

**Britannia Hotels Limited
and subsidiary undertakings**

Annual report and financial statements
for the year ended 31 March 2004

Registered number: 1343600



Directors' report

For the year ended 31 March 2004

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 March 2004.

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 13 to the financial statements.

The directors are satisfied with the results for the year and anticipate the general level of activity to continue in the future.

Results and dividends

The audited financial statements for the year ended 31 March 2004 are set out on pages 6 to 28. The group's profit for the year after taxation was £2,102,000 (2003 – £224,000).

The directors propose a final dividend payment in the current year of £1,168,000 (2003 – £Nil).

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.

Directors' report (continued)

Disabled employees

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

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

253 Hale Road
Hale
Cheshire
WA15 8RE

By order of the Board,

R. Ferrari
Director



24 September 2004

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

Independent auditors' report to the members of Britannia Hotels Limited

We have audited the financial statements of Britannia Hotels Limited for the year ended 31 March 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the statement of accounting policies and the related notes numbered 1 to 28. *These financial statements have been prepared under the accounting policies set out therein.*

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company and group have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

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

Basis of audit opinion

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

Independent auditors' report (continued)

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 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Manchester

27/9/04

Consolidated profit and loss account

For the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
Turnover	1	30,207	28,401
Cost of sales		(11,970)	(11,773)
Gross profit		18,237	16,628
Other operating expenses (net)	2	(15,320)	(15,098)
Operating profit		2,917	1,530
Finance charges (net)	3	(413)	(530)
Profit on ordinary activities before taxation	4	2,504	1,000
Tax on profit on ordinary activities	7	(402)	(776)
Profit on ordinary activities after taxation		2,102	224
Dividends	8	(1,168)	-
Retained profit for the year	20	934	224

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

All activity arose from continuing operations.

There were no other recognised gains or losses for the year other than the profit for the year.

Consolidated balance sheet

31 March 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Chief rents	10	33	33
Goodwill	11	30	32
		<hr/>	<hr/>
Intangible assets		63	65
Tangible assets	12	79,203	79,158
Investments	13	-	-
		<hr/>	<hr/>
		79,266	79,223
Current assets			
Stocks	14	2,899	3,398
Debtors	15	8,048	6,241
Cash at bank and in hand		82	1,195
		<hr/>	<hr/>
		11,029	10,834
Creditors: Amounts falling due within one year	16	(15,438)	(15,244)
		<hr/>	<hr/>
Net current liabilities		(4,409)	(4,410)
		<hr/>	<hr/>
Total assets less current liabilities		74,857	74,813
	17		
Creditors: Amounts falling due after more than one year		(3,333)	(4,615)
Provisions for liabilities and charges	18	(2,273)	(1,881)
		<hr/>	<hr/>
Net assets		69,251	68,317
		<hr/>	<hr/>
Capital and reserves			
Called-up share capital	19	6	6
Revaluation reserve	20	38,579	38,579
Profit and loss account	20	30,666	29,732
		<hr/>	<hr/>
Equity shareholders' funds	21	69,251	68,317
		<hr/>	<hr/>

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

Company balance sheet

31 March 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Chief rents	10	33	33
Tangible assets	12	52,312	52,282
Investments	13	-	-
		<u>52,345</u>	<u>52,315</u>
Current assets			
Stocks	14	2,754	3,226
Debtors	15	13,371	8,983
Cash at bank and in hand		37	2,019
		<u>16,162</u>	<u>14,228</u>
Creditors: Amounts falling due within one year	16	<u>(15,850)</u>	<u>(13,725)</u>
Net current assets		<u>312</u>	<u>503</u>
Total assets less current liabilities		<u>52,657</u>	<u>52,818</u>
Creditors: Amounts falling due after more than one year	17	<u>(3,333)</u>	<u>(4,615)</u>
Provisions for liabilities and charges	18	<u>(1,785)</u>	<u>(1,413)</u>
Net assets		<u>47,539</u>	<u>46,790</u>
Capital and reserves			
Called-up share capital	19	6	6
Revaluation reserve	20	19,910	19,910
Profit and loss account	20	27,623	26,874
Equity shareholders' funds	21	<u>47,539</u>	<u>46,790</u>

The financial statements on pages 6 to 28 were approved by the board of directors on 24 September 2004 and signed on its behalf by:



R. Ferrari
Director

24 September 2004

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

Consolidated cash flow statement

For the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
Net cash (outflow) inflow from operating activities	22	(503)	3,732
Returns on investments and servicing of finance	23	(496)	(621)
Taxation	23	100	-
Capital expenditure	23	(173)	10
Cash (outflow) inflow before financing		(1,072)	3,121
Financing	23	(1,282)	(10,025)
Decrease in cash in the year	24	(2,354)	(6,904)

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

Statement of accounting policies

31 March 2004

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

Basis of accounting

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

Basis of consolidation

The group financial statements consolidate the financial statements of Britannia Hotels Limited and its material 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.

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 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 including development properties held for resale, are stated at the lower of cost and net realisable value.

Taxation

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

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

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

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is measured on a discounted basis to reflect the true value of money over the period between the balance sheet date and the dates on which it is estimated that the underlying timing differences will reverse, up to a maximum period of 25 years. The discount rates used reflect the post tax yields to maturity that can be obtained on government bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

Statement of accounting policies (continued)

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 financial statements

31 March 2004

1 Turnover

	2004 £'000	2003 £'000
Area of activity:		
Hotellers	30,023	28,180
Rental income	184	221
	<u>30,207</u>	<u>28,401</u>

All turnover arose from activity in the UK.

2 Other operating expenses (net)

	2004 £'000	2003 £'000
Distribution expenses	1,459	1,294
Administrative expenses	13,861	13,804
	<u>15,320</u>	<u>15,098</u>

3 Finance charges (net)

	2004 £'000	2003 £'000
<i>Investment income</i>		
Other interest receivable and similar income	<u>13</u>	<u>242</u>
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	<u>426</u>	<u>772</u>
<i>Finance charges (net)</i>		
Interest payable and similar charges	426	772
Less: investment income	<u>(13)</u>	<u>(242)</u>
	<u>413</u>	<u>530</u>

Notes to financial statements (continued)

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2004 £'000	2003 £'000
Depreciation	49	40
Amortisation of goodwill	2	2
Operating lease rentals		
- other	109	109
Staff costs (note 5)	8,980	8,934
Auditors' remuneration for audit services	17	17
	<hr/>	<hr/>

Amounts payable to Deloitte & Touche LLP in respect of non-audit services were £147,830 (2003 - £67,652).

5 Staff costs

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

	2004 Number	2003 Number
Office and management	111	130
Directors	2	2
Direct workers	1,170	1,046
	<hr/>	<hr/>
	1,283	1,178

	2004 £'000	2003 £'000
Their aggregate remuneration comprised:		
Wages and salaries	8,157	8,146
Social security costs	823	788
	<hr/>	<hr/>
	8,980	8,934

Notes to financial statements (continued)

6 Directors' remuneration, interests and transactions

The total amounts for directors' remuneration was as follows:

	2004 £'000	2003 £'000
Emoluments	<u>138</u>	<u>125</u>

7 Tax on profit on ordinary activities

The tax charge comprises:

	2004 £'000	2003 £'000
Current tax		
UK corporation tax	-	-
Adjustment in respect of prior years	<u>10</u>	<u>-</u>
Total current tax	<u>10</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	545	2,024
Increase in discount	<u>(153)</u>	<u>(1,248)</u>
Total deferred tax (see note 18)	<u>392</u>	<u>776</u>
Total tax on profit on ordinary activities	<u>402</u>	<u>776</u>

Notes to financial statements (continued)

7 Tax on profit on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	<u>2,504</u>	<u>1,000</u>
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30% (2003 – 30%)	751	300
Effects of:		
Net income not taxable/expenses not deductible for tax purposes	(118)	59
Capital allowances in excess of depreciation	(420)	(385)
Utilisation of tax losses	(247)	(157)
Tax losses carried forward	34	183
Adjustment in respect of prior years	10	-
Current tax charge for the year	<u>10</u>	<u>-</u>

The company earns its profits in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%.

8 Dividends proposed on equity shares

	2004 £'000	2003 £'000
Dividends payable on ordinary shares	<u>1,168</u>	<u>-</u>

The dividend during the year was made as a dividend in specie which comprised a number of development properties with a book value of £1,168,000.

9 Profit attributable to Britannia Hotels Limited

The profit for the financial year dealt with in the financial statements of the parent company, Britannia Hotels Limited, was £1,917,000 (2003 – £7,657,000). 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 financial statements (continued)

10 Intangible fixed assets - chief rents

Group and company

Chief rents
capitalised
£'000

Cost and net book value

At 1 April 2003 and 31 March 2004

33

11 Intangible fixed assets - Goodwill

Group

Goodwill
£'000

Cost

At 1 April 2003 and 31 March 2004

50

Amortisation

At 1 April 2003

18

Charge for the year

2

At 31 March 2004

20

Net book value

At 31 March 2004

30

At 31 March 2003

32

12 Tangible fixed assets

	Freehold land, buildings and improvements £'000	Long leasehold land and buildings £'000	Plant, machinery, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Group					
Cost or valuation					
At 1 April 2003	39,354	20,942	18,743	353	79,392
Additions	-	-	50	153	203
Disposals	-	-	-	(285)	(285)
At 31 March 2004	39,354	20,942	18,793	221	79,310
Depreciation					
At 1 April 2003	-	-	-	234	234
Charge for the year	-	-	-	49	49
Disposals	-	-	-	(176)	(176)
At 31 March 2004	-	-	-	107	107
Net book value					
At 31 March 2004	39,354	20,942	18,793	114	79,203
At 31 March 2003	39,354	20,942	18,743	119	79,158

Notes to financial statements (continued)

12 Tangible fixed assets (continued)

	Freehold land, buildings and improvements £'000	Plant, machinery fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Company				
Cost or valuation				
At 1 April 2003	37,506	14,657	353	52,516
Additions	-	35	153	188
Disposals	-	-	(285)	(285)
At 31 March 2004	37,506	14,692	221	52,419
Depreciation				
At 1 April 2003	-	-	234	234
Charge for the year	-	-	49	49
Disposals	-	-	(176)	(176)
At 31 March 2004	-	-	107	107
Net book value				
At 31 March 2004	37,506	14,692	114	52,312
At 31 March 2003	37,506	14,657	119	52,282

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 1998 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 £20,942,000.

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

	2004			2003		
	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	25,038	5,310	10,162	25,038	5,310	10,112

Notes to financial statements (continued)

12 Tangible fixed assets (continued)

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.

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

	2004		2003	
	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	23,190	9,098	23,190	9,063

13 Fixed asset investments

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Subsidiary undertakings	100	100	402	402

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 2004 £'000
Britannia Hotel (Manchester) Limited	89

Notes to financial statements (continued)

13 Fixed asset investments (continued)

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	Dormant	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.

14 Stocks

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Development properties	2,572	3,050	2,572	3,050
Wet stocks	189	220	115	120
Food stocks	92	87	40	34
Other	46	41	27	22
	<u>2,899</u>	<u>3,398</u>	<u>2,754</u>	<u>3,226</u>

15 Debtors

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	721	704	406	503
Amounts owed by group undertakings	-	-	5,789	1,848
Other debtors	6,828	5,204	6,840	6,435
Prepayments and accrued income	492	214	333	82
Corporation tax receivable	7	119	3	115
	<u>8,048</u>	<u>6,241</u>	<u>13,371</u>	<u>8,983</u>

Notes to financial statements (continued)

16 Creditors: Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	2,267	1,026	8,123	1,026
Trade creditors	342	1,045	274	678
Amounts owed to group undertakings	91	86	1,074	3,276
Other taxation and social security	1,101	951	660	606
Other creditors	9,209	9,295	3,950	6,133
Accruals and deferred income	2,428	2,841	1,769	2,006
	<u>15,438</u>	<u>15,244</u>	<u>15,850</u>	<u>13,725</u>

17 Creditors: Amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank loans	<u>3,333</u>	<u>4,615</u>	<u>3,333</u>	<u>4,615</u>

Borrowings are repayable as follows:

	Group and Company	
	2004	2003
	£'000	£'000
Bank loans		
Between one and two years	1,026	1,026
Between two and five years	2,307	3,076
After five years	-	513
	<u>3,333</u>	<u>4,615</u>
On demand or within one year	1,026	1,026
	<u>4,359</u>	<u>5,641</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 the period to September 2008.

Notes to financial statements (continued)

18 Provisions for liabilities and charges

Group

	Deferred taxation £'000
At 1 April 2003	1,881
Charged to profit and loss account	392
At 31 March 2004	<u>2,273</u>

Company

	Deferred Taxation £'000
At 1 April 2003	1,413
Charged to profit and loss account	372
At 31 March 2004	<u>1,785</u>

Deferred tax

Deferred tax is provided as follows

	2004 £'000	2003 £'000
Group		
Accelerated capital allowances	5,225	5,002
Tax losses available	(363)	(685)
Undiscounted provision for deferred tax	<u>4,862</u>	<u>4,317</u>
Discount	(2,589)	(2,436)
Discounted provision for deferred tax	<u>2,273</u>	<u>1,881</u>

Company

	2004 £'000	2003 £'000
Accelerated capital allowances	4,252	4,032
Tax losses available	(363)	(685)
Undiscounted provision for deferred tax	<u>3,889</u>	<u>3,347</u>
Discount	(2,104)	(1,934)
Discounted provision for deferred tax	<u>1,785</u>	<u>1,413</u>

Notes to financial statements (continued)

19 Called-up share capital

	2004 £'000	2003 £'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>

20 Reserves

Group	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2003	38,579	29,732	68,311
Retained profit for the year	-	934	934
At 31 March 2004	<u>38,579</u>	<u>30,666</u>	<u>69,245</u>

Company	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2003	19,910	26,874	46,784
Retained profit for the year	-	749	749
At 31 March 2004	<u>19,910</u>	<u>27,623</u>	<u>47,533</u>

21 Reconciliation of movements in equity shareholders' funds

	2004 £'000	2003 £'000
Group		
Profit for the financial year	2,102	224
Dividends	(1,168)	-
Net addition to shareholders' funds	<u>934</u>	<u>224</u>
Opening equity shareholders' funds	68,317	68,093
Closing equity shareholders' funds	<u>69,251</u>	<u>68,317</u>

Notes to financial statements (continued)

	2004 £'000	2003 £'000
Company		
Profit for the financial year	1,917	7,657
Dividends	(1,168)	-
Net addition to shareholders' funds	749	7,657
Opening equity shareholders' funds	46,790	39,133
Closing equity shareholders' funds	47,539	46,790

22 Reconciliation of operating profit to operating cash flows

	2004 £'000	2003 £'000
Operating profit	2,917	1,530
Amortisation of goodwill	2	2
Depreciation charges	49	40
Release of development property provision	(690)	-
(Loss) profit on sale of tangible fixed assets	61	(1)
Decrease in stocks	21	10
Increase in debtors	(1,919)	(1,432)
(Decrease) increase in creditors	(944)	3,583
Net cash (outflow) inflow from operating activities	(503)	3,732

Notes to financial statements (continued)

23 Analysis of cash flows

	2004 £'000	2003 £'000
<i>Returns on investments and servicing of finance</i>		
Interest received	46	209
Interest paid	(542)	(830)
Net cash outflow	(496)	(621)
<i>Taxation</i>		
UK Corporation tax recovered	100	-
Net cash inflow	100	-
<i>Capital expenditure</i>		
Purchase of tangible fixed assets	(203)	(6)
Sale of tangible fixed assets	30	16
Net cash (outflow) inflow	(173)	10
<i>Financing</i>		
Repayment of bank loans	(1,282)	(10,025)
Net cash (outflow)	(1,282)	(10,025)

24 Analysis and reconciliation of net debt

	31 March 2003 £'000	Cash flow £'000	31 March 2004 £'000
Cash at bank and in hand	(1,195)	1,113	(82)
Overdrafts	-	1,241	1,241
	(1,195)	2,354	1,159
Debt due after 1 year	4,615	(1,282)	3,333
Debt due within 1 year	1,026	-	1,026
	5,641	(1,282)	4,359
Net debt	4,446	1,072	5,518

Notes to financial statements (continued)

24 Analysis and reconciliation of net debt (continued)

	2004 £'000	2003 £'000
Decrease in cash in the year	(2,354)	(6,904)
Cash outflow from decrease in debt	1,282	10,025
Movement in net debt in year	(1,072)	3,121
Net debt at start of year	(4,446)	(7,567)
Net debt at end of year	(5,518)	(4,446)

25 Financial commitments

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

	2004 Land and buildings £'000	2003 Land and buildings £'000
Group		
Expiry date		
- between two and five years	109	109

26 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 2004 the potential liability amounted to £nil (2003 - £970,451).

Notes to financial statements (continued)

27 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
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	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Britannia Hotel (Manchester) Limited	91	86	91	86

Notes to financial statements (continued)

27 Related party transactions (continued)

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

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Britannia Country House Hotel Limited	3,200	2,980	3,207	2,980
The Britannia Hotel Wolverhampton Limited	(169)	63	(164)	63
Hotel Management Services - Building Division	(4,545)	(3,031)	(1,437)	(1,425)
MSM Construction Limited	-	-	-	-
Langsam and Morton Hoteliers	2,672	(1,692)	2,673	(192)
A. Langsam Hoteliers - Coventry	857	(197)	861	(197)
A. Langsam Estate Agents	(43)	(30)	(43)	(30)
Hotel Management Services	(4,301)	1,949	(2,218)	3,179
A. Langsam Hoteliers - Royal Albion	-	-	-	-
St Peter's Court (Bosworth) Flat Management Company Limited	11	16	11	16
A. Langsam Hoteliers - Prince of Wales	88	(90)	88	(86)
A. Langsam Hoteliers - Northenden	-	-	-	-
Parkhead Developments (Manchester) Limited	(11)	-	(11)	-

Transactions with Hotel Management Services - Building Division consisted of the supply of maintenance and repair work by that entity for the group totalling £1,161,311 (2003 - £951,446) and the company totalling £714,716 (2003 - £680,032). 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 £5,236,288 (2003 - £4,367,036) and for the company totalling £3,014,582 (2003 - £2,659,742). During the year rent was received from Hotel Management Services for premises used by that business totalling £65,000 (2003 - £65,000).

The company and group have taken advantage of the exemption under Financial Reporting Standard No. 8 whereby 90% owned subsidiaries need not disclose related party transactions with group companies for which consolidated financial statements have been prepared.

28 Ultimate controlling party

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