ARTHUR ANDERSEN

Sir Rocco Forte & Family plc

Annual report and accounts
for the year ended 30 April 2000

Registered number: 3277921



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Directors' report

For the year ended 30 April 2000

The directors present their report and the audited financial statements for the year ended 30 April 2000.

Principal activity

The principal activity of the Group is the ownership and operation of hotels in the United Kingdom and overseas.

The subsidiary and associated undertakings affecting the profits or net assets of the Group in the year are listed in note 12 to the accounts.

Business review

These accounts cover the twelve months to 30 April 2000.

During the year ended 30 April 2000 the Group continued to make good progress and is already well-established.

The Balmoral Hotel in Edinburgh continued to trade strongly and again increased its year on year turnover and profits. The enhanced profit and improved service standards, combined with an aggressive sales and marketing programme, contributed to this performance. Indeed, The Balmoral achieved the highest rooms yield in Edinburgh.

The St David's Hotel and Spa opened in January 1999 and therefore this is the hotel's first full year of operation. The hotel won the prestigious HotelSpec for European Hotel Design & Development Award for best interior design of a new hotel in the luxury category in 1999.

On the 11th of January 2000 the group purchased the Hotel Amigo in Brussels, Belgium. Turnover has increased substantially under our ownership and a major refurbishment programme commenced in November 2000.

The Hotel de Russie in Rome opened on 15th April 2000, consequently the results included in these accounts are for the first 15 days of trading. The Hotel de Russie was voted best new luxury hotel at the 2000 HotelSpec European Hotel Design & Developments Awards.

The Savoy Hotel in Florence opened on 1st May 2000 and will therefore be included in the accounts for the next financial year. The Savoy was also honoured in this years HotelSpec European Hotel Design & Developments Awards for the best refurbishment of a luxury hotel.

The Company also has an equity shareholding in the five-star Astoria hotel and the four-star Hotel d'Angleterre in St. Petersburg. There is an encouraging recovery of international business into the city as Russia stabilised. A refurbishment programme has commenced with further work planned. Focussed sales efforts throughout the year have culminated in increased turnover and profitability for both these hotels.

Business review (continued)

Looking ahead, current operational results for the group have advanced successfully on the foundations laid in the year to April 2000.

Trading is buoyant with the Balmoral and St David's producing profitable growth year on year. The Italian properties have penetrated their respective markets with particular ease and are already well established and achieving commendable profit contributions. Profits for The Astoria and Angleterre have continued the upward trend observed during the financial year ended April 2000.

In September 1999 we started work on a new 5-star hotel in Manchester, the Lowry Hotel. The hotel, which is scheduled to open in early 2001, will have 164 bedrooms, extensive conference and banqueting facilities and spa treatment rooms.

Results and dividends

Compared with the previous year, turnover from operating entities increased by 21% to £17.7m (1999: £14.6m). Acquisitions added a further £1.3m of turnover. Gross profits similarly increased by 29% to £9.3m (1999: £7.2m).

The audited accounts for the period ended 30 April 2000 are set out on pages 6 to 28. The Group loss after taxation for the year was £2,923,000 (1999 – profit £201,000). In 1997 the Group acquired a 42.4% interest in an associated undertaking to develop a hotel in Nizhny Novgorod, Russia. This investment together with related goodwill of £1,300,000 has been written off in this financial year. In addition pre-opening costs in Rome of £216,000 and in Cardiff of £326,000 have been written off. With the introduction of FRS 15, additional building depreciation of £206,000 has also been charged.

No dividend per ordinary share has been proposed (1999 – 0.6p).

Directors

The directors who served during the period year were as follows:

	Date of appointment	Date of resignation
Lord Forte*	27 February 1997	
Lady Irene Forte*	27 February 1997	
The Hon Sir Rocco JV Forte	31 January 1997	
The Hon Mrs Olga MLA Polizzi Di Sorrentino	27 February 1997	
Portia ML Forte*	13 May 1997	
George FL Proctor *	27 February 1997	
Lady Aliai Forte*	30 September 1999	
David Nelson*	30 September 1999	

* Non executive

Directors' interests

The directors who held office at 30 April 2000 had the following beneficial and non-beneficial interests in the shares of Sir Rocco Forte and Family plc:

	30 April 2000 £'000	30 April 1999 £'000
Lord Forte	20,000	20,000
Lady Irene Forte	9,180	9,180
The Hon Sir Rocco J V Forte	34,680	35,000
Lady Aliai Forte	11,500	11,500
The Hon Mrs Olga LA Polizzi Di Sorrentino	10,000	10,000
Portia MLC Forte	3,000	3,000
George FL Proctor	5,000	14,180
David H. Nelson	3,000	-

As a result of The Hon Sir Rocco JV Forte, The Hon Mrs Olga LA Polizzi Di Sorrentino, Lady Irene Forte, Portia MLC Forte, George FL Proctor and David H. Nelson being trustees and/or beneficiaries of family trusts, their respective interests contain a degree of duplication.

Supplier payment policy

The Company's policy, which is also applied to the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and we abide by the terms of payment.

Fixed assets

Details of tangible fixed assets are given in note 11 to the accounts.

Charitable and political contributions

During the year the Group made no charitable or political donations. (1999: £nil).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, and the Company bulletin. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

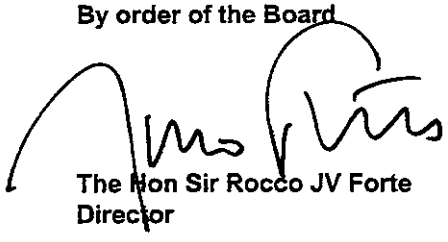
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group 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 Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Arthur Andersen are willing to continue in office and the directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board



The Hon Sir Rocco JV Forte
Director

Registered Office:

Savannah House
Charles II Street
London
SW1Y 4QU

25 January 2001

ARTHUR ANDERSEN

To the Shareholders of Sir Rocco Forte & Family plc:

We have audited the financial statements on pages 6 to 29 which have been prepared under the historical cost convention and the accounting policies set out on page 11 to 13.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, 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 accounts 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 accounts.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 30 April 2000 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen.

Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London WC2R 2PS

25 January 2001

Consolidated profit and loss account

For the year ended 30 April 2000

	Notes	2000 £'000	1999 £'000
Turnover	1		
Existing operations		17,672	14,590
Acquisitions		1,349	-
Total continuing operations		19,021	14,590
Cost of sales		(9,733)	(7,398)
Gross profit		9,288	7,192
Group operating expenses (net)		(10,687)	(5,443)
Group operating (loss)/profit	1		
Existing operations		(1,048)	1,749
Acquisitions		(351)	-
Continuing operations		(1,399)	1,749
Share of operating profit/(loss) in associated undertakings		305	(466)
(Loss)/profit on ordinary activities before interest and taxation		(1,094)	1,283
Interest receivable and similar income	2	254	585
Interest payable and similar charges	3	(1,793)	(1,517)
(Loss)/profit on ordinary activities before taxation	4	(2,633)	351
Tax on profit on ordinary activities		-	-
Associates' share of tax payable		(290)	(150)
(Loss)/profit on ordinary activities after taxation		(2,923)	201
Dividends paid		-	(360)
Retained loss for the year		(2,923)	(159)

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated statement of total recognised gains and losses

For the year ended 30 April 2000

	Note	2000 £'000	1999 £'000
(Loss)/profit for the financial year:			
Group		(2,938)	817
Associates		15	(616)
		(2,923)	201
Translation differences on foreign currency net investments	20	(479)	564
Total recognised gains and losses relating to the year	20	(3,402)	765

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Consolidated balance sheet

30 April 2000

	Notes	Group 2000 £'000	Group 1999 £'000
Fixed assets			
Intangible fixed assets	10	3,251	1,392
Tangible fixed assets	11	104,798	66,093
Investments in associated undertakings	12	11,767	12,442
		119,816	79,927
Current assets			
Stocks	14	618	683
Debtors due within one year	15	8,904	4,459
Debtors due after one year	15	842	476
Cash at bank and in hand		7,973	4,542
		18,337	10,160
Creditors: Amounts falling due within one year	16	(12,211)	(4,249)
Net current assets		6,126	5,911
Total assets less current liabilities		125,942	85,838
Creditors: Amounts falling due after more than one year	17	(68,054)	(25,548)
Net assets		57,888	60,290
Capital and reserves			
Called-up share capital	18	60,000	60,000
Profit and loss account	19	(2,692)	231
Foreign exchange reserve	19	(420)	59
Equity shareholders' funds	20	56,888	60,290
Minority interests	21	1,000	-
Total capital employed		57,888	60,290

The accounts on pages 6 to 29 were approved by the board of directors on 25 January 2001 and signed on its behalf by:

The Hon Sir Rocco JV Forte

The accompanying notes are an integral part of this balance sheet.

Company balance sheet

30 April 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Investments in subsidiary undertakings	12	29,362	26,362
		29,362	26,362
Current assets			
Debtors due within one year	15	3,729	283
Debtors due after one year	15	71,455	53,781
Cash at bank and in hand		1,085	-
		76,269	54,064
Creditors: Amounts falling due within one year	16	(1,058)	(698)
Net current assets		75,211	53,366
Total assets less current liabilities		104,573	79,728
Creditors: Amounts falling due after more than one year	17	(43,973)	(19,664)
Net assets		60,600	60,064
Capital and reserves			
Called-up share capital	18	60,000	60,000
Profit and loss account	19	549	64
Foreign exchange reserve	19	51	-
Equity shareholders' funds and total capital employed		60,600	60,064

The accounts on pages 6 to 29 were approved by the board of directors on 25 January 2001 and signed on its behalf by:

The Hon Sir Rocco JV Forte

The accompanying notes are an integral part of this balance sheet.

Consolidated cash flow statement

For the year ended 30 April 2000

	Notes	2000 £'000	1999 £'000
Net cash inflow/(outflow) from operating activities	22	6,728	(3,999)
Returns on investments and servicing of finance	23	(1,588)	(932)
Capital expenditure and financial investment	23	(28,279)	(22,541)
Taxation	23	-	(133)
Acquisitions	23	(14,086)	(650)
Equity dividends paid		-	(360)
Cash outflow before management of liquid resources and financing		(37,225)	(28,482)
Management of liquid resources	23	-	(133)
Financing	23	40,453	11,161
Increase/(decrease) in cash in the year	24	3,228	(17,454)

The accompanying notes are an integral part of this consolidated cash flow statement.

Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the prior year.

Basis of accounting

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of consolidation

The Group accounts consolidate the accounts of Sir Rocco Forte and Family plc and its subsidiary undertakings ("the Group") drawn up to 30 April 2000. The results of subsidiaries acquired are consolidated for the period during which they are within the Group. Subsidiaries are accounted for under the acquisition method.

Goodwill

Goodwill arising on the acquisition of undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised over its estimated useful economic life.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of grant receipts, depreciation and provision for impairment.

It is the Group's policy to maintain its properties in sound condition, to a high standard and to extend and improve selected properties from time to time. In accordance with FRS 15, which is now effective, the group depreciates freehold buildings over their useful economic lives which are deemed to be 100 years taking into account estimated residual values. Prior year results have not been restated as the impact of FRS 15 is not considered material by the Directors.

Furniture, furnishings and equipment are depreciated evenly at rates between 10% per annum and 25% per annum as considered appropriate to their estimated useful lives.

It is the group's policy not to provide depreciation on projects in the course of construction.

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment.

Associates

In the Group accounts, investments in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of the associated undertaking's profit or loss, while the Group's share of the net assets, excluding goodwill, of the associated undertakings is shown in the consolidated balance sheet.

Stocks
Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete or slow-moving items where appropriate.

Taxation
Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid for the year is written off, except when the recoverability against corporation tax payable is considered to be reasonably assured.

No provision is made for deferred taxation unless there is a reasonable probability that a liability will arise in the foreseeable future.

Foreign currency
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The results of overseas operations are normally translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. The results of the Russian operations (which are associated undertakings of the Group) are remeasured into US dollars using the temporal method of accounting for overseas operations and then translated into sterling using the closing rate method of accounting for overseas operations. This method of currency translation has been adopted due to the hyper-inflationary state of the Russian economy (see note 13).

Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are dealt with through reserves.

Leases
There are no assets held under finance leases or hire purchase transactions.

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 is shorter than the full lease term, in which case the shorter period is used.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Grants

Grants relating to depreciable tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Grants relating to non-depreciated tangible fixed assets are offset against the related cost of construction.

1 Segmental information

	2000				
	UK £'000	Western Europe £'000	Eastern* Europe £'000	Unallocated Costs £'000	Total Group £'000
Turnover	17,498	1,523	-	-	19,021
Segment operating (loss)	(245)	(579)	-	-	(824)
Share of operating profit in associated undertakings	-	-	305	-	305
Segment profit/(loss)	(245)	(579)	305	-	(519)
Common costs				(575)	(575)
Operating loss					(1,094)
Net interest payable	-	3	-	(1,542)	(1,539)
Profit/(loss) before taxation	(245)	(576)	305	(2,117)	(2,633)
Net assets	111,764	(345)	-	(65,298)	46,121
Share of net assets of associated undertakings	-	-	11,767	-	11,767
Total net assets	46,466	(345)	11,767	-	57,888

* Associated undertaking

1 Segmental information (continued)

	1999				
	UK £'000	Western Europe £'000	Eastern* Europe £'000	Unallocated costs £'000	Total Group £'000
Turnover	13,007	1,583	-	-	14,590
Segment operating profit	1,494	283	-	-	1,777
Share of operating loss in associated undertakings	-	-	(466)	-	(466)
Segment profit/loss	1,494	283	(466)		1,311
Common costs				(28)	(28)
Operating profit					1,283
Net interest payable	-	-	-	(932)	(932)
Profit/(loss) before taxation	1,494	283	(466)	(960)	351
Net assets	71,634	676	-	(24,642)	47,848
Share of net assets of associated undertakings	-	-	12,442	-	12,442
Total net assets	47,172	676	12,442	-	60,290

- Associated undertaking

Net debt and net interest payable have not been allocated to the geographical segments as this allocation is not considered meaningful by the directors. The directors believe there is no material difference between segmental information by source and destination.

2 Interest receivable and similar income

	2000 £'000	1999 £'000
Other interest receivable and similar income	254	585

3 Interest payable and similar charges

	2000 £'000	1999 £'000
Bank loans and overdrafts	1,767	1,517
Exchange loss on foreign currency borrowings	26	-
	1,793	1,517

4 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging:

	2000 £'000	1999 £'000
Depreciation	1,656	972
Amortisation of pre-opening costs	542	-
Amortisation and impairment of goodwill	641	33
Government Grants	(84)	-
Impairment of fixed asset investment	762	-
Operating lease rentals		
- plant and machinery	124	118
- other	6	-
Auditors' remuneration for		
- audit services	120	65
- non-audit services	126	-

5 Staff costs

The average monthly number of employees (including executive directors) during the year was:

	2000 Number	1999 Number
Administration	54	45
Sales	35	24
Operational	431	364
	520	433

5 Staff costs (continued)

	2000 £'000	1999 £'000
Their aggregate remuneration comprised:		
Wages and salaries	6,274	4,176
Social security costs	831	466
Other pension costs	-	16
	7,105	4,658

6 Directors' remuneration

The remuneration of the non-executive directors of the Company for the year was £29,200 (1999 - £45,000).

Transactions with related parties in which executive directors have an interest are disclosed in note 26.

7 Tax on profit on ordinary activities

The tax charge for the year comprises:

	2000 £'000	1999 £'000
Associated undertakings	290	150

8 Result attributable to Sir Rocco Forte & Family plc

The profit for the financial period dealt with in the accounts of Sir Rocco Forte & Family plc was £485,000 (1999 - profit £5,000). As provided by Section 230 of the Companies Act 1985, no profit and loss account is presented in respect of Sir Rocco Forte & Family plc.

9 Dividends paid and proposed on equity shares

	2000 £'000	1999 £'000
Equity shares		
- final proposed of 0.6p per ordinary share	-	360

10 Intangible fixed assets - goodwill

	Subsidiary undertakings £'000	Associated undertakings £'000	Total Group £'000
Cost			
At 30 April 1999	508	931	1,439
Additions	2,537	-	2,537
At 30 April 2000	3,045	931	3,976
Amortisation			
At 30 April 1999	28	19	47
Charge for the year	103	19	122
Impairment losses (Note 13)	-	556	556
At 30 April 2000	131	594	725
Net book value			
At 30 April 2000	2,914	337	3,251
At 30 April 1999	480	912	1,392

The goodwill arising on the acquisition of The Savoy Hotel is being amortised over the life of the hotel lease acquired. The goodwill arising in respect of Aerogrand Limited amounting to £556,000 at 30 April 2000, has been written off to the profit and loss account as the investment's carrying value has been written down to zero. The goodwill in respect of Astoria Joint Stock Company is being amortised over twenty years.

On 11 January 2000 the group acquired 100% of the issued share capital of Sir Roco Forte (Brussels) SA. Included within additions is £2,105,000 which relates to the acquisition of the Belgian Hotel. The goodwill was held by the company on acquisition. The goodwill arising in respect of Sir Roco Forte and Family (Brussels) SA is being amortised over 20 years.

11 Tangible fixed assets

Group	Freehold land and buildings £'000	Furniture, furnishings and equipment £'000	Projects in course of construction £'000	Total £'000
Cost				
At 30 April 1999	55,316	9,512	2,706	67,534
Additions	6,829	1,961	19,063	27,853
Acquisition of subsidiary undertaking	11,765	898	-	12,663
Disposals	-	(155)	-	(155)
Transfer	1,768	-	(1,768)	-
At 30 April 2000	75,678	12,216	20,001	107,895
Depreciation				
At 30 April 1999	-	1,441	-	1,441
Charge for the year	206	1,450	-	1,656
At 30 April 2000	206	2,891	-	3,097
Net book value				
At 30 April 2000	75,472	9,325	20,001	104,798
At 30 April 1999	55,316	8,071	2,706	66,093

The Company did not hold any tangible fixed assets during the year.

Projects in the course of construction amounting to £20,001,000 have not been depreciated (1999 - £2,706,000).

Fixed assets are stated net of grant income of £5,627,000 (1999 - £5,627,000).

12 Fixed asset investments

Principal group investments

The Company and the Group have investments in the following subsidiary undertakings and associated undertakings which principally affected the profits and net assets of the Group.

	Country of incorporation or principal business address	Principal activity	Holding %
Subsidiary undertakings			
The Balmoral Hotel Edinburgh Ltd	Scotland	Hotel Operation	100
Balmoral Edinburgh Property Limited	Scotland	Investment	100
Sir Rocco Forte & Family (Cardiff Bay) Ltd	England	Hotel Operation	100
Sir Rocco Forte & Family (Executive Hotel Program) Ltd	England	Intermediate Holding Company	100
Sir Rocco Forte & Family (Russia) Ltd	England	Intermediate Holding Company	100
Sir Rocco Forte & Family (Italy) Ltd	England	Intermediate Holding Company	100
Sir Rocco Forte (Astoria) Group LLS	Russia	Intermediate Holding Company	80
Sir Rocco Forte & Family (Florence) S.p.A.	Italy	Hotel Operation	100
Sir Rocco Forte & Family (Rome) S.p.A.	Italy	Hotel Operation	100
Sir Rocco Forte & Family (Sardinia) S.p.A.	Italy	Development	100
Sir Rocco Forte & Family (Belgium) Limited	England	Intermediate Holding Company	100
Sir Rocco Forte & Family (Belgium) SA	Belgium	Intermediate Holding Company	100
Sir Rocco Forte & Family (Brussels) SA	*Belgium*	*Hotel Operation*	*100*
Sir Rocco Forte & Family (Germany) Limited	England	Intermediate Holding Company	100
Sir Rocco Forte & Family (Salford) Limited	England	Development	75
Sir Rocco Forte & Family (Deutschland) Gmbh	Germany	Development	100
Associated undertakings			
Astoria Hotel Joint Stock Company	Russia	Hotel Operation	27.62
Aerogrand Ltd	Cyprus	Intermediate Holding Company	42.4
Spring Investments (100% subsidiary of Aerogrand Ltd)	Russia	Hotel Operation	42.4

12 Fixed asset investments (continued)

Acquisition of subsidiary undertaking

On 11 January 2000, the Group acquired 100% of the issued share capital of Sir Rocco Forte Brussels SA. The following table sets out the Group's share of the book values of the identifiable assets and liabilities acquired and their fair value to the Group.

	Book value £'000	Fair value adjustment £'000	Fair value to Group £'000
Intangible assets	2,105	-	2,105
Tangible fixed assets	11,351	1,879	13,230
Current assets	229	-	229
Current liabilities	(4)	-	(4)
Net assets	13,681	1,879	15,560
Satisfied by:			
Cash consideration			13,998
Deferred consideration			1,562
			15,560

The fair value adjustment is based upon the Directors' valuation of the property.

The trading assets and liabilities were transferred into new companies prior to the acquisition described above and as a result there are no pre-acquisition results.

Subsidiary undertakings

	Company £'000
Cost	
At 30 April 1999	26,362
Additions	3,000
At 30 April 2000	29,362

All subsidiary undertakings have been included in the consolidation.

Associated undertakings

	Total £'000
Cost and net book value	
At 30 April 1999	12,442
Additions	72
Impairment of investment in associate	(1,610)
Share of retained profit for the year	15
Foreign exchange gain on investment	848
At 30 April 2000	11,767

12 Fixed asset investments (continued)

The following information is given in respect of the Group's share of all associates.

Share of turnover of associates	2,603
Share of assets	
Fixed assets	10,909
Current assets	1,066
	11,975
Share of liabilities due within one year	(208)
Share of liabilities due after one year	-
Share of net assets of associates	11,767
Share of operating loss in associated undertakings	305

13 Investments in Russia

The Group's investments in associated undertakings is in respect of a company which leases and operates the Astoria Hotel and D'Angleterre in St. Petersburg, and a company developing a hotel in Nizhny Novgorod. The Group has written down its investment in Nizhny Novgorod and associated goodwill to zero due to uncertainties about the future of the project.

The Russian Federation continues to experience national, economic and civil difficulties. Economic stability is dependent upon the efficiency of the fiscal measures taken by the Government and other actions beyond the Group's control. The group's further investments in Russia could be affected by these difficulties. The St. Petersburg Hotels are profitable at the operating level and the Directors have concluded that no impairment has occurred.

14 Stocks

	Group 2000 £'000	Group 1999 £'000
Food and beverage	214	192
Other consumables, spares and operating equipment	404	491
	618	683

The replacement cost of stocks is not materially different from the historical cost set out above.

15 Debtors

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year:				
Trade debtors	1,493	-	416	-
Amounts due from related parties	1,815	1,496	334	196
Amounts due from group undertakings	-	2,033	-	-
Taxation recoverable	1,927	-	846	12
Other debtors	1,233	199	1,708	75
Prepayments and accrued income	2,436	1	1,155	-
	8,904	3,729	4,459	283
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	71,396	-	53,305
Amounts owed by related parties	-	-	476	476
Prepayments and accrued income	842	59	-	-
	842	71,455	476	53,781

16 Creditors: Amounts falling due within one year

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts	370	239	167	49
Payments received on account	71	-	10	-
Trade creditors	4,692	138	1,426	-
Taxation and social security	821	4	130	4
Other creditors	1,192	-	229	12
Deferred grant income	117	-	84	-
Accruals and deferred income	4,948	677	1,843	273
Proposed dividend	-	-	360	360
	12,211	1,058	4,249	698

17 Creditors: Amounts falling due after more than one year

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	64,928	43,973	24,475	19,475
Amounts due to related parties	-	-	189	189
Taxation and social security	285	-	-	-
Other creditors	218	-	-	-
Deferred grant income	818	-	884	-
Deferred consideration	1,805	-	-	-
	68,054	43,973	25,548	19,664

The deferred grant income relates to local authority grants received in respect of depreciable assets acquired during the construction of the St. David's Hotel & Spa, Cardiff Bay. Grants of £5,627,000 (1999 - £5,627,000) in respect of building and construction have been offset against amounts capitalised. There are certain obligations and conditions related to the grants which, if not met, could result in a claw back of these amounts.

17 Creditors: Amounts falling due after more than one year (continued)

Borrowings are repayable as follows:

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Related parties				
- between one and two years	-	-	189	189
Bank loans				
- between two and five years	10,830	-	-	-
- after five years	54,098	43,973	24,475	19,475
	64,928	43,973	24,664	19,664

The Group has a £50 million facility which is secured (through a floating charge) on all the assets of the Group companies, except where specific permitted security is given to other lenders. The interest rate of LIBOR (or currency equivalent) plus 1% is charged on the banking facility. The loan is repayable on 15 December 2018.

On 29 September 1999, the Italian subsidiaries of the Group signed a facility with the Banca di Roma for ITL 50 billion secured on the shares of the borrowing entities, at an interest rate of EURIBOR plus margin in the range of 0.75% to 1.6%. At 30 April 2000 ITL 36 billion had been drawn against the facility. The facility is repayable by semi annual instalments from 2002 to 2013.

On 28 October 1999 Sir Rocco Forte & Family (Salford) Limited, a subsidiary undertaking signed a facility of £26 million for the construction of the Lowry Hotel. At 30 April 2000 £10,125,000 had been drawn against the facility. This facility is secured on property at an interest rate of LIBOR plus margin in the range at 1.5% to 1.0%. The facility is repayable by agreed instalments from 2002 to 2021. The Bank of Scotland have a 25% interest in Sir Rocco Forte & Family (Salford) Limited.

18 Called-up share capital

	2000 £'000	1999 £'000
Authorised		
100,000,000 ordinary shares of £1 each	100,000	100,000
Allotted, called-up and fully-paid		
60,000,000 ordinary shares of £1 each	60,000	60,000

19 Reserves

	2000	
	Profit and loss account	
	Group	Company
	£'000	£'000
At 30 April 1999	231	64
Retained (loss)/profits for the year	(2,923)	485
At 30 April 2000	(2,692)	549

	2000	
	Foreign Exchange Reserve	
	Group	Company
	£'000	£'000
At 30 April 1999	59	-
(Loss)/gain on foreign currency translation	(479)	51
At 30 April 2000	(420)	51

20 Reconciliation of movements in Group shareholders' funds

	2000	1999
	£'000	£'000
(Loss)/profit for the financial year/period	(2,923)	201
Other recognised gains and losses relating to the year (net)	(479)	564
	(3,402)	765
Dividends paid	-	(360)
Net (reduction)/addition to shareholders' funds	(3,402)	405
Opening shareholders' funds	60,290	59,885
Closing shareholders' funds	56,888	60,290

21 Minority interests

	1999
	£'000
As at 1 May 1999	-
Equity shares issued during the year	1,000
At 30 April 2000	1,000

The Bank of Scotland hold a 25% interest in Sir Rocco Forte and Family (Salford) Limited.

22 Reconciliation of operating profit to operating cash flows

	2000 £'000	1999 £'000
Operating (loss)/profit	(1,094)	1,283
Depreciation and amortisation	2,299	1,005
Share of associates' operating (profit)/loss	(305)	466
Write off of fixed asset investment	762	-
Increase in stocks	(90)	(323)
Increase in debtors	(4,656)	(1,567)
Increase/(decrease) in creditors	9,812	(4,863)
Net cash inflow/(outflow) from operating activities	6,728	(3,999)

23 Analysis of cash flows

	2000 £'000	1999 £'000
Returns on investments and servicing of finance		
Interest received	179	585
Interest paid	(1,767)	(1,517)
Net cash (outflow) from returns on investments and servicing of finance	(1,588)	(932)
Capital expenditure and financial investment		
Net cash outflow on purchase of tangible fixed assets	(28,279)	(22,541)
Acquisitions		
Purchase of subsidiary undertaking	(14,086)	-
Investment in associated undertakings	-	(650)
Net cash outflow on acquisitions and disposals	(14,086)	(650)
Corporation tax paid	-	(133)
Management of liquid resources		
Net cash outflow from purchase of short term investments	-	-
Financing		
Grant received	-	3,196
Repayment of loan	(5,000)	-
New secured loan	45,453	7,965
Net cash inflow on financing	40,453	11,161

24 Analysis and reconciliation of net debt

	30 April 1999 £'000	Cash flow £'000	30 April 2000 £'000
Cash in hand, at bank	4,542	3,431	7,973
Overdrafts	(167)	(203)	(370)
	4,375	3,228	7,603
Debt due after 1 year	(24,475)	(40,453)	(64,928)
Net debt	(20,100)	(37,225)	(57,325)

	2000 £'000	1999 £'000
Increase/(decrease) in cash in the year	3,228	(17,380)
Cash (outflow) from increase in liquid resources	-	(153)
Change in net debt resulting from cash flows	3,228	(17,553)
New loans	(40,453)	(7,965)
Movement in net debt for year ended at 30 April 2000	(37,225)	(25,498)

25 Financial commitments

Capital commitments are as follows:

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Contracted for but not provided for	516	-	453	-

25 Financial commitments (continued)

Group annual commitments under non-cancellable operating leases are as follows:

	2000		1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- between two and five years	366	-	405	14
- after five years	244	-	-	104
	610	-	405	118

There are no Company commitments under non-cancellable leases (1999 - £nil).

26 Related party transactions

During the year the Group carried out transactions with the following related parties:

	RF Hotels Limited £'000	RF Hotels International Limited £'000	RF Hotels International Sales Limited £'000
Profit & Loss Account:			
Income from related party	-	372	89
Management fees payable to related party	(874)	(62)	-
Balance sheet as at 30 April 2000:			
Capitalised costs	280	(332)	-
Amounts owed by/(to) related party	1,193	97	89

RF Hotels Limited is a Company under the control of the Hon Sir Rocco JV Forte, a director of Sir Rocco Forte & Family plc.

27 Controlling party

The Hon Sir Rocco Forte, a director of Sir Rocco Forte & Family plc, and members of his close family, control the Company, as a result of controlling directly or indirectly 76% of the issued share capital of Sir Rocco Forte & Family plc.