

Phoenicia Hotel Company Limited

**Directors' Report
and
Financial Statements
2001/2002**



Directors

Mrs L M Mackenzie
Dr V E Ragonesi
Mr D O Maloney
Mr I D Ferguson

Secretaries

Dr V E Ragonesi
Mrs L M Mackenzie

Registered Office

166 High Holborn
London WC1V 6TT
United Kingdom

Auditors

KPMG Audit Plc
1 Puddle Dock
Blackfriars
London EC4V 3PD
United Kingdom

Bankers

Bank of Valletta p.l.c.
Development House
St Anne Street
Floriana
Malta

Solicitors

Dr V E Ragonesi LL.D.
19 Sta Lucia Street
Valletta
Malta

UK Companies House Registration Number
305858

Phoenicia Hotel Company Limited

Directors' Report and Financial Statements

2001/2002

Contents

	Page
Directors' Report	1 - 2
Statement of Directors' Responsibilities	3
Independent Auditors' Report	4 - 5
Profit and Loss Account	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Financial Statements	9 - 19

Phoenicia Hotel Company Limited

Directors' Report

For the Period 1 October 2001 to 30 June 2002

The directors present their report together with the audited financial statements of the Company for the period 1 October 2001 to 30 June 2002. During the period, the Company changed its accounting reference date from 30 September to 30 June.

Principal Activities

The principal activity of the Company is the operation of Le Meridien Phoenicia Hotel in Malta.

Review of Business

Both the level of business and the period end financial position remain satisfactory. In June 2002, the Company discontinued the operation of the Phoenicia Laundry. The level of activity of the Le Meridien Phoenicia Hotel is expected to improve.

Trading Results

A summary of the results for the period is as follows:

	Turnover		Net Profit/(Loss)	
	Period Ended 30.06.02	Year Ended 30.09.01	Period Ended 30.06.02	Year Ended 30.09.01
	Lm	Lm	Lm	Lm
Le Meridien Phoenicia	1,739,255	2,610,698	30,108	278,595
Laundry	179,055	377,382	(181,362)	(10,242)
	<u>1,918,310</u>	<u>2,988,080</u>	<u>(151,254)</u>	<u>268,353</u>

Dividends and Transfer to Reserves

The directors do not recommend the payment of a dividend for the period.

Changes in Fixed Assets

The movements in fixed assets during the period are set out in note 8 to the financial statements.

Phoenicia Hotel Company Limited

Directors' Report

For the Period 1 October 2001 to 30 June 2002

Directors

The directors of the Company as at 30 June 2002 were as follows:

Ms L M Mackenzie		
Mr J R Elton	(Appointed: 17 September 2001	Resigned: 7 October 2002)
Mr R L Mahoney	(Appointed: 17 September 2001	Resigned: 31 January 2003)
Dr V E Ragonesi		
Mr D O Maloney	(Appointed: 7 October 2002)	
Mr I D Ferguson	(Appointed :7 October 2002)	

Directors' Interests

The directors who held office at the end of the financial period had the following interests in the Ordinary B shares of £0.01 of Meridien Services Company Plc, a group company, according to the register of directors' interests:

	Interests at end of period	Interests at start of period or date of appointment
Mr JR Elton	7,500	-
Mr RL Mahoney	10,000	-

None of the directors who held office at the end of the financial period had any disclosable interests in the shares of the company.

Elective Resolutions

The Company has passed Elective Resolutions to dispense with the laying of the Annual Report and Financial Statements before the Company in the General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to Sections 252, 386 and 366A respectively of the Companies Act, 1985.

By Order of the Board



LM Mackenzie
Director

166 High Holborn
London WC1V 6TT
United Kingdom

28 July 2003

Phoenicia Hotel Company Limited

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 these 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;
- 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.

Independent Auditors' Report

To the Members of Phoenicia Hotel Company Limited

We have audited the financial statements on pages 6 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page 3, the directors are responsible for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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 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. As referred to in note 1(b), the financial statements have been prepared on the going concern basis that assumes the Newgate Capital Limited group will continue in its existing form following what the directors expect to be a successful renegotiation of its existing funding arrangements. However, the evidence available to us was limited because it is too early in the course of negotiations over the future financing of the group for the implication for its future strategy to be clear. Consequently, we were unable to complete sufficient audit procedures to obtain adequate assurance regarding the directors' assessment of the appropriateness of preparing the financial statements of this Company on a going concern basis. The preparation of the financial statements on a basis other than as a going concern could have a significant effect on the assets and liabilities of the Company at 30 June 2002 and on the results for the period then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report

To the Members of Phoenicia Hotel Company Limited (*continued*)

Opinion – disclaimer on view given by financial statements

Because of the possible effect of the limitation of evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company as at 30 June 2002 and of the loss of the Company for the year then ended. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect of the limitation in scope of our work relating to the proposed refinancing, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 July 2003
8 Salisbury Square
London
EC4Y 8BB

Phoenicia Hotel Company Limited

Profit and Loss Account

For the Period 1 October 2001 to 30 June 2002

		2002	2001
	Note	Lm	Lm
Turnover		1,918,310	2,988,080
Cost of Sales		(1,584,677)	(2,196,100)
Gross Profit		333,633	791,980
Net Operating Expenses	2	(401,652)	(523,906)
Costs of Discontinued Operation	3	(102,913)	-
Operating (Loss)/Profit	4	(170,932)	268,074
Interest Receivable	5(a)	59,538	82,943
Interest Payable and Similar Charges	5(b)	(39,860)	(82,664)
(Loss)/Profit for the Financial Period/Year		(151,254)	268,353

The Company has no recognised gains or losses, other than the profit for the period as shown above.

There were no material differences between reported profits and losses and historical profits and losses on ordinary activities before tax.

The notes on pages 9 to 19 form part of these financial statements.

Phoenicia Hotel Company Limited

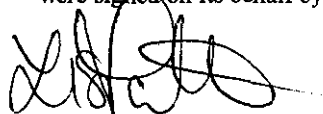
Balance Sheet

At 30 June 2002

		2002		2001
	Note	Lm	Lm	Lm
Fixed Assets				
Tangible Assets	8	1,169,319		1,392,638
Parent Company Loan	9	1,526,338		1,586,044
		-----		-----
			2,695,657	2,978,682
			-----	-----
Current Assets				
Stocks		76,482		107,664
Debtors	10	681,476		760,409
Cash at Bank and in Hand		358,110		490,331
		-----		-----
		1,116,068		1,358,4048

Creditors: Amounts falling due within One Year	11	1,306,604		680,711
		-----		-----
Net Current (Liabilities)/Assets			(190,536)	677,693
			-----	-----
Total Assets less Current Liabilities			2,505,121	3,656,375
			-----	-----
Creditors: Amounts falling due after more than One Year	11		-	1,000,000
			-----	-----
Net Assets			2,505,121	2,656,375
			=====	=====
Capital and Reserves				
Called Up Equity and Non-Equity Share Capital	12	363,600		363,600
Capital Reserve	13	-		97,929
Profit and Loss Account	13	2,141,521		2,194,846
			-----	-----
Shareholders' Funds	14	2,505,121		2,656,375
			=====	=====

The financial statements on pages 6 to 19 were approved by the Board of Directors on 28th July 2003 and were signed on its behalf by:



L M Mackenzie
Director

Phoenicia Hotel Company Limited

Cash Flow Statement

For the Period 1 October 2001 to 30 June 2002

		2002		2001
	Note	Lm	Lm	Lm
Net Cash Inflow from Operating Activities	15		85,226	406,136

Return on Investments and Servicing of Finance				
Interest Paid		(39,860)		(82,664)
		-----		-----
			(39,860)	(82,664)

Taxation			-	10,570

Capital Expenditure and Financial Investment				
Payments to Acquire Tangible Fixed Assets		(42,056)		(221,114)
Funds Advanced to Related Companies		(400)		(1,024)
Repayment of Funds Advanced to Related Company		172,283		541,316
		-----		-----
			129,827	319,178
			-----	-----
Cash Inflow before Financing			175,193	653,220

Financing				
Loan Advanced by Related Company		-		1,000,000
Funds Advanced by Related Company		19,311		-
Repayment of Funds Advanced by Related Company		-		(128,481)
Repayment of Bank Loan Advanced to Company		-		(1,370,836)
Repayment of Loan Advanced by Related Company	16	(326,725)		-
		-----		-----
			(307,414)	(499,317)
			-----	-----
(Decrease)/Increase in Cash	16		(132,221)	153,903
			=====	=====

The notes on pages 9 to 19 form part of these financial statements.

Phoenicia Hotel Company Limited

Notes to the Financial Statements

For the Period 1 October 2001 to 30 June 2002

1 Accounting Policies

(a) Currency

The financial statements have been prepared in Maltese Lira (Lm). The rate of exchange at 30 June 2002 was Lm1 = £Stg1.5525 (2001: Lm1 = £Stg1.5335).

(b) Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified by the revaluation of certain fixed assets.

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the following reasons.

The Company is part of the group headed by Newgate Capital Limited. The Board of directors of Meridien Intermediate Holding Company 1 Limited, a wholly owned subsidiary of Newgate Capital Limited, and whose directors are engaged in discussion with the lenders below, has indicated to the Company's directors that, it is their current intention that, liabilities to group companies would not be called for payment such that debts to third parties could not be paid as they fell due. As a member of the group, however, the Company is party to certain borrowing agreements (note 17(b)) and depends on the continuance of group funding facilities for its own position as a going concern as the Company may require further group finance. The directors of Meridien Intermediate Holding Company 1 Limited have summarised the present situation as follows:

"The group breached the terms of certain of its borrowing facilities, under which a total of approximately £Stg1 billion was drawn as at 30 June 2002, including a default on a £Stg100 million repayment due on 13 January 2003 and breaches of financial covenants for the period ended 31 March 2003. Of the £Stg100 million loan repayment, £Stg59 million was paid by the due date and £Stg41 million was repaid in accordance with a revised repayment schedule.

On 10 April 2003, the relevant lenders agreed to suspend their rights under the loan agreements arising from these breaches until 19 May 2003. Certain conditions were imposed upon the Directors including the completion of a revised business plan. All of these conditions have been complied with. These arrangements have been extended by mutual agreement between the respective parties.

The Directors have prepared a revised business plan, which includes projected operating cashflow information for the period ending 30 June 2008 together with a recent valuation by external valuers of the group's owned hotel portfolio. On the basis of this information and the ongoing discussions with the group's lenders and stakeholders as to the amounts and terms of facilities that they expect to be able to provide to the group and the restructuring of the group's finances to match the business needs and forecasts, the Directors believe it is not unreasonable that the group will negotiate revised banking facilities, together with additional refinancing from the group's stakeholders, and operate within them during that period, and that this is sufficient grounds for issuing financial statements prepared on the going concern basis."

Phoenicia Hotel Company Limited

Notes to the Financial Statements

For the Period 1 October 2001 to 30 June 2002

1 Accounting Policies (Cont.)

(b) Basis of Preparation (Cont.)

Whilst there can be no certainty in relation to the above matters, the directors of the Company consider that, having regard to the above, it is appropriate to prepare the accounts on a going concern basis. The financial statements do not include any adjustments which would result from a failure to generate adequate funds from trading, should the group fail to negotiate revised banking facilities or otherwise to continue without calling in liabilities to other group companies.

(c) Turnover and Profit

Turnover represents amounts receivable for goods and services provided in Malta net of sales rebates and indirect taxes relating thereto.

(d) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or revalued amounts less accumulated depreciation. Depreciation is provided on all tangible fixed assets, other than crockery, utensils and linen, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life. The useful lives of such assets are estimated between 4 to 20 years.

Crockery, utensils and linen are dealt with on a replacement basis.

(e) Deferred Taxation

Deferred tax is provided for liabilities that will probably crystallise in the future, using the liability method.

(f) Stocks

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

(g) Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

(h) Capital Instruments

Capital instruments are classified as debt, non-equity shares and equity shares in accordance with the requirements of FRS 4.

Phoenicia Hotel Company Limited

Notes to the Financial Statements

For the Period 1 October 2001 to 30 June 2002

2 Net Operating Expenses

	2002	2001
	Lm	Lm
Administrative Expenses	283,423	387,384
Selling Costs	118,229	136,522
	<u>401,652</u>	<u>523,906</u>

3 Costs of Discontinued Operation

	2002	2001
	Lm	Lm
Terminal Benefits	42,133	-
Impairment Loss – Tangible Fixed Assets (Note 8)	32,002	-
Stock Write-Offs	22,309	-
Other Write-Offs	6,469	-
	<u>102,913</u>	<u>-</u>

4 Operating (Loss)/Profit

Operating (loss)/profit is stated after charging the following:

	2002	2001
	Lm	Lm
Directors' Emoluments:		
Fees	938	1,250
Auditors' Remuneration:		
Audit Fee	3,000	4,100
Depreciation	<u>137,832</u>	<u>164,612</u>

Phoenicia Hotel Company Limited

Notes to the Financial Statements

For the Period 1 October 2001 to 30 June 2002

5 Interest		2002	2001
		Lm	Lm
(a) Interest Receivable			
From Group Companies:			
Local		53,568	68,457
Foreign		5,970	14,486
		<u>59,538</u>	<u>82,943</u>
(b) Interest Payable and Similar Charges			
Interest on Group Company Loan		53,568	-
Interest on Bank Loan and Similar Charges		-	82,165
Other Bank Interest		-	499
Reversal of Overstated Charges in Previous Years		(13,708)	-
		<u>39,860</u>	<u>82,664</u>

6 Taxation

No charge for income tax has been made in view of the unrelieved tax losses and unabsorbed capital allowances available for set-off against the Company's taxable income. Unrelieved tax losses and unabsorbed capital allowances carried forward for set-off against future taxable income amount to Lm245,284 (2001: unrelieved tax losses amounting to Lm22,298).

7 Discontinued Operation

- (a) During the period the directors decided to discontinue the Laundry operation which was effectively closed down on 6 June 2002. The Laundry's assets were written down by Lm60,780 to their net recoverable amount. The total assets and total liabilities of the discontinuing operation as at 30 June 2002 amounted to Lm328,728 and Lm29,769 respectively. Subsequent to balance sheet date, the Company initiated the disposal of the idle plant and stock of consumables.

Phoenicia Hotel Company Limited

Notes to the Financial Statements

For the Period 1 October 2001 to 30 June 2002

7 Discontinued Operation (Contd.)

(b) The loss (2001: profit) for the period/year is analysed as follows:

	Continuing Operation		Discontinued Operation		Total Operations	
	2002	2001	2002	2001	2002	2001
	Lm	Lm	Lm	Lm	Lm	Lm
Turnover	1,739,255	2,610,698	179,055	377,382	1,918,310	2,988,080
Cost of Sales	(1,373,200)	(1,872,973)	(211,477)	(323,127)	(1,584,677)	(2,196,100)
Gross Profit/(Loss)	366,055	737,725	(32,422)	54,255	333,633	791,980
Net Operating Expenses	(355,625)	(459,409)	(46,027)	(64,497)	(401,652)	(523,906)
Costs of Discontinued Operation	-	-	(102,913)	-	(102,913)	-
Operating Profit/(Loss)	10,430	278,316	(181,362)	(10,242)	(170,932)	268,074
Interest Receivable	59,538	82,943	-	-	59,538	82,943
Interest Payable	(39,860)	(82,664)	-	-	(39,860)	(82,664)
Profit/(Loss) for the Financial Period/Year	30,108	278,595	(181,362)	(10,242)	(151,254)	268,353

Phoenicia Hotel Company Limited

Notes to the Financial Statements

For the Period 1 October 2001 to 30 June 2002

8 Tangible Fixed Assets

(a)	Total	Plant Machinery and Equipment	Crockery, Utensils and Linen	Construction Works in Progress
	Lm	Lm	Lm	Lm
Cost				
At 01.10.01	2,578,261	2,376,539	142,713	59,009
Additions	5,524	5,524	-	-
Reclassification: Parent Company Loan	(59,009)	-	-	(59,009)
At 30.06.02	2,524,776	2,382,063	142,713	-
Depreciation and Impairment				
At 01.10.01	1,185,623	1,185,623	-	-
Charge for Period	137,832	137,832	-	-
Impairment Loss (Note 3)	32,002	32,002	-	-
At 30.06.02	1,355,457	1,355,457	-	-
Net Book Value				
At 30.06.02	1,169,319	1,026,606	142,713	-
At 30.09.01	1,392,638	1,190,916	142,713	59,009

- (b) The impairment loss has been calculated on the basis of the estimated net recoverable amount of the respective assets, consequent to the decision to close down the Laundry operation (note 7).

9 Parent Company Loan

The amount owed by the parent company is unsecured, interest free and has no fixed date for repayment.

10 Debtors

	2002	2001
	Lm	Lm
Trade Debtors	431,615	509,688
Due by Group Companies	185,069	171,668
Due by Related Companies	-	7,031
Taxation Recoverable	4,623	4,623
Prepayments and Accrued Income	60,169	67,399
	681,476	760,409

The amounts due by Group Companies bear interest at 6.125% per annum.

Phoenicia Hotel Company Limited

Notes to the Financial Statements

For the Period 1 October 2001 to 30 June 2002

11 Creditors

	2002	2001
	Lm	Lm
Amounts falling due within One Year		
Trade Creditors	191,214	255,988
Due to Group Companies	777,062	84,476
Other Creditors including Taxation and Social Security	192,643	210,500
Accruals	145,685	129,747
	<u>1,306,604</u>	<u>680,711</u>
Amounts falling due after more than One Year		
Loan from Group Company	-	1,000,000
	<u>-</u>	<u>1,000,000</u>

The amounts due to Group Companies are unsecured, interest free and repayable on demand, except for a balance of Lm673,275 which bears interest at 6 month GBP LIBOR plus 1% per annum and is repayable by 30 June 2003.

12 Share Capital

(a)

	2002	2001
	Lm	Lm
Authorised		
1,440,000 Deferred Shares of 25c each	360,000	360,000
16,000 Ordinary Shares of 25c each	4,000	4,000
	<u>364,000</u>	<u>364,000</u>
Issued and Fully Paid Up		
1,440,000 Deferred Shares of 25c each	360,000	360,000
14,400 Ordinary Shares of 25c each	3,600	3,600
	<u>363,600</u>	<u>363,600</u>

(b) Deferred shares are not entitled to dividends and have no voting rights. On winding up, deferred shareholders are entitled to repayment of capital after the capital has been repaid in full to the holders of ordinary shares. Holders of deferred shares are not entitled to participate in any further surplus arising on winding up.

Phoenicia Hotel Company Limited

Notes to the Financial Statements

For the Period 1 October 2001 to 30 June 2002

13 Movements in Reserves

Capital Reserve	2002	2001
	Lm	Lm
Surplus arising on the Revaluation of Tangible Fixed Assets	97,929	97,929
Transfer to Profit and Loss Account:		
Tangible Fixed Assets now Fully Depreciated	(97,929)	-
	<u>-</u>	<u>97,929</u>
	=====	=====
Profit and Loss Account	2002	2001
	Lm	Lm
At Beginning of Period/Year	2,194,846	1,926,493
(Loss)/Profit for the Period/Year	(151,254)	268,353
Transfer from Capital Reserve	97,929	-
	<u>2,141,521</u>	<u>2,194,846</u>
	=====	=====

14 Shareholders' Funds

	2002	2001
	Lm	Lm
Total Shareholders' Funds	2,505,121	2,656,375
	<u>2,505,121</u>	<u>2,656,375</u>
Amounts allocated to non-equity interests:		
Allotted, called up and fully paid deferred shares	360,000	360,000
Amounts allocated to equity interests	2,145,121	2,296,375
	<u>2,505,121</u>	<u>2,656,375</u>
	=====	=====
Reconciliation of Movements in Shareholders' Funds	2002	2001
	Lm	Lm
Opening Shareholders' Funds	2,656,375	2,388,022
(Loss)/Profit for the Financial Period/Year	(151,254)	268,353
	<u>2,505,121</u>	<u>2,656,375</u>
	=====	=====

Phoenicia Hotel Company Limited

Notes to the Financial Statements

For the Period 1 October 2001 to 30 June 2002

15 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2002	2001
	Lm	Lm
Operating (Loss)/Profit	(170,932)	268,074
Depreciation Charges	137,832	164,612
Provision for Doubtful Debtors	2,525	1,170
Stock Write Offs	22,309	-
Other Write Offs	6,469	-
Impairment Loss	32,002	-
Decrease/(Increase) in Stocks	8,873	(5,829)
Decrease/(Increase) in Debtors	76,309	17,428
(Decrease)/Increase in Creditors	(30,161)	(39,319)
Net Cash Inflow from Operating Activities	85,226	406,136

16 Net Debt

Reconciliation of Net Cash Flow to Movement in Net Debt

	2002	2001
	Lm	Lm
(Decrease)/Increase in Cash during the Period/Year	(132,221)	153,903
Cash used to Repay Bank Loan	-	1,370,836
Loan Advanced by Group Company	-	(1,000,000)
Cash used to Repay Loan Advanced by Group Company	326,725	-
Movement in Net Debt during the Period/Year	194,504	524,739
Net Debt at Beginning of Period/Year	(509,669)	(1,034,408)
Net Debt at End of Period/Year	(315,165)	(509,669)

Analysis of Net Debt

	At 01.10.01	Cash Flows	Other Non-Cash Movements	At 30.06.02
	Lm	Lm	Lm	Lm
Cash at Bank and in Hand	490,331	(132,221)	-	358,110
Debt Due within One Year	-	(673,275)	-	(673,275)
Debt Due after One Year	(1,000,000)	1,000,000	-	-
Total	(509,669)	194,504	-	(315,165)

Phoenicia Hotel Company Limited

Notes to the Financial Statements

For the Period 1 October 2001 to 30 June 2002

17 Contingent Liabilities

- (a) A claim against the Company has been made by a third party in respect of the termination of a contract. The claim is estimated to be in the region of Lm48,000 and court litigation is still pending. The directors are confident that no liability will arise, and thus no provision has been made in these financial statements for this claim.
- (b) At balance sheet date, the company formed part of a debenture agreement between, inter alia, Meridien Intermediate Holding Company I Limited and CIBC World Markets plc (as agent and trustee for itself and each of the secured creditors). The debenture represents fixed and floating charges over Phoenicia Hotel Company Limited and all its present and future property and assets.

18 Employee Information

- (a) The average number of persons employed by the Company during the period is analysed below:

	2002	2001
	No.	No.
Hotel	139	143
Laundry	50	50
	----	----
	189	193
	====	====

- (b) Employment costs were as follows:

	2001	2000
	Lm	Lm
Aggregate Gross Wages and Salaries Paid to Employees	768,905	1,071,425
Employers' National Insurance Contributions	58,253	80,810
Terminal Benefits (Note 3)	42,133	-
	-----	-----
	869,291	1,152,235
	=====	=====

19 Related Party Transactions

In addition to interest charges on amounts due to/by group companies as set out in note 5 to these financial statements, an amount of Lm225,000 (2001: Lm300,000) was charged by Holtours Limited for the rental of the hotel leased and operated by the Company.

20 Comparative Amounts

The financial statements cover the nine-month period commencing 1 October 2001 to 30 June 2002, as the Company changed its accounting reference date to 30 June. The comparative amounts reflect the twelve-month period ended 30 September 2001.

Phoenicia Hotel Company Limited

Notes to the Financial Statements

For the Period 1 October 2001 to 30 June 2002

21 Ultimate Parent Company and parent undertaking of larger group of which the company is a member

The Directors' regard Terra Firma Capital Partners Holdings Limited, a company incorporated in Guernsey, as the ultimate controlling party and ultimate parent entity. The Company's immediate parent company is Holtours Limited, a company registered in Malta.

The largest and smallest group in which the results of the company are consolidated is that headed by Newgate Capital Limited. The consolidated accounts of this group are available to the public and may be obtained from 166 High Holborn, London WC1V 6TT.

At 30 June 2002, Terra Firma Capital Partners I Limited, an English Limited Partnership, acting through its general partner Terra Firma Investments (GP) Limited, a company incorporated in Guernsey, had the ability to exercise a controlling influence over the company through the holding of warrants to subscribe for ordinary shares in certain subsidiaries of Newgate Capital Limited.

Phoenicia Hotel Company Limited

Operating Profit and Loss Account

For the Period 1 October 2001 to 30 June 2002

	2002		2001
	Lm	Lm	Lm
Accommodation Revenue	983,940		1,480,841
Direct Expenses	256,783		348,907
	-----		-----
Profit on Accommodation		727,157	1,131,934

Restaurant and Bar Sales	705,063		1,037,126
Direct Expenses	581,692		819,037
	-----		-----
Profit on Catering		123,371	218,089

Revenue from Laundry	179,055		377,382
Direct Expenses	159,659		241,440
	-----		-----
Profit on Laundry Services		19,396	135,942

Revenue from Other Services	50,252		92,731
Direct Expenses	27,810		38,381
	-----		-----
Other Net Income		22,442	54,350
		-----	-----
		892,366	1,540,315

Other Operating Expenses			
Rent	225,000		300,000
Maintenance Salaries	58,147		78,435
Water and Energy Costs	88,568		139,173
Repairs and Maintenance	49,186		66,115
Depreciation	137,832		164,612
	-----		-----
		(558,733)	(748,335)
		-----	-----
Gross Profit carried forward		333,633	791,980

Phoenicia Hotel Company Limited

Operating Profit and Loss Account

For the Period 1 October 2001 to 30 June 2002

	2002		2001
	Lm	Lm	Lm
Gross Profit brought forward		333,633	791,980

Administrative Expenses			
Directors' Fees	938		1,250
Salaries	123,244		168,494
Management Fees	45,697		85,303
Legal and Professional Fees	1,788		1,265
Auditors' Remuneration	3,000		4,100
Telecommunications	7,813		10,335
Stationery and Postage	11,679		14,494
Motor Vehicle Expenses	648		1,094
Insurance	20,952		15,571
Travelling and Entertaining	8,281		8,624
Staff Training	38,005		41,925
Subscriptions and Licences	9,184		11,377
Donations	225		500
Bank Charges	794		934
Penalty	-		2,000
General Expenses	11,175		20,118
	-----		-----
		283,423	387,384

Selling Costs			
Salaries	24,893		35,574
Advertising and Promotion	27,800		40,431
Meridien Commercial Contribution	23,190		-
Promotional	2,005		2,153
Commissions	23,102		33,330
Bad Debts	238		881
Provision for Doubtful Debts	2,525		1,170
Travelling and Entertaining	14,476		22,983
	-----		-----
		118,229	136,522

Costs of Discontinued Operation		102,913	-
		-----	-----
Operating (Loss)/Profit		(170,932)	268,074
		=====	=====