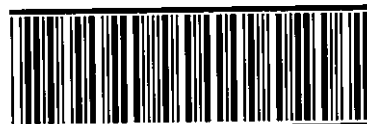


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ANNUAL REPORT &

ACCOUNTS 1997



A37 *A2WLJYV5* 213


Carefree Days

SUMMIT
CONFERENCES
by Jarvis

CLUB
T H E
B A R

Sebastian Coe
HEALTH CLUB

ARs

TRAINING
works
by Jarvis

EMBASSY LEISURE
BREAKS *by Jarvis*

Premier

PARTNERSHIP

Select

PARTNERSHIP

THEMES
&
DREAMS
by Jarvis

JUST
MARRIED
by Jarvis

Ballroom
ON THE
PARK

CONFERENCE
plus
by Jarvis

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ADVISERS

AUDITORS

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1 Embankment Place, London WC2N 6NN

PRINCIPAL BANKERS

National Westminster Bank Plc

135 Bishopsgate, London EC2M 3UR

**The Governor and Company
of the Bank of Scotland**

38 Threadneedle Street, London EC2P 2EH

REGISTRARS

Lloyds Bank Registrars

The Causeway, Worthing, West Sussex BN99 6DA

SOLICITORS

Clifford Chance

200 Aldersgate Street, London EC1A 4JJ

Worsdell & Vintner

1a Eastbury Road, Northwood, Middlesex HA6 3BG

JOINT STOCKBROKERS

**SBC Warburg, a Division of
Swiss Bank Corporation**

1-2 Finsbury Avenue, London EC2M 2PP

UBS Limited

100 Liverpool Street, London EC2M 2RH

FINANCIAL HIGHLIGHTS OF 1997

Results for the year ended 29 March 1997, on a pro forma basis.

TURNOVER

up 16% to £118.2m

(1996: £101.7m)

OPERATING PROFIT

up 26% to £29.0m

(1996: £23.0m)

PRE-TAX PROFIT

up 29.5% to £24.1m

(1996: £18.6m)

EARNINGS PER SHARE

up 28% to 13.7p

(1996: 10.7p)

Note 1 The highlights are presented on a pro forma basis, in order that the Group's progress can more easily be assessed. Pro forma results (see page 45) compare the profit & loss accounts as if the post listing capital structure had been in place on 2 April 1995, the beginning of the previous year.

Note 2 In this Report the following definitions will apply:

- Jarvis or the Company: Jarvis Hotels plc
- Group: Jarvis Hotels plc and its wholly owned subsidiaries
- Prospectus: the prospectus relating to the Group issued in June 1996

CHAIRMAN'S STATEMENT

Dear Shareholder

In this, my first Annual Report to the shareholders since the listing of the Company on the London Stock Exchange in June 1996, I am pleased to report that the Group has traded well, continuing the trends I reported to you at the half-year. Sales and profit margins increased during the year whilst new products and services were developed to meet the demands of our customers. Seven prime hotels were acquired which will help to ensure the future growth of our business.

“The hotels significantly increased sales and profit margins whilst ensuring that new products and services continued to meet the demands of our customers.”

Trading results

Operating profits (before interest and exceptional items) of £29.0m for the year ended 29 March 1997 showed a 26% increase (1996: £23.0m) with pre tax profits up 29.5% on a pro forma basis at £24.1m (1996: £18.6m). Our UK market sector is undoubtedly benefiting from the steady growth

in the UK economy. This is reflected in a total turnover increase of 16% in the last year, led by higher room yield and resulting in a further growth of hotel profit margin to 33.5% from 32.0% last year.

Dividend

We stated in our Prospectus last year that we intended to adopt a progressive dividend policy which will take into account the underlying earnings of the Group whilst maintaining an appropriate level of dividend cover. We would remind our shareholders that the effective period for this dividend is

approximately 9 months after listing. Your Board has, therefore, proposed a final dividend of 2.0p per share, making a total dividend for the 9 months of 3.0p per share - this represents, on a pro forma basis, an annual total dividend of 4.0p, a notional 17.6% increase on last year.

Strategy

We have been concentrating our efforts on the three main business objectives set out in our Prospectus and, indeed, they have been the benchmark of the Group since it was founded in 1990. They are to establish and market clearly defined brands and service levels across our hotel portfolio, which directly meet the needs of our customers; to increase the profit potential of our existing portfolio by adding theme bars and restaurants and increasing, wherever justifiable, bedroom and conference capacities; and, finally, to acquire prime hotels in strong locations which have the capability of achieving sound profit growth.

Brands

Our management culture is market driven and we develop brands which we believe will expand our customer base. During the year the emphasis has been on new bedroom concepts, to enhance perceived value; Sports and Club Bars, which have shown the way forward to increase spend per head on beverages, and have also been an excellent vehicle for offering fast-food in contemporary surroundings; new Art's Restaurants with their varied menu format, offering a fixed-price good value meal; and our Summit meeting room product, which has been refined and has significantly contributed to the growth in room hire income this year. The Group was

the first to brand hotel health clubs, and we have recently negotiated a new long-term agreement with Sebastian Coe for his advice and the use of his name, which provides us with a strong brand which is now featured in 17 of our hotels.

Increasing capacity

Every opportunity is being explored to expand our present hotels; bedrooms have been added during the year at Edinburgh, Birmingham, Maidenhead and Bristol and those at Hatfield will be completed in September 1997. A major Sebastian Coe Health Club extension has been completed at Watford, with similar works planned at Sutton Coldfield and Leeds. Various hotels have benefited from our policy of converting single bedrooms to twins and extra retail space has been opened in many locations.

Hotels acquired

During the year we have been active in acquiring 7 hotels at Nottingham, London Gatwick, West London, Kidderminster, York, Hull and Edinburgh. All these properties are freehold and have increased the average number of bedrooms per hotel. It remains our policy to buy existing hotels capable of generating strong and immediate cash flows rather than build new properties.

Disposals

Six of our smaller hotels do not meet our present business strategy and have been offered for sale, with completion on one property already since the end of the year. We are confident of their disposal at above book value. In addition, we have exchanged contracts for the sale of our only non-hotel business, The Pavilion End public house in the City of London at a figure substantially in excess of book value.

Current trading prospects

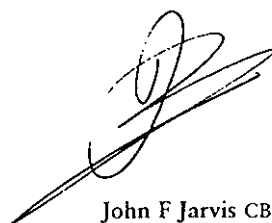
Current trading continues to be buoyant with further growth being achieved in rooms yield and we have accelerated our capital expenditure programme to take advantage of current market conditions. We remain alert to hotel acquisition opportunities. The management continues to introduce small, but noticeable differences to enhance our product offering and remains dedicated to operating within the very tightest performance ratios of our market sector. We are confident that the coming year will provide further steady progress for the Group.

Our team

In the hospitality industry a company is only as strong as its employees and, at Jarvis, our present success is due to the tremendous effort and professionalism of the whole of our team who strive to deliver our goods and services, first time, every time, to an ever-growing number of loyal customers. My warmest thanks to all of them for their efforts over this first eventful year as a listed public company.

I would want this year to be remembered as the year that your Group delivered exactly what we undertook to do in our Prospectus - increase turnover, improve margin, deliver substantially increased profits and, through acquisitions and capital investment, build an even stronger portfolio for the future.

May I thank you all for becoming shareholders in our young company.



John F Jarvis CBE
Chairman and Chief Executive

THE HOTELS' PORTFOLIO

Through the year to 29 March 1997, the Group had an average of 5,078 bedrooms in 68 hotels across 58 locations throughout the

UK. Seven hundred and thirty two bedrooms were added by the acquisition of 7 hotels in the past 12 months. This has added 4 new locations and strengthened Jarvis'

presence to 3 hotels in both London and Edinburgh, plus 2 in York.

Jarvis operates 71 restaurants and 164 bars, with its retail brands being increasingly represented.

The conference room portfolio now numbers 491, of which 212 are fully

*“ 68 hotels
supporting
24 brands ”*

Jarvis Hotels in the UK

| | |
|---------------------------------|-------|
| No. of Hotels | 68 |
| No. of Bedrooms (average) | 5,078 |
| No. of Leisure Clubs | 28 |
| No. of Restaurants | 71 |
| No. of Bars | 164 |
| No. of Conference & Event Rooms | 491 |

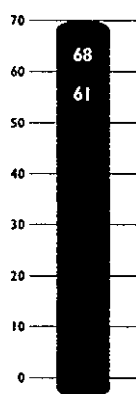
integrated Summit meeting rooms.

Room capacities vary from less than 10 delegates in the smallest rooms to over 850 in the largest.

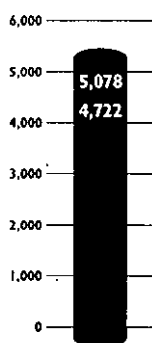
Due to the amount of business Jarvis receives from the training and meetings markets, the majority of the rooms fall into the key 20-60 delegate bracket.

Growth in the Year

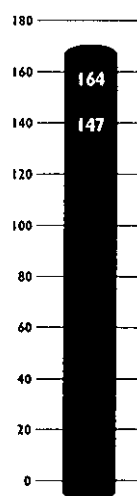
■ Increase in the year and closing numbers
■ Opening numbers



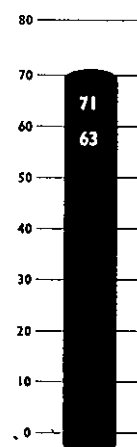
HOTELS



BEDROOMS
(average no.)



BARS



RESTAURANTS

Jarvis also has some of the leading hotel event rooms in the regions, including the newly refurbished 850 seater International Suite at the Jarvis Piccadilly Hotel, Manchester. There are some 25 event rooms that can service

more than 200 guests.

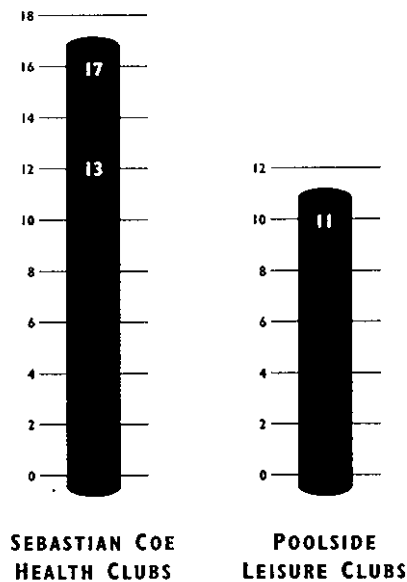
With 28 leisure clubs across the UK, Jarvis is now one of the largest leisure club owner/operators in the country. Of these 28 clubs, the Group owns and operates 17 Sebastian Coe Health Clubs, all offering a pool, sauna, solarium, gymnasium and spa bath. The clubs also offer a selection of running tracks, tennis courts, golf, squash and fitness assessment facilities.



Jarvis International Hotel, Watford

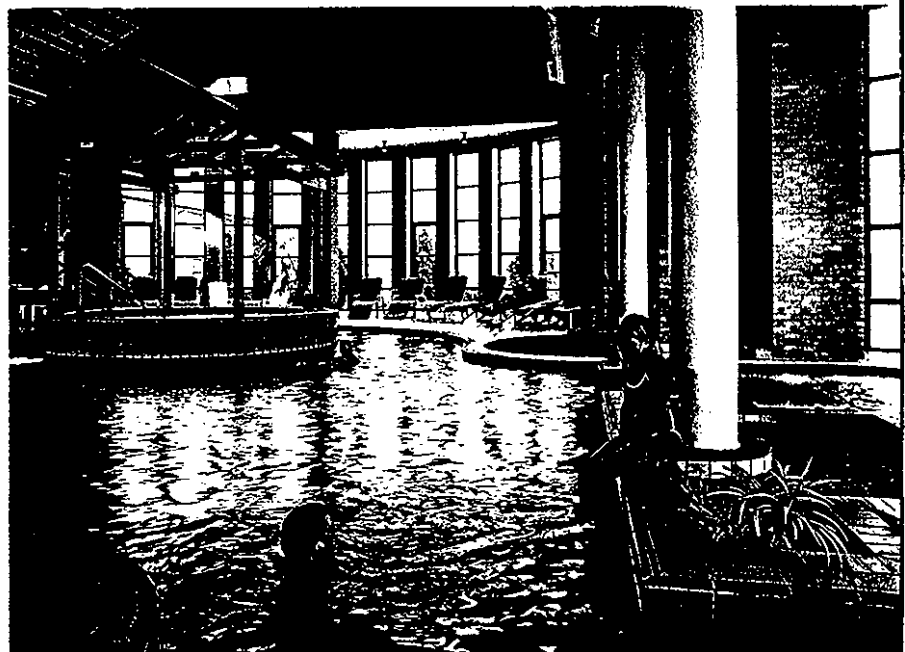
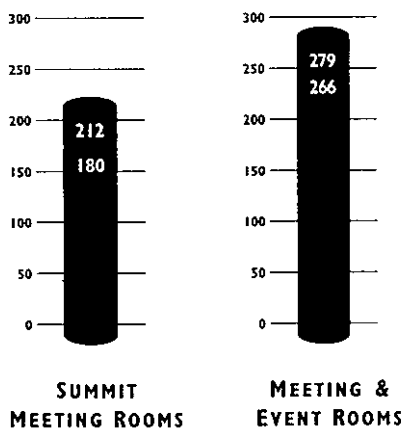
Leisure Clubs

■ Increase in the year and closing numbers
■ Opening numbers



Conference & Event Rooms

■ Increase in the year and closing numbers
■ Opening numbers



Jarvis Gloucester Hotel & Country Club, Gloucester

DEVELOPING THE JARVIS BRANDS

“Jarvis continues to be one of the most spectacular performers on (NOP’s) brand awareness measures. The impact of the size of its hotel network, coupled with its innovative marketing programme and its stock market listing is raising the Jarvis profile in the eyes of the consumer.”

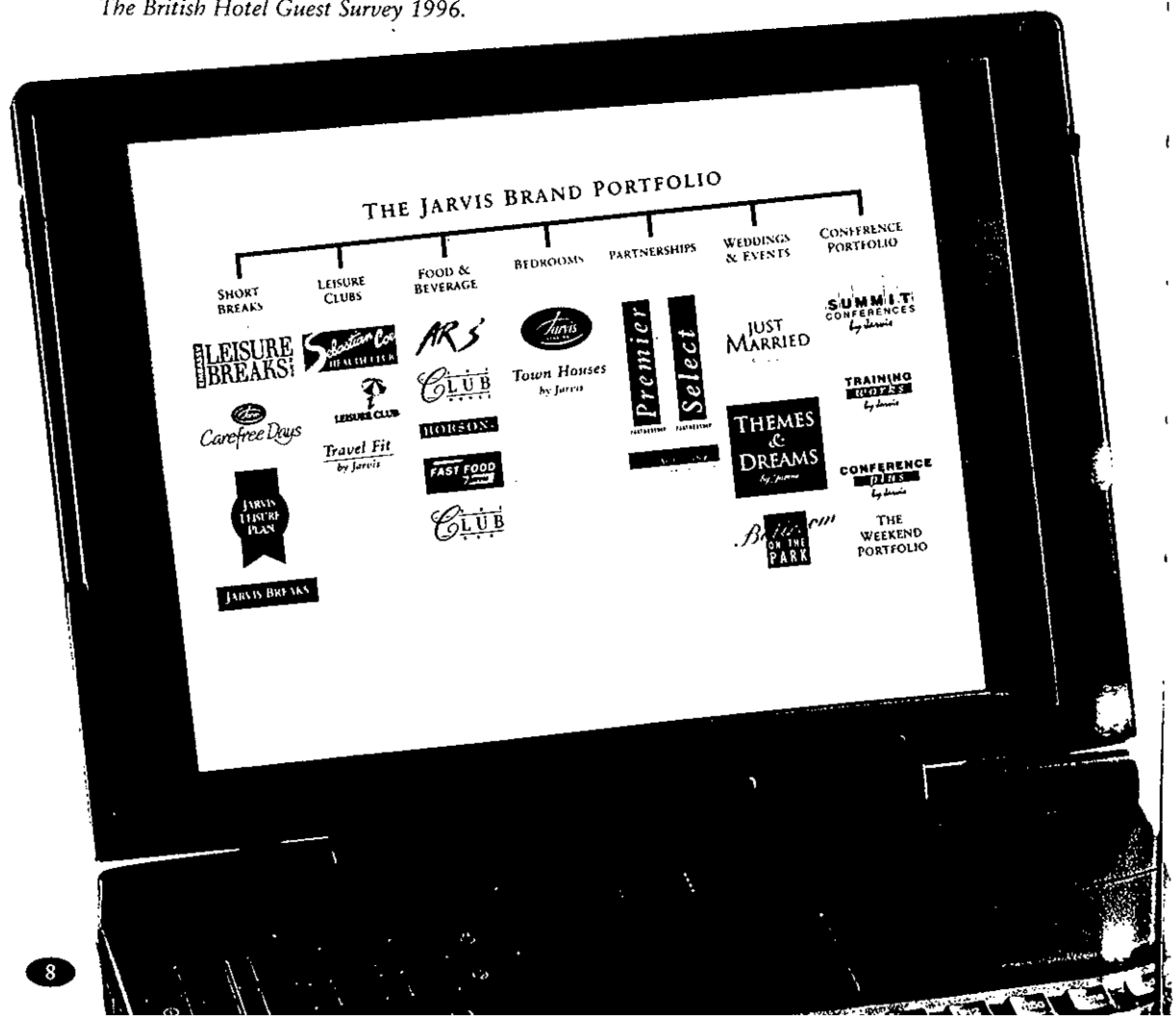
The British Hotel Guest Survey 1996.

This year, the marketing activity continued to be directed at the development of the Jarvis Brand Portfolio, in line with the strategy set out in the Prospectus.

The Company believes in breaking its business down into its constituent parts; creating individual products for individual markets is the best way to service the customers’ needs. Each market wants something different and the sub-branding strategy allows Jarvis to recognise this.

The Company also believes that the only sustainable competitive advantage comes from concentrating on innovation and new products were developed to out-innovate the competition including:

The first Fully Inclusive Shortbreak Holiday for a full service UK hotel allowing guests to



eat and drink as much as they like.

The unique Jarvis Leisure Plan launched through a joint venture with American Express this year. The product commits customers to taking three Jarvis breaks a year for a fixed rate, payable in four instalments across the year. They can then stay in any Jarvis hotel over any weekend they choose for one fixed price.

The year saw a significant strengthening in the portfolio of brands. Jarvis now has over 20 brands serving its key market sectors.

A good year for corporate brands

Summit Conferences by Jarvis, the premium conference brand, and Training Works, designed specifically for the training market, continued to be extended across the hotels. Thirty two Summit rooms have been added to the portfolio in the last 12 months.

Accommodation revenue generated through the conference brands saw an 18% increase on the previous year and room hire turnover increased by over 21%.

Revenue from business house travel agents, booking on behalf of corporate customers, rose by just under 50% year on year. The two brands for this sector - The Premier and Select Partnership programmes - were used by the sales team to achieve this record performance for the Group. The Select product was relaunched in late 1996 with a series of new benefits for the smaller travel agent accounts. Plans are now underway to relaunch the Premier Partnership programme for the larger accounts later this year.

The leisure brands continue to grow

The key to the success of a shortbreak product is its ability to secure wide distribution. This year saw a significant growth in the distribution of Jarvis' two shortbreak products - Embassy Leisure Breaks and Carefree Days. Embassy Leisure Breaks, the larger of the two, secured new commercial agreements with two multiple

travel agents, bringing the number of multiple agents to four and the total number of travel agency branches selling the product to some 4,500.

The programme featured all Jarvis hotels and around 200 associate hotels. The Jarvis hotels saw an 18% increase in revenue on the previous year from this programme.

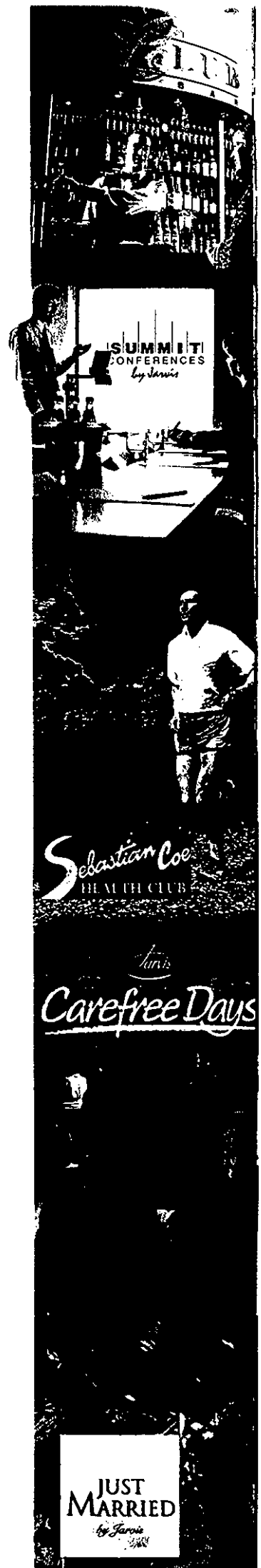
Partnership marketing remained a strong focus for the year with the Company continuing to stretch marketing

activity across a far greater audience than would otherwise have been possible.

Promotional partners included Nestlé, using 12m jars of Nescafé and substantial advertising, Dixons through 345 high street stores, and the MasterCard EURO 96™ Promotion with an 11m leaflet distribution. In all, 9 promotions were undertaken in the year, featuring Jarvis on over 30 million pieces of promotional material across the UK.

The Sebastian Coe Health Clubs brand benefited from the capital expenditure programme, adding 4 new clubs including acquisitions to the portfolio in the year and bringing the total to 17. The Group's 11 smaller clubs were rebranded during the year and now promote themselves under the 'Poolside Leisure Club' brand.

*“ Each market
wants something
different and the
sub-branding
strategy allows
Jarvis to
recognise this ”*



ACQUISITIONS IN THE YEAR

“ The directors are confident that... Jarvis can continue its business strategy of expansion by selective acquisition. ”

*Jarvis Prospectus
June 1996*

In the past 12 months, Jarvis has acquired 7 new hotels at a cost of £46.6m, adding an extra 732 bedrooms to the Group.

In addition to the extra bedrooms, the new hotels have given

the Company an additional 23 Summit meeting rooms, 3 new Sebastian Coe Health Clubs and, with the Grange Park Hotel, now the Jarvis International Hotel, Hull, one of the largest hotel event rooms in its region. In acquiring these hotels, Jarvis adhered to its own strict acquisition criteria set out in the Prospectus. These include ensuring that the hotels have the potential to attract at least 5 of the 8 Jarvis target markets, the ability to identify clear profit growth potential and thereby to achieve a satisfactory return on investment.

The acquisitions also meet the Company's strategy of acquiring well positioned hotels that complement the existing national spread. Through these new hotels, Jarvis has managed to strengthen its London hotel base and increase its presence in the North of England.

Each one of the hotels has significant areas of strength and excellent potential for increased profitability.



Jarvis Nottingham Hotel

Acquired April 1996 - Freehold

Modern motorway hotel. Prominently positioned on Junction 25 of the M1. One hundred and one bedrooms. Three conference rooms for up to 60 delegates. Features a major theme bar and restaurant. Good location for Nottingham and Derby commercial centres.



Jarvis Heath Hotel & CC, Kidderminster

Acquired November 1996 - Freehold

Well established hotel in 20 acres of countryside. Easy access to Birmingham and Wolverhampton. Particularly strong in the leisure tourism market. Forty five bedrooms. Five conference rooms for up to 400 delegates. Extensive leisure club with over 2,500 local members.

Jarvis International Hotel, York

Acquired January 1997 - Freehold

Eighty nine bedroom hotel. Prime location. Country house style with modern business facilities. Complements the existing Jarvis Abbey Park Hotel, York. Seven first class conference rooms for up to 250 delegates.





Jarvis Learmonth Hotel, Edinburgh

Acquired February 1997 - Freehold

In the centre of Edinburgh. Sixty two bedrooms. Brings number of Jarvis hotels in the city to 3. Well established restaurant and bar. Large event room can hold 200 guests.



Jarvis Carnarvon Hotel, West London

Acquired December 1996 - Freehold

Prime West London hotel, just 4 miles from Central London and Wembley. First class business and conference centre. One hundred and seventy seven bedrooms with planning permission for a further 39. Seven conference rooms for up to 300 delegates. Complete refurbishment planned for 1997.



Jarvis International Hotel, Hull

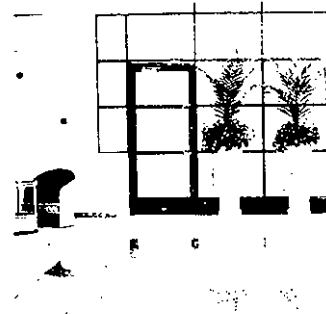
Acquired January 1997 - Freehold

One hundred and seven bedrooms. Substantial leisure centre. Five conference rooms. Largest event room in the region, holds 550. Four miles from historic Beverley and Hull city centre.

Jarvis International Hotel, Gatwick

Acquired August 1996 - Freehold

Modern high rise hotel between Gatwick Airport and Craucley. Opened 1990. One hundred and fifty one bedrooms. Large conference centre with 13 rooms. Extensive leisure club. Close to major business park.



INVESTING IN OUR HOTELS

“ In addition to Jarvis’ investment in new acquisitions, the year saw the implementation of a significant capital expenditure programme for the existing hotels. ”

Within the total capital expenditure to March 1997 of £9.0m, some 700 bedrooms were refurbished, 15% of the opening bedroom stock. In addition, 35 new rooms were created, either through new builds or conversions.

Eight hotels, including the Jarvis Caledonian Hotels at Ayr and Inverness, the Jarvis

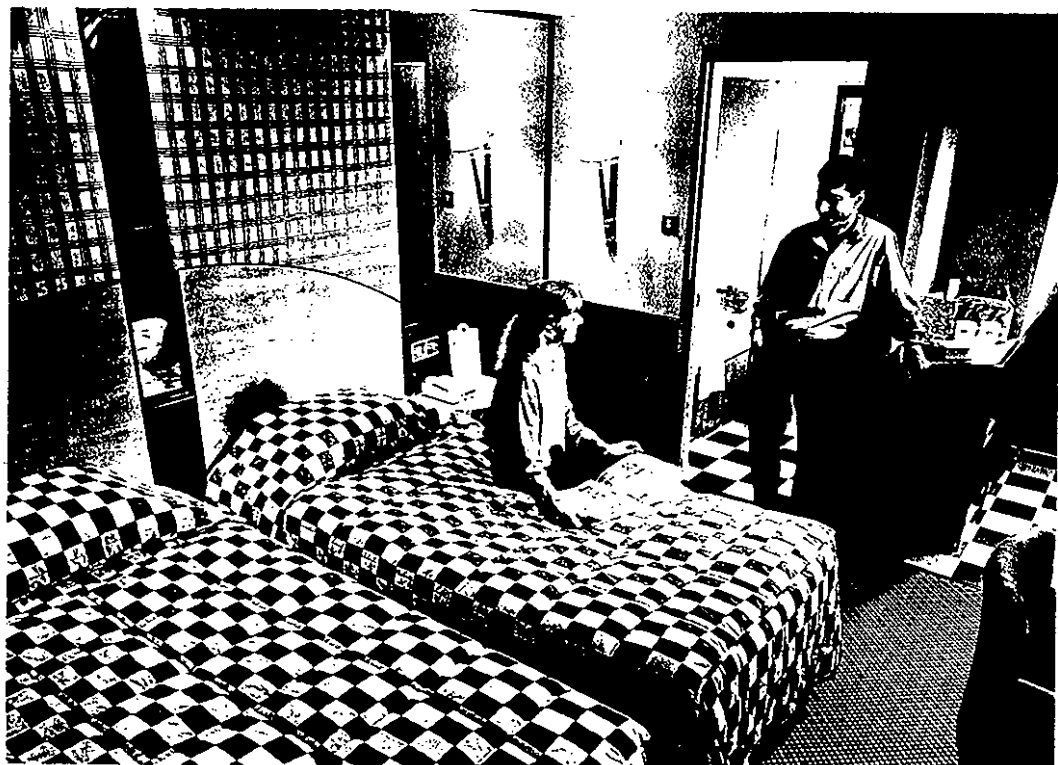
Abbots Well Hotel, Chester, the Jarvis Gloucester Hotel & Country Club and the Jarvis Great Danes Hotel & Country Club, Maidstone saw over 50% of their bedrooms refurbished this year.

Exceeding expectations

Jarvis continues to develop hotel bedrooms designed to exceed its customers’ expectations. Most of the new and refurbished bedrooms have benefited from innovations such as Japanese showers, duvets and armchairs with leg rests.

Investing for profit

In many cases, the work has involved giving an existing facility a new use to improve profitability. The Jarvis Elcot Park Hotel & Country Club, Newbury, for example, saw its store room converted into a gymnasium and the Jarvis Grange Hotel & Country Club, Bristol, had its stables converted into a mews of 6 new executive bedrooms. In 3 hotels, occupancy was increased by converting a selection of single rooms into doubles or twins.



The new bedrooms at the Jarvis Elcot Park Hotel & Country Club.



Club Bar at the Jarvis International Hotel, Garwick

Building the brands

In addition to the Summit meeting room expansion (see page 9), an extensive programme of refurbishment was also undertaken this year in the Company's event rooms. In total, 10 rooms were refurbished, adding further opportunity to increase the number of premium Jarvis event brands across the country.

Fifteen of the 17 Sebastian Coe Health Clubs benefited from capital expenditure programmes. The work ranged from gymnasium and public area upgrades to installing the latest fitness technology.



Sebastian Coe Health Club at Jarvis City Hotel, East Grinstead

Investing for the future

The Prospectus laid out a clear strategy for business growth derived from capital expenditure in our hotels and a series of projects began in the year which will be completed within the next year.

A 46 bedroom extension and 4 Summit meeting rooms are being added to the Jarvis Comet Hotel in Hatfield which, when completed, will be renamed the Jarvis International Hotel Hatfield/St. Albans. Substantial bedroom refurbishments are also underway at the Jarvis London Embassy Hotel (120 bedrooms), the Jarvis International Hotel, Watford (130 bedrooms) and at the Jarvis Carnarvon Hotel, West London (177 bedrooms).

In all, some 1400 bedrooms are in the process of being refurbished with another 120 being built or on order for completion later the next year.



Summit meeting room at the Jarvis International Hotel, Watford



QUALITY STANDARDS & TRAINING

“ Jarvis plans to increase its national training commitment to approximately 10,000 days for the 52 weeks ending 29 March 1997. ”

Jarvis Prospectus
June 1996

In the year to 29 March 1997, 10,303 training days were completed compared to just over 7,600 for the previous year - an increase of some 36%.

Training remains a key element of the Jarvis approach to both service delivery and staff development.

The Jarvis hotel management structure is unique. In every hotel, the Group commits two senior business centre managers, to 'Quality and Service', and 'Sales and Spend' rather than employ deputy general managers. This focused approach highlights service delivery and seeks to maximise customer spend.

Jarvis is a service provider, its customers expect great service and it continues to believe that commitment to service training is crucial for success. That's why, in the past 12 months, over 80% of these 10,303 training days were given to 'Front Line' employees, those who directly look after the Jarvis guests.

The manufacturing approach to service delivery

Jarvis continues to run its business by adopting the 'Manufacturing Approach to Service Delivery'. This involves breaking down the process of service delivery into its constituent parts and, through continual analysis and benchmarking, identifying areas for improvement.

Specific and comparative performance

ratios are reported every four weeks, allowing each business centre manager within a hotel to focus on those areas most likely to improve productivity.

Investing in our people

The year saw every hotel in the Group either achieve or start working towards 'Investors in People'. To 29 March 1997, 19 of the hotels have individually achieved the award, 12 of them in the past 12 months.

In addition, IIP

INVESTOR IN PEOPLE

was awarded to the Group's Support Centre, covering its central administration and reservations offices. The year also saw the Jarvis Piccadilly Hotel in Manchester become the first hotel in the Group to pass its three year reassessment.

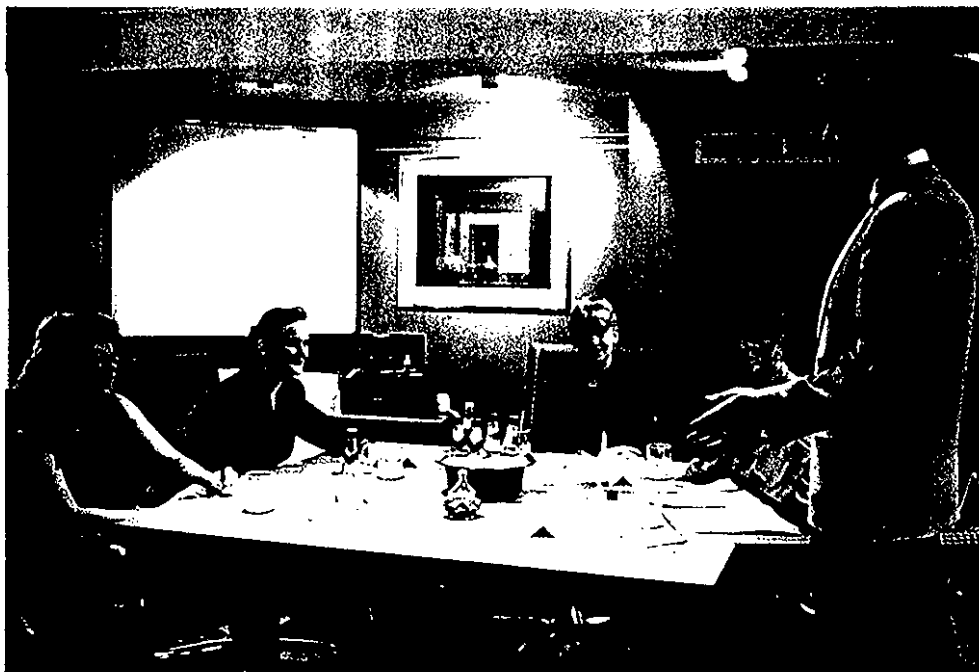


Brian Richards and team in the Jarvis Gloucester Hotel & Country Club, Gloucester

Senior management development

Internal development of the Group's management team is critical in securing low turnover of staff and 1,800 management development training days were carried out during the year. Courses ranging from Basic Management Competencies to Finance Workshops were undertaken.





Andrew Robinson training staff at the Jarvis International Hotel, Watford

The Jarvis quality drive

The Jarvis belief in delivering quality was reflected in this year's 'Quality Signature' programme. This unique hotel programme

has been designed to

secure national

Quality Signature

standards of quality

delivery in 8 key

service areas. Each

of these carry 5

core customer values

that Jarvis staff are

expected to deliver at every level and across every hotel.

To help the teams achieve this, new internal promotional material was produced for each 'Quality Signature' and over 1,000 training days were undertaken in the hotels to ensure the Quality programme was fully understood.

'Talk To Us by Jarvis'

Jarvis is first and foremost a customer-focused hotel group, and this year saw the launch of a major market research programme to ensure it remains so.

The 'Talk To Us by Jarvis' campaign targeted over 200,000 customers across 18 market sectors, making it the largest market research campaign of the year in the UK hotel sector.

A mixture of questionnaires, in-depth interviews, telephone research and focus group studies has given Jarvis a unique insight into the views of its customers.

Future product development and

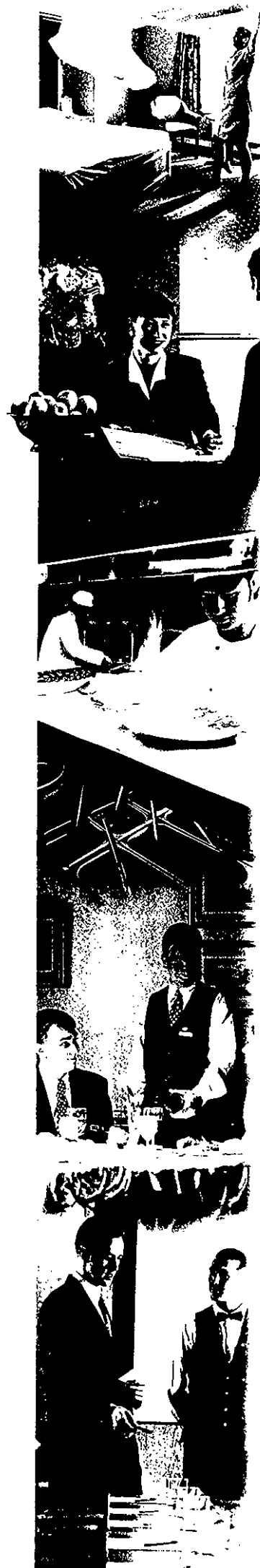
service initiatives will be

developed on the

back of this

important market

information.



THE BOARD OF DIRECTORS

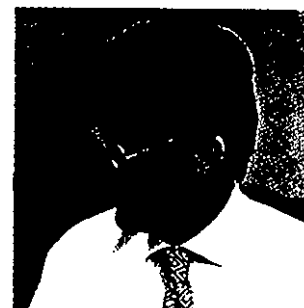


JOHN JARVIS, FHCIMA, CBE
54, *Chairman and Chief Executive since 1990.*

Previously Chairman and Chief Executive Officer of Hilton International. Current Chairman of the Management Board of Prince's Trust Action, a board member of the British Tourist Authority, non-executive Chairman of European Rail Catering Limited and a non-executive director of Shepperton Holdings Limited.



DAVID THOMAS, FCA
53, *Director and Deputy Chief Executive since 1990 with additional responsibility for finance and acquisitions.*
Previously Finance Director of Ladbroke Holidays and Managing Director of the Ladbroke Holidays, Entertainments and Catering Division.



CARL DONNELLY
47, *Director for Quality and Service.*

Appointed to the Board in September 1995. Joined in 1990. Previously Director of Hotels for the Northern Region of Embassy Hotels Limited, when owned by Allied Breweries Limited. General Manager for the North British Hotel - Edinburgh, for Gleneagles Hotels and Ramada Hotels International - Middle East.



CHARLES PREW, FHCIMA
50, *Director for Productivity.*

Appointed to the Board in September 1995. Joined in 1993. Previously with Grand Metropolitan Public Limited Company and Ladbroke Group Plc where he was Vice President Sales and Marketing of Hilton International (Asia Pacific, Australia), Chairman of Hilton Hotels (Australia) and a Vice President of Hilton International.



JAMES JOLL
60, *Non-executive Deputy Chairman of Jarvis Hotels since 1990 and Chairman of the Audit Committee.*

Senior Advisor to DLJ Phoenix, Chairman of AIB Asset Management Holdings, Chairman of the Museums & Galleries Commission. Non-executive director of Argent, The Economist Newspaper and Equitas. Previously Finance Director of Pearson plc.



STEPHEN CURRAN, FCCA
54, *Non-executive Director of Jarvis Hotels since 1990.*

Chief Executive of Candover Investments plc and a non-executive director of Greggs plc and a number of unquoted companies.



RICHARD THOMASON
46, *Director for Customer Values.*

Appointed to the Board in September 1995. Joined in 1990. Previously Area Director Heathrow and General Manager of the Excelsior Hotel for Forte Plc and General Manager of the Gatwick Hilton International, the Hilton International Olympia and the Ladbroke Park Plaza.



JOHN CLEMENT
65, *Non-executive Director of Jarvis Hotels since 1994 and Chairman of the Remuneration Committee.*

Chairman of Ransomes plc and of National Car Auctions. Previously Chairman of Unigate PLC and The Littlewoods Organisation.



MICHAEL MONTAGUE, CBE
65, *Non-executive Director of Jarvis Hotels since 1990.*

Chairman of Montague Multinational Limited and of Superframe Group Plc. Previously Chairman of the English Tourist Board and National Consumer Council, and a past member of the Millennium Commission.

FINANCIAL REVIEW

Trading results

Total turnover increased 16% to £118.2m in the year; there was an 11% increase in average room rate to £43.66 (1996: £39.49) with occupancy growing to 65.4% (1996: 64.0%) this combined to produce an increase of 13% in room yield to £28.56 (1996: £25.27). The increase in room yield together with continued strong control of costs are the two most important factors in the 26% increase in operating profits to £29.0m before interest and exceptional items. Hotel trading profit margins before depreciation were 33.5p for every pound of turnover compared to 32.0p for the previous year.

Capital structure

On 28 June 1996 the Company was listed on the London Stock Exchange. The Offer comprised an issue of 80,305,723 Ordinary shares of 5p at a price of £1.75 which raised £133.1m (net of expenses), of which £60.0m was used to reduce bank debt and £73.1m to discharge obligations to the then existing shareholders, including £23.0m applied to redeem Preference shares and £30.0m to repay Loan stock held by such shareholders. At the same time, the existing share capital was reorganised, details of which are set out in Note 18 to the financial statements.

Debt structure

As part of the listing, the Company entered into a new Facilities Agreement with a banking syndicate led jointly by Bank of

Scotland and National Westminster Bank Plc to provide £107.0m.

At the year end total debt comprised:

| | 1997 £m | 1996 £m |
|--|-------------|--------------|
| Bank loans | 71.0 | 107.0 |
| £20 million First Mortgage Debenture Stock 2004 | 16.9 | 16.2 |
| Loan stock (including rolled up interest) | - | 45.0 |
| | <u>87.9</u> | <u>168.2</u> |

The maturity profile of the debt is:

| | 1997 £m | 1996 £m |
|----------------------------|-------------|--------------|
| Within one year | 6.0 | 6.0 |
| Between one and two years | 6.0 | 14.5 |
| Between two and five years | 26.0 | 45.0 |
| Over five years | 49.9 | 102.7 |
| | <u>87.9</u> | <u>168.2</u> |

Gearing

Net assets at the year end were £207.8m and net debt £83.7m giving a gearing of 40%, which has risen from 28% immediately after the listing as the subsequent hotel acquisitions have been funded by use of the new Bank Facilities. With the 1997/8 capital expenditure programme being funded from cash generated from operating activities, the gearing level for the current year is not expected to change significantly, dependent

upon the level of hotel acquisitions funded from cash resources or bank borrowings.

Interest charge

The interest charge of £12.6m includes £5.0m of interest on the Loan stock which was payable on listing, but not previously accrued in the accounts. Interest paid exceeded interest payable by £16.1m, primarily due to the payment of £15.0m of interest arrears on the Loan stock which became payable on listing. The Loan stock was redeemed on listing and there are no subsequent charges to profit in respect of this stock.

On a pro forma basis, interest cover for the year was 5.9 times. A high level of cover is expected to continue in the current year on a similar basis.

The interest rate on the £20 million 3.80125% to 6.84225% stepped interest First Mortgage Debenture Stock rose to 4.5615% on 26 May 1997. A regular charge is also made against profit each year in order to increase the £15.2m consideration received on issue, to the £20.0m redemption value by 31 December 2004.

The Company has acquired an interest rate cap of 10% for the period to June 2000 in respect of £69.0m of the bank loans. All borrowings are in sterling and no speculative transactions are undertaken.

Taxation

There is no charge to mainstream corporation tax in the year due to the brought

forward trading losses and the excess charges on income arising from the payment of interest on Loan stock on listing. The tax charge relates to ACT on dividend payments which is not considered to be recoverable within the next financial year. Tax losses are projected to be fully utilised by the end of the next financial year.

Funds from operating activities

Cash flow from operating activities grew by £4.4m to £33.4m. The Group continues to invest in capital expenditure and make hotel acquisitions, spending £55.6m during the year.

Financial strength

Overall financial strength has been transformed and materially increased as a result of the listing. With modest gearing and adequate interest cover at March 1997, there are sufficient financial resources to carry out the committed investment programme throughout the next year.

STATEMENT OF CORPORATE GOVERNANCE

In the opinion of the directors, the Group fully complied throughout the year ended 29 March 1997 with the Code of Best Practice in the Report of the Committee on the Financial Aspects of Corporate Governance ('the Cadbury Report').

Board of directors

The Board comprises five executive and four non-executive directors and aims to meet at least ten times throughout the year. The roles of Chairman and Chief Executive have not, as recommended in the Code, been separated due to the presence of a strong and independent non-executive element on the Board with a non-executive director as Deputy Chairman. The Board has adopted a formal schedule of matters which are reserved for its own approval, covering overall business strategy and development, acquisition and disposal decisions, approval of annual profit plans and major capital expenditure projects, as well as general treasury and risk management policies. Procedures have been established to enable directors, wishing to do so in furtherance of their duties, to obtain independent professional advice at the Company's expense. All directors also have access to the advice and services of the Company Secretary.

The Board has delegated specific responsibilities to established committees as described below.

The Audit Committee

The Audit Committee comprises all the non-executive directors, is chaired by James Joll and meets at least three times a year. The Committee reviews the Company's Interim and Annual Financial Statements before submission to the Board for approval. The Committee approves the statement of Financial and Management Controls, reviews regular reports from management and the external auditors on accounting and internal control matters and, where necessary, monitors the progress of action taken on such matters. The Committee recommends the appointment, reviews the fees, agrees the scope of work and receives the reports of the external auditors. It also reviews annual profit plans, and the findings of the Internal Audit Department.

The Remuneration Committee

The Remuneration Committee also comprises all the non-executive directors and is chaired by John Clement. The Committee's first report to shareholders appears on pages 22 to 24.

Going concern

Having made appropriate enquiries, the directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Internal financial control

The Board has overall responsibility for the Group's system of internal financial control and has established policies and procedures designed to provide reasonable but not absolute assurance against material mis-statement or loss.

The Board has reviewed the effectiveness of the system of internal financial control in operation during the period covered by this report.

Financial reporting

The Group operates a comprehensive annual profit planning and reporting process, and annual profit plans are approved by the Board. The results of each hotel and support centre are reported every four weeks and compared to their profit plans; major variances are monitored and actioned accordingly. The Group balance sheet is produced every four weeks with full reconciliation and verification processes in operation to measure material movements in assets and liabilities.

Control environment

Financial controls and procedures, including information technology controls and levels of operating authority, are detailed in policy and procedure manuals for all hotels and the central support centre. The Internal Audit Department is responsible for test checking adherence to these policies and procedures, which are summarised in the Statement of Financial and Management Controls adopted by the Audit Committee.

Functional reporting

The risks to which the business is exposed are assessed on a regular basis. Specific financial matters, such as forward interest rate exposure and corporate taxation, are subject to regular review by the Board, whilst operational issues such as insurance risk management and legal matters come under direct control of the executive directors and are subject to regular review. In addition, general managers of hotels are responsible for recording a schedule of identifiable risks, and the actions taken to minimise exposure to such risks - the actions are subject to regular review by an independent consultant.

Investment appraisal

The Group has established procedures for authorising and controlling capital expenditure by type of project and expenditure level. There is a prescribed format for capital expenditure applications which places a high emphasis on the commercial logic and financial returns for each proposed investment. In addition, there are basic routines established for due diligence enquiries to be carried out in respect of business acquisitions and disposals. Capital expenditure is reported to the Board every quarter. Substantial capital expenditure projects are also subject to post investment appraisal after an appropriate period. Forecast cash flow statements are regularly reviewed to ensure adequate forward financing of the capital projects, as part of the Group's continuing obligation to meet all its other liabilities as and when they fall due.

REPORT OF THE REMUNERATION COMMITTEE

1. The Committee

The Committee comprises all the Company's non-executive directors and is chaired by John Clement. The Company Secretary acts as secretary to the Committee. Any one or more of the Company's executive directors may attend meetings if invited to do so by the Committee. Any two members of the Committee form a quorum.

The terms of reference of the Committee are to recommend to the Board the Company's policy on executive remuneration with specific emphasis on the remuneration package for each of the executive directors. The Committee may also consider the terms and conditions of service contracts, incentive bonus schemes, pension rights and compensation payments.

The Committee determines such policy by taking into account the best practice provisions of the Greenbury Code on directors' remuneration and takes independent advice as deemed necessary. The Company is in compliance with Section A of the best practice provisions annexed to the Stock Exchange Listing Rules.

2. Remuneration policy

The policy of the Committee is to achieve a fair balance between the interests of shareholders and the need to ensure that the remuneration practices of the Company are competitive, so as to attract, retain and motivate high calibre executives. In framing its remuneration policy, the Committee has given full consideration to Section B of the best practice provisions annexed to the Stock Exchange Listing Rules.

(a) Salaries for executive directors and executives

In recommending basic salaries the Committee will take into account the pay practices of other companies and the performance of each individual.

(b) Bonuses for executive directors and executives

No formal bonus scheme operated in 1997 but the Committee determined to recommend the payment of bonuses at a level which fairly rewarded the achievements of each individual. The Committee is proposing to establish a formal bonus scheme to take effect from the current year.

(c) Share schemes and directors' interests in shares

Details of the Company's share schemes are provided in the Directors' Report on page 26.

The executive directors have participated as appropriate in the 1996 Share Option Scheme ("the 1996 Scheme") and in the 1996 Share Save Scheme ("SS Scheme"), details of which are provided in paragraph 4 of this report. Options granted under the 1990 Scheme were exercised in full on 28 June 1996.

Directors' interests in Ordinary shares of the Company are provided in paragraph 5 of this report.

(d) Retirement benefits

Full details of the contributions to the directors' retirement benefits are provided in paragraph 3 of this report. Further details on general pension arrangements are set out in Note 5 to the financial statements. The retirement benefit arrangements will provide the executive directors at normal retirement age and subject to length of service with a pension of up to two-thirds of their pensionable salary subject to Inland Revenue limits and other statutory rules. Participating directors contribute 4.5% of salary and the Company is responsible for the additional cost.

(e) Service contracts

All of the executive directors have service contracts with the Company, details of which are set out on pages 26 and 27 of the Directors' Report.

The Committee believes that the current form of contract is appropriate in order to retain and recruit directors of the required calibre.

The non-executive directors do not have service contracts with the Company. It is the policy of the Company to appoint non-executive directors for an initial period of three years.

(f) Executive directors - outside appointments

The Company recognises the benefits to the individual and to the Company of involvement by executive directors as non-executive directors of companies not associated with Jarvis Hotels plc. Subject to certain conditions, executive directors are permitted to accept an appointment as a non-executive director of another company. Executive directors may not accept any other executive directorship unless otherwise approved by the Board.

(g) Remuneration of non-executive directors

The fees of the non-executive directors are determined by the executive directors and such fees constitute their total remuneration, as they do not participate in any bonus, share option, share save or retirement benefit scheme.

3. Directors' remuneration

| | FOR THE YEAR ENDED 29 MARCH 1997 | | | | | | YEAR ENDED 30 MARCH 1996 | |
|----------------------|----------------------------------|------------|---------------|-------------------------------|------------|------------------------|--------------------------------|------------|
| | SALARY/ FEES £ | BONUS £ | BENEFITS £ | PENSION CONTRIBUTIONS £ | TOTAL £ | LISTING BONUS* £ | TOTAL £ | TOTAL £ |
| EXECUTIVE | | | | | | | | |
| John Jarvis | 272,115 | 55,000 | 9,206 | 179,363 | 515,684 | 131,250 | 646,934 | 491,974 |
| David Thomas | 168,085 | 42,500 | 7,616 | 89,244 | 307,445 | 80,850 | 388,295 | 289,200 |
| Carl Donnelly | 79,615 | 18,906 | 5,191 | 7,138 | 110,850 | 71,000 | 181,850 | 53,561 |
| Charles Prew | 79,384 | 18,906 | 4,913 | 7,068 | 110,271 | 70,000 | 180,271 | 52,832 |
| Richard Thomason | 79,615 | 18,906 | 4,813 | 7,138 | 110,472 | 71,000 | 181,472 | 53,561 |
| | 678,814 | 154,218 | 31,739 | 289,951 | 1,154,722 | 424,100 | 1,578,822 | 941,128 |
| NON-EXECUTIVE | | | | | | | | |
| John Clement | 18,804 | - | - | - | 18,804 | - | 18,804 | 15,520 |
| Stephen Curran | 18,804 | - | - | - | 18,804 | - | 18,804 | 15,520 |
| James Joll | 23,750 | - | - | - | 23,750 | - | 23,750 | 20,520 |
| Michael Montague | 18,804 | - | - | - | 18,804 | - | 18,804 | 15,520 |
| | 80,162 | - | - | - | 80,162 | - | 80,162 | 67,080 |
| | 758,976 | 154,218 | 31,739 | 289,951 | 1,234,884 | 424,100 | 1,658,984 | 1,008,208 |

*Note: The executive directors received a single bonus payment as a result of the listing of the Company in June 1996.

REPORT OF THE REMUNERATION COMMITTEE

4. Directors' share options

| EXECUTIVE | AS AT 30 MARCH 1996 | GRANTED DURING YEAR | EXERCISED DURING YEAR | AS AT 29 MARCH 1997 | EXERCISE PRICE £ | MARKET PRICE AT DATE OF EXERCISE £ | DATE FROM WHICH EXERCISABLE | EXPIRY DATE |
|-------------------------|---------------------------|---------------------------|-----------------------------|---------------------------|------------------------|--|-----------------------------------|----------------|
| | Note (a) | Note (b) | Note (a) | Note (b) | | Note (c) | | |
| John Jarvis | | | | | | | | |
| 1996 Scheme | - | 628,570 | - | 628,570 | 1.75 | - | 28.6.99 | 27.6.06 |
| SS Scheme | - | 6,964 | - | 6,964 | 1.40 | - | 1.9.99 | 1.3.00 |
| David Thomas | | | | | | | | |
| 1996 Scheme | - | 388,570 | - | 388,570 | 1.75 | - | 28.6.99 | 27.6.06 |
| SS Scheme | - | 6,964 | - | 6,964 | 1.40 | - | 1.9.99 | 1.3.00 |
| Carl Donnelly | | | | | | | | |
| 1990 Scheme | 6,050 | - | 6,050 | - | 1.00 | 57.17 | - | - |
| 1996 Scheme | - | 187,884 | - | 187,884 | 1.75 | - | 28.6.99 | 27.6.06 |
| SS Scheme | - | 6,964 | - | 6,964 | 1.40 | - | 1.9.99 | 1.3.00 |
| Charles Prew | | | | | | | | |
| 1990 Scheme | 4,000 | - | 4,000 | - | 1.00 | 57.17 | - | - |
| 1996 Scheme | - | 187,884 | - | 187,884 | 1.75 | - | 28.6.99 | 27.6.06 |
| SS Scheme | - | 6,964 | - | 6,964 | 1.40 | - | 1.9.99 | 1.3.00 |
| Richard Thomason | | | | | | | | |
| 1990 Scheme | 6,050 | - | 6,050 | - | 1.00 | 57.17 | - | - |
| 1996 Scheme | - | 187,884 | - | 187,884 | 1.75 | - | 28.6.99 | 27.6.06 |
| SS Scheme | - | 5,571 | - | 5,571 | 1.40 | - | 1.9.99 | 1.3.00 |

(a) These options were granted and exercised in respect of Ordinary shares of £1 each in the capital of the Company.

(b) These options were granted in respect of Ordinary shares of 5p each.

(c) The middle market price of the Ordinary shares at 29 March 1997 was £1.76 and the range during the period since listing was £1.56 to £1.84½.

5. Directors' share interests

The directors who held office at 29 March 1997 had the following interests in the shares of the Company.

| EXECUTIVE | AS AT 30 MARCH 1996 | AS AT 29 MARCH 1997 |
|------------------|-------------------------------|--|
| | ORDINARY SHARES OF £1 EACH | CUMULATIVE CONVERTIBLE PARTICIPATING PREFERRED ORDINARY SHARES OF £1 EACH ('CCPP0') ORDINARY SHARES OF 5P EACH |
| John Jarvis | 114,500 | - 3,044,489 |
| David Thomas | 33,750 | - 826,982 |
| Carl Donnelly | - | - 153,242 |
| Charles Prew | - | - 98,011 |
| Richard Thomason | - | - 148,242 |
| John Clement | - | - 15,000 |
| Stephen Curran | - | 96 200,199 |
| James Joll | - | 7,500 246,875 |
| Michael Montague | - | - 15,000 |

On 28 June 1996, upon the listing of the Company's Ordinary shares of 5p each on the London Stock Exchange, the Company's share capital was reorganised, full details of which are set out in Note 18 to the financial statements.

REPORT BY AUDITORS TO JARVIS HOTELS plc ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 20 and 21 concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Company and the Group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on pages 20 and 21, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above, and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statements on pages 20 and 21 appropriately reflects the Company's compliance with other aspects of the code specified for our review by Listing Rule 12.43(j).

Coopers & Lybrand
Chartered Accountants
London
18 June 1997

Coopers & Lybrand.

REPORT OF THE DIRECTORS

The directors of Jarvis Hotels plc present their Report together with the audited Accounts for the year ended 29 March 1997.

Principal activities

Jarvis Hotels plc and its subsidiary companies own and operate 67 hotels located in England (58), Scotland (6) and Wales (3) which concentrate on the business, conference, training and short break leisure markets.

The operating companies principally affecting the profit or assets of the Group in the year are listed in Note 22 to the financial statements.

Acquisitions

Details of the hotels acquired during the year are given on pages 10 and 11.

Disposals

The Company has decided to dispose of six small hotels and its only public house. So far the sale of the Jarvis Osborne Hotel, Swansea has been completed and contracts have been exchanged on the Pavilion End Public House, London.

Business review

A detailed review of the developments during the year, the position of the Group at the year end and the prospects for future development are given in the Chairman's Statement on pages 4 and 5 and the Financial Review on pages 18 and 19.

Annual General Meeting

The meeting will be held at 10am on Thursday 14 August 1997 at the Jarvis London Embassy Hotel, 150 Bayswater Road, London W2 4RT. The notice of the meeting is set out on page 50 and includes information concerning the special business matters to be dealt with at the meeting.

Results and dividends

Group profit on ordinary activities before exceptional items and tax was £21.8m (1996: £9.1m).

An interim dividend of 1 pence net per Ordinary share was paid on 24 January 1997. A final dividend of 2 pence net per Ordinary share was recommended by the directors on 18 June 1997 and, subject to approval at the Annual General Meeting, will be paid on 29 August 1997 to shareholders on the register at the close of business on 25 July 1997.

Share schemes

On its establishment in 1990 the Company created a share option scheme ("the 1990 Scheme") for the benefit of certain executives. Prior to becoming directors, three of the executive directors were granted options under that scheme.

The Company operates an Inland Revenue approved Share Save Scheme ("SS Scheme") under which eligible employees may save to purchase Ordinary shares in the Company.

The Company also operates a share option scheme ("the 1996 Scheme") Part A of which is approved by the Inland Revenue and Part B of which is unapproved. The exercise of options is subject to an objective performance target set out in the rules of the scheme. Grants of options were made under the SS Scheme and the 1996 Scheme during the year. Further details are provided in Note 18 to the financial statements.

Directors

The names of the directors at the date of this Report together with brief biographical details are listed on pages 16 and 17. All the directors held office throughout the year.

In accordance with Article 74 of the Articles of Association, David Thomas is retiring by rotation and John Clement, Stephen Curran, James Joll and Michael Montague are retiring at the Annual General Meeting and, being eligible, offer themselves for reappointment.

John Jarvis and David Thomas each have a service contract with the Company for a fixed term until 30 June 1998 and thereafter until terminated by 12 months notice given by either party; Carl Donnelly, Charles Prew and Richard Thomason have service contracts with the Company each of which is terminable by either party giving 12 months notice. Each of the non-executive directors James Joll, John Clement, Stephen Curran and Michael Montague have been appointed for a 3 year period commencing on 5 June 1996. All such appointments are subject to ratification at the forthcoming Annual General Meeting.

The report of the Remuneration Committee is on pages 22 to 24.

Share interests of directors

The interests of the directors holding office at the year end in the share capital of the Company at 30 March 1996 and 29 March 1997 according to the Register maintained under Section 325 of the Companies Act 1985 are detailed in the Report of the Remuneration Committee on page 24.

Corporate governance

The Company's compliance with the Code of Best Practice of the Committee on The Financial Aspects of Corporate Governance is reported on pages 20 and 21.

Policy on payment to suppliers

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

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

The number of creditor days was 39.

Substantial shareholdings

The Company has as of 18 June 1997, received notification of interests in the issued Ordinary share capital of the Company in accordance with Section 198 of the Companies Act 1985 (as amended), as follows:

| INTERESTS IN ORDINARY SHARE CAPITAL | NUMBER OF ORDINARY SHARES | % OF ISSUED ORDINARY SHARE CAPITAL |
|---|------------------------------|---------------------------------------|
| Massachusetts Financial Services Company | 12,000,895 | 6.82 |
| Government of Singapore Investment Corp. Pte Ltd. | 8,611,361 | 4.89 |
| Prudential Client (MSS) Nominees Ltd | 7,149,000 | 4.06 |

Debenture Stock 2004

The £20m 3.80125% to 6.84225% stepped interest First Mortgage Debenture Stock 2004 when issued by the Company in 1994, was not listed on the London Stock Exchange but, in accordance with the terms of issue, the Company is now taking steps to seek such a listing which is expected to become effective on 26 June 1997.

Fixed assets

Fixed assets are included at cost less accumulated depreciation. On 31 May 1996, in connection with the listing, an external valuation of the 62 hotels and 1 public house then owned was carried out and showed a surplus of £64.0m over net book value. The directors do not believe that there has been any significant change in this notional surplus.

CREST share settlement system

The London Stock Exchange's new electronic system for the settlement of transactions for the purchase and sale of shares became operational in July 1996 and the Ordinary shares of the Company became transferable by means of CREST on 17 March 1997.

Shareholders have the choice to hold shares in electronic form or to continue to hold and receive share certificates. At 29 March 1997 86% of the issued share capital was held in electronic form.

REPORT OF THE DIRECTORS

Employees

In recognition of the importance of appropriate training to the Group's future performance, it has operated for some time past a national training programme. For the year ended 29 March 1997 over 10,000 days of training have been provided covering staff (including disabled staff) at all levels. The Group is a participant in the Investors in People scheme with 19 of its hotels being accredited under that scheme to the year ended 29 March 1997.

Involvement of employees

The Company's involvement in the hospitality industry emphasises the need to attain high standards of customer care and service. All employees are encouraged to promote the Company's interests and suggest ways in which customer satisfaction can be maintained and improved. Various channels are used to communicate to employees the financial and economic factors affecting the Company's performance, including regular newsletters and management briefings.

Employee opportunities

Since it commenced business in 1990 the Group has adopted employment and recruitment policies which seek to ensure that each applicant or employee is treated on an equal basis and that engagement and any subsequent progression in employment is a matter which is determined solely by the competence and skills of the relevant person and the requirement of the particular job.

Disabled persons

The Group employs a number of people who are disabled, not all of whom are formally registered as disabled persons. If any employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary.

Pensions

The Group operates a contributory defined benefit scheme. Subject to certain conditions all permanent employees are entitled to join the Scheme which on 29 March 1997 had 842 active members. The Group considers that it has taken all appropriate actions to comply with its obligations under the Pensions Act 1995.

Insurance for company directors and officers

During the financial year the Company has purchased insurance for its directors and officers against liabilities in relation to their duties.

Auditors

Coopers & Lybrand have expressed their willingness to continue in office as auditors of the Company and a resolution for their reappointment will be proposed at the Annual General Meeting.

By order of the Board

B S Vintner

Secretary

18 June 1997



DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 29 March 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF JARVIS HOTELS plc ON THE FINANCIAL STATEMENTS

We have audited the financial statements on pages 30 to 44.

Respective responsibilities of directors and auditors

As described above 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.

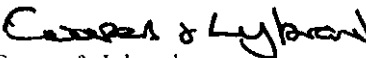
Basis of opinion

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 judgments 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 mis-statement 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 and the Group at 29 March 1997 and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand

Chartered Accountants and Registered Auditors

London

18 June 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 29 March 1997

| | Notes | 1997 | | | 1996 |
|--|-----------|--|--|-----------------|-----------------|
| | | Before exceptional items £000's | Exceptional items on listing £000's | Total £000's | Total £000's |
| Turnover - continuing operations | 1 | 118,162 | - | 118,162 | 101,742 |
| Cost of sales | | (82,837) | - | (82,837) | (73,077) |
| Hotel trading profit | | 35,325 | - | 35,325 | 28,665 |
| Net operating expenses | | (6,444) | (755) | (7,199) | (5,958) |
| Other net operating income | | 143 | - | 143 | 308 |
| Operating profit - continuing operations | 2 | 29,024 | (755) | 28,269 | 23,015 |
| Interest receivable | 6 | 359 | - | 359 | 1,709 |
| Interest payable and similar charges | 7 | (7,582) | (5,046) | (12,628) | (15,605) |
| Profit on ordinary activities before taxation | | 21,801 | (5,801) | 16,000 | 9,119 |
| Taxation on profit on ordinary activities | 8 | (1,551) | 1,259 | (292) | (802) |
| Profit on ordinary activities after taxation | | 20,250 | (4,542) | 15,708 | 8,317 |
| Dividends - post listing | 10 | (5,279) | - | (5,279) | - |
| Dividends - pre listing | 10 | (870) | 6,649 | 5,779 | (3,911) |
| Retained profit for the year | 19 | 14,101 | 2,107 | 16,208 | 4,406 |
| Retained profit brought forward | | 12,079 | - | 12,079 | 7,673 |
| Retained profit carried forward | | 26,180 | 2,107 | 28,287 | 12,079 |
| Earnings per share - net basis | 11 | 13.0 | (2.9) | 10.1 | 8.7 |
| Earnings per share - nil basis | 11 | 14.0 | (3.7) | 10.3 | 9.8 |

The Group has no recognised gains or losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical equivalents.

BALANCE SHEETS

as at 29 March 1997

| | Notes | GROUP | | COMPANY | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 1997 £000's | 1996 £000's | 1997 £000's | 1996 £000's |
| Fixed assets | | | | | |
| Tangible assets | 12 | 304,755 | 253,945 | 259,806 | 209,426 |
| Current assets | | | | | |
| Stocks | 14 | 1,223 | 1,083 | 928 | 802 |
| Debtors: amounts falling due after one year | 15 | - | - | 42,458 | 42,458 |
| Debtors: amounts falling due within one year | 15 | 10,231 | 8,196 | 9,276 | 7,994 |
| Cash at bank and in hand | | 4,197 | 10,841 | 2,729 | 7,090 |
| | | 15,651 | 20,120 | 55,391 | 58,344 |
| Creditors: amounts falling due within one year | 16 | 30,709 | 29,855 | 32,049 | 26,602 |
| Net current (liabilities) / assets | | (15,058) | (9,735) | 23,342 | 31,742 |
| Total assets less current liabilities | | 289,697 | 244,210 | 283,148 | 241,168 |
| Creditors: amounts falling due after more than one year | | | | | |
| Shareholders' loans | 17 | - | 45,048 | - | 45,048 |
| Other loans | 17 | 81,851 | 117,231 | 81,851 | 117,231 |
| Appropriation of Preference dividends | | - | 1,669 | - | 1,669 |
| | | 81,851 | 163,948 | 81,851 | 163,948 |
| | | 207,846 | 80,262 | 201,297 | 77,220 |
| Capital and reserves | | | | | |
| Called up share capital | 18 | 8,799 | 62,990 | 8,799 | 62,990 |
| Capital redemption reserve | 19 | 41,557 | - | 41,557 | - |
| Share premium account | 19 | 129,203 | 5,193 | 129,203 | 5,193 |
| Profit and loss account | 19 | 28,287 | 12,079 | 21,738 | 9,037 |
| Equity shareholders' funds | | 207,846 | 6,672 | 201,297 | 3,630 |
| Non-equity shareholders' funds | | - | 73,590 | - | 73,590 |
| Total shareholders' funds | | 207,846 | 80,262 | 201,297 | 77,220 |

Approved by the Board of Directors on 18 June 1997

John Jarvis

David Thomas

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 29 March 1997

| | Notes | 1997 | | 1996 | |
|--|-------|----------|-----------|----------|-----------|
| | | £000's | £000's | £000's | £000's |
| Cash flow from operating activities | 1 | | 33,423 | | 28,995 |
| Returns on investment and servicing of finance | 2 | | (28,388) | | (10,584) |
| Taxation - UK corporation tax paid (including ACT) | | | - | | (953) |
| Capital expenditure | 2 | | (8,687) | | (5,614) |
| | | | (3,652) | | 11,844 |
| Acquisitions of hotels including costs | | | (46,608) | | (5,000) |
| Dividends paid | | | (1,760) | | (1,557) |
| | | | (52,020) | | 5,287 |
| Management of liquid resources | | | - | | - |
| Financing - issue of shares | 2 | 134,376 | | - | |
| - decrease in long term deposit | 2 | | - | 60,000 | |
| - decrease in debt | 2 | (66,000) | | (61,250) | |
| - redemption of Preference shares | 2 | (23,000) | | - | |
| | | | 45,376 | | (1,250) |
| (Decrease) / Increase in cash in the period | | | (6,644) | | 4,037 |
| Reconciliation of net cash flow to movement in net debt | | | | | |
| (Decrease) / Increase in cash in the period | | (6,644) | | 4,037 | |
| Cash outflow from decrease in debt | | 66,000 | | 61,250 | |
| Change in net debt resulting from cash flows | | | 59,356 | | 65,287 |
| Non cash movements | | | (620) | | (572) |
| Movement in net debt for the year | | | 58,736 | | 64,715 |
| Net debt at 31 March 1996 | | | (142,390) | | (207,105) |
| Net debt at 29 March 1997 | | | (83,654) | | (142,390) |

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of operating profit to operating cash flows

| | 1997 | 1996 |
|---|---------------|---------------|
| | £000's | £000's |
| Operating profit | 29,024 | 23,015 |
| Depreciation charges | 4,648 | 4,194 |
| Profit on sale of tangible fixed assets | (163) | (329) |
| Increase in stocks | (140) | (66) |
| Increase in debtors | (1,350) | (928) |
| Increase in creditors | 2,159 | 3,109 |
| Exceptional item: management bonus | (755) | - |
| Net cash inflow from operating activities | <u>33,423</u> | <u>28,995</u> |

2. Analysis of cash flows for headings netted in the cash flow statement

| | 1997 | 1996 |
|---|-----------------|-----------------|
| | £000's | £000's |
| Returns on investments and servicing of finance | | |
| Interest received | 359 | 4,348 |
| Interest paid | (23,701) | (14,932) |
| Exceptional item: Loan stock interest paid | (5,046) | - |
| Net cash outflow for interest | <u>(28,388)</u> | <u>(10,584)</u> |
| Capital expenditure | | |
| Purchase of tangible fixed assets | (9,014) | (5,995) |
| Sale of tangible fixed assets | 327 | 381 |
| Net cash outflow for capital expenditure | <u>(8,687)</u> | <u>(5,614)</u> |
| Financing | | |
| Issue of Ordinary share capital | 140,535 | - |
| Cost of share issue | (6,159) | - |
| | 134,376 | - |
| Reduction of long term bank deposit | - | 60,000 |
| Repayment of loans | (143,000) | (174,500) |
| New bank loans | 77,000 | 113,250 |
| Redemption of Preference shares | (23,000) | - |
| | <u>(89,000)</u> | <u>(1,250)</u> |
| Net cash inflow / (outflow) from financing | <u>45,376</u> | <u>(1,250)</u> |

3. Analysis of net debt

| | At 31 March 1996 | Cash flow | Non cash movement | At 29 March 1997 |
|--------------------------|------------------------|---------------|----------------------|------------------------|
| | £000's | £000's | £000's | £000's |
| Cash at bank and in hand | 10,841 | (6,644) | - | 4,197 |
| Debt due after one year | (147,231) | 66,000 | (620) | (81,851) |
| Debt due within one year | (6,000) | - | - | (6,000) |
| Total | <u>(142,390)</u> | <u>59,356</u> | <u>(620)</u> | <u>(83,654)</u> |

ACCOUNTING POLICIES

Principal accounting policies

The financial statements have been prepared in accordance with the applicable accounting standards in the United Kingdom. A summary of the more important group accounting policies is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Group made up to 29 March 1997. The results of businesses acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a business, all of the business's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the business are charged to the post acquisition profit and loss account.

Turnover

Turnover represents the amounts receivable for goods sold and services provided, excluding VAT.

Internal professional costs

Internal professional costs incurred on major hotel refurbishment works are capitalised as part of costs of development.

Fixed assets

- (a) Properties are included in the balance sheet at cost plus subsequent additions at cost.
- (b) No depreciation is provided on freehold properties or on integral fixed plant. It is the Group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long and residual values so high that their depreciation is insignificant. An annual review for permanent diminution in value is performed and amounts are taken immediately to the profit and loss account as appropriate. Depreciation is provided on all other tangible fixed assets on a straight line basis over 4 - 14 years.

Leased assets

Rental payments under operating leases are charged to the profit and loss account as incurred, over the lease term.

Pension scheme arrangements

The pension liabilities of the Group are externally funded. A charge is made to the profit and loss account, based on a percentage of pensionable earnings. Variation from the regular pension cost to the Group arising from expected surpluses (or deficiencies) will be credited (or charged) to the profit and loss account over the expected average remaining lives of current employees in the scheme. The Group provides no other post retirement benefits for its employees.

Stocks

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

Deferred taxation

Provision is made for deferred taxation arising from timing differences between profits as computed for taxation purposes and as stated in the financial statements to the extent that the liability will be payable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

29 March 1997

1. Segmental analysis

The Group's turnover, profit before taxation and net assets are derived from its principal activity within the UK and as such no segmental information has been disclosed.

2. Operating profit

| | 1997 £000's | 1996 £000's |
|--|----------------|----------------|
| Operating profit is stated after charging: | | |
| Auditors' remuneration - audit (current year charge includes £10,000 in respect of previous years) | 75 | 67 |
| Auditors' remuneration - other | 33 | 8 |
| Depreciation of tangible fixed assets | 4,648 | 4,194 |
| Directors' emoluments, including pension contributions, for management services | 1,659 | 1,008 |
| Payments to third parties for directors' management services | 46 | 46 |
| Hire of plant and machinery | 1,796 | 1,527 |
| Other operating leases | 1,246 | 1,127 |
| and after crediting: | | |
| Gain on property disposals (net of selling costs) | 143 | 308 |
| Gain on other fixed asset disposals | 20 | 21 |

Exceptional items:

The exceptional items arising on listing are as follows:

- (a) management bonus of £755,000
- (b) payment of Loan stock interest of £5.0m not previously accrued in the accounts
- (c) write back of dividends and associated ACT charge accrued to 28 June 1996, waived on listing, and amounting to £7.9m.

3. Directors

| | 1997 £000's | 1996 £000's |
|-----------------------------|----------------|----------------|
| Executive directors | | |
| Salaries and other benefits | 710 | 544 |
| Bonus | 579 | 132 |
| Pension contributions | 290 | 265 |
| | 1,579 | 941 |
| Non-executive directors | | |
| Fees | 80 | 67 |
| | 1,659 | 1,008 |

A full analysis of the directors' emoluments is detailed in the Report of the Remuneration Committee in Note 3 on page 23.

NOTES TO THE FINANCIAL STATEMENTS

29 March 1997

4. Employee information

The average number of persons employed by the Group during the year was:

| | 1997 | 1996 |
|-----------|--------------|--------------|
| Full Time | 3,480 | 3,289 |
| Part Time | 1,991 | 1,803 |
| | <u>5,471</u> | <u>5,092</u> |

Employment costs of all employees included above:

| | 1997 £000's | 1996 £000's |
|---|----------------|----------------|
| Gross wages and salaries | 34,132 | 29,636 |
| Employer's national insurance and state pension contributions | 2,256 | 1,840 |
| Employer's pension costs | 840 | 731 |
| | <u>37,228</u> | <u>32,207</u> |

5. Pension scheme

The Group operates a pension plan (The Jarvis Pension Plan) which provides benefits based on final pensionable earnings and years of service at retirement. The Plan is funded and the assets are held separately and invested independently of the Group. The Plan is contracted-out of the state earnings related pension scheme.

The contributions to be paid to the Plan are determined by an independent qualified actuary on the basis of an actuarial valuation using the projected unit method. The most recent actuarial review carried out for the purpose of establishing the pension charge for the year was as at 5 December 1996 (the Plan year end). The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of interest on investment, rate of salary growth and the rate of increase in pensions. It was assumed that real investment return (over prices) would be 4.5% per annum, real earnings growth (also over prices) would average 2% per annum, and that the element of pension which is not the Guaranteed Minimum Pension would increase at the absolute rate of 5% per annum.

On this basis, as at 5 December 1996, the actuarial value of the assets of the Plan represented 110% of the benefits that had accrued to members after allowing for expected future increases in earnings. The net market value of assets as at 5 December 1996 was £12.1m.

The pension charge for the year was £553,349 (1996: £482,720). As at 29 March 1997 creditors include £1.2m (1996: £1.3m) in respect of the excess of the accumulated pension cost charged to profit and loss account over contributions paid and payable to the Plan.

6. Interest receivable

| | 1997 | 1996 |
|--------------------------|---------------|---------------|
| | <i>£000's</i> | <i>£000's</i> |
| Bank interest receivable | 359 | 1,709 |

7. Interest payable and similar charges

| | 1997 | 1996 |
|--|---------------|---------------|
| | <i>£000's</i> | <i>£000's</i> |
| On bank loans and overdrafts: | | |
| Repayable within five years not by instalments | 328 | 3,705 |
| Repayable within five years by instalments | - | 2,593 |
| wholly or partly after five years: | | |
| Bank loans | 4,703 | 3,427 |
| Loan stock | 6,217 | 4,548 |
| Debenture stock | 1,380 | 1,332 |
| | <u>12,628</u> | <u>15,605</u> |

8. Taxation

| | 1997 | 1996 |
|---|---------------|---------------|
| | <i>£000's</i> | <i>£000's</i> |
| Irrecoverable ACT | 1,320 | 1,036 |
| Overprovision in previous year | - | (234) |
| Write back of ACT provided in previous year | (1,028) | - |
| | <u>292</u> | <u>802</u> |

There is no charge to mainstream corporation tax in the year due to the brought forward trading losses, the beneficial effect of capital allowances and the excess charges on income arising from the payment of Loan stock interest.

Deferred taxation

| | <i>Amount provided</i> | | <i>Total potential liability</i> | |
|--|------------------------|---------------|----------------------------------|---------------|
| | 1997 | 1996 | 1997 | 1996 |
| | <i>£000's</i> | <i>£000's</i> | <i>£000's</i> | <i>£000's</i> |
| Accelerated capital allowances | - | - | 9,407 | 12,339 |
| Other timing differences | - | - | (452) | (5,534) |
| Trading losses | - | - | (6,407) | (3,210) |
| | - | - | <u>2,548</u> | <u>3,595</u> |
| Capital gains which are to be rolled over against the cost of future acquisitions of land, buildings and fixed plant | - | - | 47 | 313 |
| | - | - | <u>2,595</u> | <u>3,908</u> |

The Group's total potential liability of £2.6m (1996: £3.9m) has not been provided for as the timing differences are not expected to crystallise in the foreseeable future. Similarly, the total potential liability of the Company of £13,000 (1996: £2.4m) comprising accelerated capital allowances £6.9m, other timing differences £(433,000) and trading losses £(6.4m) has not been provided for.

NOTES TO THE FINANCIAL STATEMENTS

29 March 1997

9. Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's profit for the financial year was £12.7m (1996: £6.4m).

10. Dividends

| | 1997 £000's | 1996 £000's |
|--|----------------|----------------|
| Post listing | | |
| Equity shares | | |
| Ordinary shares - interim (paid) | 1,760 | - |
| Ordinary shares - final (proposed) | 3,519 | - |
| | 5,279 | - |
| Pre listing | | |
| Equity shares | | |
| Cumulative Convertible Participating | | |
| Preferred Ordinary shares - interim (paid) | - | 32 |
| Cumulative Convertible Participating | | |
| Preferred Ordinary shares - final (proposed) | - | 424 |
| Ordinary shares - final (proposed) | - | 11 |
| Non-equity | | |
| 'A' Cumulative Redeemable Preference shares | | |
| - Due for the period (proposed) | - | 3,025 |
| - Appropriation in respect of prior periods | - | (190) |
| 'B' Cumulative Redeemable Preference shares | | |
| - Due for the period (proposed) | - | 650 |
| - Appropriation in respect of prior periods | - | (41) |
| | - | 3,911 |
| Dividends waived on listing | | |
| Equity shares | | |
| Cumulative Convertible Participating | | |
| Preferred Ordinary shares - final | (424) | - |
| Ordinary shares - final | (11) | - |
| Non-equity | | |
| 'A' Cumulative Redeemable Preference shares | (3,025) | - |
| 'B' Cumulative Redeemable Preference shares | (650) | - |
| Write back of dividend appropriation | (1,669) | - |
| | (5,779) | - |
| Total | (500) | 3,911 |

11. Earnings per share

The earnings per share are based on a weighted average number of shares of 155,904,535 (1996: 95,675,243), being the average number of shares in issue during the year, and on the profit after tax but before dividends. Under the nil basis, earnings per share are calculated as above but on profit before irrecoverable ACT.

| | 1997 | 1996 |
|--------------------------------|------|------|
| Earnings per share - net basis | 10.1 | 8.7 |
| Earnings per share - nil basis | 10.3 | 9.8 |

12. Tangible fixed assets

| Group | Land and buildings | | | | | | |
|--------------------------|--------------------|-----------|--------|--------------------|----------------|------------------|---------|
| | Freehold | Leasehold | | Plant and fittings | Motor vehicles | Work in progress | Total |
| | | Long | Short | | | | |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Cost | | | | | | | |
| At 31 March 1996 | 212,598 | 7,678 | 4,596 | 44,377 | 780 | 699 | 270,728 |
| Additions | 41,163 | 31 | 16 | 9,635 | 350 | 4,427 | 55,622 |
| Reclassification | (3,901) | 5,037 | 68 | 1,035 | - | (2,239) | |
| Disposals | (95) | (29) | - | - | (163) | - | (287) |
| At 29 March 1997 | 249,765 | 12,717 | 4,680 | 55,047 | 967 | 2,887 | 326,063 |
| Accumulated depreciation | | | | | | | |
| At 31 March 1996 | - | - | 1,257 | 15,129 | 361 | 36 | 16,783 |
| Charge for year | - | - | 249 | 4,069 | 188 | 179 | 4,685 |
| Reclassification | - | - | 2 | 58 | - | (97) | (37) |
| Disposals | - | - | - | - | (123) | - | (123) |
| At 29 March 1997 | - | - | 1,508 | 19,256 | 426 | 118 | 21,308 |
| Net book value | | | | | | | |
| At 29 March 1997 | 249,765 | 12,717 | 3,172 | 35,791 | 541 | 2,769 | 304,755 |
| At 30 March 1996 | 212,598 | 7,678 | 3,339 | 29,248 | 419 | 663 | 253,945 |

| Company | Land and buildings | | | | | | |
|--------------------------|--------------------|-----------|--------|--------------------|----------------|------------------|---------|
| | Freehold | Leasehold | | Plant and fittings | Motor vehicles | Work in progress | Total |
| | | Long | Short | | | | |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Cost | | | | | | | |
| At 31 March 1996 | 179,249 | 6,715 | 4,596 | 33,097 | 756 | 333 | 224,746 |
| Additions | 40,996 | 9 | 16 | 8,995 | 342 | 3,727 | 54,085 |
| Reclassification | (4,153) | 5,008 | 68 | 910 | - | (1,833) | - |
| Disposals | - | - | - | - | (163) | - | (163) |
| At 29 March 1997 | 216,092 | 11,732 | 4,680 | 43,002 | 935 | 2,227 | 278,668 |
| Accumulated depreciation | | | | | | | |
| At 31 March 1996 | - | - | 1,257 | 13,696 | 356 | 11 | 15,320 |
| Charge for year | - | - | 249 | 3,118 | 182 | 140 | 3,689 |
| Reclassification | - | - | 2 | 51 | - | (77) | (24) |
| Disposals | - | - | - | - | (123) | - | (123) |
| At 29 March 1997 | - | - | 1,508 | 16,865 | 415 | 74 | 18,862 |
| Net book value | | | | | | | |
| At 29 March 1997 | 216,092 | 11,732 | 3,172 | 26,137 | 520 | 2,153 | 259,806 |
| At 30 March 1996 | 179,249 | 6,715 | 3,339 | 19,401 | 400 | 322 | 209,426 |

NOTES TO THE FINANCIAL STATEMENTS

29 March 1997

13. Capital commitments

| | GROUP | | COMPANY | |
|-------------------------------------|--------|--------|---------|--------|
| | 1997 | 1996 | 1997 | 1996 |
| | £000's | £000's | £000's | £000's |
| Amounts contracted but not invoiced | 4,980 | 466 | 3,139 | 412 |

14. Stocks

All stocks relate to food, beverage and consumables.

15. Debtors

| | GROUP | | COMPANY | |
|--|--------|--------|---------|--------|
| | 1997 | 1996 | 1997 | 1996 |
| | £000's | £000's | £000's | £000's |
| Amounts falling due after more than one year | | | | |
| Amounts owed by subsidiary companies | - | - | 42,458 | 42,458 |
| | - | - | 42,458 | 42,458 |
| Amounts falling due within one year | | | | |
| Trade debtors | 8,018 | 6,589 | 6,426 | 5,089 |
| Amounts owed by subsidiary companies | - | - | 744 | 1,429 |
| Other debtors | 1,033 | 745 | 997 | 717 |
| Prepayments and accrued income | 1,180 | 862 | 1,109 | 759 |
| | 10,231 | 8,196 | 9,276 | 7,994 |

16. Creditors

| | GROUP | | COMPANY | |
|--------------------------------------|--------|--------|---------|--------|
| | 1997 | 1996 | 1997 | 1996 |
| | £000's | £000's | £000's | £000's |
| Amounts falling due within one year | | | | |
| Bank loans | 6,000 | 6,000 | 6,000 | 6,000 |
| Trade creditors | 5,521 | 4,491 | 4,491 | 3,394 |
| Amounts owed to subsidiary companies | - | - | 4,361 | - |
| Other creditors | 6,623 | 5,802 | 5,755 | 4,947 |
| Corporation tax and ACT | 1,320 | 1,028 | 1,320 | 1,028 |
| Other taxation and social security | 2,815 | 2,662 | 2,145 | 1,846 |
| Accruals | 4,911 | 5,762 | 4,458 | 5,277 |
| Dividends payable | 3,519 | 4,110 | 3,519 | 4,110 |
| | 30,709 | 29,855 | 32,049 | 26,602 |

17. Creditors

| | GROUP | | COMPANY | |
|--|--------|---------|---------|---------|
| | 1997 | 1996 | 1997 | 1996 |
| | £000's | £000's | £000's | £000's |
| Amounts falling due after more than one year | | | | |
| Shareholders' loans: | | | | |
| Loan stock principal 1997 / 2006 | - | 30,000 | - | 30,000 |
| Loan stock interest | - | 15,048 | - | 15,048 |
| | - | 45,048 | - | 45,048 |
| Other loans: | | | | |
| Bank loans | 65,000 | 101,000 | 65,000 | 101,000 |
| First Mortgage Debenture Stock 2004 (Note a) | 16,851 | 16,231 | 16,851 | 16,231 |
| | 81,851 | 117,231 | 81,851 | 117,231 |
| | 81,851 | 162,279 | 81,851 | 162,279 |

Loan obligations repayable by instalments are as follows:

| | | | | |
|----------------------------|--------|---------|--------|---------|
| Within one year | 4,000 | 6,000 | 4,000 | 6,000 |
| Between one and two years | 6,000 | 14,505 | 6,000 | 14,505 |
| Between two and five years | 26,000 | 45,014 | 26,000 | 45,014 |
| After five years | 33,000 | 86,529 | 33,000 | 86,529 |
| | 69,000 | 152,048 | 69,000 | 152,048 |

Loan obligations repayable other than by instalments are as follows:

| | | | | |
|------------------|--------|--------|--------|--------|
| Within one year | 2,000 | - | 2,000 | - |
| After five years | 16,851 | 16,231 | 16,851 | 16,231 |
| | 18,851 | 16,231 | 18,851 | 16,231 |

(a) The £20m 3.80125% to 6.84225% stepped interest First Mortgage Debenture Stock was issued for a consideration of £15.2m. This stock is redeemable at par on 31 December 2004 and is secured by fixed and floating charges over the assets and shares of Jarvis Red Tin Shed Corporation Limited.

(b) On 28 June 1996 the Company renegotiated its existing bank loans into new Bank Facilities with a banking syndicate led jointly by Bank of Scotland and National Westminster Bank Plc to provide £107.0m over seven years to 2003. Interest on these loans was payable at variable rates of interest based on LIBOR (London Inter Bank Offer Rate) which resulted in an average rate of 7.1%.

(c) As part of the Bank Facilities noted above, the Company obtained a £20.0m Revolving Credit Facility which expires in 2003. At 29 March 1997, £2.0m was drawn under this facility, the repayment of which is included under liabilities due within one year.

NOTES TO THE FINANCIAL STATEMENTS

29 March 1997

18. Share capital

| | 1997 | | | | 1996 | |
|--|---------------|--------|-----------------------|--------|-----------------------------------|--------|
| | Authorised | | Issued and fully paid | | Authorised, issued and fully paid | |
| | Number | £000's | Number | £000's | Number | £000's |
| Class of share | | | | | | |
| Ordinary shares of 5p each | 1,420,000,000 | 71,000 | 175,980,965 | 8,799 | - | - |
| Ordinary shares of £1 each | - | - | - | - | 225,000 | 225 |
| 'A' Ordinary shares of £1 each | - | - | - | - | 90,000 | 90 |
| Cumulative Convertible Participating Preferred Ordinary shares of £1 each (the CCPPOs) | - | - | - | - | 1,275,000 | 1,275 |
| Total Ordinary share capital | 1,420,000,000 | 71,000 | 175,980,965 | 8,799 | 1,590,000 | 1,590 |
| 'A' Cumulative Redeemable Preference shares at 80p each | - | - | - | - | 60,500,000 | 48,400 |
| 'B' Cumulative Redeemable Preference shares at £1 each | - | - | - | - | 13,000,000 | 13,000 |
| Total nominal value issued | | 71,000 | | 8,799 | | 62,990 |

On 28 June 1996, in connection with the Company's listing on the London Stock Exchange, the existing share capital of the Company was reorganised as follows:

- the subdivision of the 1,275,000 CCPPOs, the 225,000 existing Ordinary shares and the 90,000 'A' Ordinary shares into 31,800,000 shares of 5p nominal value;
- the conversion of 37,500,000 of the 'A' Preference shares at a premium of 20p each and the 13,000,000 'B' Preference shares at par into an aggregate of 28,857,143 Ordinary shares and 831,142,857 non voting Deferred shares of 5p each, followed by the redemption of all the non voting Deferred shares for an aggregate of 1p;
- the redesignation of the CCPPOs, the existing Ordinary shares and the 'A' Ordinary shares as Ordinary shares;
- the waiver of dividends of £7.2m provided but not paid on the 'A' and 'B' Preference shares, the CCPPOs and the existing Ordinary shares;
- the bonus issue of 20,146,131 Ordinary shares to the holders of the CCPPOs, the existing Ordinary shares and the 'A' Ordinary shares; and
- the scrip issue of 14,871,969 Ordinary shares to the holders of the 'A' and 'B' Preference shares.

At 29 March 1997, options were held over 782,996 Ordinary shares in respect of the SS Scheme and 3,741,016 Ordinary shares in respect of the 1996 Scheme. Directors' holdings under these schemes are summarised on page 24 of the Remuneration Committee report.

19. Shareholders' funds

| Group | Share capital | Share premium account | Capital redemption reserve | Profit and loss account | Total 1997 | Total 1996 |
|-------------------------------------|------------------|-----------------------------|----------------------------------|-------------------------------|----------------|---------------|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| At 31 March 1996 | 62,990 | 5,193 | - | 12,079 | 80,262 | 75,856 |
| Retained profit for the year | - | - | - | 16,208 | 16,208 | 4,406 |
| Capital reorganisation (Note 18) | (39,806) | (1,751) | 41,557 | - | - | - |
| Issue of shares on listing | 4,015 | 136,520 | - | - | 140,535 | - |
| Expenses of listing | - | (6,159) | - | - | (6,159) | - |
| Redemption of 'A' Preference shares | (18,400) | (4,600) | - | - | (23,000) | - |
| At 29 March 1997 | <u>8,799</u> | <u>129,203</u> | <u>41,557</u> | <u>28,287</u> | <u>207,846</u> | <u>80,262</u> |
| Company | Share capital | Share premium account | Capital redemption reserve | Profit and loss account | Total 1997 | Total 1996 |
| | £000's | £000's | £000's | £000's | £000's | £000's |
| At 31 March 1996 | 62,990 | 5,193 | - | 9,037 | 77,220 | 74,754 |
| Retained profit for the year | - | - | - | 12,701 | 12,701 | 2,466 |
| Capital reorganisation (Note 18) | (39,806) | (1,751) | 41,557 | - | - | - |
| Issue of shares on listing | 4,015 | 136,520 | - | - | 140,535 | - |
| Expenses of listing | - | (6,159) | - | - | (6,159) | - |
| Redemption of 'A' Preference shares | (18,400) | (4,600) | - | - | (23,000) | - |
| At 29 March 1997 | <u>8,799</u> | <u>129,203</u> | <u>41,557</u> | <u>21,738</u> | <u>201,297</u> | <u>77,220</u> |

On 28 June 1996, 80,305,723 Ordinary shares of 5p were issued at a price of £1.75 per share in connection with the Company's listing on the London Stock Exchange. Costs of £6.2m in connection with the listing have been offset against share premium. At the same time, the remaining 23,000,000 'A' Preference shares were redeemed at a premium of 20p per share.

20. Reconciliation of movement in shareholders' funds

| | 1997 | 1996 |
|-------------------------------------|----------------|---------------|
| | £000's | £000's |
| Profit for the financial year | 15,708 | 8,317 |
| Dividends - net movement | 500 | (3,911) |
| | <u>16,208</u> | <u>4,406</u> |
| New share capital issued | 140,535 | - |
| Expenses of issue | (6,159) | - |
| Preference share capital redeemed | (23,000) | - |
| New addition to shareholders' funds | <u>127,584</u> | <u>4,406</u> |
| Opening shareholders' funds | 80,262 | 75,856 |
| Closing shareholders' funds | <u>207,846</u> | <u>80,262</u> |

NOTES TO THE FINANCIAL STATEMENTS

29 March 1997

21. Contingent liabilities and commitments

- (a) The Group has received a number of tourist board grants which have been used to fund developments within the hotels. The potential clawback of grants is estimated at £279,000 which would crystallise if certain investment return criteria were exceeded or the assets in question were not used or retained for purposes intended when grants were received.
- (b) In order to cover obligations under the EU Directive on package holidays, the Company has placed £229,000 in a Trust account held with Bank of Scotland. In the event of the Company's insolvency the monies would be used to refund customers.
- (c) The Group 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.

At 29 March 1997 the Group had annual commitments under operating leases as set out below:

| | <i>Land and buildings</i> | | <i>Other</i> | |
|--------------------------------|---------------------------|---------------|---------------|---------------|
| | 1997 | 1996 | 1997 | 1996 |
| | <i>£000's</i> | <i>£000's</i> | <i>£000's</i> | <i>£000's</i> |
| Operating leases which expire: | | | | |
| Within one year | 29 | - | 565 | 289 |
| In two to five years | 15 | 44 | 846 | 433 |
| Over five years | 1,174 | 971 | 246 | 328 |
| | <u>1,218</u> | <u>1,015</u> | <u>1,657</u> | <u>1,050</u> |

22. Interests in Group undertakings

All subsidiary companies are directly owned by Jarvis Hotels plc.

| <i>Name</i> | <i>Country of incorporation</i> | <i>Class of capital</i> | <i>% of class held</i> |
|---|---------------------------------|-------------------------|------------------------|
| Jarvis Hotels - First Time Every Time Limited | Great Britain | Ordinary shares | 100% |
| Jarvis Hotels - Creating the Difference Limited | Great Britain | Ordinary shares | 100% |
| Jarvis Red Tin Shed Corporation Limited | Jersey | Ordinary shares | 100% |
| Aberdeen Hotel Company Limited* | Great Britain | Ordinary shares | 100% |
| | | Preference shares | 100% |
| Jarvis Hospitality Services Limited* | Great Britain | Ordinary shares | 100% |
| | | Deferred shares | 100% |
| Leisure Learning Weekends Limited* | Great Britain | Ordinary shares | 100% |
| Hushaway Promotions Limited* | Great Britain | Ordinary shares | 100% |
| Jarvis Hotels (Trustee) Limited* | Great Britain | Ordinary shares | 100% |

All the companies marked (*) are dormant companies (with the exception of Jarvis Hotels (Trustee) Limited, which did not trade during the year) and taken together are not material to the Group. Consequently they have not been included in the consolidated accounts. All the trading companies above operate as hoteliers and have been included in the consolidation under the acquisition method of accounting.

PRO FORMA STATEMENT

Profit and loss account

| | <u>1997</u> | <u>1996</u> |
|---|---------------|---------------|
| | <i>£000's</i> | <i>£000's</i> |
| Turnover | 118,162 | 101,742 |
| Operating Profit | 29,024 | 23,015 |
| Interest receivable | 359 | 1,709 |
| Interest payable and similar charges | (7,582) | (15,605) |
| Pro forma interest adjustment | 2,341 | 9,528 |
| Profit on ordinary activities before taxation | <u>24,142</u> | <u>18,647</u> |

1. Basis of preparation

The pro forma results have been prepared under the historical cost convention using the Group's accounting policies as set out on page 34, except that they have been prepared as if the post listing capital structure had been in existence at 2 April 1995. The pro forma profit and loss account has been derived from the profit and loss account before exceptional items as reported in the statutory accounts and adjusted for interest and taxation.

2. Interest adjustment

| | <u>1997</u> | <u>1996</u> |
|---|---------------|---------------|
| | <i>£000's</i> | <i>£000's</i> |
| Reversal of Loan stock interest paid | 1,171 | 4,548 |
| Reduced cost of bank interest following repayment | 1,170 | 4,980 |
| | <u>2,341</u> | <u>9,528</u> |

The pro forma adjustment to interest has been calculated using the average LIBOR for each year plus a margin equal to the Group's average bank margin and the actual interest on the Loan stock.

3. Earnings per share

The pro forma earnings per share (nil basis) of 13.7p (1996: 10.7p) are based on pro forma earnings of £24.1m (1996: 18.9m) and a constant number of Ordinary shares in issue of 175,980,965.

GROUP FINANCIAL RECORD

Profit and loss account

| | 1997 | 1996 | 1995 | 1994 | 1993 |
|--|----------|----------|----------|----------|----------|
| | £000's | £000's | £000's | £000's | £000's |
| Turnover | 118,162 | 101,742 | 89,799 | 63,344 | 58,897 |
| Cost of sales | (82,837) | (73,077) | (65,821) | (47,820) | (46,052) |
| Hotel trading profit | 35,325 | 28,665 | 23,978 | 15,524 | 12,845 |
| Net operating expenses | (7,199) | (5,958) | (5,278) | (4,237) | (3,840) |
| Other net operating income | 143 | 308 | - | 87 | - |
| Operating profit | 28,269 | 23,015 | 18,700 | 11,374 | 9,005 |
| Interest receivable | 359 | 1,709 | 3,964 | 3,968 | 6,250 |
| Interest payable and similar charges | (12,628) | (15,605) | (14,013) | (12,890) | (17,489) |
| Profit / (Loss) on ordinary activities before taxation | 16,000 | 9,119 | 8,651 | 2,452 | (2,234) |
| Taxation on profit on ordinary activities | (292) | (802) | (1,179) | (9) | - |
| Profit / (Loss) for the financial year | 15,708 | 8,317 | 7,472 | 2,443 | (2,234) |
| Dividends | 500 | (3,911) | (3,425) | (32) | - |
| Profit / (Loss) retained for the financial year | 16,208 | 4,406 | 4,047 | 2,411 | (2,234) |

Balance sheet

| | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|-----------------|------------------|------------------|------------------|------------------|
| | £000's | £000's | £000's | £000's | £000's |
| Fixed assets | | | | | |
| Tangible fixed assets | 304,755 | 253,945 | 247,196 | 198,427 | 195,228 |
| Long term deposit | - | - | - | 60,000 | 60,000 |
| | <u>304,755</u> | <u>253,945</u> | <u>247,196</u> | <u>258,427</u> | <u>255,228</u> |
| Current assets | | | | | |
| Stocks | 1,223 | 1,083 | 1,017 | 662 | 704 |
| Debtors | 10,231 | 8,196 | 9,966 | 7,037 | 5,202 |
| Cash at bank and in hand | 4,197 | 10,841 | 6,804 | 8,852 | 11,447 |
| Bank deposit | - | - | 60,000 | - | - |
| | <u>15,651</u> | <u>20,120</u> | <u>77,787</u> | <u>16,551</u> | <u>17,353</u> |
| Creditors: amounts falling due within one year | <u>(30,709)</u> | <u>(29,855)</u> | <u>(88,270)</u> | <u>(22,759)</u> | <u>(19,017)</u> |
| Net current liabilities | <u>(15,058)</u> | <u>(9,735)</u> | <u>(10,483)</u> | <u>(6,208)</u> | <u>(1,664)</u> |
| Total assets less current liabilities | <u>289,697</u> | <u>244,210</u> | <u>236,713</u> | <u>252,219</u> | <u>253,564</u> |
| Creditors: amounts falling due after more than one year | | | | | |
| Shareholders' loans | - | (45,048) | (45,048) | (40,500) | (35,250) |
| Other loans | (81,851) | (117,231) | (113,909) | (140,000) | (149,000) |
| Appropriation of preference dividend | - | (1,669) | (1,900) | - | - |
| | <u>(81,851)</u> | <u>(163,948)</u> | <u>(160,857)</u> | <u>(180,500)</u> | <u>(184,250)</u> |
| Net assets | <u>207,846</u> | <u>80,262</u> | <u>75,856</u> | <u>71,719</u> | <u>69,314</u> |
| Capital and reserves | | | | | |
| Called up share capital | 8,799 | 62,990 | 62,990 | 62,900 | 62,900 |
| Share premium account | 41,557 | 5,193 | 5,193 | 5,193 | 5,199 |
| Capital redemption reserve | 129,203 | - | - | - | - |
| Profit and loss account | 28,287 | 12,079 | 7,673 | 3,626 | 1,215 |
| Total shareholders' funds | <u>207,846</u> | <u>80,262</u> | <u>75,856</u> | <u>71,719</u> | <u>69,314</u> |

SHAREHOLDER INFORMATION

Analysis of shareholders as at 29 March 1997

| SHAREHOLDERS | NUMBER OF ACCOUNTS | % OF TOTAL NUMBER OF HOLDERS | NUMBER OF SHARES | % OF ORD. SHARES |
|--|-----------------------|---------------------------------|---------------------|---------------------|
| Individuals | 9,651 | 86.15 | 6,395,195 | 3.63 |
| Insurance companies | 14 | 0.12 | 5,464,194 | 3.11 |
| Nominee companies | 1,336 | 11.93 | 139,921,310 | 79.51 |
| Banks | 3 | 0.03 | 40,250 | 0.03 |
| Pension funds | 1 | 0.01 | 817,866 | 0.46 |
| Other limited companies /corporate bodies | 192 | 1.71 | 19,410,273 | 11.03 |
| Public limited companies | 5 | 0.05 | 3,931,877 | 2.23 |
| | <u>11,202</u> | <u>100.00</u> | <u>175,980,965</u> | <u>100.00</u> |

| SHAREHOLDERS BY SIZE | NUMBER OF HOLDINGS | % | BALANCE AS AT 29.3.97 | % |
|----------------------|-----------------------|---------------|--------------------------|---------------|
| 1 - 500 | 7,559 | 67.48 | 1,697,019 | 0.96 |
| 501 - 1,000 | 1,672 | 14.93 | 1,234,495 | 0.70 |
| 1,001 - 2,000 | 708 | 6.32 | 1,068,110 | 0.61 |
| 2,001 - 5,000 | 616 | 5.50 | 1,993,426 | 1.13 |
| 5,001 - 10,000 | 166 | 1.48 | 1,206,105 | 0.69 |
| 10,001 - 20,000 | 86 | 0.77 | 1,263,881 | 0.72 |
| 20,001 - 50,000 | 90 | 0.80 | 3,058,869 | 1.73 |
| 50,001 - 100,000 | 82 | 0.73 | 5,923,089 | 3.37 |
| 100,001 - 250,000 | 93 | 0.83 | 15,111,030 | 8.59 |
| 250,001 - 500,000 | 52 | 0.46 | 18,149,496 | 10.31 |
| 500,001 - 1,000,000 | 42 | 0.38 | 28,538,435 | 16.22 |
| 1,000,001 - Highest | 36 | 0.32 | 96,737,010 | 54.97 |
| | <u>11,202</u> | <u>100.00</u> | <u>175,980,965</u> | <u>100.00</u> |

Results and financial diary

| ORDINARY SHARES | FINAL DIVIDEND FOR 1997 | INTERIM DIVIDEND FOR 1998 |
|---|----------------------------|------------------------------|
| Announcement of results | 19 June 1997 | November 1997 |
| Ex-dividend date - shares purchased before this date on the market qualify for dividend | 21 July 1997 | December 1997 |
| Record date - shareholders on the register on this date are entitled to the dividend | 25 July 1997 | December 1997 |
| Dividend payable | 29 August 1997 | January 1998 |

First Mortgage Debenture Stock 2004

| | |
|------------------------|---|
| Interest payment dates | 30 June and 31 December each year |
|------------------------|---|

Dividend payment

The proposed final dividend (if approved) will be paid on 29 August 1997 to shareholders on the register at 25 July 1997.

Dividend mandate

Some shareholders have already completed mandates to authorise dividends to be paid directly to their bank or building society account. The Company mandates dividends through the BACS (Bankers' Automated Clearing Services) system. The benefit to shareholders of the BACS payment method is that the Registrars post the tax vouchers directly to them, whilst the dividend is credited on the payment date to the shareholder's bank or building society account. Shareholders who have not yet arranged for their dividends to be paid direct to their bank or building society account and wish to benefit from this service should request the Company's Registrars (address below) to send them a dividend mandate form or alternatively complete the mandate form attached to their dividend tax voucher.

Close company status

So far as the directors are aware the close company provisions of the Taxes Act do not apply to the Company and there has been no change in that position since the end of the financial year.

Registrars and Transfer Office

All administrative enquiries relating to shareholdings should, in the first instance, be directed to the Company's Registrars and clearly state the registered shareholder's name and address. Please write to Lloyds Bank Registrars, The Causeway, Worthing, West Sussex, BN99 6DA. Telephone No. 01903 502 541.

Company Secretary and Registered Office

B S Vintner, Jarvis Hotels plc
1a Eastbury Road, Northwood
Middlesex HA6 3BG

Registered in England & Wales. Company Number 2486634

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Jarvis Hotels plc will be held at the Jarvis London Embassy Hotel, 150 Bayswater Road, London, W2 4RT on Thursday 14 August 1997 at 10am for the following purposes:

ORDINARY BUSINESS

1. To receive the Company's financial statements for the year ended 29 March 1997 together with the reports of the directors and auditors thereon (Resolution 1).
2. To declare a final dividend of 2 pence net per Ordinary share payable to shareholders on the register at the close of business on 25 July 1997 (Resolution 2).
3. To reappoint David Thomas as a director retiring by rotation in accordance with the Company's articles of association (Resolution 3).
4. To reappoint Stephen Curran as a director (Resolution 4).
5. To reappoint John Clement as a director (Resolution 5).
6. To reappoint James Joll as a director (Resolution 6).
7. To reappoint Michael Montague as a director (Resolution 7).
8. To reappoint Coopers & Lybrand as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors to determine their remuneration (Resolution 8).

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions which will be proposed as an ordinary and as a special resolution respectively.

Ordinary resolution

9. **THAT** the authority conferred on the directors by article 4(B) of the Company's articles of association be renewed for the period expiring 15 months after the date of the passing of this resolution or the date of the annual general meeting of the Company in 1998, if earlier, and for that period the "section 80 amount" is £2,933,016 (Resolution 9).

Special resolution

10. **THAT** the power conferred on the directors by article 4(C) of the Company's articles of association be renewed for the period expiring 15 months after the date of the passing of this resolution or the date of the annual general meeting of the Company in 1998, if earlier, and for that period the "section 89 amount" is £439,952 (Resolution 10).

By order of the Board
B S Vintner, Secretary, 17 July 1997

Registered Office: 1a Eastbury Road, Northwood, Middlesex HA6 3BG

Notes:

- (a) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (b) To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the office of Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA not later than 10am on 12 August 1997. A form of proxy is enclosed with this notice.
- (c) There will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the annual general meeting and at the place of the meeting for 15 minutes prior to and during the meeting:
 - (i) the register of directors' interests in the Ordinary shares of the Company; and
 - (ii) the contracts of service of the directors.
- (d) The appointment of a proxy will not prevent a member from attending and voting at the annual general meeting should he/she decide to do so.
- (e) The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the Company as at 6pm on 12 August 1997 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6pm on 12 August 1997 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (f) The "section 80 amount" referred to in Resolution 9 represents approximately 33.3% of the total Ordinary share capital of the Company in issue as at 1 July 1997. The directors have no present intention to exercise this authority other than to issue shares pursuant to the Company's existing share schemes.
- (g) The "section 89 amount" referred to in Resolution 10 represents approximately 5% of the total Ordinary share capital of the Company in issue as at 1 July 1997.

1997 JARVIS QUALITY CHAMPIONS

In the opinion of our customers and their own colleagues, these members of the Jarvis Hotels' team nationwide gave outstanding service in the year and are acknowledged as our 1997 Quality Champions:

Hotel Quality Champions

| | |
|------------------|---------------------|
| Rebecca Anderson | Gordon Johnston |
| Ineke Baldwin | Warren Kay |
| Joanne Barrell | Barbara Keir |
| John Bennett | Michelle Kerrigan |
| Shelley Birkin | Graham Kirk |
| Claire Bryson | Nadine Lane |
| Cliff Burr | Lynne Little |
| Kiara Butler | Janet Marshall |
| Jimmy Campbell | Esther Martin |
| Joseph Cap | Mark McCloy |
| Lesley Chevannes | Joao Claudio Mfinda |
| Stephen Coates | Angela Murray |
| Chris Cooper | Pippa Nellist |
| Julie Corbett | Tim Nelmes |
| Maxine Crouch | Alison Newcomb |
| Ingrid Darch | Ray Noddle |
| Christine Davies | Stephen Pearce |
| Surjit Doal | Nicci Pettit |
| Nancy Dolby | Dorothy Poulter |
| Mary Eatwell | Phillip Prescott |
| Kath Edgar | Debra Price |
| Michelle Farnham | Steven Quick |
| Kevin Ferguson | Julie Reay |
| Karen Finlay | John Reilly |
| Helen Fogden | Shaun Richardson |
| Pat Foster | Amanda Riddle |
| Jane Fricker | Sandra Skinner |
| Fiona Galvin | Neal Smith |
| Eddie Gant | Tony Spicer |
| Giovanni Garelli | Ariel Tharby |
| Danny Healy | Andrew Twitchen |
| Sara Hellowell | Jenny Undasan |
| Joanna Holt | Gillian Widdowson |
| Denise Huke | Kate Winston |
| Debbie Husband | Rachel Wylie |
| Mike James | |

**Jarvis International Hotel,
Hatfield / St Albans**
Quality Team of the Year

**Jarvis Great Danes Hotel
& Country Club**
Restaurant Team of the Year

Jarvis George Hotel
Bar Team of the Year

**Jarvis International Hotel,
Solihull**
Kitchen Team of the Year

The Peacock Hotel
*Housekeeping Team
of the Year*

**Jarvis Penns Hall Hotel
& Country Club**
Reception Team of the Year

**Jarvis Parkway Hotel
& Country Club**
Room Yield Team of the Year

**Jarvis Gloucester Hotel
& Country Club**
Leisure Team of the Year

Jarvis Felbridge Hotel
Events Team of the Year

**Jarvis International Hotel,
Watford**
Summit Team of the Year

**Jarvis Caledonian Hotel,
Ayr**
*Sales and Spend Team
of the Year*

**Jarvis Agency
Sales Team**
Sales Team of the Year

Jarvis Hog's Back Hotel,
Landmark 1997 Award

Jarvis Leyland Hotel
*1997 Duck Shooting
Champion*

Jarvis Fleece Hotel
Against All Odds Award

Jarvis Guildford Hotel
Award for Productivity

Jarvis Thatchers Hotel
Energy Team of the Year

**Jarvis International Hotel,
Bolton**
Finance Team of the Year

Jarvis Chichester Hotel
Training Team of the Year

Helen Peart
Training Achievement Award

Joe Ewing
Charles Rolls
Chris Walters
Experience Counts Awards

John Metcalfe
30 Years Service

Hilary McHale
Hayley Pegg
Jenny Luff
Bronwen Taylor
Sales People of the Year

Mark Johnson
Merchandising Champion

Sue Murphy
Young Manager of the Year

Jarvis Cooden Beach Hotel
Promotion of the Year Award

**Jarvis Caledonian
Hotel, Ayr**
Public Relations Award

Bass Brewers Limited
Supplier of the Year

John Paul Hand
Tim Nelmes
Craig Whittaker
Young Chefs of the Year

Nigel Guy
General Manager of the Year

The Bear at Hungerford
Leisure Hotel of the Year

**Jarvis International Hotel,
Watford**
Hotel of the Year

JARVIS HOTELS IN THE UK

| LOCATION | HOTEL | NATIONAL TOURIST BOARD RATING | TELEPHONE |
|-------------------------------|--------------------------------|----------------------------------|---------------|
| England | | | |
| BEXHILL-ON-SEA | Jarvis Cooden Beach Hotel | ★★★★C | 01424 842 281 |
| BIRMINGHAM / SOLIHULL | Jarvis International Hotel | ★★★★C | 0121 711 2121 |
| BIRMINGHAM / SUTTON COLDFIELD | Jarvis Penns Hall Hotel & CC | ★★★★HC | 0121 351 3111 |
| BOLTON | Jarvis International Hotel | ★★★★HC | 01942 814 598 |
| BRADFORD / BINGLEY | Jarvis Bankfield Hotel | ★★★★C | 01274 567 123 |
| BRIGHTON | Jarvis Norfolk Hotel | ★★★★ | 01273 738 201 |
| BRIGHTON | Jarvis Preston Park Hotel | ★★★★ | 01273 507 853 |
| BRISTOL | Jarvis Grange Hotel & CC | ★★★★C | 01454 777 333 |
| BROMSGROVE | Jarvis Perry Hall Hotel | ★★★★C | 01527 579 976 |
| BURTON-ON-TRENT | Jarvis Newton Park Hotel | ★★★★ | 01283 703 568 |
| CHELMSFORD | Jarvis Rivenhall Hotel | ★★★★C | 01376 516 969 |
| CHESTER | Jarvis Abbots Well Hotel | ★★★★ | 01244 332 121 |
| CHICHESTER | Jarvis Chichester Hotel | ★★★★C | 01243 786 351 |
| CIRENCESTER | Jarvis Fleece Hotel | ★★★★C | 01285 658 507 |
| CREWE | Jarvis Crewe Hotel | ★★★ | 01270 213 204 |
| FARNHAM / GUILDFORD | Jarvis Hog's Back Hotel | ★★★★C | 01252 782 345 |
| GATESHEAD / NEWCASTLE | Jarvis Springfield Hotel | ★★★★C | 0191 477 4121 |
| GATWICK / CRAWLEY | Jarvis International Hotel | ★★★★C | 01293 561 186 |
| GATWICK / EAST GRINSTEAD | Jarvis Felbridge Hotel | ★★★★C | 01342 326 992 |
| GLOUCESTER | Jarvis Gloucester Hotel & CC | ★★★★ | 01452 525 653 |
| GLOUCESTER | Jarvis Bowden Hall Hotel & CC | ★★★★HC | 01452 614 121 |
| GUILDFORD | Jarvis Guildford Hotel | ★★★★C | 01483 564 511 |
| HATFIELD / ST. ALBANS | Jarvis International Hotel | ★★★★C | 01707 265 411 |
| HEMEL HEMPSTEAD / ST. ALBANS | Jarvis International Hotel | ★★★★C | 01582 792 105 |
| HULL | Jarvis International Hotel | ★★★★C | 01482 656 488 |
| HUNGERFORD | The Bear at Hungerford | ★★★★C | 01488 682 512 |
| HURLEY / MAIDENHEAD | Ye Olde Bell Hotel | ★★★★ | 01628 825 881 |
| KIDDERMINSTER | Jarvis Heath Hotel & CC | | 01299 400 900 |
| LEATHERHEAD | Jarvis Thatchers Hotel | ★★★★C | 01483 284 291 |
| LEEDS / HARROGATE | Jarvis Parkway Hotel & CC | ★★★★C | 01132 672 551 |
| LEICESTER | Jarvis Grand Hotel | ★★★★C | 01162 555 599 |
| LEIGH/WARRINGTON | Jarvis Greyhound Hotel & Lodge | ★★★ | 01942 671 256 |
| LEYLAND | Jarvis Leyland Hotel | ★★★★ | 01772 422 922 |
| LICHFIELD | Jarvis George Hotel | ★★★★ | 01543 414 822 |
| LONDON HEATHROW | Jarvis International Hotel | ★★★★C | 0181 897 2121 |

HC - Highly Commended C - Commended

| LOCATION | HOTEL | NATIONAL TOURIST BOARD RATING | TELEPHONE |
|----------------------|-------------------------------|----------------------------------|---------------|
| England | | | |
| LONDON SW7 | Jarvis Embassy House Hotel | ☞ ☞ ☞ ☞ | 0171 584 7222 |
| LONDON W2 | Jarvis London Embassy Hotel | ☞ ☞ ☞ ☞ C | 0171 229 1212 |
| LONDON W5 | Jarvis Carnarvon Hotel | ☞ ☞ ☞ ☞ C | 0181 992 5399 |
| LOUGHBOROUGH | Jarvis Loughborough Hotel | ☞ ☞ ☞ ☞ C | 01509 233 222 |
| MAIDSTONE | Jarvis Great Danes Hotel & CC | ☞ ☞ ☞ ☞ C | 01622 631 163 |
| MANCHESTER | Jarvis Piccadilly Hotel | ☞ ☞ ☞ ☞ ☞ C | 0161 236 8414 |
| MATLOCK / BAKEWELL | The Peacock Hotel | ☞ ☞ ☞ ☞ HC | 01629 733 518 |
| NEWBURY | Jarvis Elcot Park Hotel & CC | ☞ ☞ ☞ ☞ HC | 01488 658 100 |
| NEWCASTLE-UNDER-LYME | Jarvis Clayton Lodge Hotel | ☞ ☞ ☞ ☞ C | 01782 613 093 |
| NORWICH | Jarvis Lansdowne Hotel | ☞ ☞ ☞ | 01603 620 302 |
| NOTTINGHAM | Jarvis Nottingham Hotel | ☞ ☞ ☞ C | 0115 946 0000 |
| OXFORD | Jarvis Royal Oxford Hotel | ☞ ☞ ☞ | 01865 248 432 |
| RAMSGATE | Jarvis Marina Hotel | ☞ ☞ ☞ ☞ | 01843 588 276 |
| STOCKPORT | Jarvis Alma Lodge Hotel | ☞ ☞ ☞ ☞ C | 0161 483 4431 |
| TENTERDEN | Jarvis White Lion Hotel | ☞ ☞ ☞ ☞ C | 01580 765 077 |
| TUNBRIDGE WELLS | Jarvis Pembury Hotel | ☞ ☞ ☞ ☞ | 01892 823 567 |
| WATFORD | Jarvis International Hotel | ☞ ☞ ☞ ☞ ☞ | 0181 950 6211 |
| WETHERBY | Jarvis Wetherby Hotel | ☞ ☞ ☞ C | 01937 583 881 |
| WOLVERHAMPTON | Jarvis Mount Hotel | ☞ ☞ ☞ ☞ C | 01902 752 055 |
| WOLVERHAMPTON | Jarvis Park Hall Hotel | ☞ ☞ ☞ ☞ | 01902 331 121 |
| YORK | Jarvis Abbey Park Hotel | ☞ ☞ ☞ ☞ C | 01904 658 301 |
| YORK | Jarvis International Hotel | ☞ ☞ ☞ ☞ ☞ HC | 01904 670 222 |

Wales

| | | | |
|---------|-----------------------|-----------|---------------|
| CARDIFF | Jarvis Royal Hotel | ☞ ☞ ☞ | 01222 383 321 |
| CARDIFF | Jarvis Wentloog Hotel | ☞ ☞ ☞ ☞ C | 01633 680 591 |

Scotland

| | | | |
|-----------|-----------------------------|-------------|---------------|
| ABERDEEN | Jarvis Amatola Hotel | ☞ ☞ ☞ ☞ | 01224 318 724 |
| AYR | Jarvis Caledonian Hotel | ☞ ☞ ☞ ☞ ☞ C | 01292 269 331 |
| EDINBURGH | Jarvis Ellersly House Hotel | ☞ ☞ ☞ ☞ C | 0131 337 6888 |
| EDINBURGH | Jarvis Learmonth Hotel | ☞ ☞ ☞ ☞ C | 0131 343 2671 |
| EDINBURGH | Jarvis Mount Royal Hotel | ☞ ☞ ☞ ☞ C | 0131 225 7161 |
| INVERNESS | Jarvis Caledonian Hotel | ☞ ☞ ☞ ☞ | 01463 235 181 |

HC - Highly Commended C - Commended