

SUMMERHILL PROPERTIES LIMITED

(Registered Number 3454201)

REPORT AND ACCOUNTS

31 MARCH 1999



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SUMMERHILL PROPERTIES LIMITED

DIRECTORS AND ADVISERS

DIRECTORS

K M Brooks

C F Price

SECRETARY

R C Clifton

REGISTERED OFFICE

159 New Bond Street
London
W1Y 9PA

SUMMERHILL PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 1999

The directors present their report and the audited financial statements for the 75 week period ended 31 March 1999.

PRINCIPAL ACTIVITY AND RESULTS FOR THE PERIOD

The principal activity of the Company is the operation of a hotel. The Company did not trade during the period and made neither profit nor loss.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The hotel was under construction throughout the period.

The Company was incorporated on 23 October 1997 as Summerhill Properties Limited.

DIRECTORS

The directors who held office during the period were:

Nominee Directors Limited	(appointed 23 October 1997, resigned 11 November 1997)
K M Brooks	(appointed 11 November 1997)
C F Price	(appointed 11 November 1997)
G A Springer	(appointed 11 November 1997, resigned 21 June 1999)

No director held any interest, as defined by the Companies Act 1985, in the shares of the Company at any time during the period. The beneficial interest of the directors holding office at 31 March 1999 in the ordinary shares and options to subscribe for ordinary shares of the Company's ultimate parent company, TBI plc, at 31 March 1999 and at the date of appointment were as set out below.

Directors' beneficial interests in ordinary shares:

	At appointment and 31 March 1999 Number
K M Brooks	1,680,019
C F Price	15,500
G A Springer	253,333

SUMMERHILL PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 1999 (CONTINUED)

Directors' beneficial interests in share option schemes

	Number of options unexercised as at date of appointment	Number of options unexercised as at 31 March 1999	Exercise price	Earliest exercisable date	Latest exercisable date
K M Brooks	1,132,075	1,132,075	53.00p	22 December 1998	20 December 2005
	283,019	283,019	53.00p	2 April 2000	31 March 2002
	283,019	283,019	67.50p	29 March 1999	27 March 2006
	2,547,169	2,547,169	67.50p	2 April 2000	31 March 2002
	256,396	256,396	81.50p	28 August 1999	26 August 2006
	43,149	43,149	81.50p	2 April 2001	31 March 2003
	-	675,000	90.95p	2 February 2002	31 January 2009
C F Price	188,679	188,679	53.00p	22 December 1998	20 December 2005
	188,679	188,679	53.00p	2 April 2000	31 March 2002
	188,679	188,679	67.50p	29 March 1999	27 March 2006
	566,037	566,037	67.50p	2 April 2000	31 March 2002
	325,278	325,278	81.50p	28 August 1999	26 August 2006
	490,798	490,798	81.50p	2 April 2001	31 March 2003
	-	400,000	90.95p	2 February 2002	31 January 2009
	-	*11,433	85.28p	1 December 2001	31 May 2002
G A Springer	471,698	471,698	53.00p	22 December 1998	20 December 2005
	471,698	471,698	53.00p	2 April 2000	31 March 2002
	471,698	471,698	67.50p	29 March 1999	27 March 2006
	1,415,094	1,415,094	67.50p	2 April 2000	31 March 2002
	199,697	199,697	81.50p	28 August 1999	26 August 2006
	-	250,000	90.95p	2 February 2002	31 January 2009
	-	*11,433	85.28p	1 December 2001	31 May 2002

Pursuant to the terms of a compromise agreement dated 22 June 1999 between the ultimate parent undertaking, TBI plc, and G A Springer, and in accordance with the rules of the share option schemes, Mr Springer is entitled to exercise his sharesave options (sharesave options are marked * above) within six months, and his executive share options within twelve months, of 21 June 1999 (being the date of his resignation).

YEAR 2000

Our response to the millennium date change was initiated with the inception of the hotel development contract that included Year 2000 compliance clauses. However, a formal project was established in November 1997 which formed part of a TBI Group wide programme. The Year 2000 project is sponsored by the TBI Project Development Manager, except for those core systems covered by the TBI project. The Project Development Manager has been responsible for the overall delivery of the Year 2000 project objectives within Group wide programme guidelines and methodology. He reports to the Group Programme Manager on Year 2000 issues.

The project has been based upon traditional project management methodology and contains a number of key stages.

- Levels of awareness across all levels of management
- Development of an inventory process
- Evaluation and prioritisation processes
- Implementation and testing solutions
- Liaison with key suppliers and business partners
- Business continuity planning

SUMMERHILL PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 1999 (CONTINUED)

All project stages have been completed for the core administration and finance functions. The remaining time up to the millennium will focus on continued monitoring of key partner compliance and testing of all contingency plans in-house and in conjunction with business partners.

Whilst the hotel development contracts did include Year 2000 clauses, nevertheless, the Company intends to conduct certain limited testing in parallel with key suppliers. In addition, certain key business partner and business continuity planning work will be undertaken with the hotel operator up to and after completion. All such stages are scheduled for completion by November 1999.

Year 2000 costs have not been separately monitored by the Company given the integral nature they played within the development project. However, any costs to date are not considered to be material and no significant further costs are anticipated through to completion of the project.


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 at the balance sheet date and of the profit or loss of the Company for the period. 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;
- 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. 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.

By order of the board



K M Brooks
Director

27 August 1999

AUDITORS' REPORT TO THE MEMBERS OF SUMMERHILL PROPERTIES LIMITED

We have audited the financial statements on pages 6 to 10 which have been prepared in accordance with the historical cost convention.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

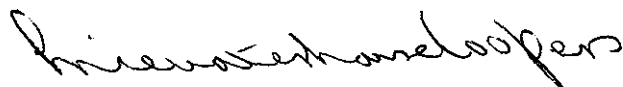
Basis of opinion

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 state of the Company's affairs as at 31 March 1999 and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
and Registered Auditors

27 August 1999

SUMMERHILL PROPERTIES LIMITED

BALANCE SHEET AS AT 31 MARCH 1999

	<u>Note</u>	<u>1999</u> £'000	<u>1999</u> £'000
FIXED ASSETS			
Tangible assets	5		21,986
CURRENT ASSETS			
Debtors	6	320	
CREDITORS - amounts falling due within one year	7	<u>(12,654)</u>	
NET CURRENT LIABILITIES			<u>(12,334)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			9,652
CREDITORS - amounts falling due after more than one year	8		<u>(9,652)</u>
NET ASSETS			<u><u>-</u></u>
CAPITAL AND RESERVES			
Called up share capital	9		<u>-</u>
EQUITY SHAREHOLDER'S FUNDS			<u><u>-</u></u>

Approved by the Board on 27 August 1999
and signed on its behalf by


K M Brooks


C F Price

The notes on pages 7 to 10 form an integral part of these financial statements.

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1999

1 ACCOUNTING POLICIES

The Company's principal accounting policies, which have been applied consistently, are set out below:

(1) Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards.

(2) Tangible fixed assets

No depreciation is provided in respect of assets in the course of construction.

(3) Deferred taxation

Provision for deferred taxation is made using the liability method. Provision is only made to the extent that there is a reasonable probability that a liability will crystallise in the foreseeable future.

(4) Capitalisation of interest

Interest is capitalised on major capital works in progress where appropriate. Capitalisation ceases when substantially all the activities necessary to get the asset ready are completed.

(5) Cash flow statement

The Company has taken advantage of the exemptions contained in Financial Reporting Standard 1 (Revised) not to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary and the consolidated financial statements of TBI plc, in which the Company is included, are publicly available and contain a consolidated cash flow statement.

2 EMPLOYEE INFORMATION AND AUDITORS' REMUNERATION

The company had no employees during the period.

Auditors' remuneration in respect of the Company was borne by the ultimate parent company, TBI plc.

3 DIRECTORS' EMOLUMENTS

None of the directors received any emoluments from the Company during the period.

Throughout the period K M Brooks, C F Price and G A Springer were directors of TBI plc. No management recharges are made by TBI plc in respect of their services to the Company. Their emoluments are disclosed in the financial statements of TBI plc.

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1999 (CONTINUED)

4 TAXATION

There is no unprovided deferred tax liability at 31 March 1999.

5 TANGIBLE FIXED ASSETS

	<u>Property under development</u> £'000
Cost	
Additions	21,986
At 31 March 1999	<u>21,986</u>
Net book value	
At 31 March 1999	<u>21,986</u>

Included within property under development above, an amount of £331,000 relates to interest capitalised during the year.

6 DEBTORS

	<u>1999</u> £'000
Other debtors	<u>320</u>

7 CREDITORS - amounts falling due within one year

	<u>1999</u> £'000
Amounts owed to parent undertaking	11,444
Other creditors	1,190
Accruals and deferred income	20
	<u>12,654</u>

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1999 (CONTINUED)

8 CREDITORS - amounts falling due after more than one year

	<u>1999</u> £'000
Bank loans (secured)	<u>9,652</u>

	<u>1999</u> £'000
The bank loan is repayable as follows:	
Between one and two years	450
Between two and five years	600
After five years	<u>8,602</u>
	<u>9,652</u>

The bank loan is subject to interest at bank base plus 0.7% and is repayable in equal quarterly instalments commencing 30 September 2000. The loan is secured by a legal charge on the hotel property.

9 SHARE CAPITAL

	<u>1999</u> £
Authorised:	
5,000,000 ordinary shares of £1 each	<u>5,000,000</u>
Allotted, called up and fully paid:	
2 ordinary shares of £1 each	<u>2</u>

10 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	£
Issues of shares	2
Shareholder's funds at 31 March 1999	<u>2</u>

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1999 (CONTINUED)

11 CAPITAL COMMITMENTS

At 31 March 1999 the Company had contracted capital commitments of some £6 million.

12 RELATED PARTY DISCLOSURES

In accordance with the exemption afforded by FRS8 ("related party transactions") there is no disclosure in these financial statements of transactions with entities that are part of the TBI plc Group.

13 PARENT UNDERTAKING

The Company's ultimate parent undertaking is TBI plc which is registered in England and Wales. This is the only group of which the Company is a member and for which group financial statements are prepared. Copies of the TBI plc financial statements may be obtained from 159 New Bond Street, London W1Y 9PA.