

**Hotel Management International (Holdings)
Limited**

**Directors' report and consolidated
financial statements**

Registered number 4324021

31 March 2002



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Hotel Management International (Holdings) Limited	4
Consolidated profit and loss account	5
Consolidated statement of total recognised gains and losses	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9
Notes	10

Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 March 2002.

Hotel Management International (Holdings) Limited was incorporated on 16 November 2001. As a result of a group reorganisation of The Foundation Group of Companies Limited, the company became the parent company and ultimate parent company of Hotel Management International Limited and its subsidiaries.

The consolidated financial statements have been prepared using merger accounting principles as if the companies acquired as part of this reorganisation had been owned by the Company for all relevant periods.

Principal activities and review of the business

The principal activities of the group continued to be the operation of hotels and the provision of consultancy and management services to the hotel and leisure industry.

Results and dividends

The results of the group are shown on page 5 of the financial statements.

The financial statements have been qualified on the basis that the freehold and long leasehold assets have not been depreciated in accordance with Financial Reporting Standard 15. The directors estimate that the amount of the non depreciation was approximately £785,000 (2001: £465,000) in relation to the charge for the year and £1,690,000 (2001: £905,000) in relation to the accumulated depreciation on these assets. This amount has been calculated to write off the cost less estimated residual values of the assets on a straight line basis over expected useful lives of 50 to 100 years. The directors are of the opinion that depreciation of these assets is inappropriate given their policy of maintaining and repairing the properties to a high standard. Whilst the buildings may need redevelopment at some future point in time, the directors believe that this is better reflected through an annual impairment review.

The directors do not recommend the payment of a final dividend (2001: £200,000).

Directors and directors' interests

The directors who held office from the date of incorporation to the date of this report were as follows:

		Ordinary shares of £1 each At incorporation and 31 March 2002
PN Salussolia		141,519
FTA Tinker	(deceased 31 August 2002)	87,515
JD Mackinlay C.A.		-
RRS Swan M.A.		-
GJ Ramsay		-
C Salussolia		4,071

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families or exercised by them during the financial year.

Disabled persons

The group's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Consideration is given to appropriate training and career development prospects for those who are or become disabled.

Directors' report *(continued)*

Employee involvement

Regular meetings are held between senior management and employees to discuss the performance of the group, and to encourage employees' further development. Information is also passed to employees via regular newsletters.

Auditors

KPMG LLP were appointed first auditors of the company on 14 June 2002. In accordance with section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



P Mayho, FCA
Secretary

86 East Lane
Wembley
Middlesex
HA0 3NJ

19 December 2002

Statement of directors' responsibilities

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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



8 Salisbury Square
London
EC4Y 8BB

Report of the independent auditors to the members of Hotel Management International (Holdings) Limited

We have audited the financial statements on pages 5 to 26.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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.

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 to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

Qualified opinion arising from disagreement about accounting treatment

Included in the fixed assets shown in the group balance sheet are freehold and long leasehold properties of £38,863,107 (2001: £30,718,107). As explained in the directors' report on page 1 and in note 1 to the financial statements, no amount has been provided for depreciation on these properties as would in our opinion be required by FRS 15, Tangible fixed assets. The effect of this non compliance is that the depreciation charge for the period is approximately £785,000 (2001: £465,000) than it would otherwise be. Had depreciation been charged the profit for the year would have been lower by that amount and fixed assets and net assets would have been lower by the accumulated depreciation charge of approximately £1,690,000 (2001: £905,000).

Except for the absence of this depreciation, in our opinion the financial statements give a true and fair view of the state of affairs of the group as at 31 March 2002 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

23 December, 2002

Consolidated profit and loss account

for the year ended 31 March 2002

	Note	2002 £000	2001 £000
Turnover	2	24,432	25,466
Cost of sales		(4,682)	(8,198)
Gross profit		19,750	17,268
Administrative expenses		(16,824)	(12,542)
Operating profit		2,926	4,726
Interest receivable and similar charges	3	109	81
Interest payable and similar charges	3	(1,218)	(1,084)
Profit on ordinary activities before taxation	4	1,817	3,723
Tax on profit on ordinary activities	7	(111)	(511)
Profit on ordinary activities after taxation		1,706	3,212
Minority interests	22	-	(271)
Profit for the year	21	1,706	2,941
Dividends on equity shares	8	-	(200)
Retained profit for the year	20	1,706	2,741

The group's turnover and expenses all relate to continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the retained profit reported in the profit and loss account and the equivalent figures calculated on the historical cost basis.

Consolidated statement of total recognised gains and losses

for the period ended 31 March 2002

	2002 £000	2002 £000
Profit for the financial year	1,706	2,941
Currency translation differences on foreign currency net investments (net of minority interest)	105	375
Total gains and losses recognised since the last annual report	1,811	3,316

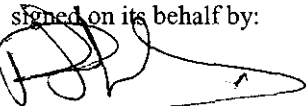
The revaluation reserve relates solely to the freehold land and buildings which are not depreciated.

Consolidated balance sheet

at 31 March 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	10	50,139	41,872
Intangible assets	11	(1,715)	(1,715)
		<u>48,424</u>	<u>40,157</u>
Current assets			
Stocks	13	228	179
Debtors	14	6,939	4,741
Cash at bank and in hand		1,923	2,549
		<u>9,090</u>	<u>7,469</u>
Creditors: amounts falling due within one year	15	(12,309)	(9,407)
		<u>(3,219)</u>	<u>(1,938)</u>
Net current liabilities			
		<u>45,205</u>	<u>38,219</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	16	(25,291)	(20,104)
Provisions for liabilities and charges	17	(635)	(647)
		<u>19,279</u>	<u>17,468</u>
Net assets			
Capital and reserves			
Called up share capital	19	233	233
Merger reserve	20	(232)	(232)
Revaluation reserve	20	3,962	3,983
Profit and loss account	20	15,316	13,484
		<u>19,279</u>	<u>17,468</u>
Equity shareholders' funds	21		
		<u>19,279</u>	<u>17,468</u>

These financial statements were approved by the board of directors on 19 December 2002 and were signed on its behalf by:



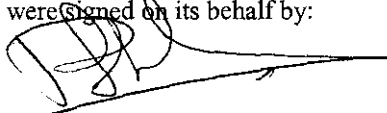
PN Salussolia
Director

Company balance sheet

at 31 March 2002

	Note	2002 £000
Fixed assets		
Investments	12	20,163
Net assets		<u>20,163</u>
Capital and reserves		
Called up share capital	19	233
Revaluation reserve	20	19,930
Equity shareholders' funds		<u>20,163</u>

These financial statements were approved by the board of directors on 19 December 2002 and were signed on its behalf by:


 PN Salussolia
 Director

Consolidated cash flow statement
for the period ended 31 March 2002

	Note	2002 £000	2001 £000
Net cash inflow from operating activities	23	7,736	5,215
Returns on investments and servicing of finance			
Interest paid		(1,218)	(1,088)
Interest received		109	81
Net cash outflow from returns on investments and servicing of finance		(1,109)	(1,007)
Taxation		(685)	(411)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(10,836)	(2,561)
Proceeds on disposal of tangible fixed assets		9	-
Payments to acquire intangible fixed assets		-	(416)
Net cash outflow for capital expenditure and financial investment		(10,827)	(2,977)
Net cash (outflow)/inflow before financing		(4,885)	820
Financing			
Increase in loans		5,960	392
Decrease in hire purchase debt		(95)	(74)
Increase in hire purchases debt		190	-
Decrease in loans		(1,549)	(833)
Increase in borrowing from parent company		-	181
Net cash inflow/(outflow) from financing		4,506	(334)
(Decrease)/increase in cash in the period	24,25	(379)	486

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements. The group has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings and fixed asset investments, except that, as explained below, FRS15, Tangible fixed assets is not followed in respect of depreciation.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings for the year ended 31 March 2002. On 4 February 2002 The Foundation Group of Companies Limited and its subsidiaries were acquired as part of a group reorganisation as a result of which Hotel Management International (Holdings) Limited became the new parent company of Hotel Management International Limited and its subsidiaries. The merger method of accounting was adopted for this transaction. Except for this, the acquisition method of accounting has been adopted. The results of subsidiary undertakings are consolidated from the date of acquisition or up to the date of disposal, under the acquisition method.

Where necessary, the accounts of subsidiary undertakings are adjusted to conform with the group's accounting policies

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to prepare its own profit and loss account.

Goodwill and negative goodwill

Goodwill or negative goodwill representing the difference between the fair value of the consideration paid for the company acquired and the fair values of the separable net asset acquired is capitalised in the balance sheet and written off over the life of the assets.

Valuation of tangible fixed assets

The group has applied the transitional provisions of Financial Reporting Standard 15, Tangible Fixed Assets. The carrying amount of tangible fixed assets reflects previous valuations that have not been updated. The date of the last revaluation was 28 March 1994.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets, depreciation and impairment

Tangible fixed assets are stated at cost less depreciation and provision for impairment. Impairment reviews are carried out on operating units comparing the carrying value to the higher of the net realisable value and the value in use based on discounted future cash flows. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold property	-	Nil
Leasehold property	-	over the period of the lease if the term is less than 50 years
Leasehold improvements	-	over the period of the lease or 10% of cost whichever is greater
Furniture, fixtures and fittings	-	10%-15%
Motor vehicles	-	25%
Computer equipment	-	33.3%

Freehold and long leasehold buildings are not depreciated. As explained in the directors' report on page 1, the group has a policy of maintaining and repairing its buildings to such a standard that their estimated residual value is not less than their cost or valuation and is therefore not complying with FRS 15, Tangible fixed assets.

Stocks

Stocks comprise goods held for resale and are valued at the lower of cost and net realisable value. Cost is net purchase price.

Development expenditure

Pre-opening costs are written off in the period in which they are incurred. The directors consider this policy to be more appropriate than deferring such expenditure.

Cash and liquid resources

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Valuation of investments

Investments in subsidiary undertakings are included as fixed assets in the balance sheet of the holding company at net asset value at the balance sheet date being, in the directors' opinion, the most appropriate basis of valuation.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences.

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Income in relation to the surrender of losses for group relief are credited to the profit and loss account, only to the extent of future estimated profits of the surrendering group company.

Foreign currencies

Assets, liabilities, revenues and costs expressed in foreign currencies are translated into sterling at rates of exchange ruling on the date of which transactions occur, except for:

- (i) monetary assets and liabilities which are translated at the rate ruling at the balance sheet date (other than those in (ii) below); and
- (ii) transactions to be settled at a contracted rate and trading transactions covered by a related or matching forward contract which are translated at those contracted rates.

Differences arising on the translation of such items are dealt with in the profit and loss account.

Financial statements of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Turnover

Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers. Sales are recognised once recoverability is deemed reasonably certain.

Notes (continued)

2 Segmental information

The group is principally engaged in the operation and management of hotels and the provision of management services ancillary thereto.

Geographical segments - Group

	UK		Europe (excluding UK)		Total	
	2002	2001	2002	2001	2002	2001
	£000	£000	£000	£000	£000	£000
Turnover						
Sales to third parties	<u>6,803</u>	<u>4,987</u>	<u>17,629</u>	<u>20,479</u>	<u>24,432</u>	<u>25,466</u>
Profit/(loss) before tax						
Segmental profit/(loss)	71	603	2,855	4,123	2,926	4,726
Net interest					(1,109)	(1,003)
					<u>1,817</u>	<u>3,723</u>
Net (liabilities)/assets						
Segmental net						
Assets/(liabilities)	<u>4,371</u>	<u>(2,602)</u>	<u>14,908</u>	<u>20,070</u>	<u>19,279</u>	<u>17,468</u>

3 Net interest

	2002 £000	2001 £000
Bank loans and overdraft	1,123	1,075
Finance leases and hire purchase contracts	27	9
Other loans	68	-
	<u>1,218</u>	<u>1,084</u>
Interest receivable	(109)	(81)
	<u>1,109</u>	<u>1,003</u>

Notes (continued)

4 Profit on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Staff costs (note 5)	8,179	8,030
Foreign currency (profits)/losses	2	(76)
Depreciation:		
- owned fixed assets	1,934	1,464
- assets held under hire purchase agreements	5	5
Property rentals	779	798
Auditors remuneration:		
Group - audit	60	62
- other services	-	20
	<u>8,179</u>	<u>8,030</u>

The audit costs of the company have been borne by a subsidiary undertaking.

5 Staff numbers and costs

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

	Number of employees	
	2002	2001
Management	14	12
Administration	38	27
Sales	28	26
Operational staff	487	456
	<u>567</u>	<u>521</u>

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	7,068	6,950
Social security costs	926	901
Other pension costs	185	179
	<u>8,179</u>	<u>8,030</u>

Notes *(continued)*

6 Directors

	2002	2001
	£000	£000
Emoluments:		
Remuneration for management services	219	208
	<u> </u>	<u> </u>
Emoluments of the highest paid director were:		
Remuneration for management services	160	155
Other pension costs	12	11
	<u> </u>	<u> </u>
	172	166
	<u> </u>	<u> </u>

One director is remunerated by Hotel Management International Limited.

Notes (continued)

7 Taxation

	2002 £000	2001 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	201
<i>Foreign tax</i>		
Current tax on income for the period	111	424
Total current tax	111	625
Deferred tax (see note 17)	-	(77)
Reversal of charges for tax losses subject to group relief	-	(37)
	111	511
	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before taxation	1,817	3,723
Current tax at 30% (2001: 30%)	545	1,117
<i>Effects of:</i>		
Net expenses allowable for tax purposes	(405)	(477)
Capital allowances for period in excess of depreciation	(17)	(24)
Utilisation of losses	(12)	9
Total current tax charge (see above)	111	625

8 Dividends

	2002 £000	2001 £000
Equity shares		
Final dividend proposed	-	200

9 Profit of parent company

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial period was £nil.

Notes *(continued)*

10 Tangible fixed assets

Group	Freehold property	Leasehold property	Furniture, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
<i>Cost or valuation</i>					
At 1 April 2001	30,229	2,478	19,481	77	52,265
Additions	6,873	8	3,955	-	10,836
Disposals	-	-	-	(23)	(23)
Currency translation	(446)	(37)	(287)	(1)	(771)
At 31 March 2002	36,656	2,449	23,149	53	62,307
<i>Accumulated depreciation</i>					
At 1 April 2001	-	49	10,312	32	10,393
Charge for the period	-	25	1,901	13	1,939
Disposals	-	-	-	(14)	(14)
Currency translation	-	(1)	(149)	-	(150)
At 31 March 2002	-	73	12,064	31	12,168
<i>Net book value</i>					
At 31 March 2002	<u>36,656</u>	<u>2,376</u>	<u>11,085</u>	<u>22</u>	<u>50,139</u>
At 31 March 2001	<u>30,229</u>	<u>2,429</u>	<u>9,169</u>	<u>45</u>	<u>41,872</u>

The above amounts are based on valuations prepared between 1989 and 1994 by Jones Lang Wootton, independent chartered surveyors, on an open market value for existing use basis with vacant possession.

Historical cost of revalued property (at current exchange rates) was £31,757,000 (2001: £25,185,000).

Included in leasehold property are long leaseholds with a net book value of £2,207,000 (2001: £2,222,000). The net book value of group tangible fixed assets includes an amount of £197,237 (2001: £20,784) in respect of assets held under finance leases and hire purchase contracts. The group depreciation charge for the year relating to these asset amounts to £5,475 (2001: £4,898).

Notes *(continued)*

11 Intangible fixed assets

Group	Negative Goodwill	
	2002	2001
	£000	£000
<i>Cost</i>		
At 1 April 2001	(1,715)	-
Additions	-	(1,715)
At 31 March 2002	(1,715)	(1,715)
<i>Amortisation</i>		
At 1 April 2001 and 31 March 2002	-	-
<i>Net book value</i>		
At 31 March 2001 and 31 March 2002	(1,715)	(1,715)

Notes (continued)

12 Investments

Company	Investment in subsidiary undertakings £000
<i>Cost or valuation</i>	
Additions	233
Revaluation in the period	19,930
At 31 March 2002	20,163
Comprising:	
Cost	233
Valuation	19,930
	20,163

Additional information on principal trading subsidiary undertakings:

Company	Country of incorporation	Class of share	Effective interest	Nature of business
Hotel Management International Limited	England	Ordinary	100%	Hotel Management and Hoteliers
Carlton Hotels UK Limited (formerly Arimpine Limited)	Scotland	Ordinary	100%	Hotel Management
Carlton Hotels Nederland BV	Holland	Ordinary	*100%	Holding Company
Oostduinhaghe Hotel BV	Holland	Ordinary	+100%	Hoteliers
Spijkenisse Hotel BV	Holland	Ordinary	+100%	Hoteliers
Haarlem Hotel BV	Holland	Ordinary	+100%	Hoteliers
Hotel Exploitatie Mij Maarssenbroek BV	Holland	Ordinary	+100%	Hoteliers
Carlton Ambassador Hotel BV	Holland	Ordinary	+100%	Hoteliers
De Brug BV	Holland	Ordinary	+100%	Hoteliers

On 27 March 2001 Hotel Management International Limited acquired the 11.23% minority interest in Carlton Hotels Nederland BV.

* The interest in these companies is held indirectly via the shareholding in Hotel Management International Limited.

+ The interest in these companies is held indirectly via the shareholding in Carlton Hotels Nederland BV.

Notes *(continued)*

13 Stocks

Group

	2002	2001
	£000	£000
Goods held for resale	228	179

14 Debtors: amounts falling due within one year

Group

	2002	2001
	£000	£000
Trade debtors	1,162	1,372
Amounts owed by related party undertakings	4,466	2,681
Other debtors	377	281
Prepayments and accrued income	564	407
Corporation tax	370	-
	6,939	4,741

15 Creditors: amounts falling due within one year

Group

	2002	2001
	£000	£000
Bank loans and overdrafts	1,659	3,288
Obligations under finance leases and hire purchase contracts	82	95
Trade creditors	3,049	1,690
Amounts owed to related party undertakings	3,442	1,367
Corporation tax	123	327
Other taxes and social security costs	174	354
Other creditors	2,157	428
Accruals and deferred income	1,623	1,658
Dividend proposed	-	200
	12,309	9,407

Other creditors include an amount of £428,000 (2001: £428,000) that relates to monies outstanding in relation to the purchase of the minority interest (see note 12). This outstanding balance carries an annual interest charge of 4%. Interest falls for payment upon the due dates of the amounts outstanding.

Notes (continued)

16 Creditors: amounts falling due after more than one year

Group	2002 £000	2001 £000
Bank loans	20,410	14,713
Obligations under finance leases and hire purchase contracts	115	7
Amounts owed to group undertakings	3,923	4,099
Other creditors	843	1,285
	<u>25,291</u>	<u>20,104</u>
Analysis of bank loans:		
Fixed interest loans	20,673	15,405
Variable interest loans	-	857
	<u>20,673</u>	<u>16,262</u>
Total secured borrowing, all repayable by instalments apart from the bank overdrafts:		
Group	2002 £000	2001 £000
In 1 year or less or on demand		
- bank	1,659	3,288
- HP	82	95
Between 1 - 2 years		
- bank loans	1,898	2,334
- HP	115	7
Between 2 - 5 years - bank loans	5,693	4,845
After 5 years - bank loans	12,819	7,534
	<u>22,266</u>	<u>18,103</u>

The fixed interest loans include loans which are repayable by equal quarterly instalments and bear interest at rates ranging from 4.8% to 7.0% per annum. Each loan is secured by fixed and floating charge over the freehold and other assets of the individual Dutch trading subsidiaries, which have a net book value of £34,046,764 (2001: £38,127,406).

The variable loan is repayable in quarterly instalments by April 2006.

Other creditors payable over one year relate to amounts outstanding in relation to the purchase of the minority interest (see note 12). This outstanding balance carries an annual interest charge of 4%. Interest falls due for payment upon the due dates for the amounts outstanding.

Notes (continued)

17 Provisions for liabilities and charges

Group	Deferred taxation £000
At 1 April 2001	647
Utilised during the year	(25)
Exchange difference	13
At 31 March 2002	635

18 Deferred taxation

The elements of deferred taxation are as follows:

	2002 £000	2001 £000
Capital gains rolled over	635	647

19 Called up share capital

Group

	2002 £000	2001 £000
<i>Authorised</i> 1,000,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i> 233,105 ordinary shares of £1 each	233	233

Company

	2002 £000
<i>Authorised</i> 1,000,000 ordinary shares of £1 each	1,000
<i>Allotted, called up and fully paid</i> 233,105 ordinary shares of £1 each	233

On 4 February 2002 the company issued 233,105 ordinary shares as part of the group reorganisation.

Notes (continued)

20 Reserves

Group	Merger Reserve £000	Revaluation Reserve £000	Profit and loss account £000
At 1 April 2001	(232)	3,983	13,484
Profit for the financial period	-	-	1,706
Currency translation movements	-	(21)	126
At 31 March 2002	(232)	3,962	15,316
Company			
Revaluation in the period	-	19,930	-
At 31 March 2002	-	19,930	-

Under the group reorganisation the merger method of accounting has been adopted. As part of the merger accounting process the prior year comparatives and opening reserve balances have been adjusted. The share capital has been restated to reflect the group position immediately after the reorganisation. The adjustment to share capital has resulted in the creation of the merger reserve.

21 Reconciliation of movement in shareholders' funds

	Group		Company
	2002 £000	2001 £000	2002 £000
Profit for the period	1,706	2,941	-
Dividends	-	(200)	-
Other recognised gains and losses (net)	105	375	19,930
Shares issued in period	-	-	233
Net addition to shareholders' funds	1,811	3,116	20,163
Opening shareholders' funds	17,468	14,352	-
Closing shareholders' funds	19,279	17,468	20,163

Notes (continued)

22 Minority interests

	2002 £000	2001 £000
Balance at 1 April 2001	-	1,786
Share of net results for the year	-	271
Exchange loss	-	66
Fair value adjustment	-	1,733
Purchase of minority interest	-	(3,856)
Balance at 31 March 2002	-	-

23 Net cash inflow from operating activities

	2002 £000	2001 £000
Operating profit	2,926	4,726
Depreciation	1,939	1,469
Increase in stocks	(49)	(1)
Increase in debtors	(1,828)	(803)
Decrease/(Increase) in creditors	4,748	(176)
	7,736	5,215

24 Analysis of changes in net debt

	At 1 April 2001 £000	Cash flows £000	Currency Translation £000	At 31 March 2002 £000
Cash in hand, at bank	2,549	(686)	60	1,923
Overdrafts	(1,739)	307	36	(1,396)
		(379)		
Debt due within one year	(1,549)	1,286	-	(263)
Debt due after one year	(14,713)	(5,697)	-	(20,410)
Other loans	(4,099)	176	-	(3,923)
Finance leases	(102)	(95)	-	(197)
Total	(19,653)	(4,330)	96	(24,266)

Notes (continued)

25 Reconciliation of net cash flow to movement in net debt

	2002 £000	2001 £000
(Decrease)/increase in cash in the year	(379)	486
Cash outflow/ (inflow) from increased/reduced borrowing	(4,330)	334
Currency translation	96	(468)
Movement in net debt in the year	(4,613)	352
Net debt at the start of the year	(19,653)	(20,005)
Net debt at the end of the year	(24,266)	(19,653)

26 Capital commitments

In the previous year the group authorised but had not contracted for the construction of the Carlton Marina Hotel in Amsterdam for an approximate value of £20,565,000 (€32,500,000). No contract was entered into during the current year.

27 Other financial commitments

At 30 March 2002 the group was committed to making the following payments under non-cancellable operating leases in the next 12 months.

	Land and buildings 2002 £000	2001 £000
<i>Operating leases which expire:</i>		
After 5 years	815	775

Notes (continued)

28 Contingent liability

The company is a party to the bank overdrafts and bank loans of other group companies and related companies. At the balance sheet date these totalled £409,395 (2001 £1,681,000).

29 Related party transactions

Where the company has an effective interest of 90% or more in other group companies, advantage has been taken of the exemptions conferred by Financial Reporting Standard 8 from the requirement to make disclosures concerning related parties within the group. The group's aggregate balances with other related parties were as follows:

	2002 £000	2001 £000
Amounts owed to related undertakings:		
Foundation Group of Companies Limited	2,092	2,563
Glendola Leisure Limited	785	200
The Original Rainforest Cafe Limited	22	22

The above companies are related due to common ultimate controlling parties.

30 Subsequent events

On 2 April 2002 Carlton Hotels Nederland BV acquired 100% of the shares in Hotelexploitiemij Anfra BV which owns a 57 room hotel in Amsterdam.

31 Ultimate controlling party

The ultimate controlling party is PN Salussolia, being the major shareholder.