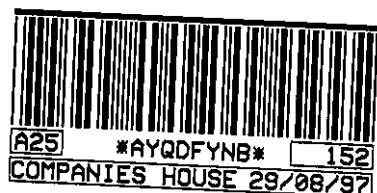


# **Woodhouse Securities Limited**

## **Directors' report and financial statements**

**31 October 1996**

Registered number 2133343



# Woodhouse Securities Limited

## Directors' report and financial statements

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# Woodhouse Securities Limited

## Directors' report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 October 1996.

### Principal activity

The principal activity is that of hotel proprietor.

### Results for the year and transfer to reserves

The results for the year are as presented on page 5 of the financial statements. The loss retained for the year is £308,689 (1995: loss of £461,048).

### Review of the business

The Hotels have continued to trade well and the directors consider there to be good prospects for the trading position to continue to improve.

The directors consider the state of affairs at the balance sheet date to be satisfactory.

### Directors

The directors who served throughout the year were as follows:

T M Abbott  
C J D Crathorne  
W M F Herriot  
STM Murphy (appointed 26 September 1996)

None of the directors had an interest in the shares of the company at the end of the financial year, other than as a result of the an interest in the ultimate holding company, Virgin Hotels Group Limited. The interests of the relevant directors in the shares of that company are disclosed in the accounts of that company.

### Fixed assets

Details of fixed asset movements are given in notes 8 and 9 to the financial statements.

### Dividends

The directors do not recommend the payment of a dividend (1995: £Nil).

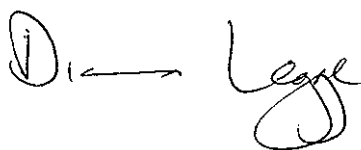
# Woodhouse Securities Limited

## Directors' report

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'D Legge'. The signature is written in a cursive style with a large, looped 'L'.

**D Legge**  
*Secretary*

# Woodhouse Securities Limited

## Statement of 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;
- 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 maintaining 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.



PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## Report of the auditors to the members of Woodhouse Securities Limited

We have audited the financial statements on pages 5 to 13.

### *Respective responsibilities of directors and auditors*

As described on page 3 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 affairs of the Company as at 31 October 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

28 August 1997

Chartered Accountants  
Registered Auditors

# Woodhouse Securities Limited

## Profit and loss account for the year ended 31 October 1996

|                                                    | <i>Note</i> | 1996<br>£          | 1996<br>£          |
|----------------------------------------------------|-------------|--------------------|--------------------|
| <b>Turnover</b>                                    | <i>1(b)</i> | <b>5,984,525</b>   | <b>5,525,566</b>   |
| Cost of sales                                      |             | <b>(3,207,786)</b> | <b>(2,937,972)</b> |
| <b>Gross profit</b>                                |             | <b>2,776,739</b>   | <b>2,587,594</b>   |
| Administration expenses                            |             | <b>(2,583,749)</b> | <b>(2,411,628)</b> |
| <b>Operating profit</b>                            |             | <b>192,990</b>     | <b>175,966</b>     |
| Other interest receivable and similar income       | <i>3</i>    | <b>49,150</b>      | <b>32,037</b>      |
| Interest payable and similar charges               | <i>4</i>    | <b>(650,242)</b>   | <b>(648,676)</b>   |
| <b>Loss on ordinary activities before taxation</b> | <i>5</i>    | <b>(408,102)</b>   | <b>(440,673)</b>   |
| Tax on loss on ordinary activities                 | <i>7</i>    | <b>99,413</b>      | <b>(20,375)</b>    |
| <b>Loss retained for the year</b>                  |             | <b>(308,689)</b>   | <b>(461,048)</b>   |

The notes on pages 7 to 13 form part of these financial statements.

The operating profit of the Company arose solely from continuing activities. There were no recognised gains or losses in the year other than those disclosed in the profit and loss account above, and there are no movements in shareholders' funds other than the loss retained for the year.

# Woodhouse Securities Limited

Balance sheet  
at 31 October 1996

|                                                       | Note | 1996<br>£    | 1995<br>£    |
|-------------------------------------------------------|------|--------------|--------------|
| <b>Fixed assets</b>                                   |      |              |              |
| Tangible assets                                       | 8    | 10,238,429   | 9,678,633    |
| Investments                                           | 9    | 4            | 4            |
|                                                       |      | <hr/>        | <hr/>        |
|                                                       |      | 10,238,433   | 9,678,637    |
| <b>Current assets</b>                                 |      |              |              |
| Stocks                                                | 10   | 176,454      | 162,484      |
| Debtors                                               | 11   | 1,869,223    | 1,559,355    |
| Cash at bank and in hand                              |      | 828,537      | 583,865      |
|                                                       |      | <hr/>        | <hr/>        |
|                                                       |      | 2,874,214    | 2,305,704    |
| <b>Creditors: amounts falling due within one year</b> | 12   | (10,142,915) | (8,705,920)  |
|                                                       |      | <hr/>        | <hr/>        |
| <b>Net current assets/liabilities</b>                 |      | (7,268,701)  | (6,400,216)  |
|                                                       |      | <hr/>        | <hr/>        |
| <b>Net assets</b>                                     |      | 2,969,732    | 3,278,421    |
|                                                       |      | <hr/>        | <hr/>        |
| <b>Capital and reserves</b>                           |      |              |              |
| Called up share capital                               | 13   | 14,180,170   | 14,180,170   |
| Profit and loss account                               | 14   | (11,210,438) | (10,901,749) |
|                                                       |      | <hr/>        | <hr/>        |
| <b>Equity shareholders' funds</b>                     |      | 2,969,732    | 3,278,421    |
|                                                       |      | <hr/>        | <hr/>        |

These financial statements were approved by the board of directors on 26 August 1997 and signed on its behalf by:

W M F Herriot  
Director

The notes on pages 7 to 13 form part of these financial statements.



# Woodhouse Securities Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### a) *Basis of preparation*

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards, and on a going concern basis in view of a letter of support from Virgin Hotels Group Limited, the ultimate holding company, which undertakes to provide or procure such support as is necessary to enable the Company to continue to trade for the foreseeable future.

Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

Under Financial Reporting Standard 2, the company is exempt from the requirement to consolidate its subsidiary undertakings on the grounds that it is a wholly owned subsidiary undertaking.

#### b) *Turnover*

Turnover, which excludes value added tax, represents the sales value of goods and services.

#### c) *Depreciation*

Depreciation of fixed assets is provided for on a straight line basis applied to original cost at rates estimated to write off each asset over its remaining useful life. For the purpose of calculating depreciation, the effective annual rates for the classes of assets currently held are as follows:

|                       |           |
|-----------------------|-----------|
| Fixtures and fittings | 10% - 15% |
| Plant and equipment   | 10% - 25% |

It is the Company's practice to maintain hotel properties in a continual state of sound repair and to extend and make improvements thereto from time to time. Accordingly, the directors consider that the lives of these assets are so long and residual values, based on prices prevailing at the time of acquisition, or subsequent valuations are so high that their depreciation is insignificant. Any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate.

#### e) *Stocks*

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

#### f) *Capitalisation of interest*

Interest incurred on borrowings to finance specific capital projects is capitalised.

# Woodhouse Securities Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### g) *Deferred tax*

Deferred tax, using the liability method is provided on all timing differences except those which it is considered will continue for the foreseeable future.

#### h) *Operating leases*

Rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### i) *Pension costs*

The company is a member of a defined contribution pension scheme operated by Virgin Management Limited, a related company. The assets of the scheme are held separately in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

### 2 Staff number and costs

The average number of persons employed by the group (including directors) during the year was 197 (1995: 194) of which 35 (1995: 34) were engaged in administrative duties, and the remainder in selling and distribution.

|                       | 1996<br>£ | 1995<br>£ |
|-----------------------|-----------|-----------|
| Wages and salaries    | 1,681,722 | 1,642,201 |
| Social security costs | 176,534   | 166,260   |
| Pension costs         | 12,062    | 11,872    |
|                       | <hr/>     | <hr/>     |
|                       | 1,870,318 | 1,820,333 |
|                       | <hr/>     | <hr/>     |

### 3 Interest receivable

|               | 1996<br>£ | 1995<br>£ |
|---------------|-----------|-----------|
| Bank interest | 49,150    | 32,037    |
|               | <hr/>     | <hr/>     |

# Woodhouse Securities Limited

## Notes (continued)

### 4 Interest payable and similar charges

|                           | 1996<br>£ | 1995<br>£ |
|---------------------------|-----------|-----------|
| Bank loans and overdrafts | 11,592    | 7,220     |
| Group interest            | 638,650   | 641,456   |
|                           | <hr/>     | <hr/>     |
|                           | 650,242   | 648,676   |
|                           | <hr/>     | <hr/>     |

### 5 Loss on ordinary activities before taxation

|                                                                             | 1996<br>£ | 1995<br>£ |
|-----------------------------------------------------------------------------|-----------|-----------|
| <i>Loss on ordinary activities before taxation is stated after charging</i> |           |           |
| Hire of plant and equipment                                                 | 53,314    | 68,316    |
| Depreciation of tangible fixed assets                                       | 468,705   | 332,748   |
| Auditors remuneration:                                                      |           |           |
| - for audit services                                                        | 14,500    | 14,000    |
| Director's remuneration for services as a director                          | 8,250     | 9,231     |
|                                                                             | <hr/>     | <hr/>     |

All turnover and loss before taxation is derived in the United Kingdom from the operation of hotels.

### 6 Directors' emoluments

One of the directors received remuneration of £8,250 (1995: £9,231). The other directors did not receive any remuneration from the company.

# Woodhouse Securities Limited

## Notes (continued)

### 7 Taxation

|                                                                      | 1996<br>£     | 1995<br>£       |
|----------------------------------------------------------------------|---------------|-----------------|
| Amounts receivable in respect of group relief at 33 %<br>(1995: 33%) | 99,413        | -               |
| Over/(under) provision in respect of prior years                     | -             | (20,375)        |
|                                                                      | <u>99,413</u> | <u>(20,375)</u> |

### 8 Tangible fixed assets

|                       | Freehold<br>land and<br>buildings<br>£ | Fixtures<br>and<br>fittings<br>£ | Plant<br>and<br>equipment<br>£ | Total<br>£        |
|-----------------------|----------------------------------------|----------------------------------|--------------------------------|-------------------|
| <i>Cost</i>           |                                        |                                  |                                |                   |
| At 1 November 1995    | 11,335,139                             | 2,241,508                        | 720,152                        | 14,296,799        |
| Additions             | 388,112                                | 366,034                          | 274,355                        | 1,028,501         |
|                       | <u>11,723,251</u>                      | <u>2,607,542</u>                 | <u>994,507</u>                 | <u>15,325,300</u> |
| At 31 October 1996    | 11,723,251                             | 2,607,542                        | 994,507                        | 15,325,300        |
| <i>Depreciation</i>   |                                        |                                  |                                |                   |
| At 1 November 1995    | 2,677,287                              | 1,373,865                        | 567,014                        | 4,618,166         |
| Charge for the period | -                                      | 292,610                          | 176,095                        | 468,705           |
|                       | <u>2,677,287</u>                       | <u>1,666,475</u>                 | <u>743,109</u>                 | <u>5,086,871</u>  |
| At 31 October 1996    | 2,677,287                              | 1,666,475                        | 743,109                        | 5,086,871         |
| <i>Net book value</i> |                                        |                                  |                                |                   |
| At 31 October 1996    | 9,045,964                              | 941,067                          | 251,398                        | 10,238,429        |
|                       | <u>9,045,964</u>                       | <u>941,067</u>                   | <u>251,398</u>                 | <u>10,238,429</u> |
| At 31 October 1995    | 8,657,852                              | 867,643                          | 153,138                        | 9,678,633         |
|                       | <u>8,657,852</u>                       | <u>867,643</u>                   | <u>153,138</u>                 | <u>9,678,633</u>  |

Freehold land and buildings includes £21,372 (1995: £21,372) in respect of capitalised interest.

# Woodhouse Securities Limited

## Notes (continued)

### 9 Investments

|                                          |                          |             |                                              | Shares in subsidiary companies<br>£ |
|------------------------------------------|--------------------------|-------------|----------------------------------------------|-------------------------------------|
| At 31 October 1995 and 31 October 1996   |                          |             |                                              | 4                                   |
| Subsidiaries:                            | Country of Incorporation | Ownership % | Nature of business                           |                                     |
| Rhinefield Time Share Limited            | England                  | 100         | Development and sale of timeshare apartments |                                     |
| Rhinefield Time Share Management Limited | England                  | 100         | Management of timeshare apartments           |                                     |

### 10 Stocks

|                                     | 1996<br>£ | 1995<br>£ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 176,454   | 162,484   |

### 11 Debtors

|                                                           | 1996<br>£ | 1995<br>£ |
|-----------------------------------------------------------|-----------|-----------|
| Trade debtors                                             | 369,287   | 320,759   |
| Amounts owed by parent and fellow subsidiary undertakings | 325,708   | -         |
| Amounts owed by subsidiary undertakings                   | 828,275   | 773,104   |
| Group relief receivable                                   | 259,963   | 280,338   |
| Other debtors                                             | 1,771     | 26,276    |
| Prepayments and accrued income                            | 84,219    | 158,878   |
|                                                           | 1,869,223 | 1,559,355 |

# Woodhouse Securities Limited

## Notes (continued)

### 12 Creditors: amounts falling due within one year

|                                                          | 1996<br>£  | 1995<br>£ |
|----------------------------------------------------------|------------|-----------|
| Bank loans and overdrafts                                | 295,046    | 129,805   |
| Trade creditors                                          | 420,199    | 408,310   |
| Amounts due to parent and fellow subsidiary undertakings | 8,614,930  | 7,703,573 |
| Due to subsidiary undertakings                           | 6,012      | -         |
| Other creditors including tax and social security        | 481,062    | 275,336   |
| Accruals                                                 | 325,666    | 188,896   |
|                                                          | <hr/>      | <hr/>     |
|                                                          | 10,142,915 | 8,705,920 |
|                                                          | <hr/>      | <hr/>     |

### 13 Share capital

|                                          | 1996<br>£  | 1995<br>£  |
|------------------------------------------|------------|------------|
| <i>Authorised:</i>                       |            |            |
| Ordinary shares of £1 each               | 20,000,000 | 20,000,000 |
|                                          | <hr/>      | <hr/>      |
| <i>Issued, called up and fully paid:</i> |            |            |
| Ordinary shares of £1 each               | 14,180,170 | 14,180,170 |
|                                          | <hr/>      | <hr/>      |

### 14 Profit and loss reserve

|                            | £            |
|----------------------------|--------------|
| Balance at 1 November 1995 | (10,901,749) |
| Loss for year              | (308,689)    |
|                            | <hr/>        |
| Balance at 31 October 1996 | (11,210,438) |
|                            | <hr/>        |

### 15 Capital commitments

As at 31 October 1996 there were no capital commitments either authorised or contracted (1995: £nil).

# Woodhouse Securities Limited

## Notes (continued)

### 16 Leasing commitments

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

|                                       | 1996  | 1995   |
|---------------------------------------|-------|--------|
|                                       | Other | Other  |
|                                       | £     | £      |
| Operating leases which expire:        |       |        |
| In the second to fifth year inclusive | 4,916 | 11,167 |
|                                       | <hr/> | <hr/>  |

### 17 Holding company

The company is a wholly owned subsidiary undertaking of Virgin Hotels Group Limited, a company registered in England and Wales, in whose financial statements the results of the company are consolidated.

These consolidated accounts are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3HZ.