

**Patriot American UK Limited**  
**(formerly 2039<sup>th</sup> Single Member Shelf Investment Company**  
**Limited)**

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

Registered number: 3424232



## Directors' report

For the period ended 31 December 1998

The directors present their first report on the affairs of the company, together with the financial statements and auditors' report, for the period ended 31 December 1998.

### Principal activity and review of the business

The company was incorporated on 22 August 1997 as 2039<sup>th</sup> Single Member Shelf Investment Company Limited. On 19 January 1998, the company changed its name to Patriot American UK Limited.

The principal activity of the company is to act as a holding company for the European interests of Patriot American Hospitality, Inc., which comprise Arcadian International Limited and its subsidiaries, a group engaged in hotel development, ownership and operation in the UK and the project management and development of hotels, country clubs and other property developments in mainland Europe.

Subsequent to the year-end, Patriot American Hospitality, Inc., became a subsidiary of Wyndham International, Inc., and a decision was made by Wyndham International, Inc. that the group should withdraw from certain hotel sectors in the UK and cease project management and development projects in mainland Europe. Accordingly, the directors reviewed the carrying value of its investment and concluded that it should be written down to reflect the estimated realisation proceeds from the accelerated disposal of hotels and projects in those sectors from which it had been decided that the group should withdraw.

### Results and dividends

The loss for the period after taxation was £37,639,412. The directors do not recommend the payment of a final dividend for the period.

### Directors and their interests

The directors during the period were as follows:

E.J. Blum	(appointed 9 July 1999)
J. Bohlmann	(appointed 9 July 1999)
J.D. Carreker	(appointed 9 July 1999)
L. Ng	(appointed 19 January 1998, resigned 30 June 1999)
A. Raymond	(appointed 9 July 1999)
R.J. Tutty	(appointed 9 July 1999)
C.G. Upton	(appointed 9 July 1999)
W.W. Evans III	(appointed 19 January 1998, resigned 30 June 1999)
Sisec Limited	(appointed 22 August 1997, resigned 19 January 1998)
Loviting Limited	(appointed 22 August 1997, resigned 19 January 1998)
Serjeants' Inn Nominees Limited	(appointed 22 August 1997, resigned 19 January 1998)

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.

## Directors' report (continued)

### Year 2000

The company has instituted a programme 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 the required modifications or replacements have been carried out.

### 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; 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.

21 Holborn Viaduct  
London  
EC1A 2DY

By order of the Board,



C.G. Upton  
Director

3 February 2000

## Auditors' report

### To the Shareholders of Patriot American UK Limited:

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

### Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the 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.

### Parent company financial support

In forming our opinion we have considered the adequacy of the disclosures made in Note 13 of the financial statements concerning the uncertainty regarding the future financing of Wyndham International, Inc., on whose continued financial support the company depends. 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.

### Opinion

In our opinion the financial statements give a true and fair view of the company's state of affairs at 31 December 1998 and of the loss 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

3 February 2000

## Profit and loss account

For the period ended 31 December 1998

	Notes	Period ended 31 December 1998 £
<b>Exceptional costs</b>		
Amounts written off investments	5	(30,767,147)
<b>Interest payable</b>	2	<u>(6,872,265)</u>
<b>Loss on ordinary activities before taxation</b>	3	(37,639,412)
Tax on loss on ordinary activities	4	<u>-</u>
<b>Loss for the financial period</b>		<u>(37,639,412)</u>

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

A statement of movements on reserves is given in note 10.

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

Balance sheet  
31 December 1998

	Notes	1998 £
<b>Fixed assets</b>		
Investments	5	<u>92,001,000</u>
<b>Current assets</b>		
Debtors	6	7,486,783
<b>Creditors:</b> Amounts falling due within one year	7	<u>(7,486,783)</u>
<b>Net current assets</b>		<u>-</u>
<b>Total assets less current liabilities</b>		92,001,000
<b>Creditors:</b> Amounts falling due after one year	8	<u>(129,640,411)</u>
<b>Net liabilities</b>		<u>(37,639,411)</u>
<b>Capital and reserves</b>		
Called-up equity share capital	9	1
Profit and loss account	10	<u>(37,639,412)</u>
Equity shareholders' funds		<u>(37,639,411)</u>

Signed on behalf of the Board



C.G. Upton  
Director

3 February 2000

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

## Notes to the financial statements

Period ended 31 December 1998

### 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) Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with the provisions of the Companies Act 1985 and with applicable accounting standards.

In preparing the financial statements the directors have relied on the exemption conferred by section 248 of the Companies Act 1985 not to prepare group accounts on the grounds that the group headed by the company is a medium-sized group.

The company is exempt from the requirement of FRS1 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) Investments*

Fixed asset investments are recorded at cost less amounts written off.

#### *c) Taxation*

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

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

### 2 Interest payable and similar charges

Period ended  
31 December  
1998  
£

Interest on loan from ultimate parent undertaking (Note 8)

6,872,265

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6,872,265

## Notes to the financial statements (continued)

### 3 Loss on ordinary activities before taxation

The company had no staff costs during the period and directors' emoluments were borne by another group company.

Auditors' remuneration has been borne by another group company.

### 4 Taxation

No charge to corporation tax arises in the current period due to losses made by the company.

### 5 Fixed asset investments

#### *Subsidiary undertakings*

On 6 April 1998, the company acquired 100% of the share capital in Arcadian International Limited (formerly Arcadian International Plc), a company registered in England and Wales. On 8 April 1998, the company advanced funds to Arcadian International Limited to fund the purchase of the Malmaison Group.

Following the decision of the company's ultimate parent, Wyndham International, Inc., subsequent to the year-end to withdraw from certain hotel sectors in the UK and to cease project management and development projects in mainland Europe, the directors have reviewed the carrying value of its investment and concluded that it should be written down to reflect the estimated realisation proceeds from the accelerated disposal of hotels and projects in those sectors from which it had been decided that the group should withdraw.

1998

£

#### **Cost**

Additions	122,768,147
Amounts written off	(30,767,147)
At 31 December 1998	<u>92,001,000</u>

### 6 Debtors

1998

£

Amounts owed by other group undertakings	<u>7,486,783</u>
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Amounts owed by other group undertakings are unsecured and repayable on demand.

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

1998

£

Amounts owed to holding company	<u>7,486,783</u>
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## Notes to the financial statements (continued)

### 8 Creditors: Amounts falling due after one year

	1998 £
Amounts owed to holding company	<u>129,640,411</u>

Of the amount stated above, £81,927,711 is interest bearing at a fixed rate of 12% per annum.

### 9 Equity share capital

	Authorised 1998 Number	Allotted, called-up and fully-paid 1998 £
£1 ordinary shares	<u>100</u>	<u>1</u>

### 10 Movement on reserves and reconciliation of shareholders' funds

	Share capital	Profit and loss account	Equity Shareholders' funds
	1998 £	1998 £	1998 £
Beginning of period	-	-	-
Loss for the financial period	-	(37,639,412)	(37,639,412)
Issue of share capital	<u>1</u>	<u>-</u>	<u>1</u>
End of period	<u>1</u>	<u>(37,639,412)</u>	<u>(37,639,411)</u>

### 11 Parent undertaking

As at 31 December 1998, Patriot American Hospitality, Inc. registered in the United States, was the company's ultimate parent undertaking. 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 Matthew's 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 14, the ultimate parent undertaking became Wyndham International, Inc.

## Notes to the financial statements (continued)

### 12 Capital commitments

There were no capital commitments either authorised or contracted for at 31 December 1998.

### 13 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 30 June 2001. 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 (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 obtaining 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 £2.46 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 \$560 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 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 anticipates 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.