

International Hospitals Group Limited

**Directors' report and consolidated
financial statements**

Registered number 1482891

31 December 2000



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of International Hospitals Group Limited	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Balance sheet	7
Consolidated cash flow statement	8
Reconciliation of net cash flow to movements in net debt	8
Consolidated statement of total recognised gains and losses	9
Note of consolidated historical cost profits and losses	9
Notes	10

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2000.

Principal activities

The principal activities of the group include hospital construction, an advertising agency, a recruitment agency and running hotels and leisure complexes.

Business review and future developments

The group is actively seeking further medical related contracts.

The results for the year are set out in the profit and loss account on page 5.

Proposed dividend

The directors do not recommend the payment of a dividend (1999: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

RM King (Chairman)
The Right Honourable Earl Alexander of Tunis
PI Wilson
HM King
WM King
CM King

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company as recorded in the register of directors' share and debenture interests:

	Number of shares and percentage holding at beginning and end of year	
RM King	440,000	(44%)
HM King	100,000	(10%)
WM King	100,000	(10%)
CM King	100,000	(10%)
	<hr/>	
	740,000	

In addition, RM King has a 70%, HM King has a 10%, WM King has a 10% and CM King has a 10% shareholding in International Group Limited (formerly Beeson Holdings Limited) which owns the remaining 26% of the company's share capital.

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of any group companies.

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

Directors' report

Political and charitable contributions

The group made no political contributions or donations to UK charities during the year.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


R.G. Menon
Secretary

Hertford Place
Denham Way
Rickmansworth
Hertfordshire
WD3 9HG

19th June 2001

Statement of directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Aquis Court
31 Fishpool Street
St Albans
Hertfordshire
AL3 4RF

Report of the auditors to the members of International Hospitals Group Limited

We have audited the financial statements on pages 5 to 29.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG

*Chartered Accountants
Registered Auditors*

25 JUNE 2001

Consolidated profit and loss account
for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Group Turnover			
Continuing operations		21,697	11,460
Acquisitions		5,230	-
		<hr/>	<hr/>
	2	26,927	11,460
Cost of sales			
Continuing operations		(15,209)	(6,208)
Acquisitions		(1,259)	-
		<hr/>	<hr/>
		(16,468)	(6,208)
		<hr/>	<hr/>
Gross profit		10,459	5,252
Administrative expenses			
Continuing operations		(5,886)	(4,769)
Acquisitions		(4,248)	-
		<hr/>	<hr/>
		(10,134)	(4,769)
Group operating profit			
Continuing operations		602	483
Acquisitions		(277)	-
		<hr/>	<hr/>
Total operating profit	3	325	483
Other interest receivable and similar income	6	171	36
Interest payable and similar charges	7	(321)	(105)
		<hr/>	<hr/>
Profit on ordinary activities before tax		175	414
Tax on profit on ordinary activities	8	(81)	(5)
		<hr/>	<hr/>
Profit for the financial year		94	409

Consolidated balance sheet
at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Intangible assets – goodwill	10	8,257	4,857
Tangible assets	11	28,873	8,651
		<hr/>	<hr/>
		37,130	13,508
Current assets			
Stocks	13	275	-
Debtors	14	33,551	49,399
Cash at bank and in hand		1,775	3,217
		<hr/>	<hr/>
		35,601	52,616
Creditors: amounts falling due within one year	15	(56,048)	(54,013)
		<hr/>	<hr/>
Net current liabilities		(20,447)	(1,397)
		<hr/>	<hr/>
Total assets less current liabilities		16,683	12,111
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	16	(2,600)	(375)
		<hr/>	<hr/>
Net assets		14,083	11,736
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	20	1,000	1,000
Revaluation reserve	20	8,702	6,202
Profit and loss account	20	4,381	4,534
		<hr/>	<hr/>
Equity shareholders' funds		14,083	11,736
		<hr/>	<hr/>

These financial statements were approved by the board of directors on *19th June 2001* and were signed on its behalf by:

H. M. King
HM King
Director

Balance sheet

at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	11	8,487	8,491
Investments	12	4,522	4,013
		<hr/>	<hr/>
Current assets		13,009	12,504
Debtors	14	53,328	52,822
Cash at bank and in hand		1,740	3,216
		<hr/>	<hr/>
Creditors: amounts falling due within one year	15	55,068 (51,410)	56,038 (53,201)
		<hr/>	<hr/>
Net current assets		3,658	2,837
		<hr/>	<hr/>
Total assets less current liabilities		16,667	15,341
Creditors: amounts falling due after more than one year		(500)	-
		<hr/>	<hr/>
Net assets		16,167	15,341
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	20	1,000	1,000
Revaluation reserve	20	6,202	6,202
Profit and loss account	20	8,965	8,139
		<hr/>	<hr/>
Equity shareholders' funds		16,167	15,341
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 19th June 2001 and were signed on its behalf by:

H. M. King
HM King
Director

Consolidated cash flow statement

for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Cash flow from operating activities	24	(1,792)	4,990
Returns on investments and servicing of finance			
Interest received		171	36
Interest paid		(319)	(105)
Interest element of finance lease rental payments		(2)	-
		(150)	(69)
Taxation		(81)	(25)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(244)	(86)
Sale of tangible fixed assets		-	7
		(244)	(79)
Acquisitions and disposals			
Purchase of subsidiary undertaking		(341)	-
Cash (outflow)/inflow before financing		(2,608)	4,817
Financing			
Debt due within one year:			
Repayment of secured loan		(167)	-
Debt due after more than one year:			
Repayment of secured loan		(827)	-
Capital element of finance lease rental payments		(17)	(5)
Increase in loans to related parties		-	(2,442)
(Decrease)/increase in cash		(3,619)	2,370

Reconciliation of net cash flow to movements in net debt

for the year ended 31 December 2000

	Note	2000 £000	1999 £000
(Decrease)/increase in cash in the year		(3,619)	2,370
Cash outflow from decrease in debt and lease financing		1,011	5
Change in net debt resulting from cash flows		(2,608)	2,375
New finance leases		(71)	-
New loan to acquire subsidiary		(501)	-
Loans and finance leases acquired with subsidiary		(2,851)	-
Movement in net debt in the year		(6,031)	2,375
Net debt at beginning of the year		899	(1,476)
Net debt at end of year	25	(5,132)	899

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2000

	2000 £000	1999 £000
Group profit for the financial year	94	409
Unrealised surplus on revaluation of properties	2,500	-
Gross exchange differences on the retranslation of net investments and related borrowings	(247)	(246)
Total recognised gains and losses relating to the financial year	2,347	163

Note of consolidated historical cost profits and losses

for the year ended 31 December 2000

	2000 £000	1999 £000
Reported loss on ordinary activities before taxation	175	414
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	-	-
Historical cost loss on ordinary activities before taxation	175	414
Historical cost loss for the year retained after taxation	94	409

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2000. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

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

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life which has been assessed by the directors as being 20 years.

In the company's financial statements, investments in subsidiary undertakings and associates are stated at cost

Tangible fixed assets and depreciation

Depreciation is charged on the straight line method to write off the cost of the assets less the estimated residual value over their estimated useful lives, at the following annual rates:

Motor vehicles	-	25%
Plant and machinery	-	33.3%
Furniture and fittings	-	33.3%

In the case of some of the long leasehold properties annual depreciation or amortisation (using residual values estimated at the time the properties were acquired or at the time of a later revaluation) would not be material in these accounts and hence no depreciation or amortisation is provided.

Notes (continued)

1 Accounting policies (continued)

Post retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities and profit and loss accounts of any overseas branches or associated undertakings are translated using the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes appropriate attributable overheads.

Cash

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

Notes (continued)

1 Accounting policies (continued)

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of amounts billed to customers.

2 Segmental information

The geographical analysis of turnover is as follows:

	2000 £000	1999 £000
United Kingdom	13,466	8,165
Middle East	73	52
Africa	13,221	3,217
Rest of World	167	26
	<hr/> 26,927	<hr/> 11,460

The activity analysis of turnover is as follows:

	2000 £000	1999 £000
Hospital construction	13,121	3,212
Leisure	5,230	-
Recruitment and advertising	8,084	7,705
Healthcare	492	543
	<hr/> 26,927	<hr/> 11,460

Notes (continued)

3 Profit on ordinary activities before tax

	2000 £000	1999 £000
<i>Profit on ordinary activities before tax is stated after charging:</i>		
Auditors' remuneration:		
Group - audit	67	59
Company - audit	28	35
Depreciation		
Owned	700	129
Leased	11	-
Amortisation of goodwill	445	306
Hire of other assets – operating leases	81	-
<i>after crediting</i>		
Long term contract creditor release	-	2,893

During 1999, the group settled a dispute relating to part of a long term contract in the Middle East. As a result the group released the balance of a creditor held in respect of this part of the contract. The creditor was released against cost of sales in the year ended 31 December 1999.

4 Remuneration of directors

None of the directors received any emoluments during the year directly from the company or group.

	2000 £000	1999 £000
Amounts paid to related parties for the services of the directors	962	285

The amounts paid to third parties for the services of the directors are payable to International Group Limited, a related party by virtue of its common shareholders.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number	
	2000	1999
Management	10	12
Sales administration	58	61
Direct temporary workers	93	149
Operational	144	-
	<hr/>	<hr/>
	305	222

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£000	£000
Wages and salaries	5,496	3,308
Social security costs	441	290
Other pension costs	45	45
	<hr/>	<hr/>
	5,982	3,643

6 Other interest receivable and similar income

	2000	1999
	£000	£000
Interest on bank deposits	171	36

Notes *(continued)*

7 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans and overdrafts	319	105
Finance charges in respect of finance leases	2	-
	<hr/> 321	<hr/> 105

8 Taxation

	2000 £000	1999 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	5
<i>Foreign tax</i>		
Current tax on income for the period	81	-
	<hr/> 81	<hr/> 5

Tax losses amounting to £13,065,000 (1999: £12,019,000) are available to relieve future profits of the group

9 Profit on ordinary activities after tax

The company's profit for the financial year was £1,073,000 (1999: £1,203,000).

Notes *(continued)*

10 Intangible fixed assets

	Goodwill
	£000
Group	
<i>Cost</i>	
At beginning of year	6,323
Additions	3,845
	<hr/>
At end of year	10,168
<i>Amortisation</i>	
At beginning of year	1,466
Charged in year	445
	<hr/>
At end of year	1,911
	<hr/>
<i>Net book value</i>	
At 31 December 2000	8,257
	<hr/>
At 31 December 1999	4,857
	<hr/>

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. All goodwill is currently amortised over a 20 year period.

Notes (continued)

11 Tangible fixed assets

	Freehold property £000	Long leasehold property £000	Short leasehold property £000	Motor vehicles £000	Furniture fittings and equipment £000	Total £000
Group						
<i>Cost or valuation</i>						
At beginning of year	-	8,400	37	-	1,012	9,449
Additions	4,275	9,855	-	95	4,213	18,438
Disposals	-	-	-	-	(7)	(7)
Revaluations	-	2,500	-	-	-	2,500
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	4,275	20,755	37	95	5,218	30,380
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
At beginning of year	-	-	21	-	777	798
Charge for year	-	153	5	38	515	711
On disposals	-	-	-	-	(2)	(2)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	153	26	38	1,290	1,507
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>						
At 31 December 2000	4,275	20,602	11	57	3,928	28,873
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	-	8,400	16	-	235	8,651
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The bank loans and overdrafts of the company are secured on the long leasehold property and freehold property.

Included in the total net book value is £68,000 (1999: £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £11,000 (1999: £nil)

Notes (continued)

11 Tangible fixed assets (continued)

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15

Tangible fixed assets

Class of assets - Land and Buildings

	2000	Group
	£000	1999
		£000
At existing use value		
11 October 1996 Full valuation	-	8,400
16 October 2000 Full valuation	21,300	-
Aggregate depreciation thereon	(154)	-
	<hr/>	<hr/>
Net book value	21,146	8,400
	<hr/>	<hr/>
Historical cost of revalued assets	11,957	2,198
Aggregate depreciation thereon	(154)	-
	<hr/>	<hr/>
Historical cost net book value	11,803	2,198
	<hr/>	<hr/>

The long leasehold land and buildings (comprising Stoke Park, Park Road, Stoke Poges, Buckinghamshire, SL2 4PG) were professionally valued on 16 October 2000. Ownership of the long leasehold land is split between International Hospitals Group Limited and Stoke Park Limited. Stoke Park Limited was acquired (as a wholly owned subsidiary of International Hotels Limited) during the financial year and at that point the property therefore became wholly owned by the group.

The valuation was performed by R.D. Pryor, FRICS ACI Arb of Strutt and Parker, Chartered Surveyors. The valuation was in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes.

The Directors are not aware of any material change in value and therefore the valuations set out above have not been updated.

Previously, on 11 October 1996, Strutt and Parker, Chartered Surveyors, revalued the part of the long leasehold property held by International Hospitals Group Limited on the basis of open market value for existing use. The original cost price of the long leasehold property was £2,198,000 and the land was revalued at £8,400,000.

As part of the acquisition of International Hotels Limited, the group also acquired the freehold of Alexander House hotel. On the basis of previous valuations performed in respect of this property the directors are confident that its open market value is in excess of the fair value at which the property has been included in these financial statements. The directors will consider the need for a formal valuation of this property during the current year.

Notes (continued)

11 Tangible fixed assets (continued)

	Long leasehold property £000	Furniture fittings and equipment £000	Total £000
Company			
<i>Cost or valuation</i>			
At beginning of year	8,400	283	8,683
Additions	-	25	25
	<hr/>	<hr/>	<hr/>
At end of year	8,400	308	8,708
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	-	192	192
Charge for year	-	29	29
	<hr/>	<hr/>	<hr/>
At end of year	-	221	221
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2000	8,400	87	8,487
	<hr/>	<hr/>	<hr/>
At 31 December 1999	8,400	91	8,491

The bank loans and overdrafts of the company are secured on the long leasehold property.

Notes (continued)

11 Tangible fixed assets (continued)

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15

Class of assets - Land and Buildings

		Group	
		2000	1999
		£000	£000
At existing use value			
11 October 1996	Full valuation	-	8,400
16 October 2000	Full valuation	8,400	-
Aggregate depreciation thereon		-	-
Net book value		8,400	8,400
Historical cost of revalued assets		2,198	2,198
Aggregate depreciation thereon		-	-
Historical cost net book value		2,198	2,198

The long leasehold land and buildings (comprising Stoke Park, Park Road, Stoke Poges, Buckinghamshire, SL2 4PG) were professionally valued on 16 October 2000. Ownership of the long leasehold land is split between International Hospitals Group Limited and Stoke Park Limited – see group note.

The valuation was performed by R.D. Pryor, FRICS ACI Arb of Strutt and Parker, Chartered Surveyors. The valuation was in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes.

The Directors are not aware of any material change in value and therefore the valuations set out above have not been updated.

Notes (continued)

12 Fixed asset investments - company

	Shares in subsidiary undertaking £000	Other investments £000	Total £000
Cost			
At beginning of year	4,013	151	4,164
Additions	509	-	509
	<hr/>	<hr/>	<hr/>
At end of year	4,522	151	4,673
Provision			
At beginning and end of year	-	(151)	(151)
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2000	4,522	-	4,522
	<hr/>	<hr/>	<hr/>
At 31 December 1999	4,013	-	4,013
	<hr/>	<hr/>	<hr/>

The companies in which the company had an interest in at 31 December 2000 are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
International Advertising Limited	England and Wales	Advertising	100% ordinary
IHG Healthcare Limited	England and Wales	Healthcare Consultancy and Placement Services	100% ordinary
International Promotions Limited	England and Wales	Design and maintenance of websites	100% ordinary
General Recruitment Limited	England and Wales	Recruitment Consultants and agent	100% ordinary
Contact Europe Limited	England and Wales	Recruitment Consultants and agent	100% ordinary
International Hotels Limited	England and Wales	Hotel and property management	100% ordinary
Stoke Park Limited	England and Wales	Golf club and hotel	100% ordinary

Other investments

Luluatt International Hospitals Group Limited	Kingdom of Saudi Arabia	Dormant	25% ordinary
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International Advertising Ltd owns 100% of the ordinary share capital of International Promotions Ltd.

General Recruitment Ltd owns 100% of the ordinary share capital of Contact Europe Ltd.

International Hotels Ltd owns 100% of the ordinary share capital of Stoke Park Ltd

Notes (continued)

13 Stocks

	2000 £000	1999 £000
Finished goods and goods for resale	275	-

14 Debtors

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Trade debtors	24,354	29,301	23,168	28,385
Amounts recoverable on contracts	7,426	-	7,426	-
Amount owed by group undertakings	-	-	21,324	4,490
Amount owed by associated undertaking	50	50	50	50
Amounts owed by related parties	1,185	19,611	1,185	19,611
Other debtors	234	310	155	282
Prepayments and accrued income	302	127	20	4
	<u>33,551</u>	<u>49,399</u>	<u>53,328</u>	<u>52,822</u>

15 Creditors: amounts falling due within one year

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Bank loans and overdrafts (see note 16)	4,286	1,943	722	1,386
Obligations under finance leases and hire purchase contracts (see note 16)	21	-	-	-
Payments on account	9,123	17,145	9,044	16,939
Trade creditors	31,242	32,343	30,783	32,087
Amounts due to group undertakings	-	-	1,313	625
Taxation and social security	288	140	51	18
Other creditors	4,908	1,248	4,828	1,223
Accruals and deferred income	2,929	1,194	1,418	923
Amounts due to related parties	3,250	-	3,250	-
	<u>56,047</u>	<u>54,013</u>	<u>51,409</u>	<u>53,201</u>

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank loans	561	375	-	-
Obligations under finance leases and hire purchase contracts	39	-	-	-
Amounts owed to related parties	2,001	-	501	-
	<u>2,601</u>	<u>375</u>	<u>501</u>	<u>-</u>

The bank facilities of the group are secured by guarantees provided by group companies and an associated company with supporting security including deposited balances, insurance policies and property. The bank facilities are also secured by fixed and floating charges over the assets of certain subsidiary companies.

The bank facilities of the company are secured by guarantees provided by subsidiary companies and an associate company with supporting security including deposited balances, insurance policies and property.

The above subordinated loans and amounts owed to related parties totalling £5,251,000 are due to certain overseas companies owned by trusts the settlor of which is RM King.

The loans are subordinated to the claims of all other creditors, such that these debts can only be repaid, in full or in part, to the extent that the company remains solvent after such repayment and will be able to meet its debts as they fall due over the following twelve months. The subordinated loans bear interest at base lending rate plus 1.5% per annum.

Analysis of debt:

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Debt can be analysed as falling due:				
In one year or less, or on demand	4,307	1,943	722	1,386
Between one and two years	63	167	-	-
Between two and five years	538	208	501	-
In five years or more	2,000	-	-	-
	<u>6,908</u>	<u>2,318</u>	<u>1,223</u>	<u>1,386</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Within one year	21	-	-	-
In the second to fifth years	46	-	-	-
	<u>67</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less future finance charges	(7)	-	-	-
	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes (continued)

17 Provisions for liabilities and charges

No provision for deferred tax has been made as it is not expected that any liability arising from the reversal of timing differences will occur in the foreseeable future. The potential deferred tax (liability)/asset not provided is as follows:

Group	2000		1999	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	-	(70)	-	146
Other short term timing differences and trading losses	-	3,926	-	742
Property revaluations	-	(2,611)	-	(1,520)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,245	-	(632)
	<hr/>	<hr/>	<hr/>	<hr/>

Company	2000		1999	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	-	30	-	63
Other short term timing differences and trading losses	-	-	-	63
Property revaluations	-	(1,861)	-	(1,861)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(1,831)	-	(1,735)
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

18 Purchase of subsidiary undertaking and acquisition of business

The company acquired all of the ordinary shares of International Hotels Limited during the financial year. The resulting goodwill of £3,713,000 was capitalised and will be written off over 20 years. The reasons for selecting that period is that it is consistent with the Group's current amortisation policy for goodwill.

	Book value and fair value £000
Net assets acquired	
Tangible fixed assets	18,123
Stocks	341
Debtors	62
Cash at bank and in hand	39
Creditors	(18,678)
Bank overdrafts	(248)
Loans and finance leases	(2,851)
	<hr/>
	(3,212)
Goodwill	3,713
	<hr/>
	501
	<hr/>
Satisfied by	
Deferred consideration	501
	<hr/>

The acquired undertaking and its wholly owned subsidiary made a loss of £159,000 from the beginning of its financial year to the date of acquisition. In its previous financial year the combined loss was £885,000.

On 26 June 2000 the company purchased the trade of First Step Recruitment. The trade had no tangible assets and therefore the full purchase price has been treated as goodwill.

Notes (continued)

19 Called up share capital

	2000 £000	1999 £000
<i>Authorised, allotted, called up and fully paid</i>		
Equity: 1,000,000 ordinary shares of £1 each	1,000	1,000

20 Reconciliation of movements in shareholders' funds

Group	Share capital £000	Revaluation reserve £000	Profit and Loss account £000	2000 Total £000	1999 Total £000
At beginning of year	1,000	6,202	4,534	11,736	11,573
Retained profit for the year	-	-	94	94	409
Exchange adjustments	-	-	(247)	(247)	(246)
Revaluation for the year	-	2,500	-	2,500	-
At end of year	1,000	8,702	4,381	14,083	11,736

Company	Share capital £000	Revaluation reserve £000	Profit and loss account £000	2000 Total £000	1999 Total £000
At beginning of year	1,000	6,202	8,139	15,341	14,387
Retained profit for the year	-	-	1,073	1,073	1,200
Exchange adjustments	-	-	(247)	(247)	(246)
At end of year	1,000	6,202	8,965	16,167	15,341

Notes (continued)

21 Contingent liabilities

The company has given an unlimited guarantees in respect of bank facilities of its subsidiaries; the amount outstanding at the year end was £4,847,000 (1999: £557,000).

The company and subsidiary undertakings have guaranteed the loan of an associated company; the amount outstanding at the year end was £2,348,000 (1999: £nil).

The company has given a guarantee in respect of performance and bid bonds which amounted to £7,124,000 (1999: £6,478,000).

22 Commitments

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Contracted	730	-	-	-

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

	2000		1999	
Group	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	22	-	22	-
Over five years	157	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	179	-	22	-

Notes (continued)

22 Commitments (continued)

	2000		1999	
Company	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	-	-	-
Over five years	157	-	-	-
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	157	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

23 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the fund and amounted to £45,000 (1999 :£45,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

24 Reconciliation of operating profit to operating cash flows

	2000 £000	1999 £000
Operating profit	325	483
Depreciation and amortisation charges	1,156	435
Loss on sale of fixed assets	5	(1)
Decrease in stocks	66	-
Decrease/(increase) in debtors	17,945	(219)
(Decrease)/increase in creditors	(21,289)	4,292
	<hr/>	<hr/>
Net cash outflow/inflow from operating activities	(1,792)	4,990
	<hr/>	<hr/>

Notes (continued)

25 Analysis of net debt

	At beginning of year	Cash flow	Acquisition (excluding cash and overdrafts)	Other non cash changes	Exchange movement	At end of year
	£000	£000	£000	£000	£000	£000
Cash in hand, at bank	3,217	(1,442)	-	-	-	1,775
Overdrafts	(1,943)	(2,177)	-	-	-	(4,120)
		(3,619)				
Debt due after one year	(375)	994	(2,845)	(335)	-	(2,561)
Debt due within one year	-	-	-	(166)	-	(166)
Finance leases	-	17	(6)	(71)	-	(60)
Total	899	(2,608)	(2,851)	(572)	-	(5,132)

The non cash change of £572,000 relates to the deferred consideration of £501,000 on the purchase of International Hotels Limited – see note 18 and new finance leases of £71,000 agreed in the period.

26 Related party transactions

During the year the group had the following related party transactions and balances:

- a) The group received £68,000 (1999: £139,000) from certain related companies in respect of financial, legal and operating support given by the company.
- b) The group purchased goods and services for £1,867,000 (1999: £1,079,000) from Beeson & Sons Limited.
- c) The group paid £1,102,000 (1999: £285,000) for the services of the directors and employees to International Group Limited.
- d) At 31 December 2000, the company was owed £833,000 (1999: £8,788,000) by International Group Limited.
- e) At 31 December 2000, the company owed £72,000 (1999: £nil) to Beeson and Sons Limited.

All the above companies are related parties by virtue of the fact that the board of directors of the companies include RM King, HM King, WM King and CM King.