AMENDING

Britannia Hotels Limited
and subsidiary undertakings

Annual report and financial statements
for the year ended 31 March 2008

Registered number: 1343600

Directors' report

For the year ended 31 March 2008

The directors present their report and financial statements of the group for the year ended 31 March 2008.

Principal activities

The group's principal activities continue to be the operating of hotels and property development. It also sells conference room hire, banqueting functions and health club membership.

Results and dividends

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements, and are discussed further in the business review below.

The company has paid no dividends during the year (2007: £Nil).

Business review

The turnover for the year ended 31 March 2008 was £39.2 million (2007: £37.2 million) – a rise of 5.43% on last year. The group made a loss before tax of £3,601,000 (2007: loss before tax £1,636,000). The loss is attributable to the considerable expenditure associated with the programme of hotel refurbishment that has been undertaken during the year.

Strategy

The strategy adopted during the year has been to maintain the properties in the group to a high standard in order to meet the challenges presented by an increasingly competitive market. The group aims to offer increasing levels of comfort and service whilst maintaining its highly competitive prices and reputation for good value.

Turnover

Sales have achieved a growth of 5.43%, constrained by the unavoidable disruption associated with refurbishment of properties during the year.

Gross profit

The gross margin achieved for the year equated to 59.1% (2007: 58.49%). The additional competition from new hotels has restricted the opportunity to increase average room rates in the short term. It is anticipated that the improvements associated with the refurbishment programme will enable us to sustain the level of profitability going forward despite the expected economic downturn.

Operating costs

Increased operating costs during the year have resulted from higher levels of expenditure associated with the implementation of a refurbishment programme designed to improve the condition and facilities of many of the hotels in the group. In addition, the operating costs have been adversely affected by the rising prices of utilities and food during the year.

Key Performance Indicators

The directors manage the groups' operations on a hotel-by-hotel basis. For this reason it is believed that no additional KPI's to those set out above are needed to understand the business further.

Future outlook

The directors recognise that the environment of increased competition in the UK hotel industry has placed additional demands on the business. In order to sustain and enhance our position in the market we have endeavoured to improve the standard of our product both in terms of facilities and levels of service. It is also recognised that economic conditions in the short term are likely to put strains upon the business. We are confident that the business is well placed in order to meet these challenges.

Principal risks and uncertainties

The hotel industry in the UK is becoming increasingly competitive and this brings an increased risk of losing major sales accounts to competitors. The group manages to control this risk by adding improved services whilst retaining highly competitive prices and maintaining good customer relationships. The group has no overseas operations.

Demand for hotel services can be affected by the general economic conditions in the country. We ensure that we retain the necessary flexibility on our prices in order to quickly respond to changing market conditions. In addition, we employ tight controls on our costs, particularly labour costs, in order to ensure that the group maintains its competitive position.

Financial risk management objectives and policies

The financial instruments used by the group include bank loans and overdrafts, cash and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The main risks arising from the group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Interest rate risk

The group finances its operations through a mixture of retained profit and bank borrowings. It is the group's policy to undertake borrowings on the basis of variable interest rate facilities. The directors are confident that the overall resources of the organisation are sufficient to enable us to easily absorb any potential changes in interest rates.

Liquidity risk
The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The group policy throughout the year has been to ensure continuity of funding so that at least 10% of its borrowings should mature in more than five years. At the year end, 44% of the group's borrowings were due to mature in more than five years.

Short-term flexibility is achieved by overdraft facilities.

The maturity of borrowings is set out in note 16 to the financial statements.

Credit risk
The group's principal financial assets are cash and trade debtors. The principal credit risk arises from the group's trade debtors. In order to manage credit risk, the directors enforce a rigorous system of third party credit references, constantly reviewed credit limits and uncompromising debt collection.

The directors who served during the year were as follows:

Mr R. Ferrari
Mr. D.E. Smith – Retired 19th December 2007
Mrs. E. Downey – Appointed 19th December 2007

Employees
Details of employees and related costs can be found in note 5 of the financial statements.

The group's policies and practices are laid out in employees' contracts of employment. Regular meetings are held within the individual hotels with heads of departments and the resulting information is passed to all 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 all 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 aptitude of the applicant concerned. In the event of any 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 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 Grant Thornton UK LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Halecroft
253 Hale Road
Hale
Cheshire
WA15 8RE

By order of the Board,

R. Ferrari
Director

26th September 2008

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the website and accordingly the auditors accept no responsibility for the information published.

Report of the independent auditors to the members of Britannia Hotels Limited
For the year ended 31 March 2008

We have audited the consolidated and parent company financial statements (the "financial statements") of Britannia Hotels Limited for the year ended 31 March 2008 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the statement of accounting policies and notes 1 to 27. 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 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' responsibilities for preparing the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company'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.

Report of the independent auditors to the members of Britannia Hotels Limited
For the year ended 31 March 2008

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2008 and of the group's loss for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the directors' report is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

Manchester

26 September 2008

Consolidated profit and loss account

For the year ended 31 March 2008

	Notes	**2008** **£'000**	2007 £'000
Turnover	1	39,235	37,216
Cost of sales		(16,049)	(15,449)
Gross profit		23,186	21,767
Other operating expenses	2	(25,379)	(22,506)
Operating loss		(2,193)	(739)
Interest payable and similar charges	3	(1,408)	(897)
Loss on ordinary activities before taxation	4	(3,601)	(1,636)
Tax on loss on ordinary activities	7	909	158
Retained loss for the year	19	(2,692)	(1,478)

All activity arose from continuing operations.

There were no other recognised gains or losses for the year other than the loss for the year. Accordingly, no separate consolidated statement of total recognised gains and losses has been prepared.

Consolidated balance sheet

31 March 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Chief rents	9	33	33
Goodwill	10	1,217	1,298
Intangible assets		1,250	1,331
Tangible assets	11	90,758	88,734
Investments	12	-	-
		92,008	90,065
Current assets			
Stocks	13	2,995	2,987
Debtors	14	9,765	7,416
Cash at bank and in hand		1,868	81
		14,628	10,484
Creditors: Amounts falling due within one year	15	(38,619)	(28,173)
Net current liabilities		(23,991)	(17,689)
Total assets less current liabilities		68,017	72,376
Provisions for liabilities and charges	17	(717)	(2,384)
Net assets		67,300	69,992
Capital and reserves			
Called-up share capital	18	6	6
Revaluation reserve	19	38,579	38,579
Profit and loss account	19	28,715	31,407
Equity shareholders' funds	20	67,300	69,992

Company balance sheet
31 March 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Chief rents	9	33	33
Tangible assets	11	61,634	61,272
Investments	12	2,000	2,000
		63,667	63,305
Current assets			
Stocks	13	2,843	2,829
Debtors	14	19,245	12,119
Cash at bank and in hand		53	54
		22,141	15,002
Creditors: Amounts falling due within one year	15	(36,478)	(27,853)
Net current liabilities		(14,337)	(12,851)
Total assets less current liabilities		49,330	50,454
Provisions for liabilities and charges	17	(623)	(1,805)
Net assets		48,707	48,649
Capital and reserves			
Called-up share capital	18	6	6
Revaluation reserve	19	19,910	19,910
Profit and loss account	19	28,791	28,733
Equity shareholders' funds	20	48,707	48,649

The financial statements on pages 8 to 29 were approved by the Board of Directors on 26 September 2008 and signed on its behalf by:

R. Ferrari
Director

Consolidated cash flow statement

For the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Net cash outflow from operating activities	21	(1,779)	(201)
Returns on investments and servicing of finance	22	(1,194)	(892)
Capital expenditure	22	(2,040)	2
Cash outflow before financing		(5,013)	(1,091)
Financing	22	6,184	315
Increase/(decrease) in cash in the year	23	1,171	(776)

Statement of accounting policies

For the year ended 31 March 2008

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.

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 substantively enacted by the balance sheet date.

Deferred tax is measured on a discounted basis to reflect the time 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.

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. Turnover in respect of accommodation is recognised overnight during each night the customer stays whilst other sales, including restaurant and bar revenue, are recognised at the point of purchase. Rental income is recognised in the period in which it is earned.

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.

1 Turnover

	2008 £'000	2007 £'000
Area of activity:		
Hoteliers	39,123	37,063
Rental income	112	153
	39,235	37,216

All turnover arose from activity in the UK.

2 Other operating expenses

	2008 £'000	2007 £'000
Distribution expenses	2,514	2,307
Administrative expenses	22,865	20,199
	25,379	22,506

3 Interest payable and similar charges

	2008 £'000	2007 £'000
Bank loans and overdrafts	1,203	897
Interest on late payment of corporation tax	205	-
	1,408	897

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2008 £'000	2007 £'000
Depreciation	12	17
Amortisation of goodwill	81	81
Operating lease rentals		
- other	952	800
Auditors' remuneration for audit services		
- for audit of these financial statements	34	30
- for audit of subsidiary financial statements	12	12

Amounts payable to Grant Thornton UK LLP in respect of corporation tax compliance services were £20,000 (2007 - £20,000).

5 Staff costs

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

	2008 Number	2007 Number
Office and management	117	152
Directors	2	2
Direct workers	987	958
	1,106	1,112

	2008 £'000	2007 £'000
Their aggregate remuneration comprised:		
Wages and salaries	11,280	11,021
Social security costs	1,339	1,158
	12,619	12,179

6 Directors' remuneration, interests and transactions

The total amounts for directors' remuneration was as follows:

	2008 £'000	2007 £'000
Emoluments	270	220
Emoluments in respect of the highest paid director	210	140

7 Tax on loss on ordinary activities

The tax charge comprises:

Current tax	**2008 £'000**	2007 £'000
UK corporation tax - current year	-	-
UK corporation tax - adjustment in respect of prior periods	757	-
Total current tax	757	-
Deferred tax		
Origination and reversal of timing differences	(3,711)	(367)
Decrease in discount	2,044	209
Total deferred tax (see note 17)	(1,667)	(158)
Total tax on loss on ordinary activities	(909)	(158)

7 Tax on loss 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 loss before tax is as follows.

	2008 £'000	2007 £'000
Loss on ordinary activities before tax	(3,601)	(1,636)
Tax on group loss on ordinary activities at standard UK corporation tax rate of 30% (2007 – 30%)	(1,080)	(491)
Effects of:		
Net expenses not deductible/allowable for tax purposes	(153)	16
Capital allowances in excess of depreciation	(363)	(377)
Utilisation of tax losses	-	(99)
Adjustment in respect of prior periods	757	-
Tax losses carried forward	1,596	951
Current tax charge for the year	757	-

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

8 Profit/(loss) 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 £58,000 (2007 - loss of £546,000). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

9 Intangible fixed assets - chief rents

Group and company	Chief rents capitalised £'000
Cost and net book value	
At 1 April 2007 and 31 March 2008	33

10 Intangible fixed assets - Goodwill

Group	Goodwill £'000
Cost	
At 1 April 2007 and 31 March 2008	1,474
Amortisation	
At 1 April 2007	176
Charge for the year	81
At 31 March 2008	257
Net book value	
At 31 March 2008	1,217
At 31 March 2007	1,298

11 Tangible fixed assets

Group	Freehold land, buildings and improvements £'000	Short leasehold land and buildings £'000	Long leasehold land and buildings £'000	Plant, machinery, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation						
At 1 April 2007	39,354	358	29,162	20,073	132	89,079
Additions	-	-	558	1,482	-	2,040
Disposals	-	-	-	-	(21)	(21)
At 31 March 2008	39,354	358	29,720	21,555	111	91,098
Depreciation						
At 1 April 2007	-	-	-	267	78	345
Charge for the year	-	-	-	-	12	12
Disposals	-	-	-	-	(17)	(17)
At 31 March 2008	-	-	-	267	73	340
Net book value						
At 31 March 2008	39,354	358	29,720	21,288	38	90,758
At 31 March 2007	39,354	358	29,162	19,806	54	88,734

11 Tangible fixed assets (continued)

	Long leasehold land, buildings £'000	Freehold land, buildings and improvements £'000	Plant, machinery fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Company					
Cost or valuation					
At 1 April 2007	8,220	37,506	15,492	132	61,350
Additions	135	-	243	-	378
Disposals	-	-	-	(21)	(21)
At 31 March 2008	8,355	37,506	15,735	111	61,707
Depreciation					
At 1 April 2007	-	-	-	78	78
Charge for the year	-	-	-	12	12
Disposals	-	-	-	(17)	(17)
At 31 March 2008	-	-	-	73	73
Net book value					
At 31 March 2008	8,355	37,506	15,735	38	61,634
At 31 March 2007	8,220	37,506	15,492	54	61,272

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, 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:

	2008			2007		
	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	14,088	12,668	25,038	13,530	11,186

11 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:

	2008		2007	
	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	23,325	10,141	23,190	9,898

12 Fixed asset investments

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Subsidiary undertakings	100	100	2,000,404	2,000,404

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 2008 £'000
Britannia Hotel (Manchester) Limited	99

12 Fixed asset investments (continued)

Company

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

	Country of incorporation or principal business address	Principal activity	Holding of ordinary shares %
Britannia Adelphi Hotel Limited	England and Wales	Hoteliers	100
Birmingham International Hotel Limited	England and Wales	Hoteliers	100
Metropole Hotel Blackpool Limited	England and Wales	Dormant	100
Grand Hotel Llandudno Limited	England and Wales	Dormant	100
Britannia Developments (Manchester) Limited	England and Wales	Dormant	100
Ambassador Hotels (Bournemouth) Limited	England and Wales	Holding company	100
Ambassador (East Cliff) Limited	England and Wales	Hoteliers	100
Britannia Hotel Bolton Limited	England and Wales	Hoteliers	100
Britannia Hotel Leeds Limited	England and Wales	Hoteliers	100

All of the subsidiaries are directly owned by Britannia Hotels Limited, apart from Ambassador (East Cliff) Limited. Britannia Hotels Limited has a direct holding of 5% in Ambassador (East Cliff) Limited and an indirect holding of 100% by virtue of the fact that Ambassador Hotels (Bournemouth) Limited holds the other 95%.

Notes to financial statements (continued)

13 Stocks

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Development properties	2,572	2,572	2,572	2,572
Wet stocks	227	227	150	144
Food stocks	111	108	69	63
Other	85	80	52	50
	2,995	2,987	2,843	2,829

14 Debtors

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Trade debtors	1,170	1,115	600	610
Amounts owed by group undertakings	-	-	10,121	5,757
Other debtors (note 26)	8,085	5,714	8,175	5,337
Prepayments and accrued income	510	580	349	412
Corporation tax receivable	-	7	-	3
	9,765	7,416	19,245	12,119

15 Creditors: Amounts falling due within one year

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	20,285	13,485	24,723	18,632
Trade creditors	1,008	1,071	600	633
Amounts owed to group undertakings	99	99	2,017	1,863
VAT	458	159	404	3
Corporation tax	757	-	58	-
Other taxation and social security	374	374	307	313
Other creditors (note 26)	12,023	9,382	5,836	3,748
Accruals and deferred income	3,615	3,603	2,533	2,661
	38,619	28,173	36,478	27,853

Overdrafts of £2,398,000 (2007 - £1,782,000) for the group and £6,836,000 (2007 -£6,928,000) for the company are secured on The Britannia Hotel Manchester, The Britannia Hotel Stockport, Sachas Hotel Manchester and Adelphi Hotel Liverpool.

16 Bank loans

Bank loans are repayable as follows:

	Group and Company	
	2008	2007
	£'000	£'000
Bank loans		
Between one and two years	-	-
Between two and five years	-	-
After five years	-	-
	-	-
On demand or within one year	17,887	11,703
	17,887	11,703

A loan with Yorkshire Bank of £513,000 (2007 - £1,561,000) is secured by 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 in quarterly instalments over the period to September 2008.

A bank loan with Svenska Handelsbanken of £7,899,000 (2007 - £8,342,000) is secured by a fixed charge on the Bosworth Hall Hotel. The interest rate on the loan is linked to the base rate and will incur interest at 0.75% above base rate. The loan is repayable in quarterly instalments over the period to November 2014. It is classified as due within one year to reflect the technical terms of the agreement.

A bank loan with Royal Bank of Scotland of £9,475,000 (2007 – £1,800,000) is secured by a fixed charge on Sachas Hotel, Manchester and the Adelphi Hotel, Liverpool. The interest rate on the loan is linked to the bank base rate. Subsequent to the year end, this facility has been replaced with a new Royal Bank of Scotland facility for £22 million the terms of which are receivable 30 June 2009. It is expected (in line with past practice) that this will revolve into new facilities on similar terms and conditions.

17 Provisions for liabilities and charges

Group

	Deferred taxation £'000
At 1 April 2007	2,384
Credited to profit and loss account	(1,667)
At 31 March 2008	717

17 Provisions for liabilities and charges (continued)

Company

	Deferred taxation £'000
At 1 April 2007	1,805
Credited to profit and loss account	(1,182)
At 31 March 2008	623

Deferred tax

Deferred tax is provided as follows

Group	**2008 £'000**	2007 £'000
Accelerated capital allowances	3,574	6,029
Tax losses available	(1,979)	(723)
Undiscounted provision for deferred tax	1,595	5,306
Discount	(878)	(2,922)
Discounted provision for deferred tax	717	2,384

Company	**2008 £'000**	2007 £'000
Accelerated capital allowances	2,776	4,618
Tax losses available	(1,389)	(600)
Undiscounted provision for deferred tax	1,387	4,018
Discount	(764)	(2,213)
Discounted provision for deferred tax	623	1,805

18 Called-up share capital

	2008 £'000	2007 £'000
Group and Company		
Authorised		
10,000 (2007 – 10,000) ordinary shares of £1 each	10	10
Allotted, called-up and fully-paid		
5,500 (2007 – 5,500) ordinary shares of £1 each	6	6

19 Reserves

Group	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2007	38,579	31,407	69,986
Retained loss for the year	-	(2,692)	(2,692)
At 31 March 2008	38,579	28,715	67,294

Company	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2007	19,910	28,733	48,643
Retained profit for the year	-	58	58
At 31 March 2008	19,910	28,791	48,701

20 Reconciliation of movements in equity shareholders' funds

Group	**2008 £'000**	2007 £'000
Loss for the financial year	(2,692)	(1,478)
Reduction in shareholders' funds	(2,692)	(1,478)
Opening equity shareholders' funds	69,992	71,470
Closing equity shareholders' funds	67,300	69,992

Company	**2008 £'000**	2007 £'000
Profit/(loss) for the financial year	58	(546)
Net increase/(reduction) in shareholders' funds	58	(546)
Opening equity shareholders' funds	48,649	49,195
Closing equity shareholders' funds	48,707	48,649

21 Reconciliation of operating profit to operating cash flows

	2008 £'000	2007 £'000
Operating loss	(2,193)	(739)
Amortisation of goodwill	81	81
Depreciation charges	12	17
Loss on sale of tangible fixed assets	4	3
Increase in stocks	(8)	(8)
Increase in debtors	(2,349)	(179)
Increase in creditors	2,674	624
Net cash outflow from operating activities	(1,779)	(201)

22 Analysis of cash flows

	2008 £'000	2007 £'000
Returns on investments and servicing of finance		
Interest paid	(1,194)	(892)
Capital expenditure		
Purchase of tangible fixed assets	(2,040)	-
Sale of tangible fixed assets	-	2
Net cash (outflow)/inflow	(2,040)	2
Financing		
New bank loans	7,675	1,800
Repayment of bank loans	(1,491)	(1,485)
Net cash inflow	6,184	315

23 Analysis and reconciliation of net debt

	31 March 2007 £'000	Cash flow £'000	31 March 2008 £'000
Cash at bank and in hand	(81)	(1,787)	(1,868)
Overdrafts	1,782	616	2,398
	1,701	(1,171)	530
Debt due after 1 year	-		
Debt due within 1 year	11,703	6,184	17,887
	11,703	6,184	17,887
Net debt	13,404	5,013	18,417

23 Analysis and reconciliation of net debt (continued)

	2008 £'000	2007 £'000
Increase/(decrease) in cash in the year	1,171	(776)
Cash inflow from increase in debt	(6,184)	(315)
Movement in net debt in year	(5,013)	(1,091)
Net debt at start of year	(13,404)	(12,313)
Net debt at end of year	(18,417)	(13,404)

24 Financial commitments

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

	2008 Land and buildings £'000	2007 Land and buildings £'000
Group		
Expiry date		
- after five years	915	915

25 Contingent liabilities

Company

The company has guaranteed to the Royal Bank of Scotland plc the borrowings of Britannia Adelphi Hotel Limited, Birmingham International Limited, Metropole Hotel Blackpool Limited and Grand Hotel Llandudno Limited. At 31 March the potential liability was as follows:

	2008 £'000	2007 £'000
Birmingham International Limited	33	-

Notes to financial statements (continued)

26 Related party transactions

During the year, the group entered into transactions with various businesses in which the shareholders, A. Langsam and Rathbones Jersey Limited as trustee of The Moravcik Trust and/or directors, are materially interested as detailed below:

Company	Interested as shareholder	Interested as director
Britannia Country House Hotel Limited	A. Langsam Rathbones Jersey Limited as trustees of The Moravcik Trust	R. Ferrari Britannia Hotels Limited
The Britannia Hotel Wolverhampton Limited	A. Langsam Rathbones Jersey Limited as trustees of The Moravcik Trust	R. Ferrari Britannia Hotels Limited
Langsam and Mjalby Hotels Ltd - Hoteliers	A. Langsam Mjalby Hotels Limited	
A. Langsam Hoteliers	A. Langsam	
A. Langsam Estate Agents	A. Langsam	
A Langsam & Mjalby Hotels Ltd - Hotel Management Services	A. Langsam Mjalby Hotels Limited	
St Peter's Court (Bosworth) Flat Management Company Limited	A. Langsam Mjalby Hotels Limited	
Britannia Grand LLP	A. Langsam Mjalby Hotels Limited	
Britannia Barrowfield LLP	A. Langsam Mjalby Hotels Limited	
Britannia Lenzie LLP	A. Langsam Mjalby Hotels Limited	
Britannia Shelbourne LLP	A. Langsam Mjalby Hotels Limited	

Included in amounts due to subsidiary undertakings is the following balance relating to a non-consolidated subsidiary (note 12):

	Group		Company	
	2008 **£'000**	2007 £'000	**2008** **£'000**	2007 £'000
Britannia Hotel (Manchester) Limited	99	99	99	99

26 Related party transactions (continued)

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

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Britannia Country House Hotel Limited	5,701	4,575	5,705	4,578
Britannia Hotel Wolverhampton Limited	327	44	327	46
Langsam and Mjalby Hotels Ltd - Hotel Management Services	(11,234)	(9,032)	(5,138)	(3,659)
Langsam and Mjalby Hotels Limited - Hoteliers	691	(15)	774	2
A. Langsam Hoteliers	801	250	804	246
A. Langsam Estate Agents	2	1	2	1
St Peter's Court (Bosworth) Flat Management Company Limited	17	18	17	18
Britannia Grand LLP	-	445	-	445
Parkhead Developments (Manchester) Limited	22	1	22	1
Britannia Barrowfield LLP	268	-	268	-
Britannia Lenzie LLP	64	-	64	-
Britannia Shelbourne LLP	115	-	115	-

Transactions with Hotel Management Services (Building Division) consisted of the supply of maintenance and repair work by that entity for the group totalling £13,052,351 (2007 - £9,264,222) and the company totalling £4,751,210 (2007 - £4,644,537). These amounts are included within other operating expenses.

Transactions with Hotel Management Services also consisted of management charges for services provided by that business for the group totalling £1,465,884 (2007 - £1,222,906) and for the company totalling £1,305,547 (2007 - £1,309,838). During the year rent was received from Hotel Management Services for premises used by that business totalling £65,000 (2007 - £65,000).

Transactions with Britannia Country House Hotel Limited, Britannia Hotel Wolverhampton Limited, Langsam and Mjalby Hotels Limited - Hoteliers, A Langsam Hoteliers, Britannia Grand LLP, Britannia Barrowfield LLP, Britannia Lenzie LLP and Britannia Shelbourne LLP relate to payment of general expenses which are recharged at cost between these entities.

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.

27 Ultimate controlling party

The ultimate controlling parties are A. Langsam and Rathbones Jersey Limited as trustee of The Moravcik Trust by virtue of their shareholdings in the company.