Arora Hotels Limited

(formerly Arora Gatwick Airport Limited)

Directors' report and financial statements

Registered number 5454977

31 March 2006

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Directors' report

The directors present their report and the audited financial statements for the period from incorporation to 31 March 2006.

Principal activities

The principal activity of the company is that of hoteliers. The company commenced trading on 14 July 2005.

The company was incorporated on 17 May 2005 as Arora Gatwick Airport Limited. On 27 February 2006 the company changed its name to Arora Hotels Limited.

Business review

The company's main objective over the last year has been to maintain room rates, improve the quality of services and standards, and maintain the quality of the product and to focus on efficiencies.

A program to upgrade the standard of guest rooms and public areas started during the period for all hotels and those and will continue through 2007.

A significant issue for the business is the matter of increasing utility costs, which the directors are focussing on ways to minimise.

On 14th July 2005, the company purchased the trade and assets of Le Meridien hotel situated at London Gatwick's north terminal for a total consideration of £32,001,000. The hotel was subsequently re-branded after the months which shortly followed the acquisition as a Sofitel hotel, but which is part of the Arora Group.

On the 27 February 2006, the company was granted a twenty year operating lease over the trade and assets of the Arora International Heathrow hotel, the Arora Park Heathrow hotel and the Arora Gatwick hotel, located in Crawley. No premium was payable on the granting of these leases.

On 17 March 2006 the leasors become Jersey Property Unit Trusts upon the granting of 999 year leases over the sites to the Jersey Property Unit Trusts, as disclosed in note 20. The Jersey Property Unit Trusts are controlled by the trustees Mourant & Co Limited. The beneficiaries of the trusts are both Surinder and Sunita Arora and extended family. Surinder Arora established the trust.

Interest rate risks are borne at Group level by the parent company, Arora Holdings Limited.

Results and dividends

The results for the period are set out on page 6.

The directors do not recommend payment of a final dividend.

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the period were as follows:

Martin Robert Henderson	(appointed 17 May 2005, resigned 17 May 2005)
Bibi Rahima Ally	(appointed 17 May 2005, resigned 17 May 2005)
Surinder Arora	(appointed 17 May 2005)
Subash Arora	(appointed 17 May 2005)
Sunita Arora	(appointed 17 May 2005)
Guy Morris	(appointed 17 May 2005)

None of the directors who held office at the beginning or end of the financial period had any disclosable interest in the shares of the company.

The interest of Surinder and Sunita Arora in the parent company is disclosed in the directors' report of the parent company. These accounts are publicly available from the address given in note 22.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company, or any other company, were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Surinder Arora
Director

The Grove
Bath Road
Harmondsworth
Middlesex
UB7 0DG

30 November 2006

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- *state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Arora Hotels Limited

We have audited the financial statements of Arora Hotels Limited for the period ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of Arora Hotels Limited
(continued)

Opinion

In our opinion:

• the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the period then ended;

• the financial statements have been properly prepared in accordance with the Companies Act 1985; and

• the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

5/12/ 2006

Profit and loss account
for the 10 month period ended 31 March 2006

	Note	**2006**
		£
Turnover	*2*	**12,336,987**
Cost of sales		**(251,109)**
Gross profit		**12,085,878**
Administrative expenses		**(12,432,729)**
Operating loss		**(346,851)**
Interest receivable and similar income	*6*	**2,824**
Interest payable and similar charges	*7*	**(1,068,464)**
Loss on ordinary activities before taxation	*3*	**(1,412,491)**
Tax on loss on ordinary activities	*8*	**422,935**
Loss for the financial period	*16,17*	**(989,556)**

The results stated above are all derived from continuing operations.

A statement of total recognised gains and losses has not been included as part of these statements as the company made no gains or losses in the period other than those disclosed above.

A note on historical cost gains and losses has not been included as part of the financial statements as the results disclosed in the profit and loss account are prepared on an unmodified basis.

Balance sheet
at 31 March 2006

	Note	2006 £	2006 £
Fixed assets			
Tangible assets	9		**32,745,225**
Current assets			
Debtors	10	**5,538,110**	
Investments	11	**21,105**	
Cash		**66,550**	
		5,625,765	
Creditors: amounts falling due within one year	12	**(15,900,171)**	
Net current liabilities			**(10,274,406)**
Total assets less current liabilities			**22,470,819**
Creditors: amounts falling due after more than one year	*13*		**(23,359,375)**
Net liabilities			***(888,556)***
Capital and reserves			
Called up share capital	*15*		**101,000**
Profit and loss account	*16,17*		**(989,556)**
Shareholders' deficit			**(888,556)**

These financial statements were approved by the board of directors on 30 November 2006 and were signed on its behalf by:

Surinder Arora
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of the group headed by Arora Holdings Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Arora Holdings Limited, within which this company is included, can be obtained from the address given in note 22.

Going concern

The financial statements have been prepared on the going concern basis, not withstanding net liabilities of £888,556, which the directors believe to be appropriate for the following reason. The company is reliant for its working capital on funds provided to it by the company's parent undertaking, which has provided the company with an undertaking that it will, for at least 12 months from the date of approval of these financial statements, continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short term leasehold	-	over the term of the lease
Plant and machinery	-	15% straight line
Furniture, fixtures, fittings and equipment	-	25% straight line

No depreciation is provided on freehold land.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised once recovery is deemed reasonably certain.

Intra-group guarantees

The company has not adopted amendments to FRS 26 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2006.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements, and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

The company does not expect the amendments to have any impact on the financial statements for the period commencing 1 April 2006.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Notes to the profit and loss account

	2006
	£
Loss on ordinary activities before taxation is stated after charging	
Auditors' remuneration	
- audit	**9,960**
- fees paid to the auditors and its associates in respect of other services	-
Depreciation on tangible fixed assets:	**1,744,343**
Hire of other assets - operating leases	**4,250,335**

Auditors' remuneration in respect of other services for the period ended 31 March 2006 have been borne by another group company.

Notes *(continued)*

4 Directors' emoluments

The directors received no remuneration for their services to the company during the period.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees 2006
Operations	**130**

The aggregate payroll costs of these persons were as follows:

	2006 £
Wages and salaries	**2,126,400**
Social security costs	**126,861**
Other pension costs	**14,514**
	2,267,775

6 Interest receivable and similar income

	2006 £
Bank interest	**2,824**

7 Interest payable and similar charges

	2006 £
Bank interest	**1,068,464**

Notes *(continued)*

8 Taxation

	2006 £
UK corporation tax	
Current tax on income for the year	
Total current tax	-
Group relief surrendered	(331,931)
Deferred tax *(see note 14)*	(91,004)
Tax on loss on ordinary activities	(422,935)

	2006 £
Current tax reconciliation	
Loss on ordinary activities before tax	(1,412,491)
Current tax at 30%	(423,747)
Effects of:	
Non deductible expenses	2,807
Depreciation in excess of capital allowances	46,306
Increase in tax losses	42,703
Tax losses surrendered for group relief	331,931
Total current tax	-

Notes *(continued)*

9 Tangible fixed assets

	Short term leasehold £	Plant and machinery £	Furniture, fixtures, fittings and equipment £	Total £
Cost or valuation				
Additions	27,217,667	3,654,514	3,617,387	34,489,568
At 31 March 2006	27,217,667	3,654,514	3,617,387	34,489,568
Depreciation				
Charged in period	569,652	351,692	822,999	1,744,343
At 31 March 2006	569,652	351,692	822,999	1,744,343
Net book value				
At 31 March 2006	**26,648,015**	**3,302,822**	**2,794,388**	**32,745,225**

10 Debtors

	2006 £
Trade debtors	2,897,697
Amounts owed by group undertakings	1,527,859
Deferred tax asset *(see note 14)*	91,004
Other debtors	216,936
Prepayments and accrued income	804,614
	5,538,110

11 Investments

	2006 £
Cost	
Other investments	21,105

The other investment held relates to amounts invested with fund managers. During the year income of £nil was earned on these investments.

At 31 March 2006 the market value of the listed investment was £21,105. The potential tax liability if the investments were sold at this value would be £6,332.

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2006
	£
Bank loans and overdrafts	2,003,388
Trade creditors	2,103,284
Amounts owed to group undertakings	9,131,396
Taxation and social security	1,095,763
Other creditors	104,367
Accruals and deferred income	1,461,973
	15,900,171

13 Creditors: amounts falling due after more than one year

	2006
	£
Bank loans	23,359,375

Analysis of bank debt:

	2006
	£
Debt can be analysed as falling due:	
In one year or less, or on demand	2,003,388
Between one and two years	937,500
Between two and five years	2,812,500
In five years or more	19,609,375
	25,362,763

The bank loan facility is secured by fixed and floating charges over the assets of the group and is supported by guarantees provided by certain group companies.

The bank loans are repayable over a period of ten years by monthly instalments. Interest is charged at LIBOR plus a margin of .75% to 1.75% dependant upon the company's performance.

Notes *(continued)*

14 Provisions for liabilities and charges

	Deferred taxation 2006 £
At the beginning of the period	-
Credit for the period	(91,004)
At the end of the period ***(see note 10)***	**(91,004)**

	2006 £
The elements of deferred tax are as follows	
Accelerated capital allowances	(46,306)
Other timing differences	(1,995)
Tax losses	(42,703)
Recognised deferred tax asset	(91,004)

15 Called up share capital

	2006 £
Authorised	
Equity: 150,000 ordinary shares of £1 each	150,000
Allotted, called up and fully paid	
Equity: 101,000 ordinary shares of £1 each	101,000

On incorporation the company had an authorised share capital of 100 ordinary shares of £1 each, of which 1 share was issued at par.

On 27 May 2005 a resolution was passed to increase the authorised share capital of the company by £149,900 to £150,000. On the same date, 99,999 ordinary shares were issued at par.

On 14 July 2005 1,000 ordinary shares were issued at par.

Notes *(continued)*

16 Reserves

	Profit and loss account £
Loss for the period	(989,556)
	(989,556)

17 Reconciliation of movements in shareholders' deficit

	2006 £
Loss for the financial period	(989,556)
	(989,556)
New share capital subscribed (net of issue costs)	101,000
Net reduction in shareholders' funds/(deficit)	(888,556)
Opening shareholders' funds	-
Closing shareholders' deficit	(888,556)

18 Contingent liabilities

A bank loan facility is provided by a consortium of banks to Arora Heathrow T5 Limited. It is secured by fixed and floating charges over the assets of its Parent company and fellow subsidiaries and by intra-group guarantees provided by some group companies. As at 31 March 2006 the bank loan, amounted to £55,756,954.

19 Commitments

Annual commitments made under non-cancellable operating leases are as follows:

	2006 Land & building £	Other £
Operating leases which expire:		
Within one year	-	60,500
Over five years	13,421,021	99,000
	13,421,021	159,500

Notes *(continued)*

20 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £14,514.

Contributions amounting to £3,015 were payable to the scheme and are included in creditors.

21 Related party transactions

The company' transactions with parties who are related due to common control were as follows:

Operating lease rentals

	2006 £
Arora International Heathrow Jersey Property Unit Trust	**160,853**
Arora Park Heathrow Jersey PropertyUnit Trust	**44,414**
Arora International Gatwick Jersey Property Unit Trust	**174,246**

At the period end the following balances were due to related parties:

	2006 £
Arora International Heathrow Jersey Property Unit Trust	**160,853**
Arora Park Heathrow Jersey Property Unit Trust	**44,414**
Arora International Gatwick Jersey Property Unit Trust	**174,246**

The Jersey property Unit Trusts are controlled by the trustees Mourant & Co Limited. The beneficiaries of the trust are both Surinder and Sunita Arora and extended family. Surinder Arora established the trust.

All the above transactions were carried out on an arm's length basis.

22 Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate and ultimate parent company is Arora Holdings Limited, a company registered in England and Wales.

The ultimate controlling parties of Arora Holdings Limited are Surinder and Sunita Arora, due to their majority shareholding in the company, both of whom are directors of the parent company.

The consolidated accounts of this company is available to the public and can be obtained from The Grove, Bath Road, Harmondsworth, Middlesex, UB7 0DE.