

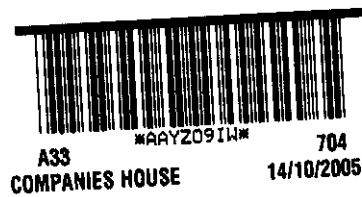
Company Registration No. 2486634

Jarvis Hotels Limited

Report and Financial Statements

For the 52 week period ended 26 March 2005

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Jarvis Hotels Limited

Report and financial statements 2005

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Jarvis Hotels Limited

Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 26 March 2005.

Principal activities

The principal activity of the Company during the period was the ownership and management of hotels.

Review of the business and future prospects

The period to 26 March 2005 was a satisfactory period for the Company with gross profit of £15.0m (2004: £26.7m loss) having disposed of their interest in six hotels within the period.

In July 2005 the company acquired the business and assets of Jarvis Red Tin Shed Corporation Limited, Jarvis Hotels – Creating the Difference Limited and Jarvis Hotel – First Time Every Time Limited.

The directors expect the current level of activity for all these hotels will be sustained for the coming period.

Financial results and dividends

The profit and loss account for the 52 week period ended 26 March 2005 is set out on page 5 and shows a profit before interest and tax of £14.8m (2004: £42.7m loss) The directors do not recommend the payment of a dividend for the period (2004: £nil).

Directors

The directors of the Company at 26 March 2005, all of whom have been directors for the whole of the period ended on that date unless otherwise stated, are shown below.

John Jarvis
David Thomas (resigned 21 July 2004)
Richard Thomason
David Andrews
Michael Tunney
Steve Hebborn (appointed 8 September 2004)

Directors and their interests

Except for David Thomas, all of the directors noted above are also directors of the ultimate parent company, Kayterm plc, and their interests in that company are disclosed in the annual report of that company.

Fixed assets

Fixed assets are included at cost less accumulated depreciation. The directors consider that the market value of the hotels is not less than the book value.

Employee involvement

The Company has a keen awareness of the need to attain and maintain high standards of customer care and service, by encouraging employees to promote the Company's interests and to suggest ways in which customer satisfaction can be achieved and improved.

Employees are kept informed of the performance and objectives of the Company through regular newsletters and management briefings. In addition, directors and senior management regularly visit hotels and discuss with employees matters of interest and concern to the business.

Jarvis Hotels Limited

Directors' report

Those employees who are eligible can also become involved in the Company's performance through participation in share option schemes.

Disabled persons

It is Company policy to give full and fair consideration to applications made by disabled persons and to provide opportunities for the training and career development of disabled employees. If any employee becomes disabled it is standard practice, in almost all but the most extreme circumstances, to offer an alternative job and to provide re-training where necessary.

Creditor payment policy

The Company's current policy concerning the payment of its trade creditors is to:

- a) ensure that suppliers are made aware of the terms of payment; and
- b) pay in accordance with those terms of payment

Then number of creditor days was 29 days (2004: 21 days).

Auditors

PricewaterhouseCoopers LLP resigned as auditors on 17 March 2005 and were replaced by Deloitte & Touche LLP. Deloitte & Touche LLP have indicated their willingness to be re-appointed as auditors and a resolution to re-appoint them as auditors of the Company will be proposed at the Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Director

27 July 2005

Jarvis Hotels Limited

Statement of directors' responsibilities

United Kingdom 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 as at the end of the financial year 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;
- 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 the system of internal control, 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 Jarvis Hotels Limited

We have audited the financial statements of Jarvis Hotels Limited for the 52 week period ended 26 March 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the company, 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 26 March 2005 and of the profit of the Company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
London

28 July 2005

Jarvis Hotels Limited

Profit and loss account 52 week period ended 26 March 2005

	Note	2005 £000s	2004 £000s
Turnover	2	125,552	128,084
Cost of sales		(110,565)	(154,742)
Gross profit/(loss)		14,987	(26,658)
Administrative expenses		(7,035)	(16,382)
Operating profit/(loss)	3	7,952	(43,040)
Profit on sale of properties	4	6,825	345
Profit/(loss) before interest and taxation		14,777	(42,695)
Interest receivable	8	607	2,501
Interest payable and similar charges	9	(5,176)	(4,806)
Profit/(loss) on ordinary activities before taxation		10,208	(45,000)
Tax on profit/(loss) on ordinary activities	10	4,746	4,132
Profit/(loss) on ordinary activities after taxation		14,954	(40,868)
Dividends		-	-
Retained profit/(loss) for the period		14,954	(40,868)

The Company has no recognised gains or losses other than those included in the profit/(loss) above, and therefore no separate statement of recognised gains or losses has been presented.

All results relate to continuing operations.

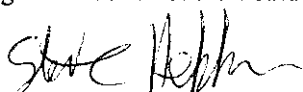
Jarvis Hotels Limited

Balance sheet 26 March 2005

	Note	2005 £000s	2004 £000s
Fixed assets			
Tangible assets	11	110,909	172,733
Investments	13	33,182	33,182
		<u>144,091</u>	<u>205,915</u>
Current assets			
Stocks	14	752	823
Debtors: amounts falling due after one year	15	42,458	42,458
Debtors: amounts falling due within one year	15	17,939	13,070
Cash at bank and in hand		10,511	4,993
		<u>71,660</u>	<u>61,344</u>
Creditors: amounts falling due within one year	16	<u>(33,222)</u>	<u>(36,240)</u>
Net current assets		<u>38,438</u>	<u>25,104</u>
Total assets less current liabilities		<u>182,529</u>	<u>231,019</u>
Creditors: amounts falling due after more than one year	17	-	(61,884)
Provisions for liabilities and charges	18	<u>(10,906)</u>	<u>(12,466)</u>
Net assets		<u>171,623</u>	<u>156,669</u>
Capital and reserves			
Called up share capital	19	5,621	5,621
Share premium account	20	132,605	132,605
Capital redemption reserve	20	44,912	44,912
Profit and loss account	20	(11,515)	(26,469)
Total equity shareholders' funds		<u>171,623</u>	<u>156,669</u>

These financial statements were approved by the Board of Directors on 27 July 2005.

Signed on behalf of the Board of Directors



Director

Jarvis Hotels Limited

Notes to the accounts

52 week period ended 26 March 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. A summary of the principal accounting policies, which have been applied on a consistent basis in the current and preceding period, is set out below.

Accounting convention

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards.

Related parties

The Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions or balances with other Group companies which are more than 90% owned within the Group. Jarvis Hotels Limited is part of the Kayterm plc group of which Kayterm plc is the ultimate holding company.

Turnover

Turnover represents the amounts receivable for goods sold and services provided, excluding VAT. Leisure club membership fees are recognised on a straight line basis over the membership period.

Fixed assets

- (a) Properties are included in the balance sheet at cost plus subsequent additions at cost less accumulated depreciation.
- (b) No depreciation is provided on freehold land. Depreciation is provided on the original cost of all other tangible fixed assets on a straight line basis at the rates below. Those parts of each building which have significantly different useful lives are separated for depreciation purposes.
 - Freehold buildings:
 - Core (structure) – 2% p.a.
 - Non Core (surface finishes and services) – 4% p.a.
 - Plant, machinery, fixtures and fittings – between 7.5% and 10% p.a.
 - Computer equipment – between 14.3% and 33.3% p.a.
 - Motor vehicles – between 20% and 33.3% p.a.

No depreciation is provided on assets under construction. On completion, the assets are re-classified into their relevant asset category and depreciated accordingly.

Leased assets

Rental payments under operating leases are charged to the profit and loss account as incurred in accordance with the guidance in UITF 28. The benefit of any lease incentive is recognised as a reduction of rental expense and allocated over the term of the lease.

Pension scheme arrangements

The Company is part of both a defined benefits scheme ("JPP") and a defined contributions scheme ("J3P").

The JPP is funded by Company and employee contributions. Company contributions are determined on an actuarial basis so that the annual charge is a substantially level percentage of current and expected future pensionable payroll. The level of contributions is assessed on the advice of qualified actuaries.

The Company is unable to identify its share of the underlying assets of the Plan on a consistent and reasonable basis and a charge equal to the Company's contributions to the Plan during the accounting period is made against profit and there will be no balance sheet item.

Contributions to the J3P are charged to the profit and loss account as incurred.

Jarvis Hotels Limited

Notes to the accounts 52 week period ended 26 March 2005

1. Accounting policies (continued)

Stocks

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

Taxation

In accordance with FRS 19 'Deferred Tax', full provision is made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes. The provision is calculated at the rates of taxation at which it is estimated the liability will arise and is not discounted. No provision is made in respect of timing differences arising from the sale or revaluation of fixed assets at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits from which the underlying timing differences can be deducted.

Current tax, including UK corporation tax, is provided at amounts expected to be paid, or recovered, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Cash flow statement

The Company is a wholly owned subsidiary of Kayterm plc. The cash flows of the Company are included in the consolidated cash flow of Kayterm plc and consequently the Company is exempt under the terms of Financial Reporting Standard 1 (as revised) from preparing a cash flow statement.

Consolidation exemption

Consolidated financial statements are not presented as the company is a wholly owned subsidiary of Kayterm plc, a company registered in England and Wales.

2. Segmental analysis

The Company's turnover, profit before taxation and net assets are derived from its principal activity within the UK which is the ownership and management of hotels, and as such no segmental information has been disclosed.

3. Operating profit

	2005 £'000s	2004 £'000s
Operating profit is stated after charging / (crediting):		
Auditors' remuneration - audit	78	156
Auditors' remuneration - other	26	35
Depreciation of tangible fixed assets	6,021	41,463
Hire of plant and machinery	3,005	3,075
Other operating leases	20,155	20,633
Loss on fixed asset disposals	12	23
Rent receivable	(846)	(114)

Net operating expenses before exceptional items include £4.0m (2004: £5.2m) for administration and £3.0m (2004: £2.9m) for selling costs. Auditors' remuneration is borne by the Company for the Group.

Jarvis Hotels Limited

Notes to the accounts

52 week period ended 26 March 2005

4. Exceptional items

The Company sold five (2004: two) hotels and surrendered the lease on one hotel during the period for a total consideration (net of costs of sale) of £76.9m (2004: £4.3m) and a profit of £6.8m (2004: £0.3m). There are sufficient capital losses in the Group to cover any gains arising.

In the prior period there were exceptional costs of £50.2m relating to accelerated depreciation (£34.5m); a provision for onerous leases (£10.2m) and costs relating to the take over by Kayterm plc and restructuring costs (£5.5m).

5. Directors' remuneration

	2005 £'000s	2004 £'000s
Executive directors		
Salaries and other benefits	695	1,046
Bonus	225	210
Pension contributions	152	275
Termination payments made to former directors	-	760
	<u>1,072</u>	<u>2,291</u>
Non-executive directors		
Fees	-	160
	<u>1,072</u>	<u>2,451</u>

No directors exercised share options during the period (2004: five). One director was a member of the Jarvis Pension Plan, a defined benefit scheme (2004: four).

	2005 £000s	2004 £000s
Highest paid director		
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares received) under long-term incentive schemes	480	371
Defined benefit scheme:		
Accrued pension at end of period	<u>47</u>	<u>44</u>

Jarvis Hotels Limited

Notes to the accounts 52 week period ended 26 March 2005

6. Employee information

The average number of persons employed by the Company (including executive directors) during the period was:

	2005	2004
Hotel Operations	164	175
Administrative	3,592	3,968
	<u>3,756</u>	<u>4,143</u>

	2005 £000s	2004 £000s
Employment costs of all employees included above:		
Gross wages and salaries	40,081	41,587
Bonus	662	315
Employer's national insurance and state pension contributions	2,607	2,555
Employer's pension costs	1,689	2,172
	<u>45,039</u>	<u>46,629</u>

The above bonus includes £442,500 (2004: £nil) awarded to certain directors and employees and related wholly to the success in achieving the property disposal strategy and as such has been charged against the profit on disposal of properties.

7. Pension scheme

The Company is part of the Jarvis Pension Plan (the 'Plan') and the Jarvis Personal Pension Plan (the 'J3P'). The Plan, a group scheme is contracted out of the state earnings related pension scheme and provides benefits based upon final pensionable earnings and years of service at retirement. Contributions are based upon pension costs across the Group. It is funded and the assets are held separately and invested independently of the Company. It is not possible to identify the Company's share of the underlying assets in the scheme. Since April 2002 new employees are not entitled to join the Plan. Instead new employees are offered membership of the J3P, a defined contribution scheme.

The Company has adopted FRS 17 – Retirement benefits. As the Company is unable to identify its share of the underlying assets of the Plan on a consistent and reasonable basis, each participating employer is exposed to actuarial risks associated with the current and former employees of the other employers participating in the Plan, paragraph 9(b) of FRS 17 allows that in this case, the pension cost is equal to the Company's contributions to the Plan during the accounting period and there will be no balance sheet item.

The pension charge for the period was £75,841 (2004: £98,311).

Jarvis Hotels Limited

Notes to the accounts

52 week period ended 26 March 2005

8. Interest receivable

	2005 £000s	2004 £000s
Bank interest receivable	607	170
Interest on inter-company loans	-	2,331
	<u>607</u>	<u>2,501</u>

9. Interest payable and similar charges

	2005 £000s	2004 £000s
On bank loans and overdrafts		
Interest payable on bank loans and overdrafts	-	2,390
Interest payable on other loans	-	1,569
Finance charges payable to Group undertakings	4,212	556
Unwinding of discount on provisions	964	-
	<u>5,176</u>	<u>4,515</u>
Exceptional item: additional appropriation of debenture interest	-	291
	<u>5,176</u>	<u>4,806</u>

The finance charge represents a recharge made by the company's ultimate holding company, Kayterm plc, in respect of the interest borne by Kayterm plc on the Group's bank facilities.

10. Taxation

	2005 £000s	2004 £000s
The taxation charge in the Company profit and loss account comprises:		
United Kingdom corporation tax at 30% (2004: 30%)		
Current period charge	-	-
Adjustment in respect of prior periods	2,974	(311)
Deferred tax (Note 17)	1,772	(3,821)
	<u>4,746</u>	<u>(4,132)</u>

Jarvis Hotels Limited

Notes to the accounts 52 week period ended 26 March 2005

10. Taxation (continued)

The difference between the current tax for the period and the standard rate of Corporation Tax in the UK (30%) is explained below:

	2005 £000s	2004 £000s
Profit on ordinary activities before tax, exceptional items and income	10,208	5,148
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2004: 30%)	3,062	1,544
Effects of:		
- Expenses not deductible for tax purposes	(87)	15
- Other timing differences	(184)	-
- Capital allowances in excess of depreciation	-	(471)
- Depreciation in excess of capital allowances	467	-
- Accounting profits on disposals covered by capital losses	(2,047)	-
- Group relief	(1,211)	(660)
	-	428
Exceptional items	-	(428)
Current tax charge	-	-

11. Tangible fixed assets

	Land and buildings			Furniture, fittings and equipment	Motor Vehicles	Assets under construction	Total
	Freehold	Leasehold	Short				
	£000s	Long £000s	£000s	£000s	£000s	£000s	£000s
Cost							
At 28 March 2004	111,680	89,856	5,736	55,341	1,033	14	263,660
Additions	1,712	32	3,100	1,444	291	-	6,579
Intra-Group transfer	9,099	-	-	1,215	-	-	10,314
Reclassification	13,237	(13,485)	1,398	(1,136)	-	(14)	-
Disposals	(18,677)	(71,984)	-	(7,473)	(289)	-	(98,423)
At 26 March 2005	117,051	4,419	10,234	49,391	1,035	-	182,130
Accumulated depreciation							
At 28 March 2004	20,754	28,609	5,063	35,917	584	-	90,927
Charge for the period	1,717	467	88	3,570	179	-	6,021
Intra-Group transfer	1,010	-	-	972	-	-	1,982
Reclassification	10,138	(9,229)	27	(936)	-	-	-
Disposals	(3,330)	(19,446)	-	(4,754)	(179)	-	(27,709)
At 26 March 2005	30,289	401	5,178	34,769	584	-	71,221
Net book value							
At 26 March 2005	86,762	4,018	5,056	14,622	451	-	110,909
At 27 March 2004	90,926	61,247	673	19,424	449	14	172,733

Jarvis Hotels Limited

Notes to the accounts 52 week period ended 26 March 2005

12. Capital commitments

	2005 £000s	2004 £000s
Amounts contracted but not invoiced	1,435	1,313

13. Investments

	2005 £000s	2004 £000s
Investments in Group undertakings	33,182	33,182

Analysis of movement in investments in Group undertakings

	2005 £000s
At 28 March 2004	33,182
At 26 March 2005	33,182

The investments in Group undertakings represents the original cost of the investment less any provision for impairment.

14. Stocks

All stocks relate to food, beverage and consumables.

15. Debtors

	2005 £000s	2004 £000s
Amounts falling due after more than one year		
Amounts owed by group companies	42,458	42,458
Amounts falling due within one year		
Trade debtors	6,995	7,897
Corporation tax	3,745	-
Other debtors	2,900	1,112
Prepayments and accrued income	4,299	4,061
	17,939	13,070

Jarvis Hotels Limited

Notes to the accounts

52 week period ended 26 March 2005

16. Creditors: amounts falling due within one year

	2005 £000s	2004 £000s
Trade creditors	4,581	3,926
Amounts due to Group companies	10,021	13,414
Corporation tax	2,304	2,285
Other taxation and social security	1,101	1,568
Other creditors	4,877	4,698
Accruals and deferred income	10,338	10,349
	<u>33,222</u>	<u>36,240</u>

17. Creditors: amounts falling due after more than one year

	2005 £000s	2004 £000s
Amounts due to Group companies	-	61,884
	<u>-</u>	<u>61,884</u>

The maturity profile of amounts due to Group companies is as follows:

	2005 £000s	2004 £000s
Within one year	10,021	13,414
Between one and two years	-	-
Between two and five years	-	-
After more than five years	-	61,884
	<u>10,021</u>	<u>75,298</u>

This represents amounts due to the company's subsidiary undertakings. They are repayable on demand and do not bear interest.

18. Provisions for liabilities and charges

	Onerous leases 2005 £000s	Deferred tax 2005 £000s	Total 2005 £000s
At 27 March 2004	10,215	2,251	12,466
Utilisation of provision	(913)	-	(913)
Increase/(release) of provision	161	(1,772)	(1,611)
Interest on provision	964	-	964
At 26 March 2005	<u>10,427</u>	<u>479</u>	<u>10,906</u>

Jarvis Hotels Limited

Notes to the accounts

52 week period ended 26 March 2005

18. Provisions for liabilities and charges (continued)

Deferred tax

No provision has been made for deferred tax on gains on the sale of properties where potentially taxable gains have been rolled over into replacement assets.

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based upon tax rates at the balance sheet date.

A potential deferred tax asset of £2.9m (2004: £2.9m) in relation to timing differences has not been recognised as its recoverability is not sufficiently certain.

Provision for deferred tax comprises:

	2005 £000s	2004 £000s
Accelerated capital allowances	479	2,251

The release of the deferred tax provision arises as a consequence of the reversal of accelerated capital allowances on the disposal of the hotels undertaken throughout the period.

Onerous leases

The onerous lease provision has been calculated by reference to the estimated net present value of future cash flows from the relevant properties. The onerous lease provision is expected to unwind over the period of the relevant leases, which are between 15 and 35 years, or shorter period if leases are exited.

19. Called up share capital

	2005		2004	
	Number	£000s	Number	£000s
Authorised	250,000,000	12,500	250,000,000	12,500
Ordinary shares of 5p each				
Issued, called up and fully paid	112,422,638	5,621	112,422,638	5,621
Ordinary shares of 5p each				

20. Shareholder's funds

	Share capital £000s	Share premium account £000s	Capital redemption reserve £000s	Profit and loss account £000s	Total £000s
At 28 March 2004	5,621	132,605	44,912	(26,469)	156,669
Retained profit for the period	-	-	-	14,954	14,954
At 26 March 2005	5,621	132,605	44,912	(11,515)	171,623

Jarvis Hotels Limited

Notes to the accounts

52 week period ended 26 March 2005

21. Reconciliation of movement in shareholder funds

Provision for deferred tax comprises:

	2005 £000s	2004 £000s
Profit/(loss) for the financial period	14,954	(40,868)
Share capital issued	-	8,423
Shares cancelled	-	(4,897)
Net increase/(reduction) to shareholder funds	14,954	(37,342)
Opening equity shareholder funds	156,669	194,011
Closing equity shareholder's funds	171,623	156,669

22. Contingent liabilities and commitments

- Jarvis Hotels Limited is a guarantor of the Bank Facilities Agreement held by Kayterm plc and there are fixed and floating charges over all of the assets of Jarvis Hotels Limited in favour of the Royal Bank of Scotland plc.
- In order to cover obligations under the EU Directive on package holidays, the Company has placed £341,000 (2004: £341,000) in a Trust account held with the Bank of Scotland plc. In the event of the Company's insolvency the monies would be used to refund customers. This amount is included in the Company's cash balance at the period end.
- The Company has entered into a number of contractual agreements in respect of the hire of plant and equipment installed and used at its hotel premises. There are a large number of agreements in respect of each hotel, of which some provide for accelerated payment of a percentage of outstanding rentals on early termination of the contract.
- The Company has given certain warranties in purchase contracts in relation to the hotels sold during the period.
- In addition to the minimum annual commitments set out in the table below under Land and Buildings, there is a continuing obligation to make additional annual payments under various agreements where specific turnover or profit levels are achieved. In the period to 26 March 2005 such additional costs were £216,000 (2004: £311,000).

At 26 March 2005 the Company had annual commitments under operating leases as set out below:

	Land and buildings		Other	
	2005 £000s	2004 £000s	2004 £000s	2005 £000s
Operating leases which expire				
Within one year	-	-	609	300
In two to five years	653	-	209	743
Over five years	16,406	17,218	76	538
	17,059	17,218	894	1,581

Jarvis Hotels Limited

Notes to the accounts

52 week period ended 26 March 2005

23. Related party transactions

Jarvis Hotels Limited currently has the benefit of occupational leases, negotiated on an arms length basis, on eight hotels owned by a consortium of investors. Lioncourt Capital Limited manage this investment on behalf of the investors. Two of the directors of Jarvis Hotels Limited are also directors of Lioncourt Capital Limited. At the period end, there was a balance of £2.3m (2004: £2.2m) of prepaid rents in respect of the leases. The charge to the profit and loss account in respect of these leases was £10.1m (2004: £9.7m).

24. Interests in group undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affect the figures of the Company.

Name	Country of incorporation	Class of capital	% of class held
Jarvis Hotels - First Time Every Time Limited	Great Britain	Ordinary shares Preference shares	100%
Jarvis Hotels - Creating the Difference Limited	Great Britain	Ordinary shares Preference shares	100%
Jarvis Red Tin Shed Corporation Limited	Jersey	Ordinary shares Preference shares	100%
Jarvis Hotels Bolton Limited*	Great Britain	Ordinary shares	100%
Jarvis Hotels East Grinstead Limited*	Great Britain	Ordinary shares	100%
Jarvis Hotels Gloucester Limited*	Great Britain	Ordinary shares	100%
Jarvis Hotels Kensington Limited*	Great Britain	Ordinary shares	100%
Jarvis Hotels Watford Limited*	Great Britain	Ordinary shares	100%

All of the above companies operate as hoteliers except those marked (*) which are hotel owning companies that receive rent from the other group companies.

25. Parent undertakings

The company's immediate and ultimate parent undertaking and controlling party is Kayterm plc, being incorporated in the United Kingdom and registered in England and Wales. Group accounts are only prepared at the Kayterm plc level and are available from its registered office at Castle House, Desborough Road, High Wycombe, HP11 2PR.

26. Post balance sheet events

In July 2005 Jarvis Hotels Limited acquired the business and assets of Jarvis Red Tin Shed Corporation Limited, Jarvis Hotels – Creating the Difference Limited and Jarvis Hotel – First Time Every Time Limited as part of a Group reorganisation.