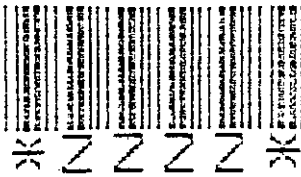


25/2/07 NIN

SEPARATOR SHEET

JARVIS RED TIN SHED CORPORATION LIMITED
S8715



414596/15

JARVIS RED TIN SHED CORPORATION LIMITED

(Company No: 58715)

Directors' Report - Year Ended 27 March 2004

The directors have pleasure in presenting their report and the audited accounts of the Company for the year ended 27 March 2004.

Principal activities

The principal activity of the Company during the year was the ownership and management of hotels.

Review of the business

The year to 27 March 2004 was a satisfactory year for the company with hotel trading profit before exceptional items of £1.9m (2003: £1.8m) and £1.4m (2003: £1.8m) after exceptional items. The directors expect the remaining hotels to maintain their current level of activity for the coming year.

Financial results and dividends

The profit and loss account for the year ended 27 March 2004 is set out on page 4 and shows an operating profit before interest, tax and exceptional items of £0.7m (2003: £0.9m). Including exceptional items, operating profit before interest and tax was £0.2m (2003: £0.9m). The directors do not recommend the payment of a dividend for the year (2003: £nil). Subsequent to the year end, the Company disposed of one hotel for £1.4m net of selling costs.

Directors

The directors of the Company at 27 March 2004, all of whom have been directors for the whole of the year ended on that date unless otherwise stated, are shown below.

John Jarvis

David Thomas (resigned 21 July 2004)

Richard Thomason (appointed 6 February 2004)

David Andrews (appointed 6 February 2004)

Michael Tunney (appointed 6 February 2004)

Charles Prew (resigned 11 September 2003)

Steve Hebborn (appointed 8 September 2004)

Directors' interests

Except for David Thomas and Charles Prew, all of the directors noted above are also directors of the ultimate parent company, Kayterm plc, and their interests in that company are disclosed in the annual report of that company.

Fixed assets

Fixed assets are included at cost less accumulated depreciation. The directors consider that the market value of the hotels is not less than the book value.

Employee involvement

The Company has a keen awareness of the need to attain and maintain high standards of customer care and service, by encouraging employees to promote the Company's interests and to suggest ways in which customer satisfaction can be achieved and improved.

Employees are kept informed of the performance and objectives of the Company through regular newsletters and management briefings. In addition, directors and senior management regularly visit hotels and discuss with employees matters of interest and concern to the business. Those employees who are eligible can also become involved in the Company's performance through participation in share option schemes.

JARVIS RED TIN SHED CORPORATION LIMITED
Directors' Report - Year Ended 27 March 2004

Disabled persons

It is Company policy to give full and fair consideration to applications made by disabled persons and to provide opportunities for the training and career development of disabled employees. If any employee becomes disabled it is standard practice, in almost all but the most extreme circumstances, to offer an alternative job and to provide re-training where necessary.

Directors' responsibilities

The directors are required by the Companies (Jersey) Law 1991 to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 27 March 2004. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records that 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 (Jersey) Law 1991. 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.

Creditor payment policy

The Company's current policy concerning the payment of its trade creditors is to:

- a) ensure that suppliers are made aware of the terms of payment
- b) pay in accordance with those terms of payment

The number of creditor days was 21 days (2003: 50 days).

BY ORDER OF THE BOARD



D J G BEVERIDGE
COMPANY SECRETARY

14 December 2004

Independent auditors' report to the members of Jarvis Red Tin Shed Corporation Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, accounting policies 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 Article 110 of the Companies (Jersey) Law 1991 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 (Jersey) Law 1991. 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.

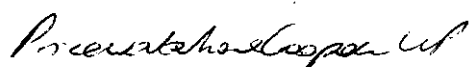
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis which, because the company acts as guarantor of the bank facilities agreement held by the ultimate holding company, depends on the group's banks continuing their support should a breach of the facilities agreement occur. In view 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 state of affairs of the Company as at 27 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors, London

14 December 2004

Jarvis Red Tin Shed Corporation Limited**Profit and Loss account**

for the year ended 27 March 2004

	Notes	2004 £000's	2003 £000's
Turnover - continuing operations	1	10,384	10,167
Cost of sales - continuing operations		(8,512)	(8,409)
Exceptional item	3	(511)	-
		(9,023)	(8,409)
Hotel trading profit		1,361	1,758
Net operating expenses - continuing operations		(1,167)	(1,051)
Other net operating income		1	176
Operating profit - continuing operations	2	195	883
Interest receivable	7	14	15
Interest payable and similar charges	8	(864)	(1,403)
Loss on ordinary activities before taxation		(655)	(505)
Taxation on loss on ordinary activities	9	2,127	(118)
Retained profit / (loss) for the year		1,472	(623)

The Company has no recognised gains or losses other than those included in the profit above, and therefore no separate statement of recognised gains or losses has been presented.


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

Jarvis Red Tin Shed Corporation Limited**Balance sheet**

as at 27 March 2004

	Notes	<u>2004</u> £000's	<u>2003</u> £000's
Fixed assets			
Tangible assets	10	18,181	19,011
Current assets			
Stocks	12	88	104
Debtors	13	3,502	3,479
Cash at bank and in hand		<u>78</u>	<u>0</u>
		3,668	3,583
Creditors: amounts falling due within one year	14	<u>(1,110)</u>	<u>(1,381)</u>
Net current assets		<u>2,558</u>	<u>2,202</u>
Total assets less current liabilities		20,739	21,213
Creditors: amounts falling due after more than one year			
Due to parent company		(15,302)	(15,302)
Provisions for liabilities and charges	15	-	(1,946)
Net assets		<u>5,437</u>	<u>3,965</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account	17	5,437	3,965
Equity shareholder's funds		<u>5,437</u>	<u>3,965</u>

The financial statements on pages 4 to 12 were approved by the directors on 14 December 2004 and signed on behalf of the board by:



Director

Jarvis Red Tin Shed Corporation Limited
Accounting policies

Principal accounting policies

The financial statements have been prepared in accordance with the applicable Accounting Standards in the United Kingdom and have been consistently applied throughout the year. A summary of the more important accounting policies is set out below.

Basis of preparation

Jarvis Red Tin Shed Corporation Limited is part of the Kayterm plc group of which Kayterm plc is the ultimate holding company.

The auditors of Kayterm plc issued an unqualified opinion on the Kayterm plc group accounts, for the year ended 27 March 2004, which were prepared on a going concern basis, on 14 December 2004. In their opinion on the Kayterm group accounts, the auditors noted that there was uncertainty over the Kayterm group's ongoing compliance with its Bank Facilities Agreement and sale of properties from within the Kayterm group.

Jarvis Red Tin Shed Corporation Limited is a guarantor of the Bank Facilities Agreement held by Kayterm plc., and consequently in the event of breach of the terms of the Agreement may be required to provide funds to Kayterm plc. Under Kayterm plc's Bank Facilities Agreement, the Kayterm group is subject to measurement against a number of performance covenants. The directors of Kayterm plc have prepared a trading forecast for the period to March 2006 which is based on a number of key assumptions including turnover growth. Based on these assumptions, the Kayterm Directors do not currently forecast a breach of financial covenants. The Kayterm group conducts regular reviews of its performance covenants with its banks and believe that should a performance covenant be breached, agreement would be reached in order for the facilities to remain in place.

The Bank Facilities Agreement requires the group to enter into an exchange of contracts in respect of the sale of the Ramada Plaza, Regents Park hotel in 2005 the proceeds of such sale to be applied to repay a £40m bank facility which expires on 6 June 2005. The Kayterm group is currently actively marketing a number of properties including the Ramada Plaza, Regents Park and believe that the property disposals will be made within the required timescale to meet the facility repayment.

The Directors of Jarvis Red Tin Shed Corporation Limited recognise the inherent uncertainty of the assumptions in the group's trading forecast and the timing of the hotel sales. However they believe it remains appropriate for the accounts of Jarvis Red Tin Shed Corporation Limited to be prepared on a going concern basis.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Related parties

The Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions or balances with other Group companies which are more than 90% owned within the Group.

Turnover

Turnover represents the amounts receivable for goods sold and services provided, excluding VAT. Leisure club membership fees are recognised on a straight line basis over the membership period.

Fixed assets

- (a) Properties are included in the balance sheet at cost plus subsequent additions at cost less accumulated depreciation.
- (b) No depreciation is provided on freehold land. Depreciation is provided on the original cost of all other tangible fixed assets on a straight line basis at the rates below. Those parts of each building which have significantly different useful lives are separated for depreciation purposes.
 - Freehold buildings:
 - Core (structure) – 2% p.a.; Non Core (surface finishes and services) – 4% p.a.
 - Plant, machinery, fixtures and fittings – between 7.5% and 10% p.a.
 - Computer equipment – 33.3% p.a.
 - Motor vehicles – 20% p.a.

Jarvis Red Tin Shed Corporation Limited
Accounting policies

No depreciation is provided on work in progress. On completion, the assets are re-classified into their relevant asset category and depreciated accordingly.

Leased assets

Rental payments under operating leases are charged to the profit and loss account as incurred.

Investments

Investments are held at cost less provision for impairment.

Pension scheme arrangements

The Company is part of both a defined benefits scheme ("JPP") and a defined contributions scheme ("J3P").

The JPP is funded by Company and employee contributions. Company contributions are determined on an actuarial basis so that the annual charge is a substantially level percentage of current and expected future pensionable payroll. The level of contributions is assessed on the advice of qualified actuaries.

The Company is unable to identify its share of the underlying assets of the Plan on a consistent and reasonable basis and a charge equal to the Company's contributions to the Plan during the accounting period is made against profit and there will be no balance sheet item.

Contributions to the J3P are charged to the profit and loss account as incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

In accordance with FRS 19 'Deferred Tax', full provision is made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes. The provision is calculated at the rates of taxation at which it is estimated the liability will arise and is not discounted. No provision is made in respect of timing differences arising from the sale or revaluation of fixed assets at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits from which the underlying timing differences can be deducted.

Jarvis Red Tin Shed Corporation Limited
Notes to the Financial Statements
27 March 2004

1. Segmental analysis

The Company's turnover, profit before taxation and net assets are derived from its principal activity within the UK which is the ownership and management of hotels, and as such no segmental information has been disclosed.

2. Operating profit

	<u>2004</u>	<u>2003</u>
	£000's	£000's
Operating profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets	1,411	900
Hire of plant and machinery	192	194
Other operating leases	2	8
Profit on fixed asset disposals	-	(172)

Auditors' remuneration has been borne by the parent company.

3. Exceptional item

The exceptional item of £0.5m (£2003: £nil) relates to accelerated depreciation in respect of one of the properties in accordance with FRS 11 – Impairment of fixed assets and goodwill.

4. Directors' emoluments

The remuneration of the directors is paid by Jarvis Hotels Ltd, the parent company. An element of this is recharged to the Company as part of the management charge that in 2004 amounted to £1.2m (2003: £1.1m). This charge also includes a recharge of administration costs borne by the parent company on behalf of the Company and it is not possible to identify separately the amount of the remuneration.

5. Employee information

a) The average number of persons employed by the Company during the year was:

	<u>2004</u>	<u>2003</u>
Full time	116	124
Part time	170	186
	<u>286</u>	<u>310</u>

b) Employment costs of all employees included above:

	<u>2004</u>	<u>2003</u>
	£000's	£000's
Gross wages and salaries	3,364	3,210
Employer's national insurance and state pension contributions	214	180
Employer's pension costs	98	93
	<u>3,676</u>	<u>3,483</u>

6. Pension scheme

The Company is part of the Jarvis Pension Plan (the 'Plan') and the Jarvis Personal Pension Plan (the 'J3P'). The Plan, a group scheme is contracted out of the state earnings related pension scheme and provides benefits based upon final pensionable earnings and years of service at retirement. Contributions are based upon pension costs across the Group. It is funded and the assets are held separately and invested independently of the Company. It is not possible to identify the Company's share of the underlying assets in the scheme. Since April 2002 new employees are not entitled to join the Plan. Instead new employees are offered membership of the J3P, a defined contribution scheme.

Jarvis Red Tin Shed Corporation Limited
Notes to the Financial Statements
27 March 2004

The Company has adopted FRS 17 – Retirement benefits. As the Company is unable to identify its share of the underlying assets of the Plan on a consistent and reasonable basis, each participating employer is exposed to actuarial risks associated with the current and former employees of the other employers participating in the Plan, paragraph 9(b) of FRS17 allows that in this case, the pension cost equal to the Company's contributions to the Plan during the accounting period and there will be no balance sheet item.

The pension charge for the year was £98,311 (2003: £92,991).

7. Interest receivable

	<u>2004</u>	<u>2003</u>
	£000's	£000's
Bank interest receivable	<u>14</u>	<u>15</u>

8. Interest payable and similar charges

	<u>2004</u>	<u>2003</u>
	£000's	£000's
Interest payable on borrowings wholly repayable after five years:	<u>864</u>	<u>1,403</u>

9. Taxation

	<u>2004</u>	<u>2003</u>
	£000's	£000's
UK Corporation Tax at 30% (2003: 30%)		
Current year charge	-	-
Under / (Over) provision in previous years	<u>3</u>	<u>(49)</u>
	3	(49)
Deferred tax (Note 15)	<u>(2,130)</u>	<u>167</u>
	<u>(2,127)</u>	<u>118</u>

The difference between the current tax for the period and the standard rate of Corporation Tax in the UK (30%) is explained below:

	<u>2004</u>	<u>2003</u>
	£000's	£000's
Loss on ordinary activities before tax	<u>(655)</u>	<u>(505)</u>
Loss on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2003: 30%)	(196)	(152)
Effects of:		
- Capital allowances in excess of depreciation	18	(168)
- Expenses not allowable for tax purposes	3	6
- Group relief	175	314
Current tax charge	<u>-</u>	<u>-</u>

The Company is an exempt company for Jersey tax purposes and pays an annual exempt company fee of £600.

Jarvis Red Tin Shed Corporation Limited
Notes to the Financial Statements
27 March 2004

10. Tangible fixed assets

	Freehold Land and buildings	Furniture, Fittings and Equipment	Motor vehicles	Total
	£000's	£000's	£000's	£000's
Cost				
At 30 March 2003	16,589	7,482	47	24,118
Additions	408	188	-	596
Disposals	-	-	(15)	(15)
At 27 March 2004	16,997	7,670	32	24,699
Accumulated depreciation				
At 30 March 2003	1,236	3,853	18	5,107
Charge for year	762	641	8	1,411
Disposals	-	-	-	-
At 27 March 2004	1,998	4,494	26	6,518
Net book value				
At 27 March 2004	14,999	3,176	6	18,181
At 29 March 2003	15,353	3,629	29	19,011

The depreciation charge for the year includes a £0.5m exceptional item relating to the accelerated depreciation in respect of the provision for FRS 11 – Impairment of fixed assets and Goodwill. The provision for impairment was calculated in accordance with FRS 11 on a value in use basis. A discount rate of 12% was used for this purpose.

11. Capital commitments

	2004	2003
	£000's	£000's
Amounts contracted but not invoiced	-	108

12. Stocks

All stocks relate to food, beverage and consumables.

13. Debtors

	2004	2003
	£000's	£000's
Amounts falling due within one year		
Trade debtors	490	450
Amounts due from group companies	2,753	2,449
Other debtors	6	514
Deferred tax	184	-
Prepayments and accrued income	69	66
	3,502	3,479

Jarvis Red Tin Shed Corporation Limited
Notes to the Financial Statements
27 March 2004

14. Creditors: amounts falling due within one year

	<u>2004</u>	<u>2003</u>
	£000's	£000's
Bank overdraft	-	5
Trade creditors	246	603
Amounts due to Group companies	-	-
Corporation tax	3	-
Other taxation and social security	218	116
Other creditors	188	205
Accruals and deferred income	455	452
	<u>1,110</u>	<u>1,381</u>

15. Provisions for liabilities and charges
Deferred tax

	<u>2004</u>	<u>2003</u>
	£000's	£000's
Accelerated capital allowances	(184)	1,951
Other timing differences	-	(5)
	<u>(184)</u>	<u>1,946</u>
At 30 March 2003	1,946	1,779
Amount charged to profit and loss account	(2,130)	167
Amount shown in debtors	184	-
At 27 March 2004	<u>-</u>	<u>1,946</u>

16. Share capital

	<u>2004</u>	<u>2003</u>
	£	£
<u>Authorised</u>		
10 Ordinary shares of £1 each	10	10
90 Preferred shares of £1 each	90	90
	<u>100</u>	<u>100</u>
<u>Allotted, called up and fully paid</u>		
10 Ordinary shares of £1 each	10	10
90 Preferred shares of £1 each	90	90
	<u>100</u>	<u>100</u>

The preferred shares are no-voting and have the preferential right to return of capital on a winding up.

17. Reserves

Profit and loss account	<u>2004</u>
	£000's
At 30 March 2003	3,965
Retained profit for the year	1,472
At 27 March 2004	<u>5,437</u>

Jarvis Red Tin Shed Corporation Limited
Notes to the Financial Statements
27 March 2004

18. Reconciliation of movement in shareholder's funds

	<u>2004</u> £000's	<u>2003</u> £000's
Profit for the financial year	1,472	(623)
Opening equity shareholder's funds	3,965	4,588
Closing equity shareholder's funds	<u>5,437</u>	<u>3,965</u>

19. Contingent liabilities and commitments

- a. Jarvis Red Tin Shed Corporation Limited is a guarantor of the Bank Facilities Agreement held by Kayterm plc and there are fixed and floating charges over all of the assets of Jarvis Red Tin Shed Corporation Limited in favour of Royal Bank of Scotland.
- b. The Company has entered into a number of contractual agreements in respect of the hire of plant and equipment installed and used at its hotel premises.

At 27 March 2004 the Company had annual commitments under operating leases as set out below;

	Land and buildings		Other	
	2004	2003	2004	2003
	£000's	£000's	£000's	£000's
Operating leases which expire				
Within one year	-	-	21	44
In two to five years	-	-	28	21
Over five years	-	8	27	13
	<u>-</u>	<u>8</u>	<u>76</u>	<u>78</u>

20. Parent undertakings

The Company's ultimate parent undertaking is Kayterm plc being incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is Jarvis Hotels Limited. Group accounts are only prepared at the Kayterm plc level.