

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

155(6)b

DX: 33866 Finsbury Square
Ref: JK/11234286

The assistance is for the purpose of [that acquisition] ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~
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: See Appendix 2 attached

The assistance is to be given to: (note 2) Piccadilly Hotels 2 Limited
(A company incorporated in the Cayman Islands with company number 174010 and whose registered address is at
Ogier Fiduciary Service (Cayman) Limited, Queens Gate House, South Church Street, POBox 1234, Grand
Cayman, KY1 1108, Cayman Islands)

The assistance will take the form of:

See Appendix 3 attached

The person who [has acquired] ~~XXXXXXXX~~ † the shares is:
Piccadilly Hotels 6 Limited

† delete as
appropriate

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

See Appendix 4 attached

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 £ See Appendix 5 attached

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


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

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

X 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)

[illegible]

And ~~X~~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  DLA PIPER UK LLP
3 NOBLE STREET
LONDON EC2V 7EE
TEL: 08700 111 111
FAX: 020 7796 6666
DX: 33866 FINSBURY SQUARE

Declarants to sign below

Day Month Year

on 1 0 1 0 2 0 0 6

before me *Berna Allen*

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

My
Mr
Lub

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

Company Number: 4036694

These are the appendices to the declaration in the form 155(6)(b) made by the directors of Menzies Hotels Group Limited in respect of financial assistance to be given by its subsidiary, Menzies Hotels Property No. 5 Limited (the "Company")

Appendix 1 to Form 155(6)(b)

Names and addresses of the Directors

Name	Address
Robert Nicholas Menzies	Moorefold, Elton Road, Winster, Derbyshire DE4 2DH
Timothy John Penter	14 Starflower Way, Mickleover, Derby DE3 OBS
Mark Tagliaferri	Flat 2, 105 Cadogan Gardens, London SW3 2RF
James Elton	27 Elsie Road, London SE22 8DX

Appendix 2 to Form 155(6)(b)

The member and class of the shares acquired is:

- 8,037,653 "A" ordinary shares of £0.01 each
- 1,426,347 "B" ordinary shares of £0.01 each
- 495,000 "C" ordinary shares of £0.01 each

Appendix 3 to Form 155(6)(b)

The form of the financial assistance to be given by the Company

Unless otherwise defined, in this Appendix 3 the definitions contained in Appendix 6 will apply.

The assistance will take the form of:

1. each member of the Target Group will accede to the Facility Agreement which contains an unlimited guarantee of the obligations of the Target Group in favour of the Security Trustee;
2. each member of the Target Group will accede to the Debenture and so grant fixed and floating charges over the whole of the its assets and undertaking to the Security Trustee;
3. each member of the Target Group will accede to the Intercreditor Deed;
4. each member of the Target Group will accede to the Working Capital Facility Letter;
5. each Propco (other than Menzies Hotels Property No. 3 Limited and Menzies Hotels Property No. 8) Limited will enter into a legal charge under which that Propco charges by way of legal mortgage the relevant Property to the Security Trustee (the "**Legal Charge**");
6. Menzies Hotels Property No.3 Limited will grant a standard security over the Edinburgh Property in favour of the Security Trustee;
7. Menzies Hotels Property No. 8 Limited will grant a standard security over the Glasgow Property in favour of the Security Trustee;
8. each member of the Target Group will enter into an inter-company loan agreement (the "**Intra-Group Loan**") under which each member of the Target Group will be liable to make loans to the other members of the Target Group and Piccadilly Hotels 1 Limited and each member of the Target Group will be entitled to borrow from every other member of the Target Group;
9. each member of the Target Group will execute one or more Release Document;
10. PMH Acquisitions Limited will enter into the Waiver Agreement;

11. Menzies Hotels Operating Limited will enter into a loan agreement with Piccadilly Hotels 6 Limited to assist with the discharge of certain existing indebtedness;
12. Menzies Hotels Group Limited will enter into a loan agreement with Piccadilly Hotels 6 Limited to assist with the discharge of certain existing indebtedness;
13. PMH Acquisitions Limited will enter into a loan agreement with Piccadilly Hotels 6 Limited to assist with the discharge of certain existing indebtedness.
14. PMH Holdings Limited will pay fees as set out more fully in appendix 8.

Appendix 4 to Form 155(6)(b)

Principal terms on which financial assistance will be given by the Company

Unless otherwise defined, in this Appendix 3 the definitions contained in appendix 5 will apply.

1. By acceding to the Facility Agreement, the Company, in its capacity as an Additional Guarantor:

1.1 guarantees as principal obligor and not merely as surety to each Finance Party punctual performance by the Borrower of all the Borrower's obligations under the Finance Documents.

1.2 agrees to pay to the Security Trustee on demand as if it was expressed to be a primary obligor the balance together with interest payable thereon from time to time unpaid of all monies due or to become due to the Security Trustee by the Borrower for the Security Trustee to apply any sums received or recovered from it as the Security Trustee may direct, and to discharge on demand all liabilities owing or to become owing to the Security Trustee by the Borrower in connection with the Facility Agreement and the other Finance Documents referred to therein; and

1.3 indemnifies each Finance Party immediately on demand against any cost, loss or liability suffered by that Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal.

2. By acceding to the Debenture, the Company will:

2.1 be required to pay to the Security Trustee on demand the indebtedness and all obligations or liabilities of any kind which may now or at any time in the future be due, owing or incurred by each of the Obligors under any of the Finance Documents to the Finance Parties, whatever their nature or basis together with all costs, charges and expenses incurred by the Lenders in connection with the protection, preservation or enforcement of its respective rights thereunder or any other document evidencing or securing any such liabilities (including for the avoidance of doubt, sums due from the Buyer in connection with the Acquisition of the Target Group of which the Company is part;

- 2.2 as beneficial owner and as continuing security for the payment and discharge of the same, the Company charges to the Security Trustee:
 - 2.2.1 by way of first legal mortgage, all its freehold and leasehold property;
 - 2.2.2 by way of specific first charge, the property and assets of the Company specified in the Debenture; and
 - 2.2.3 by way of first floating charge, the undertaking and all the other property and assets of the Company both present and future;
- 2.3 be required to covenant that it would not, without the prior written consent of the Security Trustee:
 - 2.3.1 create or allow to arise any mortgage, debenture, charge, lien or encumbrance on all or any part of the property charged by the Debenture; or
 - 2.3.2 sell, assign, factor, discount, transfer or otherwise dispose of the whole or any material part of its undertaking, property or assets, in each case subject to the exceptions set out in the Debenture.
- 3. By executing the Legal Charge, each Propco will charge to the Security Trustee, by way of legal mortgage, the relevant Property and covenants with the Security Trustee that it will pay or discharge the Secured Liabilities (as defined therein).
- 4. By executing the Intra-Group Loan, the Company will have made available to it a credit facility from each member of the Target Group and will make available a credit facility to be used by the Members of Group and Piccadilly Hotels 1 Limited to among other thing, make payments under the Finance Documents together with costs, fees and expenses incurred by the Group in connection with the acquisition of the Target Group of which the Company is part and general working capital purposes provided that the Company shall only be obliged to make advances if, inter alia, the aggregate of all monies standing to the credit of its bank accounts exceeds the amount of the proposed advance and the Company is solvent.
- 5. By acceding to the Working Capital Facility, each member of the Target Group would have funds available to it for general corporate purposes.

6. By executing the Scottish Securities, Menzies Hotels Property No.3 Limited and Menzies Hotels Property No.8 Limited will grant standard securities over the Scottish Properties, in favour of the Security Trustee in security for the Secured Liabilities, as therein defined;
7. By acceding to the Intercreditor Deed, each member of the Target Group will agree that any claims they might have against PMH Holdings Limited will be subordinated to those of, inter alia, the Security Trustee;
8. By entering into the loan agreement with Piccadilly Hotels 6 Limited, Menzies Hotels Operating Limited will borrow money from Piccadilly Hotels 6 Limited in order to discharge certain existing indebtedness, this being a condition of the acquisition of the shares in PMH Holdings Limited;
9. By entering into the loan agreement with Piccadilly Hotels 6 Limited, Menzies Hotels Group Limited will borrow money from Piccadilly Hotels 6 Limited in order to discharge certain existing indebtedness this being a condition of the acquisition of the shares in PMH Holdings Limited;
10. By entering into the loan agreement with Piccadilly Hotels 6 Limited, PMH Acquisitions Limited will borrow money from Piccadilly Hotels 6 Limited in order to discharge certain existing indebtedness, including indebtedness to the Royal Bank of Scotland Plc ("**RBS**") this being a condition of the acquisition of the shares in PMH Holdings Limited;
11. By entering into the Waiver Agreement, PMH Acquisitions Limited will release, waive and discharge each Vendor (as defined therein) of certain liabilities and obligations contained in the Share Sale Agreement.
 - 11.1 The clauses being waived include, but are not restricted to, those in respect of warranties, indemnities, covenants (other than confidential information), taxation and the transfer of assets. There is also an undertaking by PMH Acquisitions Limited not to raise, pursue, make or renew any claim against all or any of the Vendors that might arise under the Share Sale Agreement.
 - 11.2 By providing the Waiver Agreement and releasing the Vendors from their obligations, PMH Acquisitions Limited would have no recourse to the Vendors in the event of any breach of the warranties contained in the Share Sale Agreement. The waiver by PMH Acquisitions Limited of the Vendors'

obligations could therefore create a potential liability that may affect its net asset position;

12. By executing a Release Document, each member of the Target Group will evidence and/or register its release from its obligations under the Existing Security;
13. Payment by PMH Holdings Limited and of the fees set out in Appendix 8 affecting its net asset position.

Appendix 5 to Form 155(6)(b)

The amount of cash to be transferred to the person assisted is a maximum amount of £160,000,000.

Appendix 6 to Form 155(6)(b)

In these Appendices, the following expressions have the following meanings:

"Additional Guarantor" means a company which becomes an Additional Guarantor in accordance with relevant terms of the Facility Agreement;

"Borrower" means Piccadilly Hotels 2 Limited (a company incorporated in the Cayman Islands with company number 174010);

"Buyer" means Piccadilly Hotels 6 Limited (a company incorporated in the Cayman Islands with company number 174013);

"Debenture" means the debenture dated as at the date hereof between (1) Piccadilly Hotels 2 Limited, Piccadilly Hotels 3 Limited, Piccadilly Hotels 4 Limited, Piccadilly Hotels 5 Limited and Piccadilly Hotels 6 Limited (as Chargors together with each company who becomes a party by executing a Deed of Accession (as defined therein)) and (2) the Governor and Company of the Bank of Scotland (as Security Trustee) as may be supplemented, amended, varied and acceded to from time to time;

"Deed of Release" means the deed executed by RBS and members of the Target Group in favour of the Target Group which formally releases the Target Group from the Existing Security;

"Edinburgh Property" means 69 Bedford Road, Edinburgh and Bells Mill House, Bedford Road, Edinburgh, both registered in the Land Register of Scotland under Title Number MID1668;

"Existing Security" means all that security granted to RBS by each member of the Target Group;

"Facility Agreement" means the facility agreement dated as at the date hereof between (1) Piccadilly Hotels 2 Limited (2) the companies listed in Part 1 of Schedule 1 of the facility agreement (3) The Governor and Company of the Bank of Scotland (as Arranger) (4) the Financial Institutions listed in Schedule 1 of the Facility Agreement (as Lenders) (5) The Governor and Company of the Bank of Scotland (as Agent) (6) the Governor and Company of the Bank of Scotland (as Security Trustee) (7) HBOS Treasury Services Plc as Hedging Bank and (8) the Governor and Company of the Bank of Scotland as Guarantor Bank and which contains a guarantee by the Company and its subsidiaries in favour of the Security Trustee

comprising an unlimited guarantee of the obligations and liabilities of Piccadilly Hotels 2 Limited and its subsidiaries to the Finance Parties;

"Glasgow Property" means 12 and 27 Washington Street, Glasgow, G3 8AZ, registered in the Land Register of Scotland under Title Numbers GLA180965 and GLA12595, respectively;

"Finance Party" means the Agent, Arranger, the Security Trustee, a Lender, a Hedge Counterparty, and the Working Capital Lender and each of them as those words and phrases are defined in the Facility Agreement;

"Intercreditor Deed" means the intercreditor deed between (1) Piccadilly Hotels 2 Limited (as the Company and certain subsidiaries as Borrowers and/or Guarantors (as defined therein) (2) The Senior Lenders (as defined therein) (3) The Working Capital Bank (4) the Original Hedging Bank and (5) The Governor and Company of the Bank of Scotland (as Senior Agent and Security Trustee);

"Original Hedging Bank" means HBOS Treasury Services Plc;

"Propco" means each of Menzies Hotels Property No 1 Limited (company number 05940223), Menzies Hotels Property No 2 Limited (company number 05945187), Menzies Hotels Property No 3 Limited (company number 05945316), Menzies Hotels Property No 4 Limited (company number 05945314), Menzies Hotels Property No 5 Limited (company number 05945222), Menzies Hotels Property No 6 Limited (company number 05945291), Menzies Hotels Property No 7 Limited (company number 05945320), Menzies Hotels Property No 8 Limited (company number 05945307), Menzies Hotels Property No 9 Limited (company number 05945310), Menzies Hotels Property No 10 Limited (company number 05945308), Menzies Hotels Property No 11 Limited (company number 05945309), Menzies Hotels Property No 12 Limited (company number 05945487), Menzies Hotels Property No 13 Limited (company number 05945354), Menzies Hotels Property No 14 Limited (company number 05945367), Menzies Hotels Property No 15 Limited (company number 05945357) and Menzies Hotels Property No 16 Limited (company number 05946111);

"Property" means the individual property owned by a Propco as more fully set out in Appendix 7.

"Release Document" means each or any form 403a, DS1 or such other document as may be required to evidence and/or register release of the Existing Security, which release is granted pursuant to the Deed of Release;

"Scottish Security" means the Scottish standard security to be given by Menzies Hotels Property No.3 Limited over land and buildings at 69 Bedford Road, Edinburgh and by Menzies Hotels Property No.8 Limited over land and buildings at 12 and 27 Washington Street, Glasgow;

"Scottish Properties" means the Edinburgh Property and the Glasgow Property;

"Scottish Securities" means the standard securities to be granted by, respectively, Menzies Hotels Property No.3 Limited and Menzies Hotels Property No.8 Limited, over the Scottish Properties;

"Security Trustee" means the Security Trustee as defined under the Facility Agreement being the Governor and Company of the Bank of Scotland as at the date of this declaration;

"Share Sale Agreement" means the agreement in respect of the purchase of the entire issued share capital (other than the A Shares) in Menzies Hotels Group Limited between (1) Robert Nicholas Menzies and others (being the Founder Vendors and the Management Vendors as defined therein) and (2) PMH Acquisitions Limited dated 31/12/2004;

"Target Group" means PMH Holdings Limited and each of its subsidiaries (with the meaning ascribed to it in s. 258 of the Companies Act 1985) from time to time;

"Waiver Agreement" means the partial deed of release, waiver and discharge to be entered into by PMH Acquisitions Limited in favour of Robert Nicholas Menzies and others;

"Working Capital Bank" means the Governor and Company of the Bank of Scotland;

"Working Capital Facility" means the £5,000,000 overdraft facility between, among others, the Borrower and the Working Capital Bank and **"Working Capital Facility Accession Letter"** means the letter by which the Borrower and the relevant members of the Target Group will participate in that facility.

Appendix 7 to Form 155(6)(b)

Definition of "Property"

<u>Property</u>	<u>Company</u>	<u>Property Description</u>	<u>Title Number</u>
1.	Menzies Hotels Property No.1 Limited (Company No. 5940223)	Freehold land and buildings known as the Menzies Avant Hotel, Windsor Road, Oldham OL8 4AS	GM495257
2.	Menzies Hotels Property No.2 Limited (Company No. 5945187)	Freehold and leasehold land and building at Menzies Barons Court Hotel, Walsall Road, Walsall	WM483573 and WM413322
3.	Menzies Hotels Property No.4 Limited (Company No. 5945314)	Leasehold land and buildings at the Carlton Hotel, East Overcliff Drive, Bournemouth	DT164457
4.	Menzies Hotels Property No.5 Limited (Company No. 5945222)	Freehold land and buildings at Menzies Cambridge Hotel and Golf Course, Bar Hill, Cambridge CB3 8EU	CB27203 (Hotel) CB58956 (Golf course) CB18464 (Staff accommodation)
5.	Menzies Hotels Property No.6 Limited (Company No. 5945291)	Leasehold land and buildings at Menzies East Cliff Court Hotel, East Cliff Road, Bournemouth	DT233953
6.	Menzies Hotels Property No.7 Limited (Company No. 5945320)	Freehold land and buildings known as Flitwick Manor Hotel, Church Road, Bedford, MK45 1AE	BD153814
7.	Menzies Hotels Property No.9 Limited (Company No. 5945310)	Leasehold land and buildings being sub-basement, basement, ground, first, second, third, fourth, fifth and sixth floors of the Menzies Leofric Hotel Complex, Broadgate, Coventry CV1 1LX	WK4010

8.	Menzies Property Limited 5945308	Hotels No.10	Freehold land and buildings at Menzies Mickleover Court, Etwall Road, Mickleover, Derby DE3 0XX	DY189338
9.	Menzies Property Limited (Company No. 5945309)	Hotels No.11	Freehold land and buildings at Menzies MHL, Bakum Lodge, Etwall Road, Mickleover, Derby DE3 0DL (Freehold office) (also known as Bakum House)	DY315206
10.	Menzies Property Limited (Company No. 5945487)	Hotels No.12	Freehold land and buildings at Menzies Prince Regent, Manor Road, Woodford Bridge	EGL175172 and EGL97575
11.	Menzies Property Limited (Company No. 5945354)	Hotels No.13	Freehold land and buildings at Menzies Silverlink, Coast Road, Wallsend, Newcastle	TY43551
12.	Menzies Property Limited (Company No. 5945367)	Hotels No.14	Freehold land and buildings known as Menzies Stourport Manor, Hartlebury Road, Stourport on Severn DY13 9JA	HW166168
13.	Menzies Property Limited (Company No. 5945357)	Hotels No.15	Leasehold land and buildings at Menzies Waterside, Rossiter Road, Bath	AV243021 AV243022
14.	Menzies Property Limited (Company No. 5946111)	Hotels No.16	Freehold and leasehold land and buildings known as Welcombe Hotel and Golf Course, Warwick Road, Stratford-upon-Avon	Freehold WK408250 Freehold WK408247 Freehold WK370461 Freehold WK374177 Leasehold WK408707

Appendix 8 to Form 155(6)(b)

Fees to be paid by PMH Holdings Limited

Company Incurred Costs	Fees	VAT	Total
Eversheds LLP	109,452	10,442	119,894
Sanderson Wetherall	88,900	15,558	104,458
PwC Tax	10,000	1,750	11,750
PwC Tax	30,000	5,250	35,250
Christie & Co	82,274	14,398	96,672
brownejacobson	15,299	2,625	17,924
Dundas & Wilson	1,000	175	1,175
Total Invoices	336,925	50,198	387,123

The Directors
Menzies Hotels Group Limited
Bakum House
Etwell Road
Mickleover
Derby
Derbyshire
DE3 0DL

10 October 2006

STATUTORY REPORT OF THE AUDITORS TO THE DIRECTORS OF MENZIES HOTELS GROUP LIMITED (THE "COMPANY") PURSUANT TO SECTION 156(4) OF THE COMPANIES ACT 1985

We have examined the attached statutory declaration of the directors of the Company dated 10 October 2006 in connection with the proposal that the Company's subsidiary, Menzies Hotels Property No. 5 Limited, should give financial assistance for the purchase of the entire issued share capital of PMH Holdings Limited.

This report is made solely to the directors of the Company for the purpose of section 156(4) of the Companies Act 1985. Our work has been undertaken so that we might state to the directors of the Company those matters that we are required to state to them in an auditors' report under that section and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the opinions that we have formed.


Basis of opinion

We have enquired into the state of affairs of the Company in order to review the bases for the statutory declaration.

Opinion

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

Yours faithfully


Deloitte & Touche LLP

Chartered Accountants and Registered Auditors