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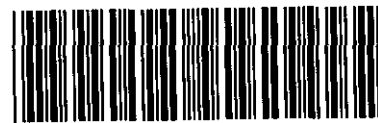
**Company Registration No. FC018077**

**Jarvis Red Tin Shed Corporation  
Limited**

**Report and Financial Statements**

**For the 53 week period ended 1 April 2006**

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# **Jarvis Red Tin Shed Corporation Limited**

## **Report and financial statements 2006**

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# Jarvis Red Tin Shed Corporation Limited

## Directors' report

The directors present their annual report and the audited financial statements for the 53 week period ended 1 April 2006 (2005: 52 weeks).

### Principal activities

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

### Review of the business and future prospects

On 11 July 2005 the business and assets of the company were acquired by Jarvis Hotels Limited and the company ceased trading. Operating profit in the period to the disposal was £0.3m (52 weeks to 26 March 2005: £0.7m).

### Financial results and dividends

The profit and loss account for the period until trading ceased is set out on page 5 and shows a profit before interest and tax of £14.2m (52 weeks to 26 March 2005: £1.7m) The directors do not recommend the payment of a dividend for the period (2005: £nil).

### Directors

The directors of the Company at 1 April 2006, all of whom have been directors for the whole of the period unless otherwise stated, are shown below.

John Jarvis  
Richard Thomason (resigned 10 September 2005)  
David Andrews  
Michael Tunney  
Steve Hebborn

### Directors and their interests

All of the directors noted above are also directors of the ultimate parent company, Kayterm Limited, 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. All of the fixed assets were disposed of during the period.

### 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

### 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.

### Financial Risk Management

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, credit risk, liquidity risk, cash flow risk and price risk. Due to certain of the Company's assets being pledged as security for the loans of the ultimate parent company the only financial risks the Directors consider relevant to the Company are interest rate risk and liquidity risk. These risks are mitigated by using interest rate swaps and the nature of the bank facilities of the ultimate parent company.

### Auditors

Deloitte & Touche LLP have indicated their willingness to be re-appointed as auditors and a resolution to re-appoint them as auditors of the Company will be proposed at the Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



Director

31 July 2006

## Jarvis Red Tin Shed Corporation Limited

### Statement of directors' responsibilities

Jersey company law requires the directors to prepare financial statements for each financial year which 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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 which 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 the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements of Jarvis Red Tin Shed Corporation Limited for the period ended 1 April 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. 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 Article 110 of the Companies (Jersey) Law 1991. 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 auditors' 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the directors' report and the other information contained in the annual report for the above period as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 1 April 2006 and of the profit of the Company for the period then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants

London

31 July 2006

# Jarvis Red Tin Shed Corporation Limited

## Profit and loss account 53 week period ended 1 April 2006

	Note	2006 £000s	2005 £000s
Turnover	2	2,974	9,593
Cost of sales		(2,375)	(8,135)
<b>Gross profit</b>		<b>599</b>	<b>1,458</b>
Net operating expenses		(298)	(783)
<b>Operating profit</b>	3	<b>301</b>	<b>675</b>
Profit on disposal of properties	4	13,905	993
<b>Profit before interest and taxation</b>		<b>14,206</b>	<b>1,668</b>
Interest receivable	8	8	68
Interest payable and similar charges	9	(208)	(377)
<b>Profit on ordinary activities before taxation</b>		<b>14,006</b>	<b>1,359</b>
Tax on profit on ordinary activities	10	(7)	(177)
<b>Retained profit for the period</b>		<b>13,999</b>	<b>1,182</b>

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.

All results relate to discontinued operations.

# Jarvis Red Tin Shed Corporation Limited

## Balance sheet 1 April 2006

	Note	2006 £000s	2005 £000s
<b>Fixed assets</b>			
Tangible assets	11	-	17,042
<b>Current assets</b>			
Stocks	12	-	93
Debtors	13	20,618	5,804
Cash at bank and in hand		-	65
		20,618	5,962
<b>Creditors: amounts falling due within one year</b>	14	-	(1,083)
<b>Net current assets</b>		20,618	4,879
<b>Total assets less current liabilities</b>		20,618	21,921
<b>Creditors: amounts falling due after more than one year</b>	15	-	(15,302)
<b>Provisions for liabilities and charges</b>	16	-	-
<b>Net assets</b>		20,618	6,619
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Profit and loss account	18	20,618	6,619
<b>Total equity shareholders' funds</b>		20,618	6,619

These financial statements were approved by the Board of Directors on 31 July 2006.

Signed on behalf of the Board of Directors



Director



# Jarvis Red Tin Shed Corporation Limited

## Notes to the accounts

53 week period ended 1 April 2006

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom Law and Accounting Standards. A summary of the principal accounting policies, which have been applied on a consistent basis in the current and preceding period, is set out below.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Basis of preparation

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

#### 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 less residual value 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.
  - Fixtures, fittings and equipment – between 7.5% and 33.3% p.a.
  - Motor vehicles – between 20% and 33.3% p.a.
  -

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

#### Leased assets

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

# Jarvis Red Tin Shed Corporation Limited

## Notes to the accounts

53 week period ended 1 April 2006

### 1. Accounting policies (continued)

#### Pension scheme arrangements

The Company is part of both a multi employer 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 JPP on a consistent and reasonable basis and a charge equal to the Company's contributions to the JPP 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.

#### 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.

Current tax, including UK corporation tax, is provided at amounts expected to be paid, or recovered, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### Cash flow statement

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

### 2. 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.

# Jarvis Red Tin Shed Corporation Limited

## Notes to the accounts

53 week period ended 1 April 2006

### 3. Operating profit

	2006 £'000s	2005 £'000s
<b>Operating profit is stated after charging:</b>		
Depreciation of tangible fixed assets	268	863
Hire of plant and machinery	72	226
	<u>          </u>	<u>          </u>

Auditors' remuneration has been borne by the parent company.

### 4. Exceptional items – profit on disposal of properties

On 11 July 2005, the business and assets of Jarvis Red Tin Shed Corporation Limited were acquired by Jarvis Hotels Limited as part of a group reorganisation. There are sufficient capital losses in the Group to cover any gains arising.

### 5. Directors' emoluments

The remuneration of the directors is paid by Jarvis Hotels Limited, the parent company. An element of this is recharged to the Company as part of the management charge that in 2006 amounted to £0.3m (2005: £0.8m). 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.

### 6. Employees information

a) The average number of persons employed by the Company during the period (excluding executive directors) was:

	2006 No.	2005 No.
Hotel operations staff	77	273
	<u>          </u>	<u>          </u>

b) Employment costs of all employees included above:

	2006 £000s	2005 £000s
Gross wages and salaries	900	3,206
Employer's national insurance and state pension contributions	65	217
Employer's pension costs	19	76
	<u>          </u>	<u>          </u>
	984	3,499
	<u>          </u>	<u>          </u>

The Directors received no remuneration in respect of their services to this company in the period (2005: nil).

# Jarvis Red Tin Shed Corporation Limited

## Notes to the accounts

53 week period ended 1 April 2006

### 7. Pension scheme

The Company is part of the Jarvis Pension Plan (the 'JPP') and the Jarvis Personal Pension Plan (the 'J3P'). The JPP, 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 JPP. Instead new employees are offered membership of the J3P, a defined contribution scheme.

The Company has adopted FRS 17 – Retirement benefits. As the Company is unable to identify its share of the underlying assets of the JPP 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 JPP, paragraph 9(b) of FRS 17 allows that in this case, the pension cost equal to the Company's contributions to the JPP during the accounting period and there will be no balance sheet item.

### 8. Interest receivable

	2006 £000s	2005 £000s
Bank interest receivable	8	68

### 9. Interest payable and similar charges

	2006 £000s	2005 £000s
Finance charges payable to group undertakings	208	377

This represents a recharge made by the company's ultimate holding company, Kayterm Limited, in respect of the interest borne by Kayterm Limited on the group's bank facilities.

### 10. Taxation

	2006 £000s	2005 £000s
United Kingdom corporation tax at 30% (2005: 30%)		
Current period charge	-	-
Deferred tax (Note 16)	7	177
	7	177

# Jarvis Red Tin Shed Corporation Limited

## Notes to the accounts

53 week period ended 1 April 2006

### 10. Taxation (continued)

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

	2006 £000s	2005 £000s
Profit on ordinary activities before tax	14,006	1,359
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2005: 30%)	4,202	408
Effects of:		
- Depreciation in excess of capital allowances	(17)	127
- Other timing differences	4	-
- Expenses not deductible for tax purposes	-	(4)
- Accounting profits on disposals covered by capital losses	(4,171)	(298)
- Transfer pricing adjustment on intercompany loans	45	-
- Group relief	(63)	(233)
Current tax charge	-	-

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

### 11. Tangible fixed assets

	Freehold land and buildings £000s	Furniture, fittings and equipment £000s	Motor vehicles £000s	Total £000s
<b>Cost</b>				
At 27 March 2005	16,763	7,253	32	24,048
Additions	86	20	-	106
Disposals	(16,849)	(7,273)	(32)	(24,154)
At 1 April 2006	-	-	-	-
<b>Accumulated depreciation</b>				
At 27 March 2005	2,178	4,797	31	7,006
Charge for the period	87	180	1	268
Disposals	(2,265)	(4,977)	(32)	(7,274)
At 1 April 2006	-	-	-	-
<b>Net book value</b>				
At 1 April 2006	-	-	-	-
At 26 March 2005	14,585	2,456	1	17,042

# Jarvis Red Tin Shed Corporation Limited

## Notes to the accounts

53 week period ended 1 April 2006

### 12. Stocks

All stocks relate to food, beverage and consumables.

### 13. Debtors

	2006 £000s	2005 £000s
<b>Amounts falling due within one year</b>		
Trade debtors	-	390
Amounts due from group companies	20,618	5,314
Other debtors	-	1
Deferred tax	-	7
Prepayments and accrued income	-	92
	<u>20,618</u>	<u>5,804</u>

### 14. Creditors: amounts falling due within one year

	2006 £000s	2005 £000s
Trade creditors	-	304
Other taxation and social security	-	189
Other creditors	-	180
Accruals and deferred income	-	410
	<u>-</u>	<u>1,083</u>

### 15. Creditors: amounts falling due after more than one year

This represents amounts due to the company's parent undertaking, Jarvis Hotels Limited.

### 16. Provisions for liabilities and charges

	2006 £000s	2005 £000s
<b>Deferred tax asset shown in debtors</b>		
At beginning of the period	(7)	(184)
Amount charged to profit and loss account	7	177
At end of the period	<u>-</u>	<u>(7)</u>

# Jarvis Red Tin Shed Corporation Limited

## Notes to the accounts

53 week period ended 1 April 2006

### 17. Called up share capital

	2006 £	2005 £
<b>Authorised:</b>		
10 ordinary shares of £1 each	10	10
90 preferred shares of £1 each	90	90
	<u>100</u>	<u>100</u>
<b>Called up, allotted and fully paid</b>		
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 non-voting and have the preferential right to return of capital on a winding up.

### 18. Reserves

#### Profit and loss account

	2006 £000
At 26 March 2005	6,619
Retained profit for the period	13,999
	<u>20,618</u>
At 1 April 2006	

### 19. Reconciliation of movement in shareholder's funds

	2006 £000	2005 £000
Profit for the financial period	13,999	1,182
Opening equity shareholder's funds	6,619	5,437
	<u>20,618</u>	<u>6,619</u>
Closing equity shareholder's funds		

# Jarvis Red Tin Shed Corporation Limited

## Notes to the accounts

53 week period ended 1 April 2006

### 20. Contingent liabilities

- 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 lenders.
- 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 1 April 2006 the Company had annual commitments under operating leases as set out below;

	Land and buildings		Other	
	2006	2005	2006	2005
	£000	£000	£000	£000
Operating leases which expire				
Within one year	-	-	-	84
In two to five years	-	-	-	33
Over five years	-	-	-	12
	<u>-</u>	<u>-</u>	<u>-</u>	<u>129</u>

### 21. Parent undertakings

The company's ultimate parent undertaking and controlling party is Kayterm Limited, being incorporated in Great Britain and registered in England and Wales. The company's immediate parent undertaking is Jarvis Hotels Limited. Group accounts are only prepared at the Kayterm Limited level and are available from its registered office at Castle House, Desborough Road, High Wycombe, HP11 2PR.