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JARVIS RED TIN SHED CORPORATION LIMITED

(Company No: 58715)

Directors' Report - Year Ended 29 March 2003

The directors have pleasure in presenting their report and the audited accounts of the Company for the year ended 29 March 2003.

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 29 March 2003 was a satisfactory year for the company with hotel trading profit of £1.8m (2002: £2.8m). The directors expect the current level of activity will be sustained for the coming year.

Financial results and dividends

The profit and loss account for the year ended 29 March 2003 is set out on page 4 and shows an operating profit before interest and tax of £0.9m (2002: £1.8m) and retained loss of £0.6m (2002: £0.1m). The directors do not recommend the payment of a dividend for the year (2002: £nil).

Directors

The directors of the Company at 29 March 2003, all of whom have been directors for the whole of the year ended on that date, are shown below.

John Jarvis

David Thomas

Charles Prew (Resigned 11 September 2003)

Directors' interests

The directors noted above had an interest in, and options to subscribe for, shares of Jarvis Hotels plc during the year. As they are also directors of that Company, these interests are disclosed in the Annual Report and Accounts of Jarvis Hotels plc.

Fixed assets

Fixed assets are included at cost less accumulated depreciation. The directors consider that the market value of the hotels is in excess of 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 29 March 2003

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 29 March 2003. 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:

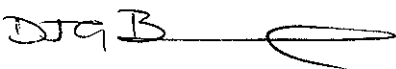
- a) ensure that suppliers are made aware of the terms of payment
- b) pay in accordance with those terms of payment

The number of creditor days was 50 days (2002: 23 days).

Auditors

Following the change in legal status of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 24 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

BY ORDER OF THE BOARD



D J G BEVERIDGE
COMPANY SECRETARY

29 January 2004

Report of the independent auditors 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 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.

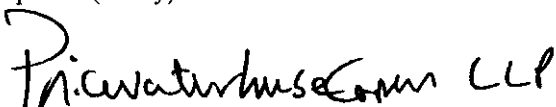
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 29 March 2003 and of its loss 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

1 Embankment Place

London

WC2N 6RH

24/1/2004

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

for the year ended 29 March 2003

	Notes	2003 £000's	2002 £000's
Turnover - continuing operations	1	10,167	11,006
Cost of sales - continuing operations		(8,409)	(8,193)
Hotel trading profit		<u>1,758</u>	<u>2,813</u>
Net operating expenses - continuing operations		(1,051)	(1,099)
Other net operating income		176	110
Operating profit - continuing operations	2	<u>883</u>	<u>1,824</u>
Interest receivable	6	15	11
Interest payable and similar charges	7	(1,403)	(1,680)
(Loss) / profit on ordinary activities before taxation		<u>(505)</u>	<u>155</u>
Taxation on (loss)/profit on ordinary activities	8	(118)	(287)
Retained loss for the year		<u>(623)</u>	<u>(132)</u>

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

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

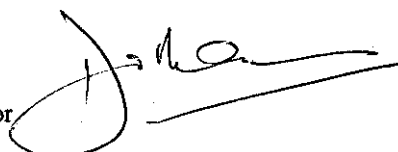
Jarvis Red Tin Shed Corporation Limited**Balance sheet**

as at 29 March 2003

	Notes	2003 £000's	2002 £000's
Fixed assets			
Tangible assets	9	19,011	19,065
Current assets			
Stocks	11	104	84
Debtors	12	3,479	3,590
Cash at bank and in hand		<u>-</u>	<u>58</u>
		3,583	3,732
Creditors: amounts falling due within one year	13	<u>(1,381)</u>	<u>(1,128)</u>
Net current assets		<u>2,202</u>	<u>2,604</u>
Total assets less current liabilities		21,213	21,669
Creditors: amounts falling due after more than one year			
Due to parent company		(15,302)	(15,302)
Provisions for liabilities and charges	14	(1,946)	(1,779)
Net assets		<u>3,965</u>	<u>4,588</u>
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account	16	3,965	4,588
Equity shareholders' funds		<u>3,965</u>	<u>4,588</u>

The financial statements on pages 4 to 11 were approved by the directors on 29 January 2004 and signed on behalf of the board by:

Director



Mr. D. C. Thomas

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 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.

Fixed assets

- (a) Properties are included in the balance sheet at cost plus subsequent additions at cost.
- (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 and machinery – 7.5% p.a.
 - Fixtures and fittings – 10% p.a.
 - Computer equipment – 33.3% p.a.
 - Motor vehicles – 20% p.a.

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.

Pension scheme arrangements

The investments of the Jarvis Pension Plan (the "Plan") which are managed by independent advisers are measured against the liabilities of the Plan. Charges are made to the profit and loss account, based upon a percentage of pensionable earnings, that represent the Company's regular annual contribution. Variation from the regular pension cost to the Company arising from projected surpluses (or deficiencies), are based on regular triennial valuations of the Plan's assets to its liabilities at such dates are credited (or charged) to the profit and loss account over the expected average remaining lives of current employees in the scheme. The Company's contributions to the Jarvis Personal Pension Plan 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

Deferred tax is measured on an undiscounted basis at the tax rates which are expected to apply in the periods in which the timing differences reverse, based upon tax rates known at the balance sheet date.

Cash flow statement

The Company is a wholly owned subsidiary of Jarvis Hotels plc. The cash flows of the company are included in the consolidated cash flow of Jarvis Hotels plc and consequently the Company is exempt under the terms of Financial Reporting Standard 1 (as revised) from preparing a cash flow statement.

Consolidation exemption

Consolidated financial statements are not presented as the company is a wholly owned subsidiary of Jarvis Hotels plc, a company registered in England.

Jarvis Red Tin Shed Corporation Limited
Notes to the accounts - 29 March 2003

1. Segmental analysis

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

2. Operating profit

	2003	2002
	£000's	£000's
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	900	883
Hire of plant and machinery	194	191
Other operating leases	8	8
Profit on fixed asset disposals	(172)	-

Auditors remuneration has been borne by parent company.

3. Directors' emoluments

The remuneration of the directors is paid by Jarvis Hotels plc the parent company. An element of this is recharged to the Company as part of a management charge that in 2003 amounted to £1,050,446 (2002: £1,033,314). 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.

4. Employee information

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

	2003	2002
Full time	124	123
Part time	186	210
	<u>310</u>	<u>333</u>

(b) Employment costs of all employees included above:

	2003	2002
	£000's	£000's
Gross wages and salaries	3,210	3,258
Employer's national insurance and state pension contributions	180	183
Employer's pension costs	93	69
	<u>3,483</u>	<u>3,510</u>

5. Pension scheme

The Company is part of the Plan and J3P. The Plan, a group scheme, provides benefits based on final pensionable earnings and years of service at retirement, and is contracted out of the state earnings related pension scheme. 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 and liabilities 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. Further details are given in the accounts of Jarvis Hotels plc.

Jarvis Red Tin Shed Corporation Limited
Notes to the accounts - 29 March 2003

As the Company is unable to identify its share of the underlying assets of the Plan on a consistent and reasonable basis, and 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 is 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 £92,991 (2002: £68,789). As at 29 March 2003 creditors include £18,681 (2002: £17,333) in respect of pensions.

6. Interest receivable

	2003 £000's	2002 £000's
Bank interest receivable	<u>15</u>	<u>11</u>

7. Interest payable

	2003 £000's	2002 £000's
Interest payable on borrowings wholly repayable after five years:		
Loan from parent company	<u>1,403</u>	<u>1,680</u>

8. Taxation

	2003 £000's	2002 £000's
Current year corporation tax at 30% (2002: 30%)	-	-
Prior year overprovision	<u>(49)</u>	<u>(60)</u>
	(49)	(60)
Deferred tax (Note 14)	167	347
	<u>118</u>	<u>287</u>

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

	2003 £000's	2002 £000's
(Loss)/profit on ordinary activities before tax	<u>(505)</u>	<u>155</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	(152)	47
Effects of:		
Adjustments to tax in respect of prior periods	(49)	(60)
Capital allowances in excess of depreciation	(168)	(182)
Expenses not deductible for tax purposes	6	12
Group relief	314	123
Current tax charge for the period	<u>(49)</u>	<u>(60)</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 accounts - 29 March 2003

9. Tangible fixed assets

	Freehold	Furniture, fittings and equipment	Motor vehicles	Work in progress	Total
	£000's	£000's	£000's	£000's	£000's
Cost					
At 31 March 2002	16,021	7,210	47	-	23,278
Additions	575	266	13	49	903
Reclassification	43	6	-	(49)	-
Disposals	(50)	-	(13)	-	(63)
At 29 March 2003	<u>16,589</u>	<u>7,482</u>	<u>47</u>	<u>-</u>	<u>24,118</u>
Accumulated depreciation					
At 31 March 2002	1,001	3,198	14	-	4,213
Charge for period	236	655	9	-	900
Disposals	(1)	-	(5)	-	(6)
At 29 March 2003	<u>1,236</u>	<u>3,853</u>	<u>18</u>	<u>-</u>	<u>5,107</u>
Net book value					
At 29 March 2003	<u>15,353</u>	<u>3,629</u>	<u>29</u>	<u>-</u>	<u>19,011</u>
At 30 March 2002	<u>15,020</u>	<u>4,012</u>	<u>33</u>	<u>-</u>	<u>19,065</u>

10. Capital commitments

	2003 £000's	2002 £000's
Amounts contracted but not invoiced	<u>108</u>	<u>67</u>

11. Stocks

All stocks relate to food, beverage and consumables.

12. Debtors

	2003 £000's	2002 £000's
Trade debtors	450	539
Amounts due from group companies	2,449	2,851
Other debtors	514	139
Prepayments and accrued income	66	61
	<u>3,479</u>	<u>3,590</u>

Jarvis Red Tin Shed Corporation Limited
Notes to the accounts - 29 March 2003

13. Creditors: amounts falling due within one year

	2003 £000's	2002 £000's
Bank overdraft	5	-
Trade creditors	603	256
Corporation tax	-	49
Other taxation and social security	116	279
Other creditors	205	167
Accruals and deferred income	452	377
	<u>1,381</u>	<u>1,128</u>

14. Provisions for liabilities and charges

	2003 £000's	2002 £000's
<u>Deferred taxation</u>		
Accelerated capital allowances	1,951	1,784
Other timing differences	(5)	(5)
	<u>1,946</u>	<u>1,779</u>
At 31 March 2002	1,779	1,432
Amount charged to profit and loss account (Note 8)	167	347
At 29 March 2003	<u>1,946</u>	<u>1,779</u>

15. Share capital

	2003 £	2002 £
<u>Authorised</u>		
10 Ordinary shares of £1 each	10	10
90 Preference 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 Preference shares of £1 each	90	90
	<u>100</u>	<u>100</u>

The Preference shares are non-voting and have the preferential right to return of capital on a winding up.

Jarvis Red Tin Shed Corporation Limited
Notes to the accounts - 29 March 2003

16. Reserves

	Profit and loss account 2003 £000's
At 31 March 2002	4,588
Retained loss for the year	(623)
At 29 March 2003	<u>3,965</u>

17. Reconciliation of movement in shareholders' funds

	2003 £000's	2002 £000's
Loss for the financial year	(623)	(132)
Opening shareholders' funds	4,588	4,720
Closing shareholders' funds	<u>3,965</u>	<u>4,588</u>

18. Contingent liabilities and commitments

- (a) There are fixed and floating charges over all the assets of Jarvis Red Tin Shed Corporation Limited in favour of the holders of the 1st Mortgage Debenture Stock 2004, a liability recorded in the books of Jarvis Hotels plc.
- (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 29 March 2003 the Company had annual commitments under operating leases as set out below:

	Land and buildings		Other	
	2003	2002	2003	2002
	£000's	£000's	£000's	£000's
Operating leases which expire:				
Within one year	-	-	44	15
In two to five years	-	-	21	50
Over five years	8	8	13	-
	<u>8</u>	<u>8</u>	<u>78</u>	<u>65</u>

19. Ultimate holding company

The Company is a wholly owned subsidiary of Jarvis Hotels plc which is incorporated in England. Jarvis Hotels plc is regarded as the ultimate holding company and copies of its consolidated financial statements can be obtained from the Company Secretary at Castle House, Desborough Road, High Wycombe, Buckinghamshire, HP11 2PR.