

COMPANY REGISTERED
NO. 1799743

GROVECASTLE LIMITED
ANNUAL REPORT AND ACCOUNTS
31ST MARCH 1996

Buzzacott

Chartered Accountants



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GROVECASTLE LIMITED

DIRECTORS

P.J. de Savary
L.L. Paton
R.G. Wentworth

SECRETARIES

L.L. Paton
A. Thompson

REGISTERED OFFICE

12, New Fetter Lane,
London, EC4A 1AP

REPORT AND ACCOUNTS 31ST MARCH 1996

Pages	1-2	Report of the directors
	3	Report of the auditors
	4	Profit and loss account Statement of total recognised gains and losses
	5	Balance Sheet
	6-12	Notes to the accounts

The following pages do not form part of the
statutory accounts:

13-14 Detailed trading and profit and loss account

GROVECASTLE LIMITED
REPORT OF THE DIRECTORS

The directors present their report with the accounts of the company for the year ended 31st March 1996.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of hoteliers. The company intends to continue to operate as hoteliers.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

A summary of the results of the year's trading is given on page 4 of the accounts.

DIVIDENDS

The directors do not recommend the payment of a dividend (1995 - £nil).

DIRECTORS*

The directors in office in the year and their beneficial interests in the issued share capital were as follows :

	<u>31st March 1996</u>			<u>31st March 1995</u>		
	Preferred ordinary shares of £1 each	'A' ordinary shares of 25p each	'B' ordinary shares of 50p each	Preferred ordinary shares of £1 each	'A' ordinary shares of 25p each	'B' ordinary shares of 50p each
J.H.J.Lewis	-	-	-	2,700	2,973,394	15,000
J.H.J.Lewis (as trustee & beneficiary)	-	-	-	-	-	20,000
J.C.S.Tham	-	-	-	2,200	-	-
J.C.S.Tham (as trustee)	-	-	-	-	-	100,000
G.M.Pope	-	-	-	-	406,896	-
L.A.W.Evans	-	-	-	-	-	-
P.J.de Savary	-	-	-	-	-	-
L.L.Paton	-	-	-	-	-	-
R.G.Wentworth	-	-	-	-	-	-

L.A.W.Evans resigned as a director on 6th July 1995. J.H.J.Lewis, J.C.S. Tham and G.M.Pope resigned on 15th February 1996 and P.J.de Savary, L.L. Paton and R.G.Wentworth were appointed on the same date.

FIXED ASSETS

Acquisitions and disposals of fixed assets during the year are recorded in the notes to the accounts. As explained in note 8, during the year, the leasehold property and its contents were revalued by the directors.

GROVECASTLE LIMITED
REPORT OF THE DIRECTORS
(Continued)

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 the period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will remain 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 accounts 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

On 1st October 1995, the auditors changed the name under which they practise from Buzzacott & Co. to Buzzacott and have, accordingly, signed their report in their new name. The auditors, Buzzacott, will be proposed for re-appointment in accordance with Section 385 of the Companies Act.

By order of the board

R. J. Ventworth....

Director

Approved by the board:.....30/1.....1997

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
GROVECASTLE LIMITED

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and 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 accounts 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 accounts.


FUNDAMENTAL UNCERTAINTY

As explained in note 8 to the accounts, the leasehold property and its contents are shown in the accounts at a directors' valuation. No professional independent or third party valuation has been undertaken. Such a professional valuation could have resulted in a reduction of the carrying value of the leasehold.

In forming our opinion, we have considered the adequacy of the disclosure made in the accounts concerning the value of the leasehold property and its contents. Details of the reasons why a professional valuation has not been carried out are explained in note 8. Our opinion is not qualified in this respect.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st March 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants and Registered Auditors,
12, New Fetter Lane,
London, EC4A 1AP.

Date: 31 January 1997

GROVECASTLE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
TURNOVER	2	451,292	394,684
Cost of sales		124,205	124,008
		<hr/>	<hr/>
GROSS PROFIT		327,087	270,676
Administrative and marketing expenses		300,413	220,976
		<hr/>	<hr/>
OPERATING PROFIT	3	26,674	49,700
Interest payable	4	(61,642)	(58,668)
		<hr/>	<hr/>
LOSS on ordinary activities before taxation		(34,968)	(8,968)
TAXATION	7	-	-
		<hr/>	<hr/>
LOSS on ordinary activities after taxation		(34,968)	(8,968)
TRANSFER from revaluation reserve	14	246,185	176,788
		<hr/>	<hr/>
		211,217	167,820
ACCUMULATED LOSSES at 1st April 1995		(1,064,920)	(1,232,740)
		<hr/>	<hr/>
ACCUMULATED LOSSES at 31st March 1996		£ (853,703)	£(1,064,920)
		<hr/>	<hr/>

CONTINUING OPERATIONS

None of the company's operations were acquired or discontinued during the above two financial years.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	£	£
Loss for the year	(34,968)	(8,968)
Revaluation of long leasehold property	1,482,109	176,788
	<hr/>	<hr/>
Total recognised gains and losses in the year	£ 1,447,141	£ 167,820
	<hr/>	<hr/>

GROVECASTLE LIMITED
BALANCE SHEET - 31ST MARCH 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£	£
FIXED ASSETS			
Tangible assets	8	2,500,000	1,000,000
CURRENT ASSETS			
Stocks	9	15,940	14,841
Debtors	10	16,344	90,186
Cash at bank and in hand		22,350	2,621
		<u>54,634</u>	<u>107,648</u>
CREDITORS : amounts falling due within one year	11	(50,544)	(175,669)
NET CURRENT LIABILITIES		4,090	(68,021)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,504,090	931,979
CREDITORS : amounts falling due after more than one year	12	(724,970)	(600,000)
NET ASSETS		<u>£1,779,120</u>	<u>£ 331,979</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,210,282	1,210,282
Share premium account		186,617	186,617
Profit and loss account		(853,703)	(1,064,920)
Revaluation reserve	14	1,235,924	-
SHAREHOLDERS' FUNDS (including non-equity interests)	15	<u>£1,779,120</u>	<u>£ 331,979</u>

Signed on behalf of the board of directors

R. J. Wentworth

Director

Approved by the board: 30/3 1997

GROVECASTLE LIMITED

NOTES TO THE ACCOUNTS - 31ST MARCH 1996

1. ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain assets and in accordance with applicable accounting standards. They are also prepared on the going concern basis which is dependent upon the ultimate parent company, Birnos Inc., not demanding repayment of its loan until the company is in a position to repay, and on that company providing financial support sufficient to allow Grovecastle Limited to continue trading for the foreseeable future.

(b) Turnover

Turnover represents charges to guests for hotel accommodation, food and telephone, excluding value added tax.

(c) Tangible fixed assets

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

Furniture and fittings	-	10% on cost
Computer	-	over 3 years

Depreciation is not provided on leasehold properties or on antique furniture and fittings (note 8).

(d) Stocks

Stocks are valued at the lower of cost and net realisable value.

Stocks of glass, linen and china etc. are valued at cost and all replacements are written off to the profit and loss account.

(e) Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences only to the extent that, in the opinion of the directors, there is reasonable probability that a liability or asset will crystallise in the foreseeable future.

(f) Cash flow statement

The accounts do not include a cash flow statement because the company, as a small reporting entity is exempt from the requirement to prepare such a statement under Financial Reporting Standard No.1 'Cash Flow Statements'.

GROVECASTLE LIMITED

NOTES TO THE ACCOUNTS - 31ST MARCH 1996

2. TURNOVER

The turnover and loss before taxation is attributable to the one principal activity of the company.

3. OPERATING PROFIT

This is stated after charging :

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Staff costs (note 5)	143,066	143,884
Depreciation of tangible fixed assets	28,388	27,701
Auditors' remuneration	6,500	6,500
	<u> </u>	<u> </u>

4. INTEREST PAYABLE

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Payable on bank overdrafts and loans expiring within 5 years	58,709	58,668
Payable on loans expiring after more than 5 years	2,933	-
	<u>£61,642</u>	<u>£58,668</u>

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Wages and salaries	130,685	132,655
Social security costs	12,381	11,229
	<u>£143,066</u>	<u>£ 143,884</u>

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

Hotel staff	<u>13</u>	<u>14</u>
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6. DIRECTORS' REMUNERATION

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Emoluments for services as directors	<u>8,805</u>	<u>5,000</u>

GROVECASTLE LIMITED

NOTES TO THE ACCOUNTS - 31ST MARCH 1996

7. TAXATION

No taxation charge arises for the year in view of tax losses available.

8. TANGIBLE FIXED ASSETS

	Long Leasehold property £	Motor vehicle £	Furniture and fittings £	Total £
Cost or valuation				
At 1st April 1995	812,391	-	402,786	1,215,177
Additions	43,470	10,000	16,254	69,724
Disposals	-	(10,000)	(13,445)	(23,445)
Surplus on revaluation	1,482,109	-	-	1,482,109
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 1996	2,337,970	-	405,595	2,743,565
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1st April 1995	-	-	215,177	215,177
Charge for year	-	-	28,388	28,388
On disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 1996	-	-	243,565	243,565
	<hr/>	<hr/>	<hr/>	<hr/>
Written down values				
At 31st March 1996	£2,337,970	£ -	£ 162,030	£2,500,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 1995	£ 812,391	£ -	£ 187,609	£1,000,000
	<hr/>	<hr/>	<hr/>	<hr/>

The leasehold property consists of the hotel premises at 69 Cadogan Gardens, London, SW1. The directors have not undertaken an external professional valuation of the leasehold property and its contents as in their view the costs of such an exercise outweigh any potential benefits.

The directors have therefore revalued the property and its contents. In their view the property's open market value at 31st March 1996 was £2,500,000.

Depreciation is not provided on antique furniture and fittings with a net book value of £115,128. The directors believe that the high residual value of these items leaves a negligible rate of depreciation.

As stated in the accounting policy note 1(c), no depreciation has been provided on the leasehold property as required by Statement of Standard Accounting Practice No.12. Buildings are maintained to a high standard and therefore the directors consider that the lives of the buildings are so long and their residual values so great that their depreciation is not necessary.

GROVECASTLE LIMITED

NOTES TO THE ACCOUNTS - 31ST MARCH 1996

9. STOCKS

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Food and drink	2,888	1,789
Linen, glass and china	13,052	13,052
	<u>£ 15,940</u>	<u>£ 14,841</u>

Replacement cost of stock is not considered to be significantly different from the cost shown above.

10. DEBTORS

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Trade debtors	9,807	78,983
Other debtors	845	343
Prepayments	5,692	10,860
	<u>£ 16,344</u>	<u>£ 90,186</u>

11. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Trade creditors	-	17,898
Other creditors	-	53
Accruals	38,099	84,772
Social security and other taxes	8,239	29,041
	<u>46,338</u>	<u>131,764</u>
Bank overdrafts (secured; see note 12)	4,206	43,905
	<u>£ 50,544</u>	<u>£175,669</u>

GROVECASTLE LIMITED

NOTES TO THE ACCOUNTS - 31ST MARCH 1996

12. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1996</u> £	<u>1995</u> £
Bank loan	650,000	600,000
Loan from Ultimate Parent undertaking	74,970	-
	<u>724,970</u>	<u>600,000</u>

The bank loan is repayable in nine annual instalments of £72,222 to be repaid by 31st August 2005. A total of £361,110 is not repayable until after five years from the balance sheet date. Interest is payable on the loan at a rate equal to base rate plus 2%. Security for the bank loan and overdraft is provided by a legal charge held over the hotel premises at 69 Cadogan Gardens, London.

The loan from the ultimate parent undertaking is interest free and has no fixed repayment terms. The parent undertaking has agreed not to demand repayment of this loan until 31st March 1998 at the earliest.

The parent undertaking has also confirmed that it will provide financial support sufficient to allow the company to continue trading for the foreseeable future.

GROVECASTLE LIMITED

NOTES TO THE ACCOUNTS - 31ST MARCH 1996

13. CALLED UP SHARE CAPITAL

	<u>1996</u> £	<u>1995</u> £
Authorised		
4,900 preferred ordinary shares of £1 each	4,900	4,900
4,321,526 'A' ordinary shares of 25p each	1,080,382	1,080,382
829,437 'B' ordinary shares of 50p each	414,718	414,718
	<u>£1,500,000</u>	<u>£1,500,000</u>
Allotted, issued and fully paid		
4,900 preferred ordinary shares of £1 each	4,900	4,900
4,321,526 'A' ordinary shares of 25p each	1,080,382	1,080,382
250,000 'B' ordinary shares of 50p each	125,000	125,000
	<u>£1,210,282</u>	<u>£1,210,282</u>

The rights attaching to each class of share are as follows :

Preferred ordinary shares : Carry one vote per share at general meetings. Holders entitled to paid up portion on shares in priority to other shareholders in a winding up or return of capital. No rights with regard to profits or surplus assets on a winding up.

'A' ordinary shares : Carry one vote per share at general meetings. Holders entitled to participation in profits and surplus assets on a winding up once rights of preferred ordinary shareholders met.

'B' ordinary shares : Rights as for 'A' ordinary shares above but equating to 170 'A' shares for each 'B' share.

14. REVALUATION RESERVE

	<u>1996</u> £	<u>1995</u> £
Balance at 1st April 1995	-	-
Increase on revaluation in year	1,482,109	176,788
Transferred to profit and loss account	(246,185)	(176,788)
Balance at 31st March 1996	<u>£ 1,235,924</u>	<u>£ -</u>

GROVECASTLE LIMITED

NOTES TO THE ACCOUNTS - 31ST MARCH 1996

15. SHAREHOLDERS' FUNDS

The movement on shareholders' funds during the year was as follows:

	<u>Share capital</u> £	<u>Share premium account</u> £	<u>Profit and loss account</u> £	<u>Revaluation reserve</u> £	<u>Total</u> £
Balance at 1st April 1995 :					
Equity	1,205,382	186,617	(1,064,920)	-	327,079
Non-equity	4,900	-	-	-	4,900
Loss for the year	-	-	(34,968)	-	(34,968)
Surplus on revaluation	-	-	246,185	1,235,924	1,482,109
Balance at 31st March 1996	<u>1,210,282</u>	<u>186,617</u>	<u>(853,703)</u>	<u>1,235,924</u>	<u>1,779,120</u>
Analysed as :					
Equity	1,205,382	186,617	(853,703)	1,235,924	1,774,220
Non-equity	4,900	-	-	-	4,900
	<u>£1,210,282</u>	<u>£186,617</u>	<u>£ (853,703)</u>	<u>£1,235,924</u>	<u>£1,779,120</u>

16. DEFERRED TAXATION

No provision has been made for deferred tax. The amounts not provided for are as follows:

	<u>1996</u> Amount not provided £	<u>1995</u> Amount not provided £
Accelerated capital allowances	16,250	16,000
Losses available for future relief	(250,000)	(242,000)
Deferred tax asset	<u>£(233,750)</u>	<u>£(226,000)</u>

17. TRANSACTIONS WITH DIRECTORS

During the year certain assets, surplus to the company's requirements, were sold at market value, independently assessed, to Mr. J.H.J. Lewis, a director of the company and to Blakeney Holdings plc, a company in which Mr. Lewis is a director.

18. ULTIMATE PARENT UNDERTAKING

The ultimate parent company is Birmos Inc. incorporated in the Bahamas.