Hotel Management International (Holdings) Limited

Directors' report and consolidated financial statements

Registered number 4324021

31 March 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

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 directors do not recommend the payment of a final dividend *(2002:£nil)*.

Directors and directors' interests

The directors who held office at the beginning and end of the financial year and their interests in the shares of the company were as follows:

	Ordinary shares of £1 each	
	At 31 March 2003	**At 31 March 2002**
PN Salussolia	141,519	141,519
FTA Tinker (deceased 31 August 2002)	-	87,515
JD Mackinlay C.A.	-	-
RRS Swan M.A.	-	-
GJ Ramsay	-	-
C Salussolia	4,071	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

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

26 November 2003

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 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.

KPMG
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 25.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

27 November 2003

Consolidated profit and loss account

for the year ended 31 March 2003

	Note	2003 £000	Restated 2002 £000
Turnover	2	**30,489**	24,432
Cost of sales		**(5,485)**	(4,682)
Gross profit		**25,004**	19,750
Administrative expenses		**(21,334)**	(17,216)
Operating profit		**3,670**	2,534
Interest receivable and similar income	3	**57**	109
Interest payable and similar charges	3	**(1,901)**	(1,218)
Profit on ordinary activities before taxation	4	**1,826**	1,425
Tax on profit on ordinary activities	7	**621**	(111)
Profit on ordinary activities after taxation	18,19	**2,447**	1,314

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

Consolidated statement of total recognised gains and losses

for the year ended 31 March 2003

	2003 £000	Restated 2002 £000
Profit for the financial year	**2,447**	1,314
Currency translation differences on foreign currency net investments	**2,708**	105
Total recognised gains and losses relating to the financial year	**5,155**	1,419
Prior year adjustment (as explained in note 1)	**(1,173)**	
Total gains and losses recognised since the last annual report	**3,982**	

Note of consolidated historical cost profits and losses

for the year ended 31 March 2003

	2003 £000	Restated 2002 £000
Reported profit on ordinary activities before taxation	**1,826**	1,425
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**39**	39
Historical cost profit on ordinary activities before taxation	**1,865**	1,464
Historical cost profit for the year retained after taxation, minority interests and dividends	**2,486**	1,353

Consolidated balance sheet

at 31 March 2003

	Note	2003		Restated 2002	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*9*		**59,014**		48,966
Intangible assets	*10*		**(2,068)**		(1,715)
			56,946		47,251
Current assets					
Stocks	*12*	**248**		228	
Debtors	*13*	**2,197**		6,939	
Cash at bank and in hand		**641**		1,923	
		3,086		9,090	
Creditors: amounts falling due within one year	*14*	**(10,597)**		(12,309)	
Net current liabilities			**(7,511)**		(3,219)
Total assets less current liabilities			**49,435**		44,032
Creditors: amounts falling due after more than one year	*15*		**(26,076)**		(25,291)
Provisions for liabilities and charges	*16*		**(98)**		(635)
Net assets			**23,261**		18,106
Capital and reserves					
Called up share capital	*17*		**233**		233
Merger reserve	*18*		**(232)**		(232)
Revaluation reserve	*18*		**3,962**		3,962
Profit and loss account	*18*		**19,298**		14,143
Equity shareholders' funds	*19*		**23,261**		18,106

These financial statements were approved by the board of directors on 10 November 2003 and were signed on its behalf by:

PN Salussolia
Director

Company balance sheet

at 31 March 2003

	Note	**2003** **£000**	2002 £000
Fixed assets			
Investments	*11*	**22,455**	20,163
Current assets			
Debtors	*13*	**806**	-
Net assets		**23,261**	20,163
Capital and reserves			
Called up share capital	*17*	**233**	233
Revaluation reserve	*18*	**23,028**	19,930
Equity shareholders' funds	*19*	**23,261**	20,163

These financial statements were approved by the board of directors on 10 November 2003 and were signed on its behalf by:

PN Salussolia
Director

Consolidated cash flow statement

for the year ended 31 March 2003

	Note	2003		2002	
		£000	£000	£000	£000
Net cash inflow from operating activities	*20*		**5,113**		7,736
Returns on investments and servicing of finance					
Interest paid		**(1,901)**		(1,218)	
Interest received		**57**		109	
Net cash outflow from returns on investments and servicing of finance			**(1,844)**		(1,109)
Taxation			**(123)**		(685)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(3,335)**		(10,836)	
Proceeds on disposal of tangible fixed assets		**-**		9	
Net cash outflow for capital expenditure and financial investment			**(3,335)**		(10,827)
Acquisitions and disposals					
Purchase of subsidiary undertaking		**(2,716)**		-	
Net cash acquired with subsidiary		**100**		-	
Net cash outflow from Acquisitions and disposals			**(2,616)**		-
Net cash outflow before financing			**(2,805)**		(4,885)
Financing					
Increase in loans		**6,849**		5,960	
Decrease in hire purchase debt		**(49)**		(95)	
Increase in hire purchases debt		**-**		190	
Decrease in loans		**(5,253)**		(1,549)	
Net cash inflow from financing			**1,547**		4,506
Decrease in cash in the year	*21,22*		**(1,258)**		(379)

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.

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.

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, Related Party Disclosures, from the requirement to make disclosures concerning related parties within the group.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings for the year ended 31 March 2003. On 4 February 2002 Hotel Management International 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. 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.

Prior year adjustment

Depreciation

The previous accounting policy of the group was not to depreciate freehold and long leasehold buildings. In a change to this policy and to bring the group's policy in line with industry standards, provision is now made for depreciation.

The change in accounting policy has given rise to a prior year adjustment to the results and the financial position of the company.

The effect on the profit and loss account for the current year to 31 March 2003 of the change in accounting policy has been a decrease in retained profits of £437,994 (*2002: £391,560*).

The effect on the balance sheet for the current year to 31 March 2003 of the change in accounting policy has been a decrease in net assets of £1,611,253 (*2002: £1,173,259*). The net assets as at 31 March 2001 have been reduced by £781,869.

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.

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	-	0.675% - 1.25%
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%

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.

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.

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.

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

Finance 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.

Operating leases

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	
	2003	2002	**2003**	2002	**2003**	2002
	£000	£000	**£000**	£000	**£000**	£000
Turnover						
Sales to third parties	**5,521**	6,803	**24,968**	17,629	**30,489**	24,432
Profit before tax						
Segmental profit	**340**	71	**3,330**	2,855	**3,670**	2,926
Net interest					**(1,844)**	(1,109)
					1,826	1,817
Net assets						
Segmental net assets	**4,515**	4,371	**18,746**	14,908	**23,261**	19,279

3 Net interest

	2003	2002
	£000	£000
Interest payable and similar charges		
Bank loans and overdraft	**1,829**	1,123
Finance leases and hire purchase contracts	**15**	27
Other loans	**57**	68
	1,901	1,218
Interest receivable and similar income	**(57)**	(109)
	1,844	1,109

Notes *(continued)*

4 Profit on ordinary activities before taxation

	2003 £000	2002 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs (see note 5)	**10,120**	8,179
Foreign currency losses	**125**	2
Depreciation:		
- owned fixed assets	**3,317**	2,326
- assets held under hire purchase agreements	**37**	5
Amortisation of intangible fixed assets	**(301)**	-
Property rentals	**819**	779
Auditors remuneration:		
Group - audit	**60**	60
- other services	**39**	-

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 2003	2002
Management	**14**	14
Administration	**41**	38
Sales	**28**	28
Operational staff	**495**	487
	578	567

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries	**8,709**	7,068
Social security costs	**1,165**	926
Other pension costs	**246**	185
	10,120	8,179

Notes *(continued)*

6 Directors

	2003 £000	2002 £000
Emoluments:		
Remuneration for management services	**217**	208
Other pension costs	**12**	11
	229	219
Emoluments of the highest paid director were:		
Remuneration for management services	**179**	155
Other pension costs	**12**	11
	191	166

7 Taxation

	2003 £000	2002 £000
UK corporation tax		
Current tax on income for the period	**-**	-
Foreign tax		
Current tax on income for the period	**237**	111
Total current tax	**237**	111
Deferred tax (see note 16)	**(537)**	-
Reversal of charges for tax losses subject to group relief	**(321)**	-
	(621)	111

	2003 £000	2002 £000
Current tax reconciliation		
Profit on ordinary activities before taxation	**1,826**	1,817
Current tax at 34.1% *(2002: 30%)*	**623**	545
Effects of:		
Net expenses allowable for tax purposes	**(183)**	(405)
Capital allowances for period in excess of depreciation	**(209)**	(17)
Utilisation of losses	**-**	(12)
Losses carried forward	***6***	-
Total current tax charge (see above)	**237**	111

Notes *(continued)*

8 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 *(2002: £nil)*.

9 Tangible fixed assets

Group	Freehold property	Leasehold property	Furniture, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2002	36,656	2,449	23,149	53	62,307
Additions	6,673	-	2,081	20	8,774
Currency translation	3,684	-	2,181	-	5,865
At 31 March 2003	47,013	2,449	27,411	73	76,946
Accumulated depreciation					
At 1 April 2002	-	73	12,064	31	12,168
Prior year adjustment (note 1)	1,173	-	-	-	1,173
At 1 April 2002 (as restated)	1,173	73	12,064	31	13,341
Charge for the period	437	26	2,873	18	3,354
Currency translation	(94)	-	1,331	-	1,237
At 31 March 2003 (as restated)	1,516	99	16,268	49	17,932
Net book value					
At 31 March 2003	**45,497**	**2,350**	**11,143**	**24**	**59,014**
At 31 March 2002 (as restated)	35,483	2,376	11,085	22	48,966

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 freehold property (at current exchange rates) was £45,055,000 *(2002: £34,698,000)*.

Included in leasehold property are long leaseholds with a net book value of £2,192,000 *(2002: £2,207,000)*.

The net book value of group tangible fixed assets includes an amount of £173,261 *(2002: £197,237)* in respect of assets held under finance leases and hire purchase contracts. The group depreciation charge for the year relating to these assets amounts to £5,825 *(2002: £5,475)*.

Notes *(continued)*

10 Intangible fixed assets

Group	Negative goodwill 2003 £000
Cost	
At 1 April 2002	**(1,715)**
Additions	**(654)**
At 31 March 2003	**(2,369)**
Amortisation	
At 1 April 2002	**-**
Released in the year	**301**
At 31 March 2003	**301**
Net book value	
At 31 March 2003	**(2,068)**
At 31 March 2002	**(1,715)**

Notes *(continued)*

11 Investments

Company	Investment in subsidiary undertakings £000
Cost or valuation	
At 1 April 2002	20,163
Transfer	(806)
Revaluation in the year	3,098
At 31 March 2003	22,455
Comprising:	
Cost	233
Valuation	22,222
	22,455

The principal trading companies in which the group has an interest are as follows:

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%	Hoteliers
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
Hotel Exploitatie Mij Anfra BV	Holland	Ordinary	+100%	Hoteliers

* *The interest in this company 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)*

12 Stocks

Group	2003 £000	2002 £000
Goods held for resale	**248**	228

13 Debtors: amounts falling due within one year

	Group		Company	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Trade debtors	**1,259**	1,162	**-**	-
Amounts owed by related party undertakings	**-**	4,466	**-**	-
Amounts owed by group undertakings	**-**	-	**806**	-
Other debtors	**88**	377	**-**	-
Prepayments and accrued income	**679**	564	**-**	-
Corporation tax	**171**	370	**-**	-
	2,197	6,939	**806**	-

14 Creditors: amounts falling due within one year

	Group	
	2003 £000	2002 £000
Bank loans and overdrafts	**4,068**	1,659
Obligations under finance leases and hire purchase contracts	**105**	82
Trade creditors	**2,165**	3,049
Amounts owed to related party undertakings	**1,598**	3,442
Corporation tax	**-**	123
Other taxes and social security costs	**143**	174
Other creditors	**512**	2,157
Accruals and deferred income	**2,006**	1,623
	10,597	12,309

Other creditors include an amount of £473,000 *(2002: £428,000)* that relates to monies outstanding in relation to the purchase of the minority interest in Carlton Hotels Nederland BV on 27 March 2001. This outstanding balance carries an annual interest charge of 4%. Interest falls for payment upon the due dates of the amounts outstanding.

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

Group	2003 £000	2002 £000
Bank loans	**25,560**	20,410
Obligations under finance leases and hire purchase contracts	**43**	115
Amounts owed to group undertakings	**-**	3,923
Other creditors	**473**	843
	26,076	25,291

Analysis of bank loans:

Fixed interest loans	**25,560**	20,673
Variable interest loans	**-**	-
	25,560	20,673

Total secured borrowing, all repayable by instalments apart from the bank overdrafts:

Group	2003 £000	2002 £000
In 1 year or less or on demand		
- bank	**4,068**	1,659
- HP	**105**	82
Between 1 - 2 years		
- bank loans	**2,617**	1,898
- HP	**43**	115
Between 2 - 5 years - bank loans	**7,706**	5,693
After 5 years - bank loans	**15,237**	12,819
	29,776	22,266

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 trading subsidiaries, which have a net book value of £53,427,294 *(2002: £34,046,764).*

Other creditors payable over one year relate to amounts outstanding in relation to the purchase of the minority interest (see note 14). 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)*

16 Provisions for liabilities and charges

Group	Deferred taxation £000
At 1 April 2002	635
Provided in year	(537)
At 31 March 2003	**98**

The elements of deferred taxation are as follows:

	2003 £000	2002 £000
Difference between accumulated depreciation and amortisation and capital allowances	**98**	100
Capital gains rolled over	**-**	535
	98	635

17 Called up share capital

	2003 £000	2002 £000
Authorised		
1,000,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
233,105 ordinary shares of £1 each	**233**	233

Notes *(continued)*

18 Reserves

	Merger reserve £000	Revaluation reserve £000	Profit and loss account £000
Group			
At 1 April 2002 as previously stated	(232)	3,962	15,316
Prior year adjustment (see note 1)	-	-	(1,173)
	(232)	3,962	14,143
Profit for the financial year	-	-	2,447
Currency translation movements	-	-	2,708
At 31 March 2003	**(232)**	**3,962**	**19,298**
Company			
At 1 April 2002	-	19,930	19,930
Revaluation in the year	-	3,098	3,098
At 31 March 2003	**-**	**23,028**	**23,028**

19 Reconciliation of movement in shareholders' funds

	Group		Company	
	2003	Restated 2002	**2003**	2002
	£000	£000	**£000**	£000
Profit for the year	**2,447**	1,314	-	-
Other recognised gains and losses (net)	**2,708**	105	3,098	19,930
Shares issued in the year	-	-	-	233
Net addition to shareholders' funds	**5,155**	1,419	**3,098**	20,163
Opening shareholders' funds (originally £19,279,000, restated for prior year adjustment of £1,173,000)	**18,106**	16,687	**20,163**	-
Closing shareholders' funds	**23,261**	18,106	**23,261**	20,163

Notes *(continued)*

20 Net cash inflow from operating activities

	2003 £000	Restated 2002 £000
Operating profit	**3,670**	2,534
Depreciation	**3,354**	2,330
Amortisation	**(301)**	-
Decrease/(increase) in stocks	**6**	(49)
Decrease/(increase) in debtors	**5,037**	(1,828)
(Decrease)/increase in creditors	**(6,653)**	4,749
	5,113	7,736

21 Analysis of changes in net debt

	At 1 April 2002 £000	Cash flows £000	Other changes £000	Currency translation £000	At 31 March 2003 £000
Cash in hand, at bank	1,923	(1,305)	-	23	**641**
Overdrafts	(1,396)	47	-	(102)	**(1,451)**
		(1,258)			
Debt due within one year	(263)	263	(2,617)	-	**(2,617)**
Debt due after one year	(20,410)	(5,782)	2,617	(1,985)	**(25,560)**
Other loans	(3,923)	3,923	-	-	**-**
Finance leases	(197)	49	-	-	**(148)**
Total	(24,266)	(2,805)	-	(2,064)	**(29,135)**

Notes *(continued)*

22 Reconciliation of net cash flow to movement in net debt

	2003 £000	2002 £000
Decrease in cash in the year	**(1,258)**	(379)
Cash inflow from increased borrowing	**(1,547)**	(4,330)
Currency translation	**(2,064)**	96
Movement in net debt in the year	**(4,869)**	(4,613)
Net debt at the start of the year	**(24,266)**	(19,653)
Net debt at the end of the year	**(29,135)**	(24,266)

23 Purchase of subsidiary undertaking

	£000
Net assets acquired	
Tangible fixed assets	**5,439**
Stocks	**9**
Debtors	**324**
Cash at bank and in hand	**100**
Creditors	**(2,502)**
	3.370
Goodwill	**(654)**
	2,716
Satisfied by	
Cash	**2,716**
	2,716

24 Capital commitments

At 31 March 2003 the group had authorised but not contracted for the construction of the Carlton Marina Hotel in Amsterdam for an approximate value of £22,260,000 (€32,500,000).

Notes *(continued)*

25 Other financial commitments

At 31 March 2003 the group was committed to making the following annual payments under non-cancellable operating leases.

	Land and buildings	
	2003	2002
Operating leases which expire:	**£000**	£000
After 5 years	**815**	815

26 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 £3,693,000 *(2002 £409,395).*

27 Related party transactions

The group's aggregate balances with related parties were as follows:

	2003	2002
	£000	£000
Amounts owed to related undertakings:		
Foundation Group of Companies Limited	**1,597**	2,092
Glendola Leisure Limited	**-**	785
The Original Rainforest Cafe Limited	**-**	22

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

28 Ultimate controlling party

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