

**Britannia Hotels Limited
and subsidiary undertakings**

Accounts 31 March 2001
together with directors' and auditors' reports

Registered number: 1343600



Directors' report

For the year ended 31 March 2001

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 March 2001.

Principal activities and business review

The group's principal activity continued to be operating hotels and property development.

The subsidiary undertakings principally affecting the profits or net assets of the group in the year are listed in note 12 to the accounts.

The directors are satisfied with the results for the year.

Results and dividends

The audited accounts for the year ended 31 March 2001 are set out on pages 5 to 26. The group profit for the year after taxation was £2,145,000 (2000 - £1,115,000).

The directors do not recommend the payment of a dividend in either year.

Directors

The directors who served during the year were as follows:

Mr. R. Ferrari

Mr. D. E. Smith

None of the directors have any interests in the share capital of the company, as required to be shown by Schedule 7 of the Companies Act 1985.

Employees

The group makes every effort to provide the same opportunities to disabled persons as to others and does not discriminate between employees on the grounds of race, ethnic origin or sex. Equal opportunity is given to all job applicants.

Briefing and consultative procedures exist throughout the group to inform employees on matters of concern to them and to provide opportunities for comment and discussion.

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 company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Directors' report (continued)

Auditors

During the year, Hacker Young resigned as auditors and Arthur Andersen were appointed. The directors will place a resolution before the annual meeting to re-appoint Arthur Andersen as auditors for the ensuring year.

253 Hale Road
Hale
Cheshire
WA15 8RE

By order of the Board,

R. Ferrari
Director



24 September 2001

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the Shareholders of Britannia Hotels Limited:

We have audited the accounts on pages 5 to 26 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 March 2001 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

24 September 2001

Consolidated profit and loss account

For the year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Turnover	1	27,371	29,712
Cost of sales		(11,825)	(15,978)
Gross profit		15,546	13,734
Other operating expenses (net)	2	(12,604)	(11,508)
Operating profit		2,942	2,226
Finance charges (net)	3	(797)	(1,006)
Profit on ordinary activities before taxation	4	2,145	1,220
Tax on profit on ordinary activities	7	-	(105)
Retained profit for the year		2,145	1,115

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

Statement of total recognised gains and losses

For the year ended 31 March 2001

	2001 £'000	2000 £'000
Profit for the financial year	2,145	1,115
Unrealised deficit on revaluation of land and buildings	(11,104)	-
Total gains and losses recognised since last annual report and accounts	(8,959)	1,115

Consolidated balance sheet

31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Chief rents	9	33	33
Goodwill	10	36	38
		<hr/>	<hr/>
Intangible assets		69	71
Tangible assets	11	79,138	90,239
Investments	12	-	-
		<hr/>	<hr/>
		79,207	90,310
		<hr/>	<hr/>
Current assets			
Stocks	13	3,426	3,329
Debtors	14	4,043	5,919
Cash at bank and in hand		161	9,887
		<hr/>	<hr/>
		7,630	19,135
Creditors: Amounts falling due within one year	15	(12,275)	(24,898)
		<hr/>	<hr/>
Net current liabilities		(4,645)	(5,763)
		<hr/>	<hr/>
Total assets less current liabilities		74,562	84,547
		<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	16	(6,666)	(7,692)
		<hr/>	<hr/>
Net assets		67,896	76,855
		<hr/>	<hr/>
Capital and reserves			
Called-up share capital	18	6	6
Revaluation reserve	19	38,579	49,683
Profit and loss account	19	29,311	27,166
		<hr/>	<hr/>
Equity shareholders' funds	20	67,896	76,855
		<hr/>	<hr/>

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

Company balance sheet

31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Chief rents	9	33	33
Tangible assets	11	52,279	63,380
Investments	12	-	-
		<u>52,312</u>	<u>63,413</u>
Current assets			
Stocks	13	3,242	3,196
Debtors	14	12,991	11,343
Cash at bank and in hand		-	9,864
		<u>16,233</u>	<u>24,403</u>
Creditors: Amounts falling due within one year	15	<u>(24,003)</u>	<u>(30,971)</u>
Net current liabilities		<u>(7,770)</u>	<u>(6,568)</u>
Total assets less current liabilities		44,542	56,845
Creditors: Amounts falling due after more than one year	16	<u>(6,666)</u>	<u>(7,692)</u>
Net assets		<u>37,876</u>	<u>49,153</u>
Capital and reserves			
Called-up share capital	18	6	6
Revaluation reserve	19	19,910	31,014
Profit and loss account	19	17,960	18,133
Equity shareholders' funds	20	<u>37,876</u>	<u>49,153</u>

The accounts on pages 5 to 26 were approved by the board of directors on 24 September 2001 and signed on its behalf by:



R. Ferrari
Director

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

Consolidated cash flow statement

For the year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Net cash inflow from operating activities	21	1,929	1,568
Returns on investments and servicing of finance	22	(532)	(1,124)
Taxation	22	-	(105)
Capital expenditure	22	(62)	(118)
Cash inflow before financing		<u>1,335</u>	<u>221</u>
Financing	22	(10,034)	(1,072)
Decrease in cash in the year	23	<u>(8,699)</u>	<u>(851)</u>

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

Statement of accounting policies

31 March 2001

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

Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of Britannia Hotels Limited and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Intangible assets - Goodwill

Goodwill arising on the acquisition of subsidiary 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 written off on a straight line basis over its useful economic life, which is twenty years. Provision is made for any impairment.

Intangible assets - Chief rents

Chief rents created are capitalised on the basis of 3 - 5 times the annual amounts receivable. No amortisation is provided on chief rents capitalised, as the amount involved would not be significant.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of depreciation and any provisions for impairment.

No depreciation is provided on freehold hotel properties or hotel properties with leases of twenty years or more to run at the balance sheet date or plant, machinery, fixtures and fittings. It is the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long, and residual values (based on prices prevailing at the time of acquisition or subsequent valuation) are so high, that their depreciation is insignificant. Moreover, whilst the initial costs incurred on extensive repair and refurbishment programmes are capitalised, those in respect of items subsequently replaced are written off to the profit and loss account as incurred. In accordance with FRS 15 "Tangible fixed assets", the Directors perform an annual impairment review. Any deficits are charged in the profit and loss account except where the asset has been revalued, the deficit is charged to the revaluation reserve.

Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of assets over their expected useful lives as follows:

Motor vehicles	25% per annum reducing balance basis.
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Statement of accounting policies (continued)

Revaluation of properties

The group has taken advantage of the transitional provisions of FRS 15 "Tangible fixed assets" and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard.

On the disposal of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

Current tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

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.

Leases

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

Notes to accounts

31 March 2001

1 Turnover

	2001 £'000	2000 £'000
Area of activity:		
Hoteliers	27,155	29,491
Rental income and sale of development properties	216	221
	<u>27,371</u>	<u>29,712</u>

2 Other operating expenses (net)

	2001 £'000	2000 £'000
Distribution expenses	921	894
Administrative expenses	11,683	10,614
	<u>12,604</u>	<u>11,508</u>

3 Finance charges (net)

Investment income

	2001 £'000	2000 £'000
Other interest receivable and similar income	<u>568</u>	<u>369</u>

Interest payable and similar charges

	2001 £'000	2000 £'000
Bank loans and overdrafts	<u>1,365</u>	<u>1,375</u>

Finance charges (net)

Interest payable and similar charges	1,365	1,375
Less: investment income	<u>(568)</u>	<u>(369)</u>
	<u>797</u>	<u>1,006</u>

Notes to accounts (continued)

4 Profit on ordinary activities before taxation

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

	2001 £'000	2000 £'000
Depreciation	58	43
Amortisation of goodwill	2	2
Operating lease rentals		
- other	164	164
Auditors' remuneration for audit services	17	20

At 31 March 2000, an accrual of £4,400,000 was made for intended refurbishment of hotels in the group. Due to a change in circumstances, actual expenditure was £3,712,069 which resulted in £687,931 being credited to other operating expenses in the profit and loss account in the year ended 31 March 2001. At 31 March 2001, an accrual of £550,000 has been made for other intended refurbishment programmes; see note 15 for additional information.

Amounts payable to Arthur Andersen by the company and its UK subsidiary undertakings in respect of non-audit services were £21,000 (2000 - £nil)

5 Staff costs

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

	2001 Number	2000 Number
Office and management	127	142
Directors	2	2
Direct workers	1,140	1,413
	<u>1,269</u>	<u>1,557</u>

	2001 £'000	2000 £'000
Their aggregate remuneration comprised:		
Wages and salaries	7,244	10,584
Social security costs	648	781
	<u>7,892</u>	<u>11,365</u>

Notes to accounts (continued)

6 Directors' remuneration, interests and transactions

The total amounts for directors' remuneration was as follows:

	2001 £'000	2000 £'000
Emoluments	<u>18</u>	<u>119</u>

7 Tax on profit on ordinary activities

The tax charge comprises:

	2001 £'000	2000 £'000
Adjustments in respect of prior years		
- UK corporation tax	<u>-</u>	<u>105</u>
	<u>-</u>	<u>105</u>

There is no UK corporation tax charge for the year due to the availability of losses brought forward and group relief.

8 Profit attributable to Britannia Hotels Limited

The loss for the financial year dealt with in the accounts of the parent company, Britannia Hotels Limited, was £173,000 (2000 - loss £1,106,000). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

Notes to accounts (continued)

9 Intangible fixed assets - chief rents

Group and company

	Chief rents capitalised £'000
Cost or valuation	
At 1 April 2000 and 31 March 2001	33
Amortisation	
At 1 April 2000 and 31 March 2001	-
Net book value	
At 1 April 2000 and 31 March 2001	33

10 Intangible fixed assets - Goodwill

Group

Cost

At 1 April 2000 and 31 March 2001	50
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Amortisation

At 1 April 2000	12
Charge for the year	2
At 31 March 2001	14

Net book value

At 31 March 2000	38
At 31 March 2001	36

Notes to accounts (continued)

11 Tangible fixed assets

Group	Freehold land, buildings, and improvements alterations £'000	Long leasehold land and buildings £'000	Plant, machinery fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 April 2000	50,458	20,942	18,662	331	90,393
Additions	-	-	-	63	63
Disposals	-	-	-	(18)	(18)
At 31 March 2001	<u>50,458</u>	<u>20,942</u>	<u>18,662</u>	<u>376</u>	<u>90,438</u>
Depreciation					
At 1 April 2000	-	-	-	154	154
Charge for the year	-	-	-	58	58
Disposals	-	-	-	(16)	(16)
Impairment provision	11,104	-	-	-	11,104
At 31 March 2001	<u>11,104</u>	<u>-</u>	<u>-</u>	<u>196</u>	<u>11,300</u>
Net book value					
At 31 March 2000	<u>50,458</u>	<u>20,942</u>	<u>18,662</u>	<u>177</u>	<u>90,239</u>
At 31 March 2001	<u>39,354</u>	<u>20,942</u>	<u>18,662</u>	<u>180</u>	<u>79,138</u>

Notes to accounts (continued)

11 Tangible fixed assets (continued)

Company	Freehold land and buildings and improvements £'000	Plant, machinery fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 April 2000	48,610	14,593	331	63,534
Additions	-	-	63	63
Disposals	-	-	(18)	(18)
At 31 March 2001	48,610	14,593	376	63,579
Depreciation				
At 1 April 2000	-	-	154	154
Charge for the year	-	-	58	58
Disposals	-	-	(16)	(16)
Impairment provision	11,104	-	-	11,104
At 31 March 2001	11,104	-	196	11,300
Net book value				
At 31 March 2000	48,610	14,593	177	63,380
At 31 March 2001	37,506	14,593	180	52,279

The company has adopted Financial Reporting Standard No. 15 Tangible Fixed Assets and has followed the transitional provisions to retain the revalued amount of certain land and buildings.

Group

The freehold land, and buildings and improvements and corresponding plant, machinery fixtures and fittings were valued in 1988 at £36,950,000 for land and buildings and £12,658,000 for plant, machinery, fixtures and fittings.

The long leasehold land and buildings and corresponding plant, fixtures and fittings were valued in 1994 at £20,942,00.

In accordance with Financial Reporting Standard No. 1, Impairment of tangible assets, the directors have performed an impairment review on all freehold land, buildings and improvements, long leasehold land and buildings and plant, machinery, fixtures and fittings. This has resulted in an impairment loss of £11,104,000 which has been debited to the revaluation reserve.

Notes to accounts (continued)

11 Tangible fixed assets (continued)

If land and buildings and plant, machinery, fixtures and fittings had not been revalued they would have been included at the following amounts:

	2001			2000		
	Freehold land, buildings and improvements £'000	Long Leasehold land and buildings £'000	Plant, machinery, fixtures and fittings £'000	Freehold land and buildings improvements £'000	Long leasehold land and buildings £'000	Plant, machinery fixtures and fittings £'000
Cost and net book value	<u>9,731</u>	<u>3,328</u>	<u>7,808</u>	<u>9,731</u>	<u>3,328</u>	<u>7,808</u>

Company

The freehold land, buildings and improvements and corresponding plant, machinery, fixtures and fittings were valued in 1998 at £36,950,000 for land and buildings and £8,600,000 for plant, machinery, fixtures and fittings.

In accordance with Financial Reporting Standard No. 1, Impairment of the directors have performed an impairment review on all freehold land, buildings and improvements, long leasehold land and buildings and plant, machinery, fixtures and fittings. This has resulted in an impairment loss of £11,104,000 which has been debited to the revaluation reserve.

If land and buildings and plant, machinery, fixtures and fittings had not been revalued they would have been included at the following amounts:

	2001		2000	
	Freehold land, buildings and improvements £'000	Plant, machinery, fixtures and fittings £'000	Freehold land and buildings improvements £'000	Plant, machinery fixtures and fittings £'000
Cost and net book value	<u>9,731</u>	<u>4,805</u>	<u>9,731</u>	<u>4,805</u>

12 Fixed asset investments

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Subsidiary undertakings	<u>100</u>	<u>100</u>	<u>402</u>	<u>402</u>

Notes to accounts (continued)

12 Fixed asset investments (continued)

Group

The directors consider that consolidating Britannia Hotel (Manchester) Limited would be of no real value to the group's members in view of the insignificant amounts involved.

	Aggregate capital and reserves at 31 March 2001 £'000
Britannia Hotel (Manchester) Limited	83

Company

The parent company has investments in the following subsidiary undertakings which principally affected the profits or net assets of the group.

	Country of incorporation or principal business address	Principal activity	Holding %
Britannia Adelphi Hotel Limited	England and Wales	Hoteliers	100
Britannia Hotels Payroll Services Limited	England and Wales	Provision of labour	100
Birmingham International Hotel Limited	England and Wales	Hoteliers	100
Britannia Developments (Manchester) Limited	England and Wales	Dormant	100

All of the subsidiaries are directly owned by Britannia Hotels Limited.

Notes to accounts (continued)

13 Stocks

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Development properties	3,054	3,056	3,054	3,056
Wet stocks	195	178	111	98
Food stocks	108	89	47	38
Other	69	6	30	4
	<u>3,426</u>	<u>3,329</u>	<u>3,242</u>	<u>3,196</u>

14 Debtors

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade debtors	1,101	916	773	506
Amounts owed by group undertakings	-	-	8,448	7,009
Other debtors	2,628	3,545	3,582	3,181
Prepayments and accrued income	196	1,455	74	647
Corporation tax receivable	118	3	114	-
	<u>4,043</u>	<u>5,919</u>	<u>12,991</u>	<u>11,343</u>

15 Creditors: Amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Other creditors				
Bank loans and overdrafts	4,155	14,183	9,425	17,111
Other loans	-	7	-	-
Trade creditors	1,043	1,008	687	536
Amounts owed to group undertakings	72	60	8,629	5,706
Other taxation and social security	547	641	330	53
Other creditors	3,670	2,503	2,954	3,441
Accruals and deferred income	2,788	6,496	1,978	4,124
	<u>12,275</u>	<u>24,898</u>	<u>24,003</u>	<u>30,971</u>

Included in accruals and deferred income at 31 March 2001 is an accrual for refurbishment costs of £550,000 (2000-£4,400,000); see note 4 for additional information.

Notes to accounts (continued)

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank loans	<u>6,666</u>	<u>7,692</u>	<u>6,666</u>	<u>7,692</u>

Borrowings are repayable as follows:

	Group and Company	
	2001 £'000	2000 £'000
Bank loans		
Between one and two years	1,026	1,026
Between two and five years	3,076	3,076
After five years	<u>2,564</u>	<u>3,590</u>
	6,666	7,692
On demand or within one year	<u>1,026</u>	<u>1,026</u>
	<u>7,692</u>	<u>8,718</u>

The bank loan is secured on a fixed charge on the Britannia Hotel, Manchester. The interest rate on the loan is linked to the bank base rate. The loan is repayable over a period to September 2008.

17 Provisions for liabilities and charges

Deferred taxation provided and deferred taxation not provided are as follows:

	Provided		Not provided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Group				
Accelerated capital allowances	-	-	8,246	7,970
Other timing differences	-	-	(15)	(15)
Tax losses available	-	-	<u>(1,783)</u>	<u>(2,258)</u>
	-	-	<u>6,448</u>	<u>5,697</u>

Notes to accounts (continued)

17 Provisions for liabilities and charges (continued)

	Provided		Not provided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Company				
Accelerated capital allowances	-	-	6,371	6,132
Other timing differences	-	-	(12)	(12)
Tax losses available	-	-	(1,783)	(1,783)
	<u>-</u>	<u>-</u>	<u>4,576</u>	<u>4,337</u>

18 Called-up share capital

	2001 £'000	2000 £'000
<i>Authorised</i>		
10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>
<i>Allotted, called-up and fully-paid</i>		
5,500 ordinary shares of £1 each	<u>6</u>	<u>6</u>

19 Reserves

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Group			
At 1 April 2000	49,683	27,166	76,849
Impairment provision on fixed assets	(11,104)	-	(11,104)
Retained profit for the year	-	2,145	2,145
At 31 March 2001	<u>38,579</u>	<u>29,311</u>	<u>67,890</u>

Notes to accounts (continued)

19 Reserves (continued)

Company	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2000	31,014	18,133	49,147
Impairment provision on fixed assets	(11,104)	-	(11,104)
Retained profit for the year	-	(173)	(173)
At 31 March 2001	<u>19,910</u>	<u>17,960</u>	<u>37,870</u>

20 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Group		
Profit for the financial year	2,145	1,115
Other gains and losses relating to the year (net)	<u>(11,104)</u>	<u>-</u>
Net (reduction) addition to shareholders' funds	(8,959)	1,115
Opening shareholders' funds	<u>76,855</u>	<u>75,740</u>
Closing shareholders' funds	<u>67,896</u>	<u>76,855</u>

21 Reconciliation of operating profit to operating cash flows

	2001 £'000	2000 £'000
Operating profit	2,942	2,226
Amortisation of goodwill	2	2
Depreciation charges	58	43
Loss on sale of tangible fixed assets	1	4
(Increase) decrease in stocks	(97)	24
Decrease (increase) in debtors	1,876	(2,017)
(Decrease) increase in creditors	<u>(2,853)</u>	<u>1,286</u>
Net cash inflow from operating activities	<u>1,929</u>	<u>1,568</u>

Notes to accounts (continued)

22 Analysis of cash flows

	2001 £'000	2000 £'000
<i>Returns on investments and servicing of finance</i>		
Interest received	568	369
Interest paid	(1,100)	(1,493)
Net cash outflow	(532)	(1,124)

Taxation

UK corporation tax paid	-	(105)
Net cash outflow	-	(105)

Capital expenditure

Purchase of tangible fixed assets	(63)	(125)
Sale of tangible fixed assets	1	7
Net cash outflow	(62)	(118)

	2001 £'000	2000 £'000
<i>Financing</i>		
Repayment of bank loans	(10,027)	(1,026)
Repayment of other loans	(7)	(46)
Net cash outflow	(10,034)	(1,072)

23 Analysis and reconciliation of net debt

	1 April 2000 £'000	Cash flow £'000	31 March 2001 £'000
Cash at bank and in hand	(9,887)	9,726	(161)
Overdrafts	4,157	(1,027)	3,130
		8,699	
Debt due after 1 year	7,692	(1,026)	6,666
Debt due within 1 year	10,033	(9,008)	1,025
		(10,034)	
Net debt	11,995	(1,335)	10,660

Notes to accounts (continued)

23 Analysis and reconciliation of net debt (continued)

	2001 £'000	2000 £'000
Decrease in cash in the year	(8,699)	(851)
Cash outflow from decrease in debt	10,034	1,072
Movement in net debt in year	1,335	221
Net debt at start of year	(11,995)	(12,216)
Net debt at end of year	(10,660)	(11,995)

24 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001 Land and buildings £'000	2000 Land and Buildings £'000
Group		
Expiry date		
- between two and five years	164	164

25 Contingent liabilities

Company

The company has guaranteed to the Royal Bank of Scotland the borrowing of Britannia Adelphi Limited and Britannia Hotels Payroll Services Limited. At 31 March 2001 the potential liability amounted to £Nil (2000 - £nil).

26 Related party transactions

During the year the company entered into transactions with various businesses in which the shareholders, A. Langsam and M.S. Morton and/or directors are materially interested as detailed below:

Company	Interested as shareholder	Interested as director
Britannia Country House Hotel Limited	A. Langsam M.S. Morton	R. Ferrari Britannia Hotels Limited
The Britannia Hotel Wolverhampton Limited	A. Langsam M.S. Morton	R. Ferrari Britannia Hotels Limited
MSM Construction Limited		M.S. Morton

Notes to accounts (continued)

26 Related party transactions (continued)

Business	Interested as proprietors
Langsam and Morton Hoteliers	A. Langsam M.S. Morton
A. Langsam Hoteliers – Coventry	A. Langsam
A. Langsam Estate Agents	A. Langsam
Hotel Management Services	A. Langsam M.S. Morton
A. Langsam Hoteliers – Royal Albion	A. Langsam
St Peter's Court (Bosworth) Flat Management Company Limited	A. Langsam M.S. Morton

Included in amounts due to subsidiary undertakings is the following balance:

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Britannia Hotel (Manchester) Limited	72	60	72	60

Included in other debtors (creditors) are the following balances:

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Britannia Country House Hotel Limited	2,073	1,667	2,310	1,594
The Britannia Hotel Wolverhampton Limited	73	278	(356)	(180)
MSM Construction Limited	446	1,583	539	1,583
Langsam and Morton Hoteliers	(644)	(1,386)	697	(2,120)
A. Langsam Hoteliers – Coventry	11	7	9	-
A. Langsam Estate Agents	(83)	(59)	(83)	(59)
Hotel Management Services	(2,815)	(807)	(2,381)	(931)
A. Langsam Hoteliers - Royal Albion	10	-	10	-
St Peter's Court (Bosworth) Flat Management Company Limited	1	-	1	-

Notes to accounts (continued)

26 Related party transactions (continued)

The group charged its related parties for payroll services during the year as follows:

	2001 £'000	2000 £'000
Britannia Country House Hotel Limited	275	742
The Britannia Hotel Wolverhampton Limited	55	165
Langsam and Morton Hoteliers	1,420	3,634
Hotel Management Services	347	766
A. Langsam Hotelier – Coventry	14	50

Transactions with MSM Construction Limited consisted of the supply of maintenance and repair work by that company for the group totalling £5,518,357 (2000 - £5,152,174) and the company totalling £3,992,978 (2000 - £4,610,408).

These amounts are included within other operating expenses.

Transactions with Hotel Management Services consisted of management charges for services provided by that business for the group totalling £2,837,950 (2000 - £1,290,000) and for the company totalling £1,904,632 (2000 - £601,000). During the year rent was received from Hotel Management Services for premises used by that business totalling £65,000 (2000 - £65,000).

The group provided sales and management and marketing services to The Britannia Hotel Wolverhampton Limited totalling £nil (2000 - £224,000).

27 Ultimate controlling party

The ultimate controlling parties are A. Langsam and M.S. Morton by virtue of their shareholdings in the company.

28 Prior year comparatives

The prior year comparative information was audited by another entity other than Arthur Andersen.