

**RIVERDALE SECURITIES LIMITED
T/A THE CHAMBERLAIN HOTEL**

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS**

PERIOD ENDED

31 OCTOBER 1994

Registered Number: 2307261



BDO STOY HAYWARD

Chartered Accountants

Beneficial Building, 28 Paradise Circus, Queensway, Birmingham B1 2BJ

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 1994**

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Directors A R Fitzpatrick
 E Jefferson
 R A Nicol (appointed 31 October 1994)

Secretary R A Nicol (appointed 26 February 1994)

Registered office 145 Alcester Street
 Birmingham
 B12 0PJ

Registered number 2307261

Auditors BDO Stoy Hayward
 Beneficial Building
 28 Paradise Circus
 Queensway
 Birmingham
 B1 2BJ

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 OCTOBER 1994

The Directors submit their report together with the audited financial statements for the 14 months ended 31 October 1994.

Results and dividends

The loss for the period was £407,035 of which £228,918 related to trading activities.

The Directors do not recommend the payment of a dividend which leaves retained losses of £407,035 to be transferred from reserves.

Principal activity, review of business and future developments

The principal activity of the company is that of hoteliers. The company operates the Chamberlain Hotel, Alcester Street, Birmingham.

The Directors consider that the results for the period are satisfactory given that the hotel commenced trading on 1 November 1993. The performance was achieved against the background of a continuing difficult economic climate generally. Acknowledging that the figures relate to 14 months (the first two of which represented the key period of pre-opening expenses) forecasts have largely been achieved and the future is viewed with confidence.

On 31 October 1995 the company increased its authorised share capital to 2,000,000 £1 ordinary shares. On the same day the company issued 1,100,000 £1 ordinary shares carrying no voting rights.

Fixed assets

After having acquired the garage premises, the company's freehold property was revalued on 31 October 1995 by Fleurets at the open market value of £7,600,000.

Fixed asset movements are set out in note 8 to the financial statements.

Directors

The Directors of the company throughout the period and their beneficial interests in the ordinary share capital of the company were:

	Ordinary shares of £1 each	
	31 October 1994	31 August 1993
A R Fitzpatrick	125,000	125,000
E Jefferson	125,000	125,000
R A Nicol (appointed 31 October 1994)	-	N/a

The Directors are not required to retire by rotation.

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

**REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 31 OCTOBER 1994 (CONTINUED)**

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 judgements and estimates that are reasonable and prudent;

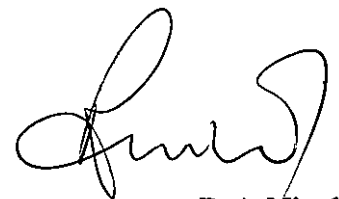
prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Auditors

With effect from 1 October 1994 our Auditors have changed their name to BDO Stoy Hayward. BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

By order of the board



R A Nicol
Secretary

31 October 1995

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 OCTOBER 1994**

	<u>Notes</u>	<u>1994</u> £	<u>1993</u> £
Turnover	2	2,580,354	-
Cost of sales		618,599	-
		<hr/>	<hr/>
Gross profit		1,961,755	-
Administrative expenses	3	1,985,262	230,174
		<hr/>	<hr/>
Loss from operations		(23,507)	(230,174)
Interest payable	6	383,528	14,838
		<hr/>	<hr/>
Loss on ordinary activities before and after taxation being the loss for the financial period		(407,035)	(245,012)
Retained loss brought forward		(308,945)	(63,933)
		<hr/>	<hr/>
Retained loss carried forward		(715,980)	(308,945)
		<hr/>	<hr/>

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 11 form part of the these financial statements.

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

BALANCE SHEET AT 31 OCTOBER 1994

	Notes	£	1994	£	1993	£
Fixed assets						
Tangible assets	8		4,355,632		3,115,472	
Current assets						
Stock	9	20,863		-		
Debtors	10	199,926		59,312		
Cash at bank and in hand		2,913		4,015		
			223,702		63,327	
Creditors falling due within one year	11	1,618,158		1,037,845		
Net current liabilities			(1,394,456)		(974,518)	
Total assets less current liabilities			2,961,176		2,140,954	
Creditors falling due after more than one year	12		2,908,656		1,681,399	
			52,520		459,555	
Capital and reserves						
Called up share capital	13	250,000		250,000		
Profit and loss account		(715,980)		(308,945)		
Directors loan account	5	518,500		518,500		
			52,520		459,555	

These accounts were approved by the board on 31 October 1995

A R FITZPATRICK

) DIRECTORS

E JEFFERSON

The notes on pages 6 to 11 form part of these financial statements

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 OCTOBER 1994**

	<u>Notes</u>	<u>1994</u>	<u>1993</u>
		£	£
Net cash inflow from operating activities	17	150,843	223,537
Returns on investments and servicing of finance			
Interest paid		(323,175)	(14,838)
Net cash outflow from returns on investments and servicing of finance		(323,175)	(14,838)
Investing activities			
Payments to acquire tangible fixed assets		(1,260,526)	(2,263,278)
Net cash outflow from investing activities		(1,260,526)	(2,263,278)
Net cash outflow before financing		(1,432,858)	(2,054,579)
Financing			
Capital element of finance lease payments		(32,596)	(14,383)
Net cash outflow from financing		(32,596)	(14,383)
Decrease in cash and cash equivalents	19	(1,465,454)	(2,068,962)

The notes on pages 6 to 11 form part of these financial statements.

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 OCTOBER 1994

1. Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards. The following accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost less estimated residual values of all fixed assets, except freehold land, over their expected useful lives. It is calculated on the original cost of the assets at the following rates:

Garage refurbishment	- over 7 years
Fixtures, fittings and equipment	- refurbishment reserve
Motor vehicles	- 25% per annum

Refurbishment reserve

An annual provision is made for refurbishment costs which relate to fixtures and fittings to keep the hotel interior at a value comparable to original cost.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest, the interest element being charged to the profit and loss account. The capital part reduces the amounts payable to the lessor. All other leases are treated as 'operating leases'. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 OCTOBER 1994 (CONTINUED)

2. Turnover and losses

The turnover and losses before taxation are attributable to the company's principal activity within the United Kingdom.

	<u>1994</u> £	<u>1993</u> £
3. Administrative expenses		
Administrative expenses include:		
Hire of plant and machinery:		
- operating leases	3,892	-
Depreciation:		
- garage refurbishments	24,977	-
- motor vehicles	1,517	1,300
Auditors' remuneration	5,000	4,500

4. Employees

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

	<u>1994</u> Number	<u>1993</u> Number
Office and management	129	5
Staff costs consist of:	£	£
Wages and salaries	948,334	80,626
Social security costs	62,954	5,733
	1,011,288	86,359
Directors' emoluments consist of:		
Fees as Directors	14,000	16,650
Remuneration for management services	28,357	8,450
	42,357	25,100

5. Transactions involving Directors

Loans to the company have been made by the Directors as follows:

A R Fitzpatrick	259,250	259,250
E Jefferson	259,250	259,250
	518,500	518,500

The loans are unsecured and interest of 10% per annum is payable. The loans have been subordinated in favour of amounts due to the banks.

During the period the company made an accrual of £65,848 for rent payable to the Trustees of Fitzpatrick Property Investments Limited Directors Pension Fund in respect of the garage premises, the freehold of which is owned by the fund. Mr A R Fitzpatrick is a beneficiary of the fund.

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 1994 (CONTINUED)**

	<u>1994</u> £	<u>1993</u> £
6. Interest payable		
Loans repayable within 5 years	152,660	12,862
Loans repayable within 10 years	227,193	-
Finance leases	3,675	1,976
	<hr/>	<hr/>
	383,528	14,838
	<hr/>	<hr/>

7. Taxation

No corporation tax arises on these accounts.

8. Tangible assets	<u>Freehold Land and Buildings</u> £	<u>Garage refurb- ishment</u> £	<u>Fixtures fittings & equipment</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
Cost or valuation					
At beginning of period	3,003,782	7,830	99,960	5,200	3,116,772
Additions	228,038	167,010	871,606	-	1,266,654
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	3,231,820	174,840	971,566	5,200	4,383,426
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of period	-	-	-	1,300	1,300
Provided for the period	-	24,977	-	1,517	26,494
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	-	24,977	-	2,817	27,794
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book values at					
31 October 1994	3,231,820	149,863	971,566	2,383	4,355,632
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book values at					
31 August 1993	3,003,782	7,830	99,960	3,900	3,115,472
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book values of tangible fixed assets includes an amount of £39,452 (1993: £49,315) in respect of assets held under finance leases. The depreciation charge for the period on these assets was £9,863 (1993: £Nil) which is included in the refurbishment reserve.

The company's freehold property was revalued on 31 October 1995 by Fleurets at the open market value of £7,600,000 having acquired the garage premises. This results in a surplus of £4,368,180 and would give rise to a tax charge of £1,441,499 if sold at this value.

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 OCTOBER 1994 (CONTINUED)

	<u>1994</u> £	<u>1993</u> £
9. Stock		
Food and liquor	20,863	-
	<hr/>	<hr/>
10. Debtors		
Trade debtors	158,843	51,392
Prepayments and accrued income	41,083	7,920
	<hr/>	<hr/>
	199,926	59,312
	<hr/>	<hr/>
11. Creditors falling due within one year		
Bank loans (secured - see note 12)	127,310	-
Bank overdraft (secured - see note 12)	636,329	425,852
Trade creditors	233,693	181,640
Taxation and social security	207,675	4,391
Directors current account	19,870	-
Accruals and deferred income	286,905	23,371
Obligations under finance leases	8,464	24,658
Other creditors	97,912	377,933
	<hr/>	<hr/>
	1,618,158	1,037,845
	<hr/>	<hr/>
12. Creditors falling due after more than one year		
Bank loans	2,772,690	1,646,125
Obligations under finance leases	-	10,274
Deferred income	135,966	25,000
	<hr/>	<hr/>
	2,908,656	1,681,399
	<hr/>	<hr/>

Obligations under finance leases are due as follows:

Within 1-2 years	-	10,274
	<hr/>	<hr/>

The bank loans and overdraft are secured by fixed and floating charges over the assets of the company.

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 1994 (CONTINUED)**

13. Share capital

	Authorised		Allotted, called up and fully paid	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Ordinary shares of £1 each	250,000	250,000	250,000	250,000

14. Post balance sheet events

On 31 October 1995 the company increased its authorised share capital to 2,000,000 £1 ordinary shares. On the same day the company issued 1,100,000 £1 ordinary shares carrying no voting rights.

15. Capital commitments

	<u>1994</u>	<u>1993</u>
	<u>£</u>	<u>£</u>
Contracted for	Nil	Nil
Authorised but not contracted for	Nil	Nil

16. Reconciliation of movements in shareholders' funds

Loss for the financial period	(407,035)	(245,012)
Opening shareholders funds	459,555	704,567
Closing shareholders funds	52,520	459,555

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 1994 (CONTINUED)**

	1994 £	1993 £	
17. Reconciliation of operating loss to net cash inflow from operating activities			
Operating loss	(23,507)	(230,174)	
Depreciation charges	26,494	1,300	
Refurbishment reserve	55,389	-	
Increase in stocks	(20,863)	-	
Increase in debtors	(140,614)	(56,684)	
Increase in creditors	253,944	509,095	
	<hr/>	<hr/>	
Net cash inflow from operating activities	150,843	223,537	
	<hr/>	<hr/>	
18. Analysis of changes in cash and cash equivalents during the period			
Balance at beginning of period	(2,067,962)	1,000	
Net cash outflow	(1,465,454)	(2,068,962)	
	<hr/>	<hr/>	
Balance at end of period	(3,533,416)	(2,067,962)	
	<hr/>	<hr/>	
19. Analysis of the balances of cash and cash equivalents as shown in the balance sheet			
	1994 £	1993 £	Change in period £
<u>1994</u>			
Cash at bank and in hand	2,913	4,015	(1,102)
• Bank overdrafts	(636,329)	(425,852)	(210,477)
Bank loans	(2,900,000)	(1,646,125)	(1,253,875)
	<hr/>	<hr/>	<hr/>
	(3,533,416)	(2,067,962)	(1,465,454)
	<hr/>	<hr/>	<hr/>
	1993 £	1992 £	Change in year £
<u>1993</u>			
Cash at bank and in hand	4,015	1,000	3,015
Bank overdrafts	(425,852)	-	(425,852)
Bank loans	(1,646,125)	-	(1,646,125)
	<hr/>	<hr/>	<hr/>
	(2,067,962)	1,000	(2,068,962)
	<hr/>	<hr/>	<hr/>

RIVERDALE SECURITIES LIMITED T/A THE CHAMBERLAIN HOTEL

REPORT OF THE AUDITORS

To the shareholders of Riverdale Securities Limited

We have audited the financial statements on pages 3 to 11 which have been prepared under 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 the 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 an 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 misstatements, 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 1994 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
Chartered Accountants
& Registered Auditors
Birmingham B1 2BJ

31 October 1995