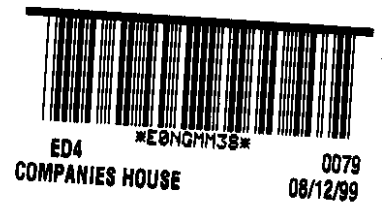


## Tillian Limited

Financial statements for the year ended 31 December 1998  
together with directors' and auditors' reports

Registered number: 2948772



## Directors' report

For the year ended 31 December 1998

The directors present their report on the affairs of Tillian Limited ("the company"), together with the financial statements and auditors' report, for the year ended 31 December 1998.

### Principal activity and business review

The principal activity of the company is owning and renting part of the Haycock Hotel, Wansford. Prior to 9 April 1998 the hotel was leased to Arcadian Hotels (UK) Limited. On 9 April 1998, the company agreed to lease the hotel to Arcadian Hotels Limited.

### Results and dividends

The loss for the period after taxation was £2,812,594 (1997 - £250,000 profit). The directors do not recommend the payment of a dividend (1997 - £125,000 per ordinary share).

### Directors

The directors during the year were as follows:

R.J.M. Bonella  
R.A. Breare (resigned 21 September 1999)  
M.L. Dunning  
C.G. Upton

On 9 July 1999, the following were appointed directors of the company:

E.J. Blum  
J. Bohlmann  
J.D. Carreker  
A. Raymond  
R.J. Tutty

### 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.

### Year 2000 compliance

The company has instituted a programme to be carried out by Arcadian Hotels (UK) Limited to review all aspects of the impact of Year 2000 and in particular to test and, where necessary, upgrade or replace computer systems and other equipment to ensure compliance with Year 2000 date related problems. The programme is on schedule and the majority of required modifications or replacements have been carried out. The costs of the programme are being borne by Arcadian Hotels (UK) Limited.

## Directors' report (continued)

### Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Gatton Place  
St Matthew's Road  
Redhill  
Surrey  
RH1 1TA

By order of the Board,



C.G. Upton  
Director

26 November 1999

## Auditors' report

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London

### To the Shareholders of Tillian Limited:

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention as modified by the revaluation of hotels and the accounting policies set out on pages 7 and 8.

### Respective responsibilities of directors and auditors

As described on page 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.

However, the evidence available to us was limited as the shareholders are currently in negotiations which are expected to lead to the sale of the company to a third party, as described in Note 13. Because the intentions of the third party regarding the company's future financing have not been made available to the directors, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit. This limitation of scope affects our assessment of the applicability of the going concern assumption in the event that the transaction is consummated. The financial statements do not include any adjustments which might result were the going concern assumption to prove inappropriate.


In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements, including the disclosures made in Note 12 of the financial statements concerning the uncertainty regarding the future financing of Wyndham International, Inc, on whose financial support the company would continue to depend if the expected sale does not proceed. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

## Auditors' report (continued)

### **Opinion: disclaimer on view given by financial statements**

Because of the possible effect of the limitation in evidence available to the directors and therefore to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 or of its loss for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the going concern assumption and any adjustments which might result were the going concern assumption to prove inappropriate, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.



Arthur Andersen  
Chartered Accountants and Registered Auditors

1 Surrey Street  
London  
WC2R 2PS

26 November 1999

## Profit and loss account

For the year ended 31 December 1998

	Notes	31 December 1998 £	31 December 1997 £
<b>Turnover</b>	2	459,238	250,000
Operating expenses		(82,500)	-
Reduction in carrying value of fixed assets	6	(3,189,332)	-
<b>(Loss) profit on ordinary activities before taxation</b>	3	(2,812,594)	250,000
Tax on profit on ordinary activities	4	-	-
<b>(Loss) profit for the financial year</b>		(2,812,594)	250,000
Dividend paid and proposed	5	-	(250,000)
<b>Retained (loss) profit for the year</b>		<u>(2,812,594)</u>	<u>-</u>

A statement of movements on reserves is given in note 9.

There were no recognised gains or losses in either period other than as shown above.

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

# Balance sheet

31 December 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	6	<u>1,578,168</u>	<u>4,850,000</u>
<b>Current assets</b>			
Amounts due from other group undertakings		709,238	250,000
<b>Creditors: Amounts falling due within one year</b>	7	<u>(4,849,998)</u>	<u>(4,849,998)</u>
<b>Net current liabilities</b>		<u>(4,140,760)</u>	<u>(4,599,998)</u>
<b>Total assets less current liabilities</b>		<u>(2,562,592)</u>	<u>250,002</u>
<b>Net (liabilities)/assets</b>		<u>(2,562,592)</u>	<u>250,002</u>
<b>Capital and reserves</b>			
Called-up share capital	8	2	2
Profit and loss account		<u>(2,562,594)</u>	<u>250,000</u>
<b>Equity shareholders' funds</b>	9	<u>(2,562,592)</u>	<u>250,002</u>

Signed on behalf of the Board

C.G. Upton



Director

26 November 1999

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

# Notes to financial statements

31 December 1998

## 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently, except as disclosed below, throughout the year and prior year, is set out below.

### a) Basis of preparation

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

The company is exempt from the requirement of FRS 1 to present a cash flow statement because at 31 December 1998 it was a wholly owned subsidiary of Patriot American Hospitality, Inc. which prepared consolidated financial statements for the period which are publicly available.

### b) Tangible fixed assets and depreciation

Following the acquisition of the company on 9 April 1998, the depreciation rates have been adjusted to reflect those of the company's ultimate parent, Patriot American Hospitality, Inc.

The depreciation charges are as follows:

	<u>Pre 9 April 1998</u>	<u>Post 9 April 1998</u>
Freehold properties and leasehold properties with an unexpired term of more than 25 years	None	35 years
Leasehold properties with an unexpired term of less than 25 years	Over the unexpired term	Over the unexpired term
Furniture, fittings and equipment	5-15 years	3-6 years

Prior to acquisition in accordance with common practice within the hotel industry, no depreciation was provided on freehold hotel properties or on hotel properties on leases with 25 years or more to run at the balance sheet date. The company's properties were maintained at all times in sound condition and to a high standard and, accordingly, the directors were 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 were such that any provision for depreciation would not be material.

Freehold properties and long leasehold properties were revalued annually and, if a material variation, the new valuation included in the balance sheet. Any material surplus or deficit on book value was transferred to the revaluation reserve, except for any deficit which was in excess of any previously recognised surplus over depreciated cost relating to the same property, or reversal of such a deficit. In this case the balance was charged to the profit and loss account. A deficit which represented a clear consumption of economic benefits was charged to the profit and loss account regardless of any such previous surplus.



## Notes to financial statements (continued)

### 1 Accounting policies (continued)

#### b) *Tangible fixed assets and depreciation (continued)*

Subsequent to acquisition, all properties were revalued and depreciated from that date.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Interest on capital employed on land under development and on the costs of construction and refurbishment of hotels incurred until these projects are completed is, where appropriate, capitalised as part of the costs of construction. Costs of construction include an allocation of direct overheads, including internal labour and overhead costs.

#### c) *Taxation*

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

Deferred taxation has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

#### d) *Turnover*

Turnover represents amounts receivable in the normal course of business, net of trade discounts, VAT and other sales related taxes.

### 2 Turnover

	1998 £	1997 £
Rental income - Arcadian Hotels (UK) Ltd	62,500	250,000
Rental income - Arcadian Hotels Ltd	396,738	-
	<u>459,238</u>	<u>250,000</u>

Rental income is wholly derived from continuing activities.

### 3 (Loss) profit on ordinary activities before taxation

No director received any emoluments from the company in either year. Auditors' remuneration was borne by another group company in the current and prior year. Depreciation amounted to £82,500 (1997 - £nil).

## Notes to financial statements (continued)

### 4 Tax on profit on ordinary activities

	1998 £	1997 £
Corporation tax at 31% (1997 - 31.5%)	-	-

Group relief is available for the current year and hence no UK corporation tax is payable.

There is potential unprovided deferred tax in respect of accelerated capital allowances of approximately £144,000 (1997 - £167,000) which the directors do not expect to crystallise in the foreseeable future.

### 5 Dividends paid and proposed

	1998 £	1997 £
Interim dividend £nil per share (1997 - £nil)	-	-
Final dividend proposed £nil per share (1997 - £125,000)	-	250,000
	-	250,000

### 6 Tangible fixed assets

	Long leasehold land and buildings £
<b>Cost</b>	
At beginning of year	4,850,000
Revaluation deficit	(3,189,332)
At end of year	1,660,668
<b>Depreciation</b>	
At beginning of year	-
Charge for the year	82,500
At end of year	82,500
<b>Net book value</b>	
At beginning of year	4,850,000
At end of year	1,578,168

Following the decision by the company's ultimate parent, Wyndham International, Inc., to withdraw from the sector of the UK hotel market served by the company, the directors have reviewed the carrying value of the hotel assets of the company and the value of the assets has been written down by £3,189,332, based on the estimated realisable value of those assets.

## Notes to financial statements (continued)

### 7 Creditors: Amounts falling due within one year

	1998 £	1997 £
Amounts owed to other group undertakings	<u>4,849,998</u>	<u>4,849,998</u>

All amounts owed to other group undertakings are unsecured and repayable on demand.

### 8 Share capital

	1998 £	1997 £
<i>Authorised</i>		
1,000 £1 ordinary shares	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>		
2 £1 ordinary shares	<u>2</u>	<u>2</u>

### 9 Reconciliation of movements in shareholders' funds and reserves

	1996 £	1997 £
(Loss)/profit for the financial year	(2,812,594)	250,000
Dividends paid	-	(250,000)
Net (reduction)/addition to shareholders' funds	<u>(2,812,594)</u>	<u>-</u>
Opening shareholders funds	250,002	250,002
Closing shareholders' funds	<u>(2,562,592)</u>	<u>250,002</u>

### 10 Parent undertaking

As at 31 December 1998, Patriot American Hospitality, Inc. registered in the United States, was the company's ultimate parent company. Patriot American Hospitality, Inc. was a US Real Estate Investment Trust whose shares were paired and traded together as one unit on the New York Stock Exchange with those of Wyndham International, Inc. The financial statements of Patriot American Hospitality, Inc. and Wyndham International, Inc. are publicly available and may be obtained on request from The Secretary, Gatton Place, St Matthews Road, Surrey RH1 1TA.

As a subsidiary undertaking of Patriot American Hospitality, Inc. the company has taken advantage of the exemption in FRS 8 "Related party disclosures" not to disclose transactions with other members of the group headed by Patriot American Hospitality, Inc. and Wyndham International, Inc.

Subsequent to 31 December 1998, as described in note 12, the ultimate parent company became Wyndham International, Inc.

## Notes to financial statements (continued)

### 11 Contingent liabilities

The company, along with other group undertakings, has given a guarantee secured on the company's assets amounting to approximately £42.3 million (1997 – £44.5 million) in support of group borrowings.

### 12 Parent company financial support

- a) The company is dependent on the continued financial support of its ultimate parent, Wyndham International, Inc. ("Wyndham"). Wyndham has confirmed its intention of providing continued financial support to the company to enable it to meet its liabilities as they fall due, up to 31 December 2000. As described below, there has been uncertainty regarding the future financing of Wyndham.
- b) In the Joint Quarterly Report on Form 10-Q for the quarterly period ended 30 June 1998, dated 14 August 1998, Patriot American Hospitality, Inc. ("Patriot") and Wyndham International, Inc. (the "Companies") reported that they were fully drawn of all available funds under the existing Revolving Credit Facility as of 14 August 1998. The Companies further stated that, while they were then negotiating to obtain additional bank financing and other additional sources of capital, if the Companies were unable to secure additional sources of financing in the future, no assurances could be made that a future lack of financing sources would not have a material adverse effect on the Companies' financial condition and results of operations.
- c) On 30 June 1999, Wyndham completed a \$1 billion equity investment with a group of investors. On 30 June 1999, Wyndham closed on a new \$2.45 billion credit facility, consisting of a \$1.3 billion term loan with a seven year term, a \$500 million revolving credit facility with a five year term and a \$650 million increasing rate loan facility with a five year term. The proceeds of the equity investment and new facility were used to repay outstanding obligations under existing facilities.
- d) As a condition of the equity investment, the pairing agreement with Patriot was terminated and a restructuring carried out whereby Patriot became a wholly-owned subsidiary of Wyndham. Patriot's status as a real estate investment trust terminated with effect from 1 January 1999 and Patriot became a taxable corporation at that date. As a result of the restructuring, Wyndham will pay significantly more in federal income taxes but will have the ability to retain significantly more earnings than was previously the case because Wyndham is not required to distribute at least 95% or more of its taxable income to shareholders. Wyndham anticipated that its enhanced ability to retain earnings will allow it to utilise cash from operating activities to fund maintenance, capital expenditure and acquisitions.
- e) The directors of the company believe that following the equity investment and restructuring, Wyndham will be in a position to provide continued financial support to the company and accordingly consider it reasonable to prepare the financial statements on a going concern basis.

## Notes to financial statements (continued)

### 13 Expected sale of the company

The ultimate parent company, Wyndham International, Inc, ("Wyndham") is in negotiations with a third party which is expected to lead to the sale of the company. At the date of sale, the financial support of Wyndham would be withdrawn and the company would be released from the group guarantees set out in Note 11. As at the date of these accounts, the detailed intentions of the third party regarding the company's business plans and future financing are not available to the directors who therefore have insufficient evidence to conclude as to the validity of the going concern assumption in these accounts in the event that the transaction is consummated. However, the directors are not aware of any evidence to suggest the company is not a going concern.