

Patriot American UK Limited
(Registered number: 3424232)

Directors' Report and Financial Statements

For the Year Ended 31 December 2002



Patriot American UK Limited

Directors' Report for the Year ended 31 December 2002

The directors present their report on Patriot American UK Limited ("the company"), together with the financial statements and auditors' report, for the year ended 31 December 2002.

Principal activity and review of the business

The principal activity of the company is to act as a holding company for the European interests of Wyndham International, Inc., ("Wyndham"), which comprise Wyn International Limited and its subsidiaries, a group engaged in hotel and other leisure activities, ownership and operations in the UK.

Following the group's reorganisation and withdrawal from activities from mainland Europe in 1999, the company's operations have been significantly restricted and will continue to be so.

Results and dividends

The loss for the year after taxation was £19,492,548 (2001 loss – £1,284,274). The directors do not recommend the payment of a dividend for the year (2001 - nil).

The company has adopted Financial Reporting Standard 19 ('FRS 19') 'Deferred Taxation'. Further details are set out in note 1 on pages 7 and 8.

Directors and their interests

The directors who served during the year were as follows:

E J Blum
J P Bohlmann (resigned 31 October 2002)
M Solls (appointed 31 October 2002)
R J Tutty

The directors do not have any beneficial interests in the shares of the company or any group company required to be disclosed under Schedule 7 of the Companies Act 1985.

Patriot American UK Limited

Directors' Report for the Year Ended 31 December 2002 (Continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 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;
- 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.

Appointment of auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 3 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. As the company has adopted an elective resolution dispensing with annual general meetings and the appointment of auditors annually, PricewaterhouseCoopers LLP will continue as auditors to the company.

By order of the Board,



E J Blum
Director

22 September 2003

65 Duke Street
London
W1K 5AJ

Patriot American UK Limited

Independent auditors' report to the members of Patriot American UK Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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

Basis of audit 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.

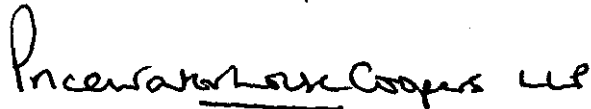
Patriot American UK Limited

Independent auditors' report to the members of Patriot American UK Limited

(Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

23 September 2003

Patriot American UK Limited

Profit and Loss Account for the Year Ended 31 December 2002

	Notes	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Administrative expenses (including exceptional costs of £18,089,359 – 2001: nil)	4	(18,089,359)	-
Loss on ordinary activities before interest		(18,089,359)	-
 Net Interest Payable	2	(1,403,189)	(1,284,274)
Loss on ordinary activities before taxation	3	(19,492,548)	(1,284,274)
Tax on loss on ordinary activities	5	-	-
Retained loss for the financial year	11	(19,492,548)	(1,284,274)

All operations are continuing.

There are no recognised gains or losses other than the loss for the year.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year as stated above and their historical cost equivalents.

The accompanying notes on pages 7 to 12 are an integral part of these financial statements.

Patriot American UK Limited

Balance Sheet as at 31 December 2002

	Notes	31 December 2002 £	31 December 2001 £
Fixed assets			
Investments	6	43,671,268	61,760,627
Current assets			
Debtors (including amounts due after one year of £19,600,000 (2001: £19,600,000))	7	20,188,000	20,286,430
Creditors: Amounts falling due within one year	8	(68,853,117)	(69,539,547)
Net current liabilities		(48,665,117)	(49,253,117)
Total assets less current liabilities		(4,993,849)	12,507,510
Creditors: Amounts falling due after one year	9	(82,268,807)	(80,277,618)
Net liabilities		(87,262,656)	(67,770,108)
Capital and reserves			
Called-up equity share capital	10	1	1
Profit and loss account	11	(87,262,657)	(67,770,109)
Equity shareholders' funds	12	(87,262,656)	(67,770,108)

The Financial Statements on pages 5 to 12 were approved by the board of directors on 22 Sept 2003 and were signed on its behalf by:



E J Blum
Director

The accompanying notes on pages 7 to 12 are an integral part of these financial statements.

Patriot American UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2002

1 Accounting policies

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

a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the provisions of the Companies Act 1985 and applicable UK accounting standards. The directors have reviewed the company's existing accounting policies and consider that they are consistent with the requirements of Financial Reporting Standard 18 "Accounting Policies" and except where they have been modified to implement Financial Reporting Standard 19 "Deferred Tax", the company's accounting policies are consistent with last year.

The financial statements have been prepared on a going concern basis, which assumes that the company will continue to operate in the foreseeable future.

The company has adopted Financial Reporting Standard 19 ("FRS 19") "Deferred Taxation" which became mandatory for accounting periods ending after 23 January 2002.

Prior to the adoption of FRS19, the company provided for deferred tax where, in the opinion of the directors, it was probable that a timing difference would reverse within the foreseeable future. Under FRS19, full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that it is considered more likely than not that they will be recovered.

The adoption of FRS19 has not had a material impact on the financial statements of the company in either the current or prior year. No prior year restatement has been made in relation to FRS19.

The company is part of the group whose ultimate parent undertaking is Wyndham International, Inc., registered in the United States. Within the group there is a group of companies incorporated in the United Kingdom whose parent undertaking is Wy Hotels Limited. The companies within the UK group form a medium sized group as defined by Section 249 of the Companies Act and as a result the directors have relied on the exemption under Section 248 of the Companies Act. Accordingly, group accounts for the year ended 31 December 2002 have not been prepared.

b) Fixed asset investments

Investments are recorded at directors' valuation. Provision is made for any impairment in value.

Patriot American UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2002

c) Cash flow statement and related party disclosures

The company is part of the group whose ultimate parent undertaking is Wyndham International, Inc. ("Wyndham"), registered in the United States and is included in the consolidated accounts of Wyndham which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a Cash Flow Statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with other companies that are part of the Wyndham group.

d) Deferred Tax

Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Deferred tax is recognised on an undiscounted basis.

2 Net Interest payable

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Interest receivable on amounts due from group undertakings	588,000	686,430
Interest payable due to parent undertakings	(1,991,189)	(1,970,704)
Net interest payable	(1,403,189)	(1,284,274)

3 Operating loss

Auditors' remuneration has been borne by another company in the group. Directors' emoluments were nil (2001: nil) and the company has no employees (2001: nil)

4 Exceptional items

Operating loss is stated after charging:

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Impairment of fixed assets	18,089,359	-

Patriot American UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2002

5 Taxation

a) Factors affecting tax charge for the period

The current tax charge for the period is nil and is explained below:

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Loss on ordinary activities before tax	(19,492,548)	(1,284,274)
Tax credit thereon @ 30%	(5,847,764)	(385,282)
Effects of:		
Permanent differences	5,484,164	299,650
Tax losses surrendered to Group companies for no payment	-	1,581
Tax losses carried forward	363,600	84,051
Total current tax	-	-

b) Factors that may affect future tax charges

The company has no provided deferred tax balances at 31 December 2002 (2001 – nil). The company has an unprovided deferred tax asset at 31 December 2002 in respect of carried forward tax losses of £2,849,123 (2001 - £2,485,523). The asset has not been recognised on the grounds that the company is not expected to generate sufficient taxable profits in the immediate future to utilise the losses.

Patriot American UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2002

6 Fixed asset investments

	Subsidiary undertaking
	£
Cost	
As at 1 January 2002	122,768,147
Amounts provided	
As at 1 January 2002	(61,007,520)
Impairment during the year	(18,089,359)
As at 31 December 2002	(79,096,879)
Net book value	
As at 31 December 2002	43,671,268
As at 1 January 2002	61,760,627

The company owns 100% of the ordinary share capital and 100% of the voting rights of Wyn International Limited. The subsidiary is incorporated in the United Kingdom and its principal activity is as a holding company for companies engaged in the ownership of hotels and leisure facilities.

During the year, the directors revalued their investment in Wyn International Limited based on the net realisable values of the underlying net assets. This resulted in an impairment of £18,089,359.

7 Debtors

	2002 £	2001 £
Amounts due within one year:		
Prepayments and accrued income	588,000	686,430

The accrued income of £588,000 is due from another group undertaking.

Included in debtors is the following amount which is due after more than one year:

	2002 £	2001 £
Amounts owed by group undertaking	19,600,000	19,600,000

The above is an interest bearing loan to a subsidiary company. Interest is charged at half the Base Rate plus 1% and the loan is repayable in 2007.

Patriot American UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2002

8 Creditors: Amounts falling due within one year

	2002 £	2001 £
Amounts owed to parent undertakings	26,730,534	28,073,056
Amounts owed to group undertakings	42,122,583	41,466,491
	<u>68,853,117</u>	<u>69,539,547</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

9 Creditors: Amounts falling due after one year

	2002 £	2001 £
Amounts owed to parent company (3-5 years)	<u>82,268,807</u>	<u>80,277,618</u>

Of the amount owed to Patriot American Hospitality, Inc. stated above, £18,584,430 is interest bearing at a fixed rate of 12% per annum. The balance of the amount owed is non interest bearing, unsecured and is repayable on 30 June 2007.

10 Called up share capital

	Authorised	Allotted, called-up and fully-paid
£1 ordinary shares	100	1

11 Reserves

	Profit and loss account £
As at 1 January 2002	(67,770,109)
Retained loss for the year	(19,492,548)
As at 31 December 2002	<u>(87,262,657)</u>

Patriot American UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2002

12 Reconciliation of movement in shareholders' funds

	2002 £	2001 £
Loss for the period	(19,492,548)	(1,284,274)
Opening shareholders' funds	(67,770,108)	(66,485,834)
Closing shareholders' funds	(87,262,656)	(67,770,108)

13 Parent undertaking

The immediate parent undertaking of the company is Wy Hotels Limited, registered in England and Wales.

As at 31 December 2002, the ultimate parent undertaking and ultimate controlling party is Wyndham International, Inc., registered in the United States. The financial statements of Wyndham International, Inc. are publicly available and may be obtained on request from The Secretary, 65 Duke Street London W1K 5AJ.

14 Parent company financial support

The company is dependent on the continued financial support of its ultimate parent, Wyndham International, Inc. which has confirmed its intention of providing support to the company to enable it to meet its liabilities as they fall due for a period of not less than one year.