

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO, SC

Tillian Limited

Financial statements 31 December 1995
together with directors' and auditors' reports

Registered number: 2948772



Directors' report

For the period ended 31 December 1995

The directors present their report on the affairs of the company, together with the financial statements and auditors' report, for the period from 14 July 1994 (date of incorporation) to 31 December 1995.

Principal activity and business review

The company holds the leasehold of part of The Haycock Hotel, Wansford which it leases to a fellow subsidiary of Arcadian International Plc.

Results and dividends

The company's retained profit for the year was £250,000. The directors do not recommend the payment of a dividend.

Fixed assets

Detail of the movement in fixed assets is given in note 5. During the period the company acquired the leasehold land and buildings of the Haycock Hotel. The hotel is let to a fellow group undertaking, Arcadian Hotels UK Ltd, which conducts the hotel's trading operations.

Directors and their interests

The directors during the year were as follows:

| | |
|----------------|---|
| R.J.M. Bonella | (appointed 15 August 1994) |
| R.R.A. Breare | (appointed 15 August 1994) |
| M.L. Dunning | (appointed 15 August 1994) |
| C.G. Upton | (appointed 15 August 1994) |
| M.T. Siggers | (appointed 14 July 1994, resigned 15 August 1994) |

Directors' interests in shares

The directors do not have any beneficial interests in the shares of the company required to be disclosed under Schedule 7 of the Companies Act 1985. Messrs Breare, Dunning and Upton are directors of the company's parent undertaking, Arcadian International Plc, and their interests in the shares of that company are disclosed in the financial statements of that company. Mr. Bonella, who is not a director of Arcadian International Plc, has a beneficial interest in 300,000 options over ordinary shares in that company. These options are exercisable at a price of 36p between 4 July 1997 and 4 July 2004.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

Directors' report (continued)

Directors' responsibilities (continued)

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Liability insurance for company officers

As permitted by the Companies Act 1985, insurance cover has been purchased for the directors against liabilities arising from negligence, default, breach of duty and breach of trust in relation to the company.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Galton Place
St Matthews Road
Redhill
Surrey
RH1 1TA

By order of the Board,



R.J.M. Bonella

Secretary

4 September 1996

Auditors' report

London

To the Shareholders of Tillian Limited:

We have audited the financial statements on pages 4 to 8 which have been prepared on the basis of the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the company's state of affairs at 31 December 1995 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

4 September 1996

Profit and loss account

for the period from 14 July 1994 (date of incorporation) to 31 December 1995

| | Notes | 1995 £ |
|---|-------|-----------|
| Rental income | | 250,000 |
| Profit on ordinary activities before taxation | 3 | 250,000 |
| Tax on profit on ordinary activities | 4 | - |
| Profit for the financial period | | 250,000 |
| Retained profit, beginning of period | | - |
| Retained profit, end of period | | 250,000 |

Rental income is wholly derived from continuing activities. A statement of movements on reserves is given in note 8. There were no recognised gains or losses in the period other than as shown above.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet


31 December 1995

| | Notes | 1995 £ |
|---|-------|--------------------|
| Fixed assets | | |
| Tangible assets | 5 | <u>4,850,000</u> |
| | | 4,850,000 |
| Current assets | | |
| Amounts due from other group undertakings | | 250,000 |
| Creditors: Amounts falling due within one year | | |
| Amounts due to other group undertakings | 6 | <u>(4,849,998)</u> |
| Net current liabilities | | <u>(4,599,998)</u> |
| Total assets less current liabilities | | <u>250,002</u> |
| Net assets | | <u>250,002</u> |
| Capital and reserves | | |
| Called-up share capital | 7 | 2 |
| Profit and loss account | | <u>250,000</u> |
| Equity shareholders' funds | 8 | <u>250,002</u> |

Signed on behalf of the Board

C.G. Upton

Director


4 September 1996

The accompanying notes are an integral part of this balance sheet.

Notes to financial statements

31 December 1995

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards, except in relation to the absence of provision for the depreciation of long leasehold buildings, as set out below.

b) Tangible fixed assets and depreciation

In accordance with normal practice within the hotel industry, no depreciation is provided on long leasehold properties. The company's properties are maintained at all times in sound condition and to a high standard. Accordingly, the directors are of the opinion that the length of lives and residual values (based on prices prevailing at the time of acquisition or subsequent valuation) of these properties are such that any provision for depreciation would not be material. Any permanent diminution in the value of such properties is charged to the profit and loss account. Leasehold properties are amortised over the unexpired period of the lease where this is less than 25 years.

c) Taxation

Corporation tax is provided on taxable profits at the current rate.

Deferred tax is provided using the liability method only to the extent that timing differences are expected to reverse in the future without being replaced.

d) Cash flow statement

In accordance with Financial Reporting Standard No.1, "Cash Flow Statements", the company has not prepared a cash flow statement because its parent undertaking, Arcadian International Plc, has prepared consolidated financial statements which contain a cash flow statement.

3 Profit on ordinary activities before taxation

No director received any emoluments from the company in the period. Auditors' remuneration was borne by another group company.

4. Tax on profit on ordinary activities

No current period corporation tax charge arises due to the existence of hotel buildings allowances. There is unprovided tax of approximately £82,000.

Notes to financial statements (continued)

5 Tangible fixed assets

| Cost | Long leasehold land, and building £ | Total £ |
|---------------------------|--|------------------|
| On incorporation | - | - |
| Additions | 4,850,000 | 4,850,000 |
| 31 December 1995 | <u>4,850,000</u> | <u>4,850,000</u> |
| Depreciation | | |
| On incorporation | - | - |
| Charged during the period | - | - |
| 31 December 1995 | <u>-</u> | <u>-</u> |
| Net book value | | |
| 31 December 1995 | <u>4,850,000</u> | <u>4,850,000</u> |

On 9 February 1995, the company acquired the leasehold land and buildings of the Haycock Hotel for £4,850,000 (which was the fair value of the consideration and the assets acquired). The lease has 55 years to run and accordingly no depreciation is charged. The property is let to Arcadian Hotels UK Ltd, a fellow group undertaking. All subsequent additions to, and revaluations of, the fixed assets of this hotel have been recorded by this company.

6 Creditors: Amounts falling due within one year

Amounts due to other group undertakings are unsecured and do not bear interest.

7 Share capital

| | 1995 £ |
|---|--------------|
| <i>Authorised</i> | |
| 1,000 £1 ordinary shares | <u>1,000</u> |
| <i>Allotted, called-up and fully-paid</i> | |
| 2 £1 ordinary shares | <u>2</u> |

8 Reconciliation of movements in shareholders' funds and reserves

| | 1995 £ |
|-------------------------------------|----------------|
| Profit for the financial period | 250,000 |
| New share capital subscribed | <u>2</u> |
| Net addition to shareholders' funds | <u>250,002</u> |
| Closing shareholders' funds | <u>250,002</u> |

Notes to financial statements (continued)

9 Capital commitments

The company had no authorised capital commitments at 31 December 1995.

10 Parent undertaking

Arcadian International Plc, registered in England and Wales, is regarded by the directors as the company's ultimate parent undertaking.

Arcadian International Plc is the parent undertaking of the only group of which the company is a member, and for which group accounts are drawn up. The consolidated financial statements of this group are available to the public and may be obtained from Gatton Place, St. Matthews' Road, Redhill, Surrey.

11 Contingent liabilities and subsequent event

The company has given a guarantee secured on the company's assets amounting to approximately £30.61 million in support of group borrowings.