

Riverdale Securities Limited

T/A The Chamberlain Hotel

Directors' report and financial statements

For the year ended 31 October 1996

Registered Number 2307261



Riverdale Securities Limited

T/A The Chamberlain Hotel

Directors' report and financial statements

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Riverdale Securities Limited

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Directors' report (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 for that period. In preparing those financial statements, the directors are required to:

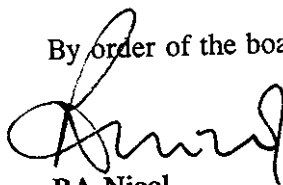
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



RA Nicol
Secretary

145 Alcester Street
Birmingham
B12 0PJ

Riverdale Securities Limited

T/A The Chamberlain Hotel

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 1996.

Principal activities, business review and future developments



2 Cornwall Street
Birmingham
B3 2DL

Auditors' report to the members of Riverdale Securities Limited

We have audited the financial statements on pages 4 to 16.

Respective responsibilities of directors and auditors

As described on page 2, 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.

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

15 MAY 1997

Riverdale Securities Limited

T/A The Chamberlain Hotel

Profit and loss account for the year ended 31 October 1996

	Note	1996 £	1995 £
Turnover - continuing operations	2	4,062,469	3,436,900
Cost of sales		(649,762)	(716,857)
Gross profit		<u>3,412,707</u>	<u>2,720,043</u>
Administrative expenses		(2,622,995)	(2,126,015)
Operating profit - continuing operations		<u>789,712</u>	<u>594,028</u>
Interest receivable	7	3,272	3,304
Interest payable	8	(317,820)	(352,649)
Profit on ordinary activities before and after taxation, being the profit for the financial year and amount transferred to reserves	3,9	475,164	244,683
Retained loss brought forward		(471,297)	(715,980)
Retained profit/(loss) carried forward		<u>3,867</u>	<u>(471,297)</u>

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

In both the current and preceding years, there was no material difference between the profit reported in the profit and loss account and the profit on an unmodified historical cost basis.

Riverdale Securities Limited

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Balance sheet

at 31 October 1996

	Note	1996 £	£	1995 £	£
Fixed assets					
Tangible assets	10	7,700,879		7,600,000	
Current assets					
Stock	11	26,411		26,805	
Debtors	12	393,086		320,072	
Cash at bank and in hand		7,338		11,200	
		<u>426,835</u>		<u>358,077</u>	
Creditors: Amounts falling due within one year	13	<u>(1,269,947)</u>		<u>(1,587,793)</u>	
Net current liabilities			<u>(843,112)</u>		<u>(1,229,716)</u>
Total assets less current liabilities			<u>6,857,767</u>		<u>6,370,284</u>
Creditors: Amounts falling due after more than one year	14		<u>(2,655,098)</u>		<u>(2,642,779)</u>
Net assets			<u>4,202,669</u>		<u>3,727,505</u>
Capital and reserves					
Called up share capital:					
Ordinary voting	16	250,000		250,000	
Ordinary non-voting	16	1,100,000		1,100,000	
Revaluation reserve	17	2,848,802		2,848,802	
Profit and loss account	17	3,867		(471,297)	
Shareholders' funds	20		<u>4,202,669</u>		<u>3,727,505</u>

These financial statements were approved by the board of directors on 15 May 1997 and were signed on its behalf by:

AR Fitzpatrick

E Jefferson
Directors

KPMG

Riverdale Securities Limited

T/A The Chamberlain Hotel

Cash flow statement

for the year ended 31 October 1996

	Note	1996 £	1995 £
Net cash inflow from operating activities	22	833,112	14,578
Returns on investments and servicing of finance			
Interest paid	(298,470)	(351,916)	
Interest received	3,272	3,304	
		<u>(295,198)</u>	<u>(348,612)</u>
Net cash outflow from returns on investments and servicing of finance			
Investing activities			
Purchase of tangible fixed assets	(122,309)	(524,418)	
Sale of tangible fixed assets	-	134,827	
		<u>(122,309)</u>	<u>(389,591)</u>
Net cash outflow from investing activities			
Net cash inflow/(outflow) before financing		415,605	(723,625)
Financing			
New long term loans	3,000,000	-	
Repayment of amounts borrowed	(2,936,815)	(109,439)	
Issue of share capital	-	1,100,000	
Capital element of finance lease payments	-	(8,464)	
Payment of directors' loans	-	(518,500)	
		<u>63,185</u>	<u>463,597</u>
Net cash inflow from financing			
Increase/(decrease) in cash and cash equivalents	23	<u>478,790</u>	<u>(260,028)</u>

Riverdale Securities Limited

T/A The Chamberlain Hotel

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

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.

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 and buildings, over their expected useful lives. It is calculated on the original cost of the assets at the following rates:

Fixtures, fittings and equipment	-	refurbishment reserve
Computer equipment	-	25 % per annum

No depreciation is provided on freehold or long leasehold buildings. It is the company's policy to maintain hotel properties in such condition that their value is not diminished by the passage of time and the relevant expenditure is charged to profit before taxation in the year in which it is incurred. Therefore, any element of depreciation is considered to be immaterial and no provision is made.

Refurbishment reserve

An annual provision is made for refurbishment costs which relate to fixtures, fittings and equipment to maintain the standards and operational qualities of the hotel.

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.

Riverdale Securities Limited

T/A The Chamberlain Hotel

Notes (continued)

1 Accounting policies (continued)

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.

2 Turnover and profits

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

3 Profit on ordinary activities before taxation

	1996	1995
	£	£
<i>Profit on ordinary activities before taxation is stated</i>		

after charging

Hire of other assets:		
Operating leases	97,731	88,750
Depreciation:		
Computer equipment	21,430	-
Garage refurbishments	-	25,509
Motor vehicles	-	100
Auditors' remuneration	8,500	5,000
	<hr/>	<hr/>

4 Directors' emoluments

	1996	1995
	£	£
Remuneration for management services	98,964	57,887
Payments to third parties for directors' services	254,248	117,068
	<hr/>	<hr/>
	353,212	174,955
	<hr/>	<hr/>

Riverdale Securities Limited

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Notes (continued)

4 Directors' emoluments (continued)

Third parties are companies controlled by E Jefferson and AR Fitzpatrick who are directors of the company. These payments are made under consultancy agreements for the services of these directors.

The directors' emoluments above include amounts paid to the highest paid director of £150,436 (1995: £69,093).

Directors' emoluments fell in the following ranges:

		Number of directors	
		1996	1995
£40,001	- £45,000	-	1
£55,001	- £60,000	-	1
£65,001	- £70,000	-	1
£95,001	- £100,000	1	-
£100,001	- £105,000	1	-
£150,001	- £155,000	1	-

5 Staff numbers and costs

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

		Number of employees	
		1996	1995
Office and management		178	168

The aggregate payroll costs of these persons were as follows:

		£	£
Wages and salaries		1,247,880	1,080,214
Social security costs		76,069	68,573
		1,323,949	1,148,787

6 Transactions involving directors

During the year, the company paid £Nil (1995: £36,552) for rent to the trustees of Fitzpatrick Property Investments Limited Directors' Pension Fund in respect of the garage premises. Mr AR Fitzpatrick is a beneficiary of the fund.

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Notes (continued)

7 Interest receivable

	1996	1995
	£	£
Bank interest	<u>3,272</u>	<u>3,304</u>

8 Interest payable

	1996	1995
	£	£
On bank loans, overdrafts and other loans wholly repayable:		
Within five years	112,201	155,264
Within ten years	205,619	196,330
Finance leases	<u>-</u>	<u>1,055</u>
	<u>317,820</u>	<u>352,649</u>

9 Taxation

No corporation tax arises on these financial statements due to the availability of trading losses at 31 October 1996 which, subject to agreement with HMIT, amounted to £1,009,397 (1995: £1,476,748).

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Notes (continued)

10 Tangible assets

	Freehold land and buildings	Fixtures, fittings and equipment	Computer equipment	Total
	£	£	£	£
Cost or valuation				
At beginning of year	6,589,509	939,026	71,465	7,600,000
Additions	19,530	88,522	14,257	122,309
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6,609,039	1,027,548	85,722	7,722,309
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning and end of year	-	-	21,430	21,430
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 October 1996	6,609,039	1,027,548	64,292	7,700,879
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1995	6,589,509	939,026	71,465	7,600,000
	<hr/>	<hr/>	<hr/>	<hr/>

The company's freehold property was revalued on 31 October 1995 on an "Estimated Realisation Price" basis at a value of £7,600,000, having acquired the garage premises and taking account of the trading potential. This results in a surplus of £2,848,802 on the original cost of £4,751,198 and would give rise to a tax charge of £968,593 (1995: £940,105) if sold at this value.

11 Stock

	1996 £	1995 £
Food and liquor	26,411	26,805
	<hr/>	<hr/>

Riverdale Securities Limited

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Notes (continued)

12 Debtors

	1996 £	1995 £
Trade debtors	286,722	239,040
Other debtors	30,641	1,927
Prepayments and accrued income	75,723	79,105
	<u>393,086</u>	<u>320,072</u>

13 Creditors: Amounts falling due within one year

	1996 £	1995 £
Bank loans (secured - see note 14)	198,648	147,782
Bank overdraft (secured - see note 14)	421,992	904,644
Trade creditors	194,754	125,519
Taxation and social security	122,778	53,268
Directors' current account	33,614	43,461
Other creditors	9,217	92,511
Accruals and deferred income	288,944	220,608
	<u>1,269,947</u>	<u>1,587,793</u>

14 Creditors: Amounts falling due after more than one year

	1996 £	1995 £
Bank loans	<u>2,655,098</u>	<u>2,642,779</u>

Of the bank loans, £1,224,281 is payable after more than five years. This is based upon the assumption of fixed four weekly repayment instalments of £34,166 and an interest rate of 9.88%.

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

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Notes (continued)

15 Provisions for liabilities and charges

	1996		1995	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and amortisation on capital allowances	413,303	-	310,000	-
Losses	(413,303)	-	(310,000)	-
On revaluation of land and buildings	-	1,056,028	-	1,050,243
	<u>-</u>	<u>1,056,028</u>	<u>-</u>	<u>1,050,243</u>

No provision has been made in respect of the potential chargeable gain on the revaluation of the land and buildings as the directors have no present intention to dispose of the property.

16 Share capital

	1996 £	1995 £
Authorised:		
Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>1,350,000</u>	<u>1,350,000</u>

Of the 1,350,000 ordinary shares in issue, £1,100,000 represent £1 non-voting shares.

17 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of year	2,848,802	(471,297)
Profit for the financial year	-	475,164
	<u>2,848,802</u>	<u>3,867</u>

Riverdale Securities Limited

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Notes (continued)

18 Post balance sheet events

On 10 January 1997, contracts were exchanged on the purchase of Berkley House, Birmingham for £4.5 million, completion is scheduled to take place on 24 June 1997.

19 Commitments

(i) There were no capital commitments (other than as stated in note 18 above) contracted for at the year end (1995: £Nil).

(ii) Annual commitments under non-cancellable operating leases are as follows:

	1996 £	1995 £
Operating leases which expire:		
Within one year	1,750	-
In the second to fifth years inclusive	97,860	92,043
Over five years	3,494	3,494
	<u>103,104</u>	<u>95,537</u>

20 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit for the financial year	475,164	244,683
Revaluation reserve	-	2,848,802
New share capital subscribed	-	1,100,000
Directors' loan repaid	-	(518,500)
	<u>475,164</u>	<u>3,674,985</u>
Net addition to shareholders' fund	475,164	3,674,985
Opening shareholders' funds	3,727,505	52,520
	<u>4,202,669</u>	<u>3,727,505</u>
Closing shareholders' funds		

21 Contingent liabilities

The company received a grant for £152,146 for improvements to the leasehold garage property at Westminster Works, Moseley Street. During 1995, the company purchased the freehold.

The directors do not anticipate selling the property but if they should do so within five years of 23 November 1993, the grant or a part thereof may become repayable.

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Notes (continued)

22 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £	1995 £
Operating profit	789,712	594,028
Depreciation charges	21,430	25,609
Decrease/(increase) in stocks	394	(5,942)
Increase in debtors	(68,740)	(120,146)
Increase/(decrease) in creditors	90,316	(475,356)
Profit on sale of assets	-	(3,615)
	<hr/>	<hr/>
Net cash inflow from operating activities	833,112	14,578
	<hr/>	<hr/>

23 Analysis of changes in cash and cash equivalents during the year

	1996 £	1995 £
Balance at beginning of year	(893,444)	(893,444)
Net cash inflow	478,790	260,028
	<hr/>	<hr/>
Balance at end of year	(414,654)	(633,416)
	<hr/>	<hr/>

24 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1996 £	1995 £	Change in year £
Cash at bank and in hand	7,338	11,200	(3,862)
Bank overdrafts	(421,992)	(904,644)	482,652
	<hr/>	<hr/>	<hr/>
	(414,654)	(893,444)	478,790
	<hr/>	<hr/>	<hr/>

Riverdale Securities Limited

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Notes *(continued)*

24 Analysis of the balances of cash and cash equivalents as shown in the balance sheet *(continued)*

	1995	1994	Change in period
	£	£	£
Cash at bank and in hand	11,200	2,913	8,287
Bank overdrafts	(904,644)	(636,329)	(268,315)
	<u>(893,444)</u>	<u>(633,416)</u>	<u>(260,028)</u>