Company Registration No. 3277921

Deloitte
& Touche

SIR ROCCO FORTE & FAMILY PLC

Report and Financial Statements

Year ended 30 April 2002



Deloitte & Touche
London

SIR ROCCO FORTE & FAMILY PLC

Deloitte & Touche

REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS
Lord Forte*
Lady Irene Forte*
The Hon Sir Rocco JV Forte
The Hon Mrs Olga MLA Polizzi Di Sorrentino
The Hon Portia MLC Forte*
George FL Proctor*
Lady Aliai Forte*
David Nelson*
Richard Power

*Non-executive

SECRETARY
Kashyap Chandarana

REGISTERED OFFICE
Savannah House
11 Charles II Street
London
SW1Y 4QU

SOLICITORS
Withers LLP
16 Old Bailey
London
EC4M 7EG

BANKERS
Bank of Scotland
New Uberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

AUDITORS
Deloitte & Touche
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the accounts and auditors' report for the year ended 30 April 2002.

PRINCIPAL ACTIVITY

The principal activity of the Group is the ownership, management 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 13 to the accounts.

BUSINESS REVIEW

The year ended 30th April 2002 saw a continued period of development and progress for the Group. Three of our hotels underwent major refurbishment and the Lowry Hotel saw its first full year of trading, having opened in April 2001. We increased our shareholding in the Astoria Joint Stock Company which runs the St Petersburg hotels. We are now able to consolidate its accounts.

Our Italian hotels performed particularly well and the Hotel de Russie in Rome established itself as the leading hotel in that city.

The general background in which we operated was a difficult one following the events of September 11th and the foot and mouth outbreak in the UK. We nevertheless saw our turnover grow from £39.7m to £50.3m and gross operating profit from £23.2m to £36.0m.

Our borrowings increased from £59.9m to £74.6m, which was mostly related to the refurbishment expenditure mentioned above. Our interest charges increased from £3.7m to £5.8m reflecting the above and the full impact of the opening of the Lowry Hotel.

Depreciation increased from £2.1m to £4.4m, which again reflects the continued development expenditure and opening of the Lowry and the rent adjustment of £0.4m reflects the requirements under UK generally accepted accounting principles in relation to the Rome property.

Profit before tax was £1.6m against £1.5m in the prior year.

The tax charge was £0.9m, which relates to our operations in Italy and Russia and the implementation of Financial Reporting Standing 19 on Deferred Tax.

Trading in the current year has been extremely good against continued difficult conditions in the industry as a whole. Our sales growth for the nine months to 30th January 2003 was in excess of 20% over the previous year. Profits as a result were also much improved. Concerns over the impending war in the Gulf have reduced our sales growth in February to 9%. This is a pattern our forward bookings indicates will continue until such time there is more certainty about the Middle East situation.

RESULTS AND DIVIDENDS

Group turnover of almost £64m was 60% up on the prior year and Group profit before interest and tax was £6.4m against £4.6m on the prior year.

The audited accounts for the year ended 30 April 2002 are set out on pages 7 to 33. The Group retained profit for the year was £0.4m (Restated retained profits 2001 - £1.5m).

No final dividend has been proposed for 2002 (2001 – 12.5p per share).

DEFERRED TAX

Following the introduction of Financial Reporting Standard 19, Deferred Tax, the accounting policy for deferred tax has been changed and prior period results have been restated accordingly as detailed in notes 1 and 8.

DIRECTORS' REPORT

CHANGES TO THE GROUP

On 19 December 2001, Sir Rocco Forte & Family plc acquired the whole of the issued share capital of the two related management companies, RF Hotels Limited (incorporated in the UK) and RF Hotels International Limited (incorporated in the British Virgin Islands). The acquisition was structured as a share for share exchange, and subsequently RF Hotels Limited and RF Hotels International Limited became wholly owned subsidiaries of Sir Rocco Forte & Family plc. The Group has continued to operate the contracts the management companies were operating from that date.

In addition on 7 May 2001, Sir Rocco Forte & Family plc participated in a rights issue to increase their share in the Astoria Hotel Joint Stock Company from 27.6% to 34%, with the Group prepaying £5.1m to further increase its stake after the year end. The final holding anticipated will be 60%.

As a result of the increase in influence, the Group now accounts for the Astoria Hotel Joint Stock Company as a subsidiary.

JOINT VENTURE WITH BANK OF SCOTLAND

On the 19 April 2002, Sir Rocco Forte & Family plc and the Uberior Investments plc a wholly owned subsidiary of the Governor and Company of the Bank of Scotland entered into a joint venture. A joint venture vehicle, Sir Rocco Forte & Family (Luxury Hotels) Limited was created for the purpose to either build or acquire luxury hotels in prime European cities. It is proposed that the joint venture will raise up to £70m in equity and Sir Rocco Forte & Family plc will be awarded management and technical services contracts to run the properties.

On 30 April 2002, The Lowry Hotel was transferred from the Group into the joint venture company. The disposal of the hotel by the Group gave rise to a profit of £0.5m. Sir Rocco Forte & Family (Luxury Hotels) Limited is accounted for under the gross equity method at 30 April 2002.

DIRECTORS AND THEIR INTERESTS

The directors who held office at 30 April 2002 (all of whom served throughout the year) had the following beneficial and non-beneficial interests in the shares (£1 nominal value) of Sir Rocco Forte and Family plc:

	30 April 2002 £'000	30 April 2001 £'000
Lord Forte	20,000	20,000
Lady Irene Forte	9,180	9,180
The Hon Sir Rocco JV Forte	37,968	34,106
Lady Aliai Forte	15,935	12,074
The Hon Mrs Olga MLA Polizzi Di Sorrentino	11,211	10,000
The Hon Portia MLC Forte	3,000	3,000
David H Nelson	3,000	3,000
Richard Power	404	-
George F L Proctor	-	-

As a result of The Hon Sir Rocco JV Forte, The Hon Mrs Olga MLA Polizzi Di Sorrentino, Lady Irene Forte, The Hon Portia MLC Forte and David H Nelson being trustees, directors of trust companies and/or beneficiaries of trusts owning shares in the company, 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 abide by the terms of payment. Trade creditors of the Company at 30 April 2002 were equivalent to 49 days (2001 96 days) purchases, based on the average daily amount invoiced by suppliers during the year.

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DIRECTORS' REPORT

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the Group made no charitable or political donations (2001 - £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. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

AUDITORS

During the year, Arthur Andersen resigned as the Company's auditors following the agreement it reached with Deloitte & Touche under which partners and staff from Arthur Andersen jointed Deloitte & Touche. The directors used their powers under the Companies Act 1985 to appoint Deloitte & Touche as the company's auditors to fill the vacancy created by Arthur Andersen's resignation. A resolution to re-appoint Deloitte & Touche, as auditors will be put to the Annual General Meeting.

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

The Hon Sir Rocco JV Forte
Director
19 March 2003

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 and the Group as at the end of the financial year and of the profit or loss of the Group 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 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIR ROCCO FORTE & FAMILY PLC

We have audited the financial statements of Sir Rocco Forte & Family Plc for the year ended 30 April 2002 which comprise the consolidated profit and loss account, the consolidated statement of movement in shareholders' funds and movements on reserves, balance sheets, the consolidated cash flow statement and the related notes 1 to 28. 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 section 235 of the Companies Act 1985. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 Act 1985. 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, 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 with the company and other members of the Group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and the Group'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 the company's and the Group's affairs as at 30 April 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche.

Deloitte & Touche

Chartered Accountants and Registered Auditors
London

19 March 2003

Deloitte & Touche

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Financial year ended 30 April 2002

	Note	2002 £'000	Restated 2001 £'000
TURNOVER	2		
Continuing operations		50,313	39,724
Acquisitions		13,400	-
TOTAL CONTINUING OPERATIONS		63,713	39,724
COST OF SALES			
Continuing operations		(23,376)	(16,504)
Acquisitions		(4,379)	-
		(27,755)	(16,504)
GROSS PROFIT		35,958	23,220
GROUP OPERATING EXPENSES (NET)	1,5		
Continuing operations		(23,900)	(19,066)
Acquisitions		(7,206)	-
		(31,106)	(19,066)
Group operating profit before the following:		**10,273**	**7,611**
Depreciation		(4,426)	(2,070)
Goodwill amortisation		(548)	(185)
Impact of rent adjustment		(447)	(734)
Pre-opening costs written off		-	(468)
GROUP OPERATING PROFIT	1		
Continuing operations		3,037	4,154
Acquisitions		1,815	-
		4,852	4,154
Share of operating profit in associate	14	1,100	468
Profit on disposal of fixed asset investment		483	-
PROFIT BEFORE INTEREST AND TAXATION		6,435	4,622
Interest receivable	3	880	597
Interest payable	4	(5,751)	(3,734)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,5	1,564	1,485
Tax on profit on ordinary activities	8	(899)	966
Associates' share of tax payable	8	-	(254)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		665	2,197
Dividends paid	10	-	(750)
Minority interest		(225)	36
RETAINED PROFIT FOR THE FINANCIAL YEAR	20	440	1,483

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CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 April 2002

	Note	2002 £'000	Restated 2001 £'000
Profit for the financial year:			
Group		440	1,483
		440	1,483
Translation differences on foreign currency net investments	21	(100)	(173)
Total recognised gains and losses relating to the year		340	1,310
Prior year adjustment – FRS19 effect (as explained in note 1)		1,282	
Total gains and losses recognised since last annual report		1,622	

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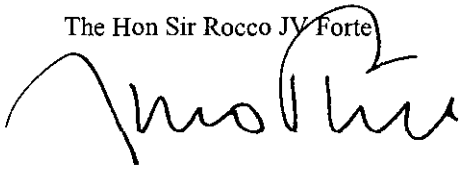
CONSOLIDATED BALANCE SHEET
30 April 2002

	Note	2002 £'000	Restated 2001 £'000
INTANGIBLE FIXED ASSETS			
Goodwill and other intangibles	11	22,935	3,218
Negative goodwill	11	(2,283)	-
		20,652	3,218
TANGIBLE FIXED ASSETS	12	156,211	131,808
Investment in joint venture			
Share of gross assets	13	16,812	-
Share of gross liabilities		(15,676)	-
		1,136	-
Investments in associated undertakings	14	-	13,110
		177,999	148,136
CURRENT ASSETS			
Stocks	15	1,977	946
Debtors due within one year	16	17,693	9,694
Debtors due after one year	16	2,300	1,339
Cash at bank and in hand		9,035	7,190
		31,005	19,169
CREDITORS: amounts falling due within one year	17	(26,127)	(18,842)
NET CURRENT ASSETS		4,878	327
TOTAL ASSETS LESS CURRENT LIABILITIES		182,877	148,463
CREDITORS: amounts falling due after more than one year	18	(74,472)	(90,999)
NET ASSETS		108,405	57,464
CAPITAL AND RESERVES			
Called up share capital	19	69,028	60,000
Merger reserve	20	7,790	-
Profit and loss account	20	(2,467)	(2,907)
Foreign exchange reserve	20	(693)	(593)
EQUITY SHAREHOLDERS' FUNDS	21	73,658	56,500
Minority interests	22	34,747	964
TOTAL CAPITAL EMPLOYED		108,405	57,464

These financial statements were approved by the Board of Directors on 19 March 2003.

Signed on behalf of the Board of Directors

The Hon Sir Rocco JV Forte Director



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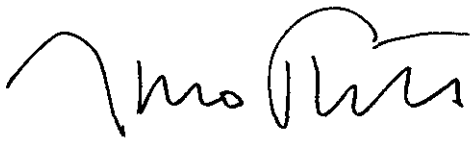
COMPANY BALANCE SHEET
30 April 2002

	Note	2002 £'000	Restated 2001 £'000
FIXED ASSETS			
Tangible fixed assets	12	32,655	32,502
Investments in subsidiary undertakings	13	37,479	29,362
		70,134	61,864
CURRENT ASSETS			
Stocks	15	360	371
Debtors due within one year	16	3,198	2,119
Debtors due after one year	16	75,266	59,912
Cash at bank and in hand		1,027	1,782
		79,851	64,184
CREDITORS: amounts falling due within one year	17	(3,930)	(4,236)
NET CURRENT ASSETS		75,921	59,948
TOTAL ASSETS LESS CURRENT LIABILITIES		146,055	121,812
CREDITORS: amounts falling due after more than one year	18	(74,612)	(59,871)
NET ASSETS		71,443	61,941
CAPITAL AND RESERVES			
Called up share capital	19	69,028	60,000
Profit and loss account	20	2,415	1,928
Foreign exchange reserve	20	-	13
EQUITY SHAREHOLDERS' FUNDS AND TOTAL CAPITAL EMPLOYED		71,443	61,941

These financial statements were approved by the Board of Directors on 19 March 2003.

Signed on behalf of the Board of Directors

The Hon Sir Rocco JV Forte Director



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CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 April 2002

	Note	2002 £'000	Restated 2001 £'000
Net cash inflow from operating activities	23	11,370	9,519
Returns on investments and servicing of finance	24	(4,871)	(3,300)
Capital expenditure and financial investment	24	(9,190)	(27,399)
Taxation	24	(1,605)	(316)
Acquisitions	24	(7,131)	73
Cash outflow before management of liquid resources and financing		(11,427)	(21,423)
Financing	24	13,509	20,773
Increase/(decrease) in cash in the year	25	2,082	(650)

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the prior year except as disclosed below in relation to the accounting policy for deferred tax.

Basis of accounting

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

Basis of consolidation

The Group financial statements consolidate the accounts of Sir Rocco Forte and Family plc and its subsidiary undertakings ("the Group") drawn up to 30 April 2002. 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, and when the Board consider they exercise dominant control. Joint venture results are accounted for under the gross equity method at 30 April 2002.

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.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through amortisation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

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. The group depreciates freehold buildings over their useful economic lives which are deemed to be 100 years taking into account estimated residual values, carrying out annual impairment reviews. The Group takes into account the shorter life assets within its buildings when calculating its depreciation charge. The Group depreciates leasehold buildings over the period of the lease taking into account estimated residual values.

Furniture, furnishings and equipment are depreciated evenly at rates between 10% per annum and 25% per annum as considered appropriate to their estimated useful economic lives. It is the Group's policy not to provide depreciation on projects in the course of construction.

Rental Adjustment

The requirements under UK generally accepted accounting principles requires that the effect of any negotiated reduction in rental payments in early years (while a property establishes itself in the market place) be spread over the life of the lease on a straight-line basis. This accounting adjustment results in a constant charge to the profit and loss account over the life of the lease. This does not reflect the real rent paid on the property. In the year ended April 2002, the effect of this additional charge was to reduce retained profit by £447,000 (2001 £734,000) as shown in the profit and loss account

Investments

Except as in the case of associated undertakings, fixed asset investments are shown at cost less any provision for impairment.

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

1. ACCOUNTING POLICIES (continued)

Associated undertakings

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.

Following the introduction of FRS 19, "Deferred Tax", the accounting policy for deferred tax has been changed and prior period results have been restated accordingly.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in obligation to pay more tax in that future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are different between the Groups taxable profit and its results stated in the financial statement that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 year and their balance sheets at the rates ruling at the balance sheet date. The results of the Russian operations (which are subsidiary undertakings of the Group) are re-measured 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 14).

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 (see note 20).

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

1. ACCOUNTING POLICIES (continued)

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and are depreciated on the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease, to produce a constant rate of charge on the balance of capital repayments outstanding.

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 economic lives of the assets concerned. Grants relating to non-depreciated tangible fixed assets are offset against the related cost of construction. The Companies Act 1985 requires assets to be shown at their puchase price or construction cost and hence grants to be presented as deferred income. The departure from the requirements of the ACT is, in the opinion of the directors, not material to the financial statements.

Changes to accounting policies

FRS 19, Deferred tax, was adopted during the current year. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

	As previously reported 2001 £'000	FRS 19 Adjustment 2001 £'000	Restated 2001 £'000
Profit and loss account			
Tax on profit on ordinary activities	(316)	1,282	966
Increase in profit for the financial year	(316)	1,282	966
Balance sheet			
Debtors due after one year	-	1,282	1,282
Increase in net assets	-	1,282	1,282

In the year to 30 April 2002, the Group held 75% of Sir Rocco Forte & Family (Salford) Limited. At the year-end, as described in note 13, the Group's share of this company was transferred to a new joint venture. As a result the profit and loss account includes the benefit of the movement in deferred tax assets which related to this company

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NOTES TO THE ACCOUNTS
Year ended 30 April 2002

2. SEGMENTAL INFORMATION

Geographical segmentation

	2002				
	UK £'000	Western Europe £'000	Eastern Europe £'000	Unallocated costs/net assets £'000	Total Group £'000
Turnover					
Continuing operations	26,611	23,702	-	-	50,313
Acquisitions	113	-	13,287	-	13,400
	26,724	23,702	13,287	-	63,713
Segment operating profit	306	3,176	1,702	(332)	4,852
Profit on disposal of fixed asset investment	483	-	-	-	483
Share of operating Profit in Associated undertaking	-	-	1,100	-	1,100
Segment profit/(loss)	789	3,176	2,802	(332)	6,435
Net interest payable	(32)	(675)	(262)	(3,902)	(4,871)
Profit/(loss) before taxation	757	2,501	2,540	(4,234)	1,564
Segment net assets/(liabilities)	85,325	20,514	34,654	(32,088)	
Net assets/(liabilities)					108,405

Geographical segmentation

	Restated 2001				
	UK £'000	Western Europe £'000	Eastern* Europe £'000	Unallocated costs/net assets £'000	Total Group £'000
Turnover	19,996	19,728	-	-	39,724
Segment operating profit	2,455	1,853	-	(154)	4,154
Share of operating profit in associated undertakings	-	-	468	-	468
Segment profit/(loss)	2,455	1,853	468	(154)	4,622
Net interest receivable/(payable)	365	(881)	-	(2,621)	(3,137)
Profit/(loss) before taxation	2,820	972	468	(2,775)	1,485
Segment net assets/(liabilities)	83,706	19,492		(58,844)	44,354
Share of net assets of associated undertakings	-	-	13,110	-	13,110
Net assets					57,464

**Associated undertaking*

The directors believe there is no material difference between segmental information by source and destination. All results derive from the provision of hotel services.

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £'000	Restated 2001 £'000
Foreign exchange gains on monetary items	60	156
Other interest receivable and similar income	462	-
Bank interest receivable and similar income	358	441
	880	597

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	Restated 2001 £'000
Bank loans and overdrafts	5,690	3,734
Other interest	61	-
	5,751	3,734

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2002 £'000	Restated 2001 £'000
Depreciation		
- own owned assets	3,403	2,070
- on leased assets	1,023	-
Pre-opening costs expensed	-	468
Net amortisation of goodwill	493	185
Rent amortisation	447	734
Grants	(55)	(113)
Operating lease rentals		
- plant and machinery	53	187
- other	133	13
Auditors' remuneration for audit services		
-Group-Deloitte & Touche (2001-Arthur Andersen)	160	144
-Company- Deloitte & Touche (2001-Arthur Andersen)	22	17

Amounts payable to Deloitte & Touche and their associates by the company and its UK subsidiary undertakings in respect of non-audit services were £41,000 (2001-Arthur Andersen £129,000). In addition, an amount of £198,000 has been charged to the merger reserve in the year as a result of the Group restructuring described in Note 13.

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

6. STAFF COSTS

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

	2002 Number	Restated 2001 Number
Administration	118	121
Sales	60	43
Operational	1,227	917
	1,405	1,081

Their aggregate remuneration comprised:

	2002 £'000	Restated 2001 £'000
Wages and salaries	14,008	11,124
Social security costs	4,168	1,239
	18,176	12,363

7. DIRECTORS' REMUNERATION

The remuneration of the directors was as follows:

	2002 £'000	Restated 2001 £'000
Executive directors	332	-
Non-executive directors	45	26
	377	26

The highest paid director received £169,000 (2001-nil)

The executive directors of the Company are paid by RF Hotels Ltd, this was purchased by the Group on 19 December 2001 and therefore there is no pay in relation to 2001. The payments to excecutive directors (including the highest paid) are as from that date

Pensions

None of the directors were members of a company pension scheme during the current or prior year.

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the year comprises:

	2002 £'000	Restated 2001 £'000
Foreign tax	1,638	316
Total current taxes	1,638	316
Deferred tax		
Origination and reversal of timing differences (credit)	(739)	(966)
Total deferred tax	(739)	(966)
Associated undertakings	-	254
Total tax charge/(credit)	899	(712)

Deferred tax is provided as follows:

	2002 £'000	Restated 2001 £'000
Group		
Accelerated capital allowances	(1,253)	(1,071)
Other timing differences	1	(528)
Tax loss available	2,442	2,881
Deferred tax asset	1,190	1,282

	2002 £'000	2001 £'000
Company		
Accelerated capital allowances	(1,149)	(801)
Other timing differences	1	1
Tax loss available	2,338	2,025
Deferred tax asset (see note 16)	1,190	1,225

At the year end, the benefit of the deferred tax asset relating to Sir Rocco Forte & Family Salford Limited was transferred on the sale of the company to Sir Rocco Forte & Family (Luxury Hotels) Limited.

Asset reconciliation	2002 £'000	Restated 2001 £'000
Group		
Opening Deferred Tax asset	1,282	-
Credit for the year	739	1,282
Disposal during the year	(831)	-
Closing deferred tax asset	1,190	1,282

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

There was unprovided deferred tax assets as at 30 April 2002 as follows:

	2002 £'000	Restated 2001 £'000
Group		
Accelerated capital allowances	24	5
Other timing differences	-	-
Tax loss available	2,082	1,712
Unprovided deferred tax asset	2,106	1,717

Company

There are no unprovided deferred tax assets or liabilities as at 30 April 2002 (2001-£ nil)

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax as follows:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	1,564	1,485
Less: Share of associates profit before tax	-	(468)
Group profit on ordinary activities before tax	1,564	1,017
Tax at 30% (2001 30%)	469	305
Effects of:		
Capital allowances in excess of depreciation	(54)	(320)
Dividends from UK companies	-	(872)
Expenses not deductible for tax purposes	(284)	(378)
Utilisation of tax losses and tax losses carried forward	952	900
Higher tax rates on overseas earnings	555	681
Group current tax charge for the period	1,638	316

9. PROFIT ATTRIBUTABLE TO THE COMPANY

The profit for the financial year dealt with in the financial statements of Sir Rocco Forte & Family plc was £1,001,000 (restated 2001 – £1,435,000). As provided by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of Sir Rocco Forte & Family plc.

10. DIVIDENDS PAID AND PROPOSED ON EQUITY SHARES

	2002 £'000	Restated 2001 £'000
Equity shares		
-interim and final proposed of 0p (2001–final 12.5p) per ordinary share	-	750

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

11. INTANGIBLE FIXED ASSETS

Positive goodwill and other intangibles

	Goodwill subsidiary undertakings £'000	Goodwill associated undertakings £'000	Other intangible £'000	Total Group £'000
Cost				
At 30 April 2001	3,212	931	-	4,143
Exchange Movement	(5)	-	-	(5)
Transfer	931	(931)	-	-
Additions	20,163	-	127	20,290
At 30 April 2002	24,301	-	127	24,428
Amortisation				
At 30 April 2001	312	613	-	925
Exchange Movement	5	-	15	20
Transfer	613	(613)	-	-
Charge for the year	533	-	15	548
At 30 April 2002	1,463	-	30	1,493
Net book value				
At 30 April 2002	22,838	-	97	22,935
At 30 April 2001	2,900	318	0	3,218

Further details of movements in goodwill are provided in note 13. Other intangibles relate to certain capitalised licence fees which are amortised over their respective lives.

Negative goodwill	Goodwill subsidiary undertakings £'000	Total Group £'000
Cost		
At 30 April 2001	-	-
On acquisition of subsidiary	(2,338)	(2,338)
At 30 April 2002	(2,338)	(2,338)
Amortisation		
Credit for the year	55	55
At 30 April 2002	55	55
Net book value		
At 30 April 2002	(2,283)	(2,283)
At 30 April 2001	-	-

Negative goodwill is being written back on a straight-line basis over a period of 42.5 years which is equal to the period over which the related non-monetary assets of the acquired business are being depreciated.

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

12. TANGIBLE FIXED ASSETS

Group	Land and buildings Freehold £'000	Land and buildings Long Leasehold £'000	Furniture, furnishings and equipment £'000	Assets in course of construction £'000	Total £'000
Cost					
At 30 April 2001	55,963	58,631	18,835	3,626	137,055
Additions	34	304	8,783	69	9,190
Exchange movements	2	(58)	(10)	(5)	(71)
Acquisitions of subsidiaries	-	44,944	5,157	-	50,101
Disposal of interest in subsidiaries	-	(21,908)	(9,064)	-	(30,972)
Transfers	-	(5,917)	9,054	(3,137)	-
At 30 April 2002	55,999	75,996	32,755	553	165,303
Depreciation					
At 30 April 2001	248	694	4,305	-	5,247
Exchange Movements	-	(5)	(8)	-	(13)
Charge for the year	118	1,023	3,285	-	4,426
Disposal of interest in subsidiaries	-	(75)	(493)	-	(568)
At 30 April 2002	366	1,637	7,089	-	9,092
Net book value					
At 30 April 2002	55,633	74,359	25,666	553	156,211
At 30 April 2001	55,715	57,937	14,530	3,626	131,808

Company	Freehold land and buildings £'000	Furniture, furnishings And equipment £'000	Total £'000
Cost			
At 30 April 2001	27,987	4,635	32,622
Additions	-	888	888
At 30 April 2002	27,987	5,523	33,510
Depreciation			
At 30 April 2001	2	118	120
Charge for the year	10	725	735
At 30 April 2002	12	843	855
Net book value			
At 30 April 2002	27,975	4,680	32,655
At 30 April 2001	27,985	4,517	32,502

Projects in the course of construction amounting to £553,000 have not been depreciated (2001 – £3,626,000). These relate to refurbishment of the Group's assets which have not as yet been brought into use.

Fixed assets are stated net of grant income of £5,627,000 (2001 – £5,627,000).

Cumulative financing cost capitalised included in the cost of tangible fixed assets amounted to £2,153,000 (2001 - £1,898,000) for the Group and £nil for the company.

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

13. FIXED ASSET INVESTMENTS AND JOINT VENTURES

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 at 30 April 2002.

Subsidiary undertakings	Country of Incorporation or principal business address	Principal activity	Holding and Voting %
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	Hotel Development	100
Sir Rocco Forte & Family (Venice) S.p.A.	Italy	Hotel 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 (Deutschland) Gmbh	Germany	Hotel Development	100
Astoria Hotel Joint Stock Company	Russia	Hotel Operation	34
Sir Rocco Forte & Family (Luxury Hotels) Ltd	England*	Intermediate Holding Company	50
RF Hotels Ltd	England*	Hotel Management	100
RF Hotels International Group	BVI*	Hotel Management	100
Associated undertakings			
Aerogrand Ltd	Cyprus	Intermediate Holding Company	42.4
Spring Investments (100% subsidiary of Aerogrand Ltd)	Russia	Hotel Operation	42.4

*Held directly by Sir Rocco Forte &Family PLC

Subsidiary undertakings

	Company £'000
Cost	
At 30 April 2001	29,362
Additions	9,117
Disposals	(1,000)
At 30 April 2002	37,479

All subsidiary undertakings have been included in the consolidation.

Included in the additions to subsidiary undertakings in the year were acquisition related expenses of £379,000.

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

13. FIXED ASSET INVESTMENTS AND JOINT VENTURES (continued)

Acquisitions of subsidiary undertakings

Astoria Hotel Joint Stock Company

During the year, the Group increased its share of Astoria Hotel Joint Stock Company by 6.38% to 34% for £1.28m. The following table sets out the Group's share of assets acquired and detail of the estimated fair value adjustments. The Group are contracted to acquire a further 26% of the share capital of Astoria Joint Stock Company for £5.1m. At the date of these accounts this transaction had not yet completed. The payment for these shares is included within current assets as a prepayment (note 16).

The Group currently has investments in two hotels, The Astoria and D'Angleterre in St. Petersburg, Russia.

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 St. Petersburg Hotels are profitable achieving significant year on year improvement and the Directors have concluded that no impairment has occurred

	Book value at 30 April 2001 £'000	Fair value assets adjustment £'000	Total fair value of net assets acquired £'000	Fair value to Group £'000
Intangible assets	43	(43)	-	-
Goodwill	-	299	299	299
Tangible assets	10,341	38,635	48,976	3,125
Current assets	7,085	-	7,085	410
Current liabilities	(3,457)	-	(3,457)	(220)
Net assets	14,012	38,891	52,903	3,614
Negative goodwill	-	-	-	(2,338)
				1,276
Satisfied by:				
Cash				1,276

The fair value adjustments set out above represent the directors initial estimates of revisions to the book values at the date of acquisition.

Summary profit and loss account for the period 1 May 2000 up to 30 April 2001:

	£'000
Turnover	12,225
Cost of sales	(3,878)
Gross profit	8,347
Operating expenses	(6,652)
Financing cost	(140)
Taxation	(920)
Dividends	(42)
Retained profit	775

The acquisition in the year contributed £9,449,000 to the group's net operating cash flows, paid £262,000 in respect of net returns on investment and servicing of finance, and paid £408,000 in respect of taxation, and utilised £204,000 for capital expenditure and financial investments.

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

13. FIXED ASSET INVESTMENTS AND JOINT VENTURES (continued)

RF Hotels International Limited

On 19 December 2001, the Group acquired 100% of the issued share capital of RF Hotels International BVI. The following table sets out the Group share of net assets acquired:

	Book value and Fair Value £'000
Tangible assets	11
Cash	1,480
Current assets	3,642
Current liability	(4,812)
Net assets	321
Goodwill	10,097
	10,418
Satisfied by:	
Shares issued of nominal value of £1	5,426
Share premium	4,992
	10,418

The Directors have not identified any adjustments to the book values at the date of acquisition.

In accordance with Section 131 of the Companies Act 1985, the company has taken no account of any premium on the shares issued. For Group purposes the premium arising on the issue of shares has been credited to the merger reserve.

Summary profit and loss account for the period 1 May 2001 up to the date of acquisition 19 December 2001:

	£'000
Turnover	4,921
Cost of sales	(3,287)
Gross profit	1,634
Operating expenses	(335)
Financing cost	(99)
Taxation	(2)
Retained profit	1,198

The acquisition in the year contributed (£712,000) to the group's net operating cash flows, received £13,000 in respect of net return on investment and servicing of finance, paid nil in respect of taxation and paid nil for capital expenditure and financial investments.

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

13. FIXED ASSET INVESTMENTS AND JOINT VENTURES (continued)

RF Hotels Ltd

On 19 December 2001, the Group acquired 100% of the issued share capital of RF Hotels Limited. The following table sets out the Group share of net assets acquired:

	Book value and Fair Value £'000
Tangible assets	126
Overdraft	(7,335)
Current assets	4,221
Current liabilities	(166)
Net liabilities	(3,154)
Goodwill	10,066
	6,912
Satisfied by:	
Shares issusedof nominal value of £1	3,600
Share premium	3,312
	6,912

The Director's have not identified any adjustments to the book value at the date of acquisition.

In accordance with section 131 of the Companies Act 1985 the company has taken no account of any premium on the shares issued. For Group purposes the premium arising on the issue of shares has been credited to the merger reserve.

Summary profit and loss account for the period 1 May 2001 up to date of acquisition, 19 December 2001:

	£'000
Turnover	3,038
Cost of sales	(1,828)
Gross profit	1,210
Operating expenses	(1,775)
Financing cost	(232)
Retained loss	(797)

The loss after tax for RF Hotels Ltd for the year ending 30 April 2001 was £572,000.

The acquisition in the year contributed £1,528,000 to the group's net operating cashflows, paid £81,000 in respect of net return on investment and servicing of finance, paid nil in respect of taxation and paid nil for capital expenditure and financial investments.

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

13. FIXED ASSET INVESTMENTS AND JOINT VENTURES (continued)

Joint Ventures

Sir Rocco Forte & Family (Luxury Hotels) Limited

On 19 April 2002 Sir Rocco Forte & Family Plc and Bank of Scotland formed a new joint venture Sir Rocco Forte & Family (Luxury Hotels) Limited. The joint venture acquired the entire issued share capital of Sir Rocco Forte and Family (Salford) Limited on 30 April 2002.

At 30 April 2002 the following balance were due to/from Sir Rocco Forte & Family (Luxury Hotels) Ltd.

	2002 £'000
Due to Sir Rocco Forte & Family (Luxury Hotels) Ltd	-
Due from Sir Rocco Forte & Family (Luxury Hotels) Ltd	1,096
	1,096

14. ASSOCIATED UNDERTAKING

	Total £'000
Cost and net book value	
At 30 April 2001	13,110
Write back of investment impairment provision	1,100
Transfer to subsidiary	(14,210)
At 30 April 2002	-

The above associated undertakings (Astoria Joint Stock Company or "Astoria JSC") is now accounted for as a subsidiary after an increase in the investment (see note 13) and other changes in board composition. In April 2000 the Group made a provision for the impairment in value of the Groups interest in Astoria JSC. This provision has been written back.

15. STOCKS

	2002 £'000	Restated 2001 £'000
Group		
Food and beverage	437	320
Other consumables, spares and operating equipment	1,540	626
	1,977	946

	2002 £'000	Restated 2001 £'000
Company		
Food and beverage	148	129
Other consumables, spares and operating equipment	212	242
	360	371

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

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

16. DEBTORS

	2002		2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year:				
Trade debtors	2,689	597	2,032	510
Amounts owed by related parties	-	-	1,891	1,223
Taxation recoverable	448	-	1,902	-
Other debtors*	9,215	2,592	2,112	-
Prepayments and accrued income	5,341	9	1,757	386
* See note 14, Associated Undertakings	17,693	3,198	9,694	2,119

	2002		2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	72,980	-	58,641
Deferred tax (see note 8)	1,190	1,190	1,282	1,225
Amounts owed by related parties *	1,096	1,096	-	-
Prepayments and accrued income	14	-	57	46
* See note 27, Related Parties	2,300	75,266	1,339	59,912

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002		2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts	9,172	1,193	537	237
Amounts owed to related parties	-	-	658	-
Trade creditors	3,757	1,085	4,365	1,027
Taxation and social security	3,469	370	2,289	344
Other creditors	4,554	-	3,525	-
Deferred grant income	84	-	84	-
Accruals and deferred income	5,091	1,282	6,634	1,878
Proposed dividend	-	-	750	750
	26,127	3,930	18,842	4,236

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002		2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	74,331	63,021	88,846	48,331
Amounts owed to related parties	-	11,591	-	11,540
Other creditors	60	-	68	-
Deferred grant income	81	-	165	-
Deferred consideration	-	-	1,920	-
	74,472	74,612	90,999	59,871

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 (2001 - £5,627,000) in respect of building and construction have been offset against amounts capitalised within land and buildings in tangible fixed assets. There are certain obligations and conditions related to the grants which, if not met, could result in a claw back of these amounts. The directors believe that the likelihood of claw back is remote and therefore no provision has been made.

Borrowings are repayable as follows:

	2002		2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans				
- within one year	9,172	-	537	-
- between one and two years	-	-	-	-
- between two and five years	9,839	-	2,200	-
- after five years	64,492	63,021	86,646	48,331
	83,503	63,021	89,383	48,331

The Group has a £75 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. An interest rate of LIBOR (or currency equivalent) plus 1% is charged on the banking facility. The loan is repayable on 15 December 2018 in full.

The Italian subsidiaries of the Group have a facility with the Banca di Roma for Euro 33 Million 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 2002 Euro 12 Million had been drawn against the facility. The facility is repayable by semi annual instalments from 2002 to 2013. The Group have accelerated repayments of the loan, therefore the next repayment is not due until 2006.

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

19. CALLED-UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised		
100,000,000 ordinary shares of £1 each (2001 - 100,000,000)	100,000	100,000
Allotted, called-up and fully-paid		
69,028,000 ordinary shares of £1 each (2001 – 60,000,000)	69,028	60,000

On 19 December 2001 the company issued 9,028,000 ordinary shares of £1 each at a premium of £8,304,000. The shares were issued in relation to the acquisitions described in note 13.

20. RESERVES

	Profit and loss account	
	Group £'000	Company £'000
At 30 April 2001 as previously stated	(4,189)	702
Prior year adjustment	1,282	1,226
At 30 April 2001 as restated	(2,907)	1,928
Retained profit for the year	440	1,001
Merger related expenses	-	(514)
At 30 April 2002	(2,467)	2,415

	Foreign Exchange Reserve	
	Group £'000	Company £'000
At 30 April 2001 restated	(593)	13
Loss on foreign currency translation	(100)	(13)
At 30 April 2002	(693)	-

	Merger Reserve	
	Group £'000	Company £'000
At 30 April 2001 restated	-	-
Additions in the year (note 13)	8,304	-
Merger related costs	(514)	-
At 30 April 2002	7,790	-

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

21. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2002 £'000	Restated 2001 £'000
Profit for the financial year	440	2,233
Other recognised loss	(100)	(173)
	340	2,060
Issue of shares	9,028	-
Net movement in merger reserve (see note 13)	7,790	-
Dividends proposed	-	(750)
Net increase in shareholders' funds	17,158	1,310
Opening shareholders' funds as previously stated	55,218	56,888
Prior year adjustment (see accounting policies)	1,282	(1,698)
Opening shareholders' funds as restated	56,500	55,190
Closing shareholders' funds	73,658	56,500

22. MINORITY INTERESTS

	£'000
As at 1 May 2001	950
Prior year adjustment	14
Profit on ordinary activities after taxation	225
Acquisition of Astoria JSC	34,041
Disposal of subsidiary	(483)
At 30 April 2002	34,747

At 30 April 2002, the minority interest stake in Astoria JSC totalled 66% (see note 13).

23. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2002 £'000	2001 £'000
Operating profit	4,852	4,154
Depreciation and amortisation (net)	4,919	2,255
Pre-opening costs	-	468
Write off of fixed asset investments	-	237
Increase in stocks	(738)	(328)
Increase in debtors	(1,438)	(1,539)
Increase in creditors	3,775	4,272
Net cash inflow from operating activities	11,370	9,519

Deloitte & Touche

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

24. ANALYSIS OF CASH FLOWS

	2002 £'000	Restated 2001 £'000
Returns on investments and servicing of finance		
Interest received	880	441
Interest paid	(5,618)	(3,734)
Interest element of finance lease rentals	(133)	(7)
Net cash (outflow) from returns on investments and servicing of finance	(4,871)	(3,300)
Capital expenditure and financial investment		
Net cash outflow on purchase of tangible fixed assets	(9,190)	(27,399)
Acquisitions		
Purchase of interest in joint venture	(1,276)	-
Investment in associated undertaking	-	73
Net overdraft acquired with subsidiary undertakings	(5,855)	-
Net cash (outflow)/inflow on acquisitions and disposals	(7,131)	73
Corporation tax paid	(1,605)	(316)
Financing		
Repayment of loan	(4,519)	-
New secured loan	18,028	20,697
New unsecured loan	-	125
Capital element of finance lease rental payments	-	(49)
Net cash inflow on financing	13,509	20,773

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

25. ANALYSIS AND RECONCILIATION OF NET DEBT

	30 April 2001 £'000	Cash flow £'000	30 April 2002 £'000
Cash at bank and in hand	7,190	1,845	9,035
Overdrafts	(237)	237	-
	6,953	2,082	9,035
Finance lease	(76)	76	-
Debt due within 1 year	(300)	(8,872)	(9,172)
Debt due after 1 year	(88,846)	14,515	(74,331)
Net debt	(82,269)	7,801	(74,468)

	2002 £'000	2001 £'000
Increase/(decrease) in cash in the year	2,082	(650)
Change in net debt resulting from cash flows	2,082	(650)
Non-cash movements	(7,790)	-
New loans	13,509	(20,773)
Movement in net debt for year ended at 30 April 2002	7,801	(21,423)

26. FINANCIAL COMMITMENTS

Capital commitments are as follows:

	2002		2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Contracted for but not provided for	1,600	630	626	626

There are no company commitments under non-cancellable leases (2001 - £nil).

NOTES TO THE ACCOUNTS
Year ended 30 April 2002

27. RELATED PARTY TRANSACTIONS

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

	Sir Rocco Forte Ltd £'000	Sir Rocco Forte & Family (Luxury Hotels) Ltd £'000
Balance sheet:		
Amounts owed by related party	123	1,096

Sir Rocco Forte & Family (Luxury Hotels) Ltd is a company under the joint control of the Group and the Bank of Scotland. This company was set up on the 19 April 2002, hence there are no comparatives for 2001.

	RF Hotels Limited £'000		RF Hotels International Limited £'000		RF Hotels International Sales Limited £'000	
	2002	2001	2002	2001	2002	2001
Profit & Loss Account:						
Income from related party	-	236	509	535	-	101
Management fees payable to related party	(859)	(922)	(2,536)	-	534	-

The above companies were related parties of the Group as they were companies under the control of the Hon Sir Rocco JV Forte, a director of Sir Rocco Forte & Family Plc. The Group acquired 100% of the share capital of these companies on the 19 December 2001, and these companies were consolidated from this date. The transaction above occurred in the period prior to acquisition on 19 December 2001.

28. CONTROLLING PARTY

The Hon Sir Rocco Forte, a director of Sir Rocco Forte & Family plc, and his family as a whole, control the Company, as a result of controlling directly or indirectly 98% (2001 – 100%) of the issued share capital of Sir Rocco Forte & Family plc.