

**GRAND
HOTELS**

Grand Hotel Group Limited

Report and Accounts

31st October 2001



Company Registration Number 3657769

Grand Hotel Group Limited

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DIRECTORS

K Leech (Chairman)
M Pasquale
P Mason (Non Executive)
S Last (Non Executive)
S W Sim (Non Executive)
R J Smith (Non Executive)

SECRETARY

B Jeffries

AUDITORS

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

BANKERS

Barclays Bank Plc
London Corporate Banking Centre
50 Pall Mall
PO Box 15161R
London SW1A 1QA

SOLICITORS

Herbert Smith
Exchange House
Primrose Street
London
EC2A 2HS

REGISTERED OFFICE

Grand Ocean Hotel
Longridge Avenue
Saltdean
East Sussex BN2 8RP

Grand Hotel Group Limited

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DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31st October 2001.

RESULTS AND DIVIDENDS

The loss for the year, after taxation and exceptional items, amounted to £288,000. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year was the ownership and operation of leisure hotels.

Difficult trading conditions were experienced during the first half of the year due to the foot and mouth and fuel crises. The second half of the year saw improved trading conditions which have extended into 2002.

On 16 November 2000 Grand Hotel (Burstin) Limited, the Company's previously dormant subsidiary, purchased the trade and net assets of the Burstin Hotel, a leisure hotel in Kent, from Queensborough Holdings Limited by way of the issue of 11,000,000 £1 ordinary shares. On the same date the Company purchased these shares from Queensborough Holdings Limited for £11,000,000. The details of this acquisition are given in note 10 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors at 31st October 2001 and their interests in the share capital of the company were as follows:

	At 31st October 2001	At 31st October 2000
K Leech (Chairman)	85	85
R Rodgers (Retired 31 October 2001)	2	2
D Marriott (Resigned 31 January 2002)	1	1
M Pasquale (Appointed 14 January 2002)	-	-
P Mason (Non Executive)	10	10
S Last (Non Executive)	2	2
S W Sim (Non Executive)	-	-
R J Smith (Non Executive)	-	-
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

K Leech's interest in the ordinary share capital of the company is held through Cygnet Ventures Limited, a company registered in Jersey.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Grand Hotel Group Limited

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DIRECTORS' REPORT

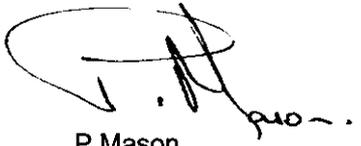
EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued by way of regular meetings at all levels, through which employees have also been encouraged to present their suggestions and views on the company's performance. These meetings, particularly between local management and employees allow a free flow of information and ideas.

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to members at the Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'P. Mason', is written over a horizontal line.

P Mason

Director

27 November 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent; and
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRAND HOTEL GROUP LIMITED

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We have audited the group's financial statements for the year ended 31 October 2001 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Cashflows and related notes 1 to 27. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 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.

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 judgments 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.

Going concern

In forming our opinion we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the possible outcome of negotiations for finance being made available to replace the existing bank loans which are repayable on demand and to refinance the group. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being made available. The financial statements do not include any adjustments which would result from a failure to obtain funding. Our opinion is not qualified in this respect.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GRAND HOTEL GROUP LIMITED - Continued**

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Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st October 2001 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Company's Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Southampton

27 NOV 2002

Grand Hotel Group Limited

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st October 2001

	Notes	2001 Before Exceptional Items £000	2001 Exceptional items (Note 9) £000	2001 Total £000	2000 £000
TURNOVER	2				
Continuing operations:					
Ongoing		16,691	-	16,691	17,090
Acquisitions		6,014	-	6,014	-
		<hr/>		<hr/>	
		22,705	-	22,705	17,090
COST OF SALES		13,116	-	13,116	10,440
		<hr/>		<hr/>	
GROSS PROFIT	4	9,589	-	9,589	6,650
ADMINISTRATIVE EXPENSES		6,571	-	6,571	4,519
EXCEPTIONAL ADMINISTRATIVE EXPENSES	9	-	806	806	611
		<hr/>		<hr/>	
OPERATING PROFIT	3,4				
Continuing operations:					
Ongoing		1,487	(806)	681	1,520
Acquisitions		1,531	-	1,531	-
		<hr/>		<hr/>	
		3,018	(806)	2,212	1,520
Bank interest receivable		29	-	29	42
Other interest receivable		-	-	-	28
Interest payable and similar charges	7	(2,841)	-	(2,841)	(1,796)
		<hr/>		<hr/>	
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		206	(806)	(600)	(206)
Tax on profit/(loss) on ordinary activities	8	312	-	312	(207)
		<hr/>		<hr/>	
PROFIT/(LOSS) FOR THE PERIOD	20	518	(806)	(288)	(413)

There are no recognised gains or losses other than the loss for the year to 31 October 2001 of £288,000 (2000: £413,000)

Grand Hotel Group Limited

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CONSOLIDATED BALANCE SHEET

At 31st October 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Intangible assets - negative goodwill	11	(1,433)	(1,970)
Tangible assets	12	32,573	21,521
		<u>31,140</u>	<u>19,551</u>
CURRENT ASSETS			
Stocks	13	213	272
Debtors	14	2,369	1,229
Cash at bank and in hand		2,795	1,872
		<u>5,377</u>	<u>3,373</u>
CREDITORS: amounts falling due within one year	15	27,105	6,382
NET CURRENT LIABILITIES		<u>(21,728)</u>	<u>(3,009)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,412	16,542
CREDITORS: amounts falling due after more than one year			
Loans	16	9,207	16,113
Obligations under finance leases and hire purchase contracts	17	166	115
		<u>9,373</u>	<u>16,228</u>
PROVISIONS FOR LIABILITIES AND CHARGES	18	166	153
		<u>(127)</u>	<u>161</u>
CAPITAL AND RESERVES			
Called up share capital	19	-	-
Profit and loss account	20	(127)	161
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		<u>(127)</u>	<u>161</u>

S Last

DIRECTOR

27 November 2002

Grand Hotel Group Limited

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BALANCE SHEET

At 31st October 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Investments	10	11,233	-
Intangible assets - negative goodwill	11	(1,433)	(1,970)
Tangible assets	12	21,652	21,521
		<u>31,452</u>	<u>19,551</u>
CURRENT ASSETS			
Stocks	13	213	272
Debtors	14	2,369	1,229
Cash at bank and in hand		2,795	1,872
		<u>5,377</u>	<u>3,373</u>
CREDITORS: amounts falling due within one year	15	27,493	6,382
		<u>(22,116)</u>	<u>(3,009)</u>
NET CURRENT LIABILITIES			
TOTAL ASSETS LESS CURRENT LIABILITIES		9,336	16,542
CREDITORS: amounts falling due after more than one year			
Loans	16	9,207	16,113
Obligations under finance leases and hire purchase contracts	17	166	115
		<u>9,373</u>	<u>16,228</u>
PROVISIONS FOR LIABILITIES AND CHARGES	18	114	153
		<u>(151)</u>	<u>161</u>
CAPITAL AND RESERVES			
Called up share capital	19	-	-
Profit and loss account	20	(151)	161
		<u>(151)</u>	<u>161</u>
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		(151)	161


S Last
DIRECTOR

27 November 2002

The operating profit attributable to the acquired hotel for the financial year ended 31 January 2000 was £1,599,000.

Grand Hotel Group Limited

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st October 2001

	Notes	2001 £000	2000 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22a	4,261	2,251
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	22b	(1,537)	(818)
TAXATION - UK CORPORATION TAX PAID		(125)	(243)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	22b	(1,195)	(1,717)
ACQUISITIONS AND DISPOSALS	22b	(8,218)	-
MANAGEMENT OF LIQUID RESOURCES	22b	500	1,607
FINANCING	22b	7,737	(184)
		<hr/>	<hr/>
INCREASE IN CASH	22c	1,423	896
		<hr/> <hr/>	<hr/> <hr/>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		2001 £000	2000 £000
Increase/(Decrease) in cash		1,423	896
Cash outflow from decrease in lease financing		243	184
Cash (inflow)/outflow from change in debt financing			
New long term bank loan	(7,980)	-	-
Issue costs of new long term loan	164	-	-
Short term loan advanced	659	460	-
	<hr/>	(7,157)	460
Cash inflow from decrease in liquid resources		(500)	(1,607)
		<hr/>	<hr/>
Change in net debt resulting from cash flows	22c	(5,991)	(67)
Finance charge on vendor loan stock		(922)	(835)
New finance leases and hire purchase contracts		(306)	(101)
Loan issue costs amortisation		(87)	(63)
Provision against short term loan (note 9)		(659)	(460)
New Vendor loan notes issued		(3,000)	-
		<hr/>	<hr/>
MOVEMENT IN NET DEBT		(10,965)	(1,526)
		<hr/>	<hr/>
NET DEBT AT 31st October 2001	22c	(28,112)	(17,147)
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS

At 31st October 2001

1. ACCOUNTING POLICIES

Fundamental accounting concept

The financial statements have been prepared on the going concern basis on the assumption that future funding will be available to enable the company and group to continue operating. Negotiations are presently ongoing, with a major financial institution, regarding replacement funds to enable repayment of the group's current bank loans, which are repayable on demand. These negotiations are being undertaken in order to develop a refinancing package that will provide sufficient funds to: repay the £16.5m bank loans currently outstanding within the group, repay £10.4 million to the company's controlling party relating to the repayment of the Vendor Loan Stock (Rank Group Plc) in June 2002 undertaken on the company's behalf, redeem the group's £3 million 7% vendor Loan Stock (Queensborough Holdings Limited), fund the further development of the company and group, and for working capital requirements.

While there can be no certainty as to the outcome of these negotiations, the directors anticipate that the negotiations will be successful and therefore believe that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not reflect any adjustments which would have to be made should replacement funding not be made available.

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of Grand Hotel Group Limited and all its subsidiary undertakings drawn up to 31 October. No profit and loss account is presented for Grand Hotel Group Limited as permitted by section 230 of the Companies Act 1985.

The Burstin Hotel has been included in the group accounts using the acquisition method of accounting. Accordingly the group profit and loss account and statement of cash flows include the results of the Burstin Hotel for the period from its acquisition on 16 November 2000. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Goodwill

Where the fair value of the separable net assets exceeds the fair value of the consideration for an acquired undertaking the difference is treated as negative goodwill and is capitalised and amortised through the profit and loss account in the period in which the non-monetary assets to which it relates are recovered.

On acquisition of subsidiary undertakings, positive goodwill (being the excess of purchase consideration over the fair value of net assets) is capitalised as an intangible fixed asset. Fair values are attributed to the identifiable assets and liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are also made to bring the accounting policies of acquired businesses into alignment with those of the group. Goodwill arising on acquisitions is amortised by equal annual instalments over its estimated useful economic life, taking into account the nature of the business acquired.

Fixed Assets

All fixed assets are recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Freehold buildings	over 50 years
Leasehold land and buildings	over the lease term
Plant and machinery	over 20 years
Fixtures and fittings	over 4 to 10 years
Computer equipment	over 3 years
Motor Vehicles	over 3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Stocks

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

NOTES TO THE ACCOUNTS

At 31st October 2001

1. ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme. The company contributes to private pensions for directors and senior employees.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts received from and invoiced to third parties for services provided during the year.

Turnover is attributable to one continuing activity, the letting of hotel bedrooms and associated bar, food and retail sales in the UK.

3. OPERATING PROFIT

	2001	2000
	£000	£000
This is stated after charging/(crediting):		
Depreciation of owned fixed assets	782	364
Depreciation of assets held under finance leases	208	178
Amortisation of negative goodwill	(537)	(537)
Auditor's remuneration		
- Audit services	30	21
- Non audit services	10	9
Operating lease rentals		
- Land and buildings	88	67
- Plant and machinery	52	25
	<hr/>	<hr/>

4. COST OF SALES AND OTHER OPERATING EXPENSES

	Ongoing	Acquisition	Total
	£000	£000	£000
Turnover	16,691	6,014	22,705
Cost of Sales	10,183	2,933	13,116
	<hr/>	<hr/>	<hr/>
GROSS PROFIT	6,508	3,081	9,589
Administrative expenses	5,021	1,550	6,571
Exceptional administrative expense items (note 9)	806	-	806
	<hr/>	<hr/>	<hr/>
OPERATING PROFIT	681	1,531	2,212

Grand Hotel Group Limited

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NOTES TO THE ACCOUNTS

At 31st October 2001

5. DIRECTORS' EMOLUMENTS	2001 £000	2000 £000
Emoluments	206	193
Compensation for loss of office	86	-
Company contributions paid to money purchase pension schemes	11	9
	<u>206</u>	<u>193</u>

The amounts in respect of the highest paid director are as follows:

Emoluments	65	60
Compensation for loss of office	86	-
Company contributions paid to money purchase pension schemes	6	6
	<u>65</u>	<u>60</u>

Included in emoluments above, is £19,000 (2000: £55,000) paid to Queensborough Holdings Limited and Great British Holiday Parks Limited for making available the services of P Mason and S Last as directors of the Company.

6. STAFF COSTS	2001 £000	2000 £000
Wages and salaries	6,948	5,532
Social security costs	435	338
Other pension costs	77	93
	<u>7,460</u>	<u>5,963</u>

The monthly average number of employees during the period was as follows:

	2001 No.	2000 No.
Administration	19	38
Operations	792	637
	<u>811</u>	<u>675</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES	2001 £000	2000 £000
Bank loans	1,416	819
Other loans	7	8
Finance charges payable under finance leases and hire purchase contracts	104	71
Amortisation of loan costs	87	63
Finance charge on vendor loan notes	1,227	835
	<u>2,841</u>	<u>1,796</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES	2001 £000	2000 £000
Based on the profit for the period:		
UK corporation tax	-	129
Deferred taxation (note 18)	13	102
	<u>13</u>	<u>231</u>
Corporation tax overprovided in previous year	(325)	(24)
	<u>(312)</u>	<u>207</u>

Grand Hotel Group Limited

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NOTES TO THE ACCOUNTS

At 31st October 2001

9. EXCEPTIONAL ITEMS

During the year the company advanced a short term loan of £659,000 (2000: £460,000) and paid £147,000 (2000: £151,000) for services on behalf of Leisure Travel Group Limited, a related party. The recovery of this debt is doubtful and full provision has been made (see note 26). The exceptional items all related to ongoing activities.

	2001 £000	2000 £000
Provision for short term loan advanced	659	460
Provision for purchase of goods and services	147	151
	<u>806</u>	<u>611</u>

10. INVESTMENTS

	<i>Subsidiary undertakings £000</i>
Cost:	
At 31 October 2000	-
Additions	11,233
At 31 October 2001	<u>11,233</u>

At 31 October 2001 the company had the following wholly owned subsidiary undertakings:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of shares held</i>	<i>Nature of business</i>
Grand Hotel (Burstin) Limited	Ordinary shares	100%	Hoteliers
Grand Hotel (Scarborough) Limited	Ordinary shares	100%	Dormant
Grand Hotel (Brighton) Limited	Ordinary shares	100%	Dormant
Grand Hotel Casinos Limited	Ordinary shares	100%	Dormant

On 16 November 2000 Grand Hotel (Burstin) Limited, the Company's previously dormant subsidiary, purchased the trade and net assets of the Burstin Hotel, a leisure hotel in Kent, from Queensborough Holdings Limited by way of the issue of 11,000,000 £1 ordinary shares. On the same date, the Company purchased these shares from Queensborough Holdings Limited for a consideration of £11,000,000. This consideration was satisfied by £8,000,000 of cash and £3,000,000 of issued vendor loan notes. The investment in Grand Hotel (Burstin) Limited has been included in the company's balance sheet at its fair value at the date of acquisition.

As at 16 November 2000 S Last and P Mason were directors of Queensborough Holdings Limited.

	<i>Book and fair value to the group £000</i>
Tangible fixed assets	11,233
Stock	23
Debtors	363
Cash	15
Creditors due within one year	(401)
Net assets	<u>11,233</u>
Discharged by:	
Cash	8,000
Vendor Loan Notes	3,000
Costs associated with the acquisition	233
	<u>11,233</u>

There was no goodwill arising on this acquisition.

There were no material accounting policy alignments and fair value adjustments in respect of the acquisition.

Grand Hotel (Burstin) Limited contributed £1,846,000 to the group's net operating cashflows.

The pre-acquisition turnover and operating profit for the Burstin Hotel are set out below:

NOTES TO THE ACCOUNTS

At 31st October 2001

10. INVESTMENTS (continued)

The following information has been extracted from the records of Queensborough Holdings Limited for the Burstin Hotel.

	Period from 01/02/00 to 16/11/00 £000
Turnover	<u>4,451</u>
Operating Profit	<u>768</u>

The operating profit attributable to the acquired hotel for the financial year ended 31 January 2000 was £1,599,000.

Amounts relating to interest and taxation for periods prior to the acquisition are not available to the group and accordingly only 'Operating profit' figures have been included above.

11. INTANGIBLE FIXED ASSETS

GROUP AND COMPANY

Cost:

At 31 October 2000 and 31 October 2001

*Negative
Goodwill
£000*

(2,686)

Amortisation

At 31 October 2000

716

Movement in the year

537

At 31 October 2001

1,253

Net book value:

At 31 October 2001

(1,433)

At 31 October 2000

(1,970)

Negative goodwill is being amortised on a straight line basis over 5 years.

12. TANGIBLE FIXED ASSETS

GROUP

	<i>Land and buildings</i>		<i>Short Leasehold £000</i>	<i>Plant, fixtures and other equipment £000</i>	<i>Total £000</i>
	<i>Freehold £000</i>	<i>Long Leasehold £000</i>			
Cost:					
At 31 October 2000	14,381	5,213	44	2,495	22,133
Acquisitions	9,695	-	-	1,538	11,233
Additions	172	36	-	651	859
Disposals	-	-	-	(54)	(54)
At 31 October 2001	<u>24,248</u>	<u>5,249</u>	<u>44</u>	<u>4,630</u>	<u>34,171</u>
Depreciation:					
At 31 October 2000	137	93	15	367	612
Provided in the period	261	82	-	647	990
Disposals	-	-	-	(4)	(4)
At 31 October 2001	<u>398</u>	<u>175</u>	<u>15</u>	<u>1,010</u>	<u>1,598</u>
Net book value:					
At 31 October 2001	<u>23,850</u>	<u>5,074</u>	<u>29</u>	<u>3,620</u>	<u>32,573</u>
At 31 October 2000	<u>14,244</u>	<u>5,120</u>	<u>29</u>	<u>2,128</u>	<u>21,521</u>

Grand Hotel Group Limited

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NOTES TO THE ACCOUNTS

At 31st October 2001

12. TANGIBLE FIXED ASSETS (continued)

COMPANY	Land and buildings		Short Leasehold £000	Plant, fixtures and other equipment £000	Total £000
	Freehold £000	Long Leasehold £000			
Cost:					
At 31 October 2000	14,381	5,213	44	2,495	22,133
Additions	172	36	-	651	859
Disposals	-	-	-	(54)	(54)
At 31 October 2001	<u>14,553</u>	<u>5,249</u>	<u>44</u>	<u>3,092</u>	<u>22,938</u>
Depreciation:					
At 31 October 2000	137	93	15	367	612
Provided in the period	107	82	-	489	678
Disposals	-	-	-	(4)	(4)
At 31 October 2001	<u>244</u>	<u>175</u>	<u>15</u>	<u>852</u>	<u>1,286</u>
Net book value:					
At 31 October 2001	<u>14,309</u>	<u>5,074</u>	<u>29</u>	<u>2,240</u>	<u>21,652</u>
At 31 October 2000	<u>14,244</u>	<u>5,120</u>	<u>29</u>	<u>2,128</u>	<u>21,521</u>

The net book value of plant and machinery for the group and the company includes an amount of £470,384 (2000: £371,377) in respect of assets held under finance leases and hire purchase contracts.

13. STOCKS

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Goods for resale	213	272	213	272
	<u>213</u>	<u>272</u>	<u>213</u>	<u>272</u>

Goods for resale are bar liquor, stocks of food and retail shop stocks.

14. DEBTORS

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Trade debtors	1,097	657	1,097	657
Other debtors	119	191	119	191
Current Corporation Tax	325	-	325	-
Prepayments and accrued income	828	381	828	381
	<u>2,369</u>	<u>1,229</u>	<u>2,369</u>	<u>1,229</u>

Included in other debtors is an amount of £66,000 (2000: £66,000) which is due after more than one year.

15. CREDITORS: amounts falling due within one year

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Loans (note 16)	21,332	2,600	21,332	2,600
Obligations under finance leases and hire purchase contracts (note 17)	203	191	203	191
Trade creditors	1,434	554	1,434	554
Corporation tax	8	133	8	133
Other taxes and social security costs	850	738	850	738
Accruals	1,243	733	1,243	733
Amounts owed to subsidiary undertakings	-	-	388	-
Guest deposits	2,035	1,433	2,035	1,433
	<u>27,105</u>	<u>6,382</u>	<u>27,493</u>	<u>6,382</u>

Grand Hotel Group Limited

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NOTES TO THE ACCOUNTS

At 31st October 2001

16. LOANS

	Group and Company	
	2001	2000
	£000	£000
Amounts repayable:		
In one year or less, or on demand	21,332	2,600
In more than one year but not more than two years	2,000	11,309
In more than two years but not more than five years	1,500	5,000
In more than five years	5,980	-
	<u>30,812</u>	<u>18,909</u>
Less: issue costs	(273)	(196)
	<u>30,539</u>	<u>18,713</u>
Current obligations (note 15)	21,332	2,600
Non-current obligations	9,207	16,113
	<u>30,539</u>	<u>18,713</u>

The loan balances comprised:

£10,000,000 (2000: £10,000,000) bank loan at 2% over Libor with capital repayments of £2,500,000 due on the second, third, fourth and fifth anniversaries of the draw down of the loan in June 1999. The first repayment of £2,500,000 was not paid in June 2001, and therefore the remainder of the loan is now repayable on demand (see note 1).

£7,980,000 (2000: £nil) bank loan at 2.25% over Libor with capital repayments of £500,000 on the second, third, fourth, fifth, sixth and seventh anniversaries with a final payment of £5,000,000 on the eighth anniversary of the draw down of the loan in November 2000.

£9,732,000 (2000: £8,809,000) vendor loan stock (Rank Group Plc), repayable in June 2002 at an interest rate of 10%. The cumulative finance charge on the loan stock is repayable on 23 June 2002 and therefore has been included within the balance outstanding above. Security for the loan stock has been provided by the company's controlling party. In addition the company has granted a charge over all of the shares in its subsidiary company, Grand Hotel (Burstin) Limited, as security for this obligation of the controlling party. This security ranks in all respects second in priority to the security granted on the bank loans.

£3,000,000 (2000: £Nil) vendor loan stock (Queensborough Holdings Limited), repayable equally in April 2002 and 2003 at an interest rate of 7%.

£100,000 (2000:£Nil) shareholder loan (Cygnet Ventures Limited) at 2% over the base rate of HSBC Bank plc, repayable on demand.

The bank loans are secured by fixed and floating charges over the group's properties and other group assets.

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	Group and Company	
	2001	2000
	£000	£000
Amounts payable:		
Within one year	277	191
In two to five years	194	156
	<u>471</u>	<u>347</u>
Less: finance charges allocated to future periods	102	41
	<u>369</u>	<u>306</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 15)	203	191
Non-current obligations	166	115
	<u>369</u>	<u>306</u>

Grand Hotel Group Limited

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NOTES TO THE ACCOUNTS

At 31st October 2001

18. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous year are as follows:

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
At 1 October	153	51	153	51
Charge for the year (Note 8)	13	102	(39)	102
At 31 October	<u>166</u>	<u>153</u>	<u>114</u>	<u>153</u>

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	Provided		Not provided	
	2001 £000	2000 £000	2001 £000	2000 £000
Capital allowances in advance of depreciation	306	154	254	154
Other timing differences	(140)	(1)	(140)	(1)
	<u>166</u>	<u>153</u>	<u>114</u>	<u>153</u>

19. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2001 No.	2000 No.	2001 £	2000 £
Ordinary shares of £1 each	900	900	100	100
Rank shares	100	100	-	-
	<u>1000</u>	<u>1000</u>	<u>100</u>	<u>100</u>

20. RESERVES

PROFIT AND LOSS ACCOUNT

	Group £000	Company £000
At 31 October 2000	161	161
Loss for the period	(288)	(312)
At 31 October 2001	<u>(127)</u>	<u>(151)</u>

21. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital 2001 £000	Profit and loss account 2001 £000	Total shareholders' funds 2001 £000
At 31 October 2000	-	161	161
Loss for the period	-	(288)	(288)
At 31 October 2001	<u>-</u>	<u>(127)</u>	<u>(127)</u>

Grand Hotel Group Limited

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NOTES TO THE ACCOUNTS

At 31st October 2001

22. NOTES TO THE STATEMENT OF CASH FLOWS

(a)	Reconciliation of operating profit to net cash inflow from operating activities	2001	2000
		£000	£000
	Operating profit	2,212	1,520
	Depreciation	990	542
	Amortisation of negative goodwill	(537)	(537)
	Loss on sale of assets	36	-
	(Increase)/Decrease In Debtors	(455)	1,026
	Decrease In Stocks	82	40
	Increase/(Decrease) In Creditors	1,274	(800)
	Provision against short term loan (note 9)	659	460
	Net cash inflow from operating activities	<u>4,261</u>	<u>2,251</u>
(b)	Analysis of cash flows for headings netted in the statement of cash flows	2001	2000
		£000	£000
	<i>Returns on investments and servicing of finance</i>		
	Interest received	29	44
	Interest paid	(1,298)	(791)
	Interest element of finance leases and hire purchase	(104)	(71)
	Issue costs of new long term loan	(164)	-
		<u>(1,537)</u>	<u>(818)</u>
	<i>Capital expenditure and financial investment</i>	2001	2000
		£000	£000
	Payment to acquire tangible fixed assets	(553)	(1,257)
	Proceeds on sale of assets	17	-
	Short term loan advanced (note 9)	(659)	(460)
		<u>(1,195)</u>	<u>(1,717)</u>
	<i>Acquisitions</i>	2001	2000
		£000	£000
	Purchase of hotel (note 10)	(8,233)	-
	Net cash acquired with subsidiary	15	-
		<u>(8,218)</u>	<u>-</u>
	<i>Management of liquid resources</i>	2001	2000
		£000	£000
	Receipts/(payments) from/(into) short term deposits	500	1,607
		<u>500</u>	<u>1,607</u>
	<i>Financing</i>	2001	2000
		£000	£000
	New long term loan	7,980	-
	Repayment of capital element of finance leases and hire purchase contracts	(243)	(184)
		<u>7,737</u>	<u>(184)</u>

NOTES TO THE ACCOUNTS

At 31st October 2001

22. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(c) Analysis of changes in net debt

	At 31 October 2000 £000	Cash flow £000	Acquisition £000	Other £000	At 31 October 2001 £000
Cash	1,372	1,423	-	-	2,795
Short term deposits	500	(500)	-	-	-
Short term loans advanced	-	659	-	(659)	-
Finance lease and hire purchase obligations	(306)	243	-	(306)	(369)
Long term loans	(9,904)	(7,816)	-	(87)	(17,807)
Vendor loan	(8,809)	-	(3,000)	(922)	(12,731)
	<u>(17,147)</u>	<u>(5,991)</u>	<u>(3,000)</u>	<u>(1,974)</u>	<u>(28,112)</u>

Short term deposits are included within cash at bank and in hand in the balance sheet.

Other non-cash transactions include provision against short term loans advanced (see note 9), new finance leases in the period and £922,000 finance charge on vendor loan stock (see note 16).

23. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £26,000 (2000: £350,000) for both the company and the group.

24. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31 October 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2001 £000	2000 £000	2001 £000	2000 £000
Operating leases which expire:				
within one year	-	-	-	-
in two to five years	66	26	57	37
in over five years	41	41	-	-
	<u>107</u>	<u>67</u>	<u>57</u>	<u>37</u>

25. CONTINGENT LIABILITIES

The company has given a guarantee for £50,000 in favour of Palmer & Harvey McIn Limited in relation to their supplier agreement.

NOTES TO THE ACCOUNTS

At 31st October 2001

26. RELATED PARTIES

During the period the company traded in the normal course of business with the following related parties:

	Purchase of goods and services from £000	Purchase of goods and services on behalf of £000	Amount due at 31 October 2001 £000	
Centrix	191	-	-	
Queensborough Holdings Limited	57	-	-	
Leisure Great Britain Limited	9	-	8	In debtors
Great British Holiday Parks Limited	-	5	5	In debtors
Leisure Travel Group Limited	-	147	-	See note 9

During the year the company advanced a short term loan of £659,000 (2000: £460,000) and paid £147,000 (2000: £151,000) for services on behalf of Leisure Travel Group Limited, a related party. The recovery of this debt is doubtful and full provision has been made.

During the year the company advanced an additional loan of £79,000 to Gala Consultancy Limited at an interest rate of 6% per annum. At 31 October 2001 the loan balance was £79,000 and interest of £27,699 was outstanding.

The controlling party of the company is also the controlling party of Centrix, Leisure Travel Group Limited, Gala Consultancy Limited and has been, during the year, a shareholder of Queensborough Holdings Limited, which owns 100% of Leisure Great Britain Limited.

P Mason and S Last are directors and shareholders of Great British Holiday Parks Limited.

27. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Cygnet Ventures Limited, a company registered in Jersey. In the director's opinion the company's ultimate controlling party is Mr K Leech.