

REGISTRAR OF COMPANIES

Grovecastle Limited

Report and Accounts

For the seven months
ended 31 October 1996



Buzzacott

Company Registration Number
1799743 (England and Wales)

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
Registered number	1799743 (England and Wales)
Auditors	Buzzacott 12 New Fetter Lane London EC4A 1AP
Bankers	Royal Bank of Scotland plc., Inverness Chief Office 29 Harbour Road Inverness IV1 1NU

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part of the statutory accounts:

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Directors' report 31 October 1996

The directors present their report with the accounts of the company for the 7 months ended 31 October 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 business

A summary of the results of the seven months' trading is given on page 4 of the accounts.

Future developments

The directors expect that the trading and the state of affairs of the company will continue to improve.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors in office during the year are were as follows:

P J de Savary
L L Paton
R G Wentworth

No director had any beneficial interest in the issued share capital of the company.

Fixed assets

Acquisitions and disposals of fixed assets during the year are recorded in the notes to the accounts.

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 that period. In preparing those accounts, the directors are required to:

- ◆ select suitable accounting policies and then 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;
- ◆ prepare the accounts 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 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

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

Signed on behalf of the board of directors:


~~Secretary~~

Approved by the board on:

27 August 1997

Auditors' report 31 October 1996

Auditors' report to the shareholders of Grovecastle Limited

We have audited the accounts on pages 4 to 13 which have been prepared under the accounting policies set out on page 7.

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 of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

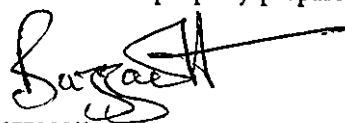
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosure in the accounts concerning the valuation of the company's leasehold property and its contents. As explained in note 7 to the accounts, the company's leasehold property and its contents were revalued to a directors' valuation at 31 March 1996. Additions since that date have been capitalised at cost. No professional or third party valuation of these assets has been obtained. Such valuation may have identified a different valuation from that of the directors with a resulting increase or reduction in the carrying value of the tangible fixed assets. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 October 1996 and of its profit for the period from 1 April 1996 to 31 October 1996 and have been properly prepared in accordance with the Companies Act 1985.



Buzzacott

Chartered Accountants and Registered Auditors

12 New Fetter Lane

London

EC4A 1AP

28 August 1997.

Profit and loss account Seven months to 31 October 1996

	Notes	Period ended 31 October 1996 £	Year ended 31 March 1996 £
Turnover	1	302,677	451,292
Cost of sales		75,335	124,205
Gross profit		227,342	327,087
 Administrative expenses		 116,778	 300,413
 Operating profit	2	 110,564	 26,674
Interest payable	3	(30,556)	(61,642)
 Profit/Loss on ordinary activities before taxation		 80,008	 (34,968)
 Taxation	6	 —	 —
 Profit/Loss on ordinary activities after taxation		 80,008	 (34,968)
 Accumulated Losses at 1 April 1996		 (853,703)	 (818,735)
 Accumulated losses 31 October 1996		 (773,695)	 (853,703)

Continuing operations

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

Historical cost profit

There is no difference between the profit on ordinary activities after taxation stated above, and the historical cost equivalent.

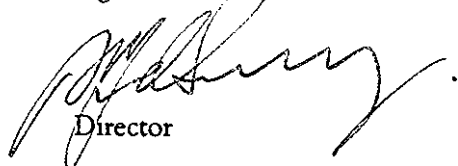
Statement of total recognised gains and losses Seven months to 31 October 1996

	Period ended 31 October 1996 £	Year ended 31 March 1996 £
Profit/loss for the period	80,008	(34,968)
Revaluation of long leasehold property	—	1,482,109
Total recognised gains and losses in the period	80,008	1,447,141

Balance sheet As at 31 October 1996

	Notes	31 October 1996 £	31 October 1996 £	31 March 1996 £	31 March 1996 £
Fixed assets					
Tangible assets	7		2,671,090		2,500,000
Current assets					
Stocks	8	19,996		15,940	
Debtors	9	34,894		16,344	
Cash at bank and in hand		102,500		22,350	
		157,390		54,634	
Creditors: amounts falling due within one year	10	(316,604)		(50,544)	
Net current (liabilities) assets			(159,214)		4,090
Total assets less current liabilities			2,511,876		2,504,090
Creditors: amounts falling due after more than one year	11		(652,748)		(724,970)
Net assets			1,859,128		1,779,120
Capital and reserves					
Called up share capital	12		1,210,282		1,210,282
Share premium account			186,617		186,617
Profit and loss account			(773,695)		(853,703)
Revaluation reserve			1,235,924		1,235,924
Shareholders' funds (including non-equity interests)	13		1,859,128		1,779,120

Signed on behalf of the board of directors by:


Director

Approved by the board on: 27 August 1997.

Principal accounting policies 31 October 1996

Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of the long leasehold property and in accordance with applicable Accounting Standards.

They are also prepared on the going concern basis which is dependent upon the ultimate parent company, Birmos 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 Ltd to continue trading for the foreseeable future.

Cash flow

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 1 'Cash flow statements'.

Turnover

Turnover represents charges to guests for hotel accommodation, food and telephone, 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:

- ◆ Furniture and Fittings 10% on costs
- ◆ Computer over 3 years

Depreciation is not provided on leasehold properties or on antique furniture and fittings (note 7).

The leasehold property and its contents were revalued at 31 March 1996. Any improvements to the leasehold and additions to furniture and fittings after this date are capitalised at cost.

Stocks

Stocks of raw materials are valued at the lower of cost and net realisable value. Stocks of glass, linen, china etc. are valued at cost and all replacements are written off to the profit and loss account.

Deferred taxation

Provision is made at appropriate 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.

Notes to the accounts 31 October 1996

1 Turnover

Turnover and the result before taxation arise solely from the company's principal activity carried out in the United Kingdom.

2 Operating profit

	Period ended 31 October 1996 £	Year ended 31 March 1996 £
This is stated after charging:		
Staff costs (note 4)	83,612	143,066
Depreciation of tangible fixed assets	25,872	28,388
Auditors' remuneration	2,767	9,533

3 Interest payable

	Period ended 31 October 1996 £	Year ended 31 March 1996 £
Payable on bank overdrafts and loans expiring within 5 years	5	58,709
Payable on loans expiring after more than 5 years	30,551	2,933
	30,556	61,642

4 Staff costs

Staff costs, including directors' remuneration were as follows:

	Period ended 31 October 1996 £	Year ended 31 March 1996 £
Wages and salaries	77,380	130,685
Social security costs	6,232	12,381
	83,612	143,066

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

Hotel Staff	14	13
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Notes to the accounts 31 October 1996

5 Directors' remuneration

	Period ended 31 October 1996 £	Year ended 31 March 1996 £
Emoluments for services as directors	17,500	8,805

6 Taxation

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

7 Tangible fixed assets

	Long leasehold property £	Furniture and fittings £	Total £
Cost or valuation			
At 1 April 1996	2,337,970	405,595	2,743,565
Additions	43,907	153,055	196,962
At 31 October 1996	2,381,877	558,650	2,940,527
Represented by:			
Cost	43,907	558,650	602,557
Valuation	2,337,970	—	2,337,970
	2,381,877	558,650	2,940,527
Depreciation			
At 1 April 1996	—	243,565	243,565
Charge for period	—	25,872	25,872
At 31 October 1996	—	269,437	269,437
Written down values			
At 31 October 1996	2,381,877	289,213	2,671,090
At 31 March 1996	2,337,970	162,030	2,500,000

The leasehold property consists principally of the hotel premises at 69 Cadogan Gardens, London, SW1. The lease of these premises is for 70 years from 25 December 1985.

The directors revalued the property and its contents at 31 March 1996. In their view the property's open market value at that date was £2,500,000. Improvements to the leasehold and additions to furniture and fittings since 31 March 1996 have been capitalised.

The directors have not undertaken an external professional valuation of the leasehold property and its contents at 31 October 1996 as in their view the costs of such an exercise outweigh any potential benefits.

7 Tangible fixed assets (Continued)

As stated in the accounting policy note on page 7, 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 material.

8 Stocks

	31 October 1996 £	31 March 1996 £
Food and drink	6,944	2,888
Linen, glass and china	13,052	13,052
	<u>19,996</u>	<u>15,940</u>

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

9 Debtors

	31 October 1996 £	31 March 1996 £
Trade debtors	16,215	9,807
Other debtors	16,785	845
Prepayments	1,894	5,692
	<u>34,894</u>	<u>16,344</u>

10 Creditors: amounts falling due within one year

	31 October 1996 £	31 March 1996 £
Other creditors	180,781	—
Accruals	30,391	38,099
Social security and other taxes	24,452	8,239
	<u>235,624</u>	<u>46,338</u>
Bank overdrafts (secured; see note 11)	8,758	4,206
Bank loan (secured; see note 11)	72,222	—
	<u>316,604</u>	<u>50,544</u>

Notes to the accounts 31 October 1996

11 Creditors: amounts falling due after more than one year

	31 October 1996 £	31 March 1996 £
Bank loan	577,778	650,000
Loan from Ultimate Parent undertaking	74,970	74,970
	652,748	724,970

	31 October 1996 £	31 March 1996 £
Bank loan due after more than one year		
Repayable between 2 -5 years	288,888	288,888
Repayable in 5 years or more	288,890	361,112
	577,778	650,000

The bank loan which totals £650,000 is repayable in nine annual instalments of £72,222 to be repaid by 31 August 2005. 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 31 October 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.

12 Called up share capital

	Authorised		Allotted, called up and fully paid	
	31 October 1996 £	31 March 1996 £	31 October 1996 £	31 March 1996 £
4,900 Preferred ordinary shares of £1 each	4,900	4,900	4,900	4,900
4,321,526 'A' ordinary shares of 25p each	1,080,382	1,080,382	1,080,382	1,080,382
829,437 'B' ordinary shares of 50p each	414,718	414,718	125,000	125,000
	1,500,000	1,500,000	1,210,282	1,210,282

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

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

12 Called up share capital (continued)

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

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

13 Shareholder's funds

	Share capital £	Share premium account £	Profit and loss account	Revaluation reserve £	Total £
Balance at 1 April 1996					
Equity	1,205,382	186,617	(853,703)	1,235,924	1,774,220
Non-equity	4,900	—	—	—	4,900
	1,210,282	186,617	(853,703)	1,235,924	1,779,120
Profit for the period	—	—	80,008	—	80,008
Balance at 31 October 1996	1,210,282	186,617	(773,695)	1,235,924	1,859,128
Analysed as:					
Equity	1,205,382	186,617	(773,695)	1,235,924	1,854,228
Non-equity	4,900	—	—	—	4,900
	1,210,282	186,617	(773,695)	1,235,924	1,859,128

14 Deferred taxation

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

	31 October 1996 Amount not provided £	31 March 1996 Amount not provided £
Accelerated capital allowances	17,000	16,250
Losses available for future relief	(231,000)	(250,000)
Deferred tax asset	(214,000)	(233,750)

Notes to the accounts 31 October 1996

15 Ultimate parent undertaking and control

The ultimate parent company is Birmos Inc. incorporated in the Bahamas. The directors are not aware of the ultimate controlling party.

16 Related party transactions

At 31 October 1996, an amount of £180,781 was owed to Skibo Limited. Certain directors of Grovecastle Limited are directors of Skibo Limited. An amount of £100,000 was lent by Skibo Limited during the year and additional purchases were made from this company totalling £80,781.

Detailed profit and loss account 7 months to 31 October 1996

This page does not form part of the statutory accounts

	Period ended 31 October 1996 £	Period ended 31 October 1996 £	Year ended 31 March 1996 £	Year ended 31 March 1996 £
Sales				
Rooms	269,009		397,858	
Food and drink	23,034		35,050	
Other	10,634		18,384	
		302,677		451,292
Cost of sales				
Salaries and wages	64,327		101,593	
Food and drink	8,596		11,252	
Other	2,412		11,360	
		75,335		124,205
Gross Profit		227,342		327,087
Administrative expenses				
Establishment expenses				
Salaries and wages	19,285		41,473	
Rent and rates	9,259		23,430	
Light, heat and power	5,592		8,088	
Insurance	4,540		10,545	
Repairs and maintenance	6,807		42,495	
Depreciation	25,872		28,388	
	71,355		154,419	
Marketing expenses				
Advertising and publicity	7,944		7,463	
Commission	15,276		27,340	
	23,220		34,803	
Administration costs				
Postage and telephone	4,264		7,929	
Printing and stationery	3,635		6,688	
Auditors' remuneration	2,767		9,533	
Professional fees	—		15,648	
Consultancy fees	—		16,250	
Bank charges	761		12,281	
General expenses	(3,775)		8,111	
Uniforms	1,483		847	
Cleaning and laundry	7,681		15,916	
Flowers	931		1,894	
Newspapers	1,856		2,859	
Staff food	2,600		4,200	
Loss on disposal of fixed asset	—		9,000	
Charitable donations	—		35	
	22,203		111,191	
		116,778		300,413
Balance carried forward		110,564		26,674

Detailed profit and loss account 7 months to 31 October 1996

This page does not form part of the statutory accounts

	Period ended 31 October 1996 £	Year ended 31 March 1996 £
Balance brought forward	<u>110,564</u>	<u>26,674</u>
Operating profit	110,564	26,674
Interest payable on bank loans and overdrafts	<u>(30,556)</u>	<u>(61,642)</u>
Profit/loss on ordinary activities	<u>80,008</u>	<u>(34,968)</u>