

Declaration by the directors of a holding company in relation to assistance for the acquisition of shares

155(6)b

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466
---	---	---	---	---	---	---	---	---	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

3141385

Name of company

* Malmaison Limited

* insert full name
of company

XWe 0 See continuation sheet page 1.

Ø insert name(s) and address(es) of all the directors

† delete as appropriate

~~XXXXXXXXXX~~ [all the directors][†] of the above company (hereinafter called 'this company') do solemnly and sincerely declare that:

§ delete whichever
is inappropriate

The business of this company is:

(a) ~~that is a recognised bank, licensed institution within the meaning of the Banking Act 1983~~
~~that is a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on~~
~~insurance business in the United Kingdom~~

(c) something other than the above~~s~~

This company is [the] ☒ holding company of* The Malmaison Hotel (Manchester) Limited
(Registered No. 2934866) _____ which is
proposing to give financial assistance in connection with the acquisition of shares
in [this company] [_____]

Presenter's name address and reference (if any) :

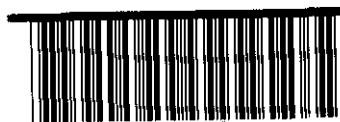
SJ Berwin
222 Gray's Inn Road
London
WC1X 8XF

Page 1

DX255 London
Ref: 641/M9208.164/CP2:82574

For official Use
General Section

Post room



A17
COMPANIES HOUSE

0497
12/06/02

82574

The assistance is for the purpose of ~~that acquisition~~ [reducing or discharging a liability incurred for the purpose of that acquisition].† (note 1)

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

The number and class of the shares acquired or to be acquired is: 26,962,147 ordinary shares of
1p each

The assistance is to be given to: (note 2) MWB Malmaison Holdings Limited (Registered No. 3917393)
(formerly known as MWB Hotel Properties Limited) whose registered office is 179 Great Portland Street, London W1W 5LS.

The assistance will take the form of:

See Annexure 1.

The person who [has acquired] ~~will acquire~~ the shares is:
MWB Malmaison Holdings Limited (Registered No. 3917393).

† delete as appropriate

The principal terms on which the assistance will be given are:

See Annexure 2.

The amount (if any) by which the net assets of the company which is giving the assistance will be reduced by giving it is Nil.

The amount of cash to be transferred to the person assisted is £ Nil.

The value of any asset to be transferred to the person assisted is £ Nil.

Please do not
write in this
margin

The date on which the assistance is to be given is within 8 weeks from the date hereof.

Please complete
legibly, preferably
in black type, or
bold block lettering

☒ We have formed the opinion, as regards this company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

(a) ☒ We have formed the opinion that this company will be able to pay its debts as they fall due during the year immediately following that date]* (note 3)

* delete either (a) or
(b) as appropriate

(b) ~~It is intended to commence the winding up of this company, within 12 months of that date, and the~~
~~have formed the opinion that this company will be able to pay its debts in full within 12 months of~~
~~commencement of the winding up.* (note 3)~~

And ☒ we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at See continuation page 1

Declarants to sign below

on

Day	Month	Year

before me _____

A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths.

NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies
Companies House
37 Castle Terrace
Edinburgh
EH1 2EB

Malmaison Limited

Form 155(6)b

Continuation page 1

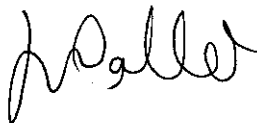
1. Ian Bruce Cave, 82 Park Street, Thame, Oxfordshire, OX9 3HX
2. Jagtar Singh, 163 Hempstead Road, Hertfordshire WD1 3HF



And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of this Statutory Declarations Act 1835.

Declared at 1 West Garden Place, Kendal Street, London W2 2AQ

the 31st day of May 2002
before me



JULIET WALLER, Solicitor
46 Blandford Street
London W1U 7HT

A Solicitor having the powers conferred on a Commissioner for Oaths.

THE MALMAISON HOTEL (MANCHESTER) LIMITED

Company No. 2934866

(the "Company")

Annexure 1 - Form 155(6)b

Definitions

In this Statutory Declaration (including Annexures 1 & 2) the following expressions shall have the following meanings:

"Borrower" means MWB Malmaison Holdings Limited (Company Number 03917393)

"BoS" means the Governor and Company of the Bank of Scotland plc.

"BoS Charge Over Construction Documentation" means the charge dated on or about the date hereof, to be granted by the Company in favour of BoS to secure all monies and liabilities due, owing or payable by the Company to BoS, whereby the Company:

- (a) covenants that it will on demand pay and discharge such sums due, owing or payable, more particularly referred to in the BoS Charge Over Construction Documentation; and
- (b) grants a charge over the Company's right, title, benefit and interest in the Construction Documentation (as defined in the BoS Charge Over Construction Documentation) as continuing security and with full title guarantee for the payment of the Facilities (as defined therein).

"BoS Debenture" means the debenture dated on or about the date hereof, to be granted by the Company in favour of BoS to secure all monies and liabilities due, owing or incurred by the Company to BoS, whereby the Company:

- (a) covenants that it will on demand pay or discharge such sums due, owing or incurred, more particularly referred to in the BoS Debenture as the "Secured Obligations"; and
- (b) grants legal, fixed and floating charges and mortgages over its assets and undertakings in favour of BoS as continuing security and with full title guarantee for the payment and discharge of such Secured Obligations.

"BoS Facility Letter"

means the amendment and restatement agreement which amends and restates the credit agreement dated 3 November 2000 entered into between (among others) MWB Hotel Properties Limited (now known as MWB Malmaison Holdings Limited) and Société Générale (the "Soc Gen Facility"), which was on or about the date of this declaration assigned to BoS. Such amended and restated agreement provides for a maximum aggregate sum of £83,000,000 to be advanced (to be increased to £110,000,000 upon the fulfilment of certain conditions) to MWB Malmaison Holdings Limited. The proceeds of the Soc Gen Facility were used by MWB Malmaison Holdings Limited to acquire (amongst other things) the entire issued share capital of Malmaison Limited and the Malmaison Hotel (Birmingham) Limited.

"BoS Guarantee"

means the corporate guarantee dated on or about the date hereof to be granted by (inter alios) various group companies, including the Company in favour of BoS guaranteeing payments of monies due and owing by the "Principal" (as defined in the BoS Guarantee) to BoS, including under the BoS Facility Letter.

"BoS Legal Charge"

means the legal charge dated on or about the date hereof, to be granted by the Company in favour of BoS to secure all sums of money owed and all liabilities or obligations to be carried out to BoS by, inter alios, the Company, whereby the Company:

- (a) will on demand pay such sums, more particularly referred to as the "Debt" in the BoS Commercial Charge Conditions (1995 Edition); and
- (b) grants (inter alia) legal and fixed charges over the "Property" (as defined in the BoS Legal Charge) as continuing security and with full title guarantee for the payment and discharge of such Debt.

"Intra-Group Loan Agreement"

means the intra-group loan agreement to be granted by various group companies (including the Company) as lenders to the Borrower as borrower, pursuant to which such group companies may lend money to the Borrower to service interest costs and repay advances and make other payments due under the BoS Facility Letter

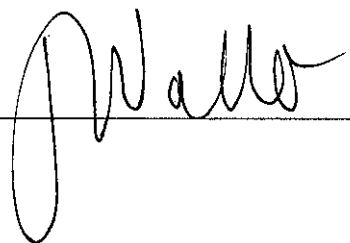
The assistance will take the form of:

1. The BoS Charge Over Construction Documentation
2. The BoS Debenture
3. The BoS Guarantee
4. The BoS Legal Charge
5. The Intra-Group Loan Agreement

This is Annexure 1 referred to in Form 155(6)b declared by the directors of the Company on 31 May 2002.

Signed

Solicitor

A handwritten signature in cursive script, appearing to read 'J Waller', is written over a horizontal line.

JULIET WALLER, Solicitor
46 Blandford Street
London W1U 7HT

THE MALMAISON HOTEL (MANCHESTER) LIMITED

Company No. 2934866

(the "Company")

Annexure 2 - Form 155(6)b

All capitalised terms in this Annexure 2 shall have the meanings given to them in Annexure 1.

The principal terms on which the assistance will be given are as follows:

1. The BoS Debenture under which the Company:
 - (a) covenants that it will on demand pay or discharge such sums due, owing or incurred, more particularly referred to in the BoS Debenture as the "Secured Obligations"; and
 - (b) grants legal, fixed and floating charges and mortgages over its assets and undertakings in favour of BoS as continuing security and with full title guarantee for the payment and discharge of such Secured Obligations.
2. The BoS Guarantee under which (inter alios) the Company guarantees payments of monies due and owing by the "Principal" (as defined therein) to BoS including under the BoS Facility Letter.
3. The BoS Legal Charge under which the Company:
 - (a) will on demand pay such sums, more particularly referred to as the "Debt" in the BoS Commercial Charge Conditions (1995 Edition); and
 - (b) grants (inter alia) legal and fixed charges over the "Property" (as defined in the BoS Legal Charge) as continuing security and with full title guarantee for the payment and discharge of such Debt.
4. The BoS Charge Over Construction Documentation under which the Company:
 - (a) covenants that it will on demand pay and discharge such sums due, owing or payable, more particularly referred to in the BoS Charge Over Construction Documentation; and
 - (b) grants a charge over the Company's right, title, benefit and interest in the Construction Documentation (as defined in the BoS Charge Over Construction Documentation) as continuing security and with full title guarantee for the payment of the Facilities (as defined therein).
5. The Intra-Group Loan Agreement under which various group companies (including the Company) as lenders will lend monies to the Borrower as borrower to service interest costs and repay advances and make other payments due under the BoS Facility Letter.

This is Annexure 2 referred to in Form 155(6)b declared by the Directors of the Company on 31 May 2002.

Signed

Solicitor

JULIET WALLER, Solicitor
46 Blandford Street
London W1U 7HT

G

CHFP025

COMPANIES FORM No. 155(6)b

**Declaration by the directors
of a holding company in
relation to assistance for the
acquisition of shares**

155(6)b

Please do not
write in this
margin

Please complete
legibly, preferably
in black type, or
bold black lettering

Note
Please read the notes
on page 3 before
completing this form

* insert full name
of company

Ø insert name(s) and
address(es) of all
the directors

Pursuant to section 155(6) of the Companies Act 1985

To the Registrar of Companies
(Address overleaf - Note 5)

For official use

Company number

3141385

Name of company

* Malmaison Limited

X We Ø See continuation sheet page 1,

† delete as
appropriate

~~XXXXXXXXXX~~ [all the directors]† of the above company (hereinafter called 'this company') do
solemnly and sincerely declare that:

§ delete whichever
is inappropriate

The business of this company is:

- (a) ~~that it is a person authorised under section 1 of the Insurance Companies Act 1982 to carry on
insurance business in the United Kingdom~~
- (b) ~~that it is a person authorised under section 1 of the Insurance Companies Act 1982 to carry on
insurance business in the United Kingdom~~
- (c) something other than the above§

This company is [the] ☒ holding company of* The Malmaison Hotel (Manchester) Limited
(Registered No. 2934866) which is
proposing to give financial assistance in connection with the acquisition of shares
in [this company] [

~~XX~~

Presentor's name address and
reference (if any) :

SJ Berwin
222 Gray's Inn Road
London
WC1X 8XF

For official Use
General Section

The assistance is for the purpose of ~~the acquisition~~ [reducing or discharging a liability incurred for the purpose of that acquisition].† (note 1)

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

The number and class of the shares acquired or to be acquired is: 26,962,147 ordinary shares of 1p each

The assistance is to be given to: (note 2) MWB Malmaison Holdings Limited (Registered No. 3917393)
(formerly known as MWB Hotel Properties Limited) whose registered office is 179 Great Portland Street, London W1W 5LS.

The assistance will take the form of:

See Annexure 1.

The person who [has acquired] ~~will acquire~~ the shares is:
MWB Malmaison Holdings Limited (Registered No. 3917393).

† delete as appropriate

The principal terms on which the assistance will be given are:

See Annexure 2.

The amount (if any) by which the net assets of the company which is giving the assistance will be reduced by giving it is Nil.

The amount of cash to be transferred to the person assisted is £ Nil.

The value of any asset to be transferred to the person assisted is £ Nil.

Please do not
write in this
margin

The date on which the assistance is to be given is within 8 weeks from the date hereof.

Please complete
legibly, preferably
in black type, or
bold block lettering

☒ We have formed the opinion, as regards this company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

(a) ☒ We have formed the opinion that this company will be able to pay its debts as they fall due during the year immediately following that date]* (note 3)

* delete either (a) or
(b) as appropriate

(b) ~~We have formed the opinion that this company will be unable to pay its debts, and that it is probable that the company will be unable to pay its debts as they fall due during the year immediately following that date.]* (note 3)~~

And ☒ we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at See continuation page 1

Declarants to sign below

on

Day	Month	Year

before me _____

A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths.

NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ

or, for companies registered in Scotland:-


The Registrar of Companies
Companies House
37 Castle Terrace
Edinburgh
EH1 2EB

Malmaison Limited

Form 155(6)b

Continuation page 1

1. Ian Bruce Cave, 82 Park Street, Thame, Oxfordshire, OX9 3HX
2. Jagtar Singh, 163 Hempstead Road, Hertfordshire WD1 3HF

X 

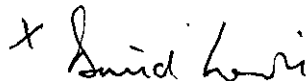
And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of this Statutory Declarations Act 1835.

Declared at ~~1 West Garden Place, Kendal Street, London W2 2AQ~~

Malmaison Hotel 278 West George Street
Glasgow Lanarkshire G2 4LL

the 31 day of May 2002

before me

X 

A Solicitor having the powers conferred on a Commissioner for Oaths.

THE MALMAISON HOTEL (MANCHESTER) LIMITED

Company No. 2934866

(the "Company")

Annexure 1 - Form 155(6)b

Definitions

In this Statutory Declaration (including Annexures 1 & 2) the following expressions shall have the following meanings:

"Borrower" means MWB Malmaison Holdings Limited (Company Number 03917393)

"BoS" means the Governor and Company of the Bank of Scotland plc.

"BoS Charge Over Construction Documentation" means the charge dated on or about the date hereof, to be granted by the Company in favour of BoS to secure all monies and liabilities due, owing or payable by the Company to BoS, whereby the Company:

- (a) covenants that it will on demand pay and discharge such sums due, owing or payable, more particularly referred to in the BoS Charge Over Construction Documentation; and
- (b) grants a charge over the Company's right, title, benefit and interest in the Construction Documentation (as defined in the BoS Charge Over Construction Documentation) as continuing security and with full title guarantee for the payment of the Facilities (as defined therein).

"BoS Debenture" means the debenture dated on or about the date hereof, to be granted by the Company in favour of BoS to secure all monies and liabilities due, owing or incurred by the Company to BoS, whereby the Company:

- (a) covenants that it will on demand pay or discharge such sums due, owing or incurred, more particularly referred to in the BoS Debenture as the "Secured Obligations"; and
- (b) grants legal, fixed and floating charges and mortgages over its assets and undertakings in favour of BoS as continuing security and with full title guarantee for the payment and discharge of such Secured Obligations.

"BoS Facility Letter"

means the amendment and restatement agreement which amends and restates the credit agreement dated 3 November 2000 entered into between (among others) MWB Hotel Properties Limited (now known as MWB Malmaison Holdings Limited) and Société Générale (the "Soc Gen Facility"), which was on or about the date of this declaration assigned to BoS. Such amended and restated agreement provides for a maximum aggregate sum of £83,000,000 to be advanced (to be increased to £110,000,000 upon the fulfilment of certain conditions) to MWB Malmaison Holdings Limited. The proceeds of the Soc Gen Facility were used by MWB Malmaison Holdings Limited to acquire (amongst other things) the entire issued share capital of Malmaison Limited and the Malmaison Hotel (Birmingham) Limited.

"BoS Guarantee"

means the corporate guarantee dated on or about the date hereof to be granted by (inter alios) various group companies, including the Company in favour of BoS guaranteeing payments of monies due and owing by the "Principal" (as defined in the BoS Guarantee) to BoS, including under the BoS Facility Letter.

"BoS Legal Charge"

means the legal charge dated on or about the date hereof, to be granted by the Company in favour of BoS to secure all sums of money owed and all liabilities or obligations to be carried out to BoS by, inter alios, the Company, whereby the Company:

- (a) will on demand pay such sums, more particularly referred to as the "Debt" in the BoS Commercial Charge Conditions (1995 Edition); and
- (b) grants (inter alia) legal and fixed charges over the "Property" (as defined in the BoS Legal Charge) as continuing security and with full title guarantee for the payment and discharge of such Debt.

"Intra-Group Loan Agreement"

means the intra-group loan agreement to be granted by various group companies (including the Company) as lenders to the Borrower as borrower, pursuant to which such group companies may lend money to the Borrower to service interest costs and repay advances and make other payments due under the BoS Facility Letter

X JWR

The assistance will take the form of:

1. The BoS Charge Over Construction Documentation
2. The BoS Debenture
3. The BoS Guarantee
4. The BoS Legal Charge
5. The Intra-Group Loan Agreement

This is Annexure 1 referred to in Form 155(6)b declared by the directors of the Company on 3 May 2002.

Signed

x David Lewis

Solicitor

THE MALMAISON HOTEL (MANCHESTER) LIMITED

Company No. 2934866

(the "Company")

Annexure 2 - Form 155(6)b

All capitalised terms in this Annexure 2 shall have the meanings given to them in Annexure 1.

The principal terms on which the assistance will be given are as follows:

1. The BoS Debenture under which the Company:
 - (a) covenants that it will on demand pay or discharge such sums due, owing or incurred, more particularly referred to in the BoS Debenture as the "Secured Obligations"; and
 - (b) grants legal, fixed and floating charges and mortgages over its assets and undertakings in favour of BoS as continuing security and with full title guarantee for the payment and discharge of such Secured Obligations.
2. The BoS Guarantee under which (inter alios) the Company guarantees payments of monies due and owing by the "Principal" (as defined therein) to BoS including under the BoS Facility Letter.
3. The BoS Legal Charge under which the Company:
 - (a) will on demand pay such sums, more particularly referred to as the "Debt" in the BoS Commercial Charge Conditions (1995 Edition); and
 - (b) grants (inter alia) legal and fixed charges over the "Property" (as defined in the BoS Legal Charge) as continuing security and with full title guarantee for the payment and discharge of such Debt.
4. The BoS Charge Over Construction Documentation under which the Company:
 - (a) covenants that it will on demand pay and discharge such sums due, owing or payable, more particularly referred to in the BoS Charge Over Construction Documentation; and
 - (b) grants a charge over the Company's right, title, benefit and interest in the Construction Documentation (as defined in the BoS Charge Over Construction Documentation) as continuing security and with full title guarantee for the payment of the Facilities (as defined therein).
5. The Intra-Group Loan Agreement under which various group companies (including the Company) as lenders will lend monies to the Borrower as borrower to service interest costs and repay advances and make other payments due under the BoS Facility Letter.

This is Annexure 2 referred to in Form 155(6)b declared by the Directors of the Company on 31 May 2002.

Signed

x David Lewis

Solicitor



KPMG Audit Plc

38th Floor
1 Canada Square
Canary Wharf
London E14 5AG
United Kingdom

Tel +44 (0) 20 7311 1000
Fax +44 (0) 20 7311 4121
Telex 8811541 KPMGLO G
DX 38050 Blackfriars

The Directors
Malmaison Limited
179 Great Portland Street
London W1W 5LS

Our ref jg/592

The Directors
Bank of Scotland
Corporate Banking
1 Bothwell Street
Dunfermline KY11 3AG

Contact Tony Cates
020 7311 6366

31 May 2002

Dear Sirs

Auditors' report to the directors of Malmaison Limited ("the company") pursuant to Section 156(4) of the Companies Act 1985

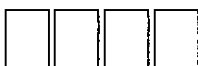
We refer to the statutory declaration (Form 155(6)b) to which this report is annexed made by the directors of the Company and dated the same date as this report.

We have examined the attached statutory declaration of the directors dated 31 May 2002 in connection with the proposal that the company's subsidiary, The Malmaison Hotel (Manchester) Limited, should give financial assistance in connection with the refinancing of the debt used to acquire the entire issued share capital of the company and The Malmaison Hotel (Birmingham) Limited. We have enquired into the state of the company's affairs in order to review the bases for the statutory declaration.

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in Section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances.

Yours sincerely

KPMG Audit Plc



KPMG Audit Plc, a company
incorporated under the UK Companies
Acts, is a member of KPMG
International, a Swiss association

KPMG Audit Plc is
registered to carry on audit
work by the Institute of
Chartered Accountants in

England and Wales.
Registered in England
No 3110745

Registered office
8 Salisbury Square
London EC4Y 8BB