |
| CREDITORS: amounts falling due within one year | 8 | <u>(2,691,449)</u> | <u>(2,355,544)</u> |
| Net Current Liabilities | | <u>(2,529,737)</u> | <u>(2,210,193)</u> |
| Total Assets less Current Liabilities | | 2,735,031 | 3,464,076 |
| CREDITORS: amounts falling due after more than one year | 9 | <u>(2,962,363)</u> | <u>(2,766,011)</u> |
| Net (Liabilities)/Assets | | <u>£(227,332)</u> | <u>£(698,065)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 10 | 6,250 | 6,250 |
| Share premium account | | 16,244 | 16,244 |
| Revaluation reserve | 11 | 577,720 | 865,449 |
| Profit and loss account | | <u>(827,546)</u> | <u>(189,878)</u> |
| | | <u>£(227,332)</u> | <u>£698,065</u> |

The financial statements on pages 4 to 11 were approved by the Board on December 1993.

Director



AERAINOVE INVESTMENTS LIMITED

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CASH FLOW STATEMENT
for the year ended 31 December 1992

| | Notes | £ | 1992 | £ | £ | 1991 | £ |
|---|-------|-----------|-----------|---|-----------|------------|---|
| Net cash (outflow)/inflow from operating activities | 15 | | (212,420) | | | 215,100 | |
| Return on investments and servicing of finance | | | | | | | |
| Investment income | | 14,755 | | | 14,755 | | |
| Interest received | | 1,375 | | | 9,943 | | |
| Interest paid | | (422,490) | | | (475,776) | | |
| Net cash outflow from returns on investments and servicing of finance | | | (406,360) | | | (451,078) | |
| Taxation | | | | | | | |
| UK Corporation tax recovered/ (paid) | | | 43,308 | | | (9,020) | |
| Investing activities | | | | | | | |
| Purchase of tangible fixed assets | | (16,335) | | | (261,851) | | |
| Purchase of fixed asset investments | | (1,000) | | | - | | |
| Proceeds of sale of fixed asset investments | | - | | | 8,500 | | |
| Net cash outflow from investing activities | | | (17,335) | | | (253,351) | |
| Financing | | | | | | | |
| Increase in loans during the year | 16 | | 643,490 | | | 313,218 | |
| Increase/(decrease) in cash and cash equivalents | 17 | | £50,683 | | | £(185,131) | |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1992

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, except that the investment property has not been included at its open market value as required by SSAP19.

Investment property

The company's investment property comprises a leasehold interest expiring in the year 2025. In the opinion of the directors this is a short leasehold and accordingly depreciation is provided, in accordance with SSAP12, to write off the cost on a straight line basis over the unexpired term. The investment property is included in the financial statements at its cost less accumulated depreciation since, in the opinion of the directors, open market value is not a fair estimate of the worth of the property.

Fixtures and fittings

Depreciation is provided at 25% pa. on a straight line basis.

Investments

Listed investments held as fixed assets are stated at market value, based upon the price quoted on the London Stock Exchange as at 31 December. This represents a change of accounting policy, the effect of which is shown in notes 6, 11 and 12; previously listed investments were stated as for unlisted investments (see below).

Unlisted investments held as fixed assets are stated at cost except where, in the opinion of the directors, there has been a permanent diminution in value.

Deferred taxation

Provision is made for deferred taxation to the extent that liabilities may become payable within the foreseeable future.

| 2 INTEREST | 1992 £ | 1991 £ |
|---------------------------|-----------------|-----------------|
| Receivable | | |
| Bank | 1,375 | 3,067 |
| Other | - | 6,876 |
| | <u>£1,375</u> | <u>£9,943</u> |
| Payable | | |
| On overdue taxation | - | (68,550) |
| Bank loans and overdrafts | 414,631 | 544,326 |
| Other loans | 126,461 | 57,496 |
| | <u>£541,092</u> | <u>£533,272</u> |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1992 (continued)

| | | | |
|---|--|-----------------------------|--|
| 3 | LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION is arrived at after charging: | 1992 £ | 1991 £ |
| | Auditors' remuneration | | |
| | - audit services | 5,000 | 4,575 |
| | - non audit work | 9,802 | - |
| | Depreciation | 139,107 | 138,619 |
| | Directors' fees (note 13) | - | 8,000 |
| | | <hr/> | <hr/> |
| | And after crediting: | | |
| | Income from listed investments | 14,755 | 14,755 |
| | Net property income | <u>236,384</u> | <u>157,260</u> |
| 4 | TAXATION | 1992 £ | 1991 £ |
| | UK corporation tax | - | - |
| | Tax on franked investment income | 3,688 | - |
| | Prior year adjustments: S242 claim | (3,688) | (46,667) |
| | other | - | (91,812) |
| | | <hr/> | <hr/> |
| | Tax on loss on ordinary activities | <u>£-</u> | <u>£(138,479)</u> |
| 5 | TANGIBLE FIXED ASSETS | Investment property £ | Fixtures and fittings £ Total £ |
| | Cost | | |
| | 1 January 1992 | 4,882,090 | 5,630 |
| | Additions during the year | 16,335 | - |
| | | <hr/> | <hr/> |
| | 31 December 1992 | <u>4,898,425</u> | <u>5,630</u> |
| | Depreciation | | |
| | 1 January 1992 | 285,496 | 1,407 |
| | Charge for the year | 137,700 | 1,407 |
| | | <hr/> | <hr/> |
| | 31 December 1992 | <u>423,196</u> | <u>2,814</u> |
| | Net book value | | |
| | 31 December 1992 | <u>4,475,229</u> | <u>2,816</u> |
| | | <hr/> | <hr/> |
| | 31 December 1991 | <u>£4,596,594</u> | <u>£4,223</u> |
| | | <hr/> | <hr/> |

The company had no future capital commitments at the balance sheet date (1991 : Nil).

The investment property includes capitalised interest of £864,496.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1992 (continued)

6 FIXED ASSET INVESTMENTS

| | Listed investments £ | Unlisted investments £ | Total £ |
|---|----------------------------|------------------------------|-----------------|
| Cost and net book value 1 January 1992 | | | |
| - as previously reported | 208,003 | - | 208,003 |
| - prior year adjustments | 865,449 | - | 865,449 |
| - as restated | 1,073,452 | - | 1,073,452 |
| Additions | - | 1,000 | 1,000 |
| Revaluation (see note 11) | (287,729) | - | (287,729) |
| 31 December 1992 | <u>£785,723</u> | <u>£1,000</u> | <u>£786,723</u> |

Following a change in accounting policy, listed investments are stated at their market value, based upon the price quoted on the London Stock Exchange at 31 December. The historic cost of the listed investments is £208,003. The unlisted investments represent 10% of the issued ordinary shares of Ranelagh Limited, a company registered in England.

7 DEBTORS

| | 1992 £ | 1991 £ |
|-------------------------------|----------------|----------------|
| Trade debtors and prepayments | 16,585 | 13,663 |
| Other debtors | 11,067 | - |
| Corporation tax recoverable | 7,376 | 55,687 |
| | <u>£35,028</u> | <u>£69,350</u> |

8 CREDITORS: amounts falling due within one year

| | | |
|--|-------------------|-------------------|
| Bank loan (see note 9) | 1,496,233 | 1,013,743 |
| Corporation tax | - | 5,003 |
| Amount owed to ultimate parent undertaking | 950,000 | 950,000 |
| Other creditors | 46,166 | 64,692 |
| Accrued interest | 154,167 | 70,917 |
| Other accruals and deferred income | 44,883 | 251,189 |
| | <u>£2,691,449</u> | <u>£2,355,544</u> |

9 CREDITORS: amounts falling due after more than one year

| | | |
|------------------|-------------------|-------------------|
| Bank loan | 2,400,000 | 2,400,000 |
| Other loan | 507,953 | 346,953 |
| Accrued interest | 54,410 | 19,058 |
| | <u>£2,962,363</u> | <u>£2,766,011</u> |

Note:

The bank loans are secured by a fixed charge over the assets of the company. The other loan is subordinated to the claims of all other creditors of the company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1992 (continued)

| | | | |
|----|-------------------------------------|---------------|------------------|
| 10 | CALLED UP SHARE CAPITAL | 1992 | 1991 |
| | Authorised, allotted and fully paid | | |
| | 6,250 ordinary shares of £1 each | <u>£6,250</u> | <u>£6,250</u> |
| 11 | REVALUATION RESERVE | | £ |
| | 1 January 1992 | | - |
| | - as previously reported | | |
| | - prior year adjustment | | <u>865,449</u> |
| | - as restated | | 865,449 |
| | Movement for the year (see note 6) | | <u>(287,729)</u> |
| | 31 December 1992 | | <u>£577,720</u> |

The prior year adjustment represents the effect of a change in the accounting policy for listed investments. Listed investments, which were previously carried in the balance sheet at cost, are now shown at their market value, based upon the price quoted on the London Stock Exchange as at 31 December.

The liability to corporation tax that would arise if the listed investments were to be disposed of at their revalued amount would be fully offset by available losses carried forward.

| | | |
|----|---|-------------------|
| 12 | RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS | £ |
| | 1 January 1992 | |
| | - as previously reported | (167,384) |
| | - prior year adjustment (see note 11) | <u>865,449</u> |
| | - as restated | 698,065 |
| | Loss for the year | (637,668) |
| | Movement on revaluation reserve for the year (see note 11) | <u>(287,729)</u> |
| | 31 December 1992 | <u>£(227,332)</u> |

13 PARTICULARS OF EMPLOYEES

The average number of persons (including directors) employed by the company during the year was as follows:

| | Number | Number |
|---|-----------|---------------|
| Management | <u>4</u> | <u>4</u> |
| The aggregate payroll costs of these persons were as follows: | £ | £ |
| Wages and salaries | - | 8,000 |
| Social security costs | - | 313 |
| | <u>£-</u> | <u>£8,313</u> |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1992 (continued)

14 DIRECTORS' EMOLUMENTS

The emoluments (excluding pension contributions and social security costs) of the chairman were £Nil (1991 : £Nil). No other directors received any emoluments during the year (1991: two directors received fees within the range £0 - £5,000).

| 15 RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | 1992 | 1991 |
|---|-------------------|-----------------|
| | £ | £ |
| Operating loss | (112,706) | (157,325) |
| Depreciation | 139,107 | 138,619 |
| (Increase)/decrease in debtors | (13,989) | 13,888 |
| (Decrease)/increase in creditors (excluding interest) | (224,832) | 220,236 |
| Profit on disposal of fixed asset investments | - | (318) |
| Net cash (outflow)/inflow from operating activities | £(212,420) | £215,100 |

| 16 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR | Share capital (including premium) | Loans |
|--|--|-------------------|
| | £ | £ |
| 1 January 1991 | 22,494 | 4,397,478 |
| Increase in loans during the year | - | 313,218 |
| 1 January 1992 | 22,494 | 4,710,696 |
| Increase in loans during the year | - | 643,490 |
| 31 December 1992 | £22,494 | £5,354,186 |

| 17 CASH AND CASH EQUIVALENTS | 1992 | 1991 |
|---|-----------------|----------------|
| | £ | £ |
| Balance of cash and cash equivalents | | |
| Cash at bank and in hand | £126,684 | £76,001 |
| Change in the balance of cash and cash equivalents | | |
| 1 January | 76,001 | 261,132 |
| Net cash inflow/(outflow) during the year | 50,683 | (185,131) |
| 31 December | £126,684 | £76,001 |

18 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is regarded by the directors as being Luxlane S.A., incorporated in the Republic of Panama.