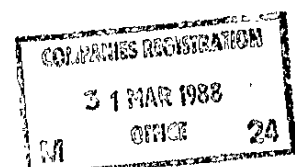


REPORT BY THE AUDITORS TO THE DIRECTORS AND SHAREHOLDERS OF

FOLEY LODGE HOTELS LIMITED

We have enquired into the state of affairs of Foley Lodge Hotels Limited and can confirm that, in our opinion the attached balance sheet and related notes show that at the balance sheet date, the amount of the company's net assets was not less than the aggregate of its called up share capital and undistributable reserves.


FINNIE & CO.



REGISTRAR'S COPY

283/651

COMPANY NUMBER

FOLEY LODGE HOTELS LIMITED

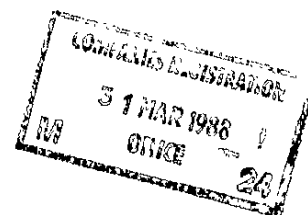
FINANCIAL STATEMENTS

28 MARCH 1988

FINNIE & CO

Chartered Accountants

NEWBURY



FOLEY LODGE HOTELS LIMITED

Page 2

BALANCE SHEET

28 March 1988

	Note	£	£
FIXED ASSETS			
Investment	1		450,000
CURRENT ASSETS			
Debtors	2	60,000	
Cash		<u>473,602</u>	<u>533,602</u>
CREDITORS: amounts falling due within one year	3		983,602
			<u>423,602</u>
			<u>560,000</u>
CAPITAL AND RESERVES			
Called up Share Capital	4		<u>560,000</u>

Directors:

R.P. SMITHSON

R.P. Smithson

S.M. CORBETT

S.M. Corbett

Approved 29 March 1988

FOLEY LODGE HOTELS LIMITED

Page 1

NOTES ON THE FINANCIAL STATEMENTS

28 March 1988

1. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention.

INVESTMENTS

Investments held as fixed assets are stated at cost

2. INVESTMENTS HELD AS FIXED ASSETS

Shares in subsidiary £450,000

SUBSIDIARIES:

Sarah and Mary Limited Catering

Foley Lodge Limited Dormant

Both companies were acquired on 28 March 1988 and are wholly owned. They are incorporated in Great Britain and operate principally in that country.

3. DEBTORS

Called up share capital not paid £ 60,000

4. CREDITORS amount falling due within one year

Other creditors £423,602

5. CALLED UP SHARE CAPITAL

Authorised

1,000,000 'A' ordinary shares of £1 each £1,000,000

1,000,000 'B' ordinary shares of £1 each 1,000,000

2,000,000

Allotted, called up and fully paid

560,000 'A' ordinary shares of £1 each £560,000

On 25 March 1988, 560,000 'A' ordinary shares of £1 each were issued at par 450,000 of such shares were issued in exchange for the entire share capital of Sarah and Mary Limited. The remaining 110,000 'A' shares were issued for cash to provide initial working capital for the company.