

Report of the directors

02486634

The directors of Jarvis Hotels plc ('the Company') present their report together with the audited accounts for the year ended 30 March 2002.

Principal activities

The Company and its subsidiary companies ('the Group') own and operate 67 hotels located in England (52), Scotland (13) and Wales (2). These hotels provide facilities designed to attract both corporate clientele for training and conference purposes and the leisure market.

The operating companies principally affecting the profit and net assets of the Group in the year are listed in Note 28 to the financial statements.

Business review

A detailed review of the developments during the year, the position of the Group at the year end and the prospects for future development are given in the Chairman's statement on pages 4 and 5, the Operational review on pages 6 to 13 and the Financial review on pages 14 and 15.

Results and dividends

Group profit on ordinary activities before tax and exceptional items was £17.0m (2001: £29.1m).

Including exceptional items, Group profit on ordinary activities before tax was £16.0m (2001: £31.1m). A final dividend of 3.8p per Ordinary share was recommended by the directors on 5 June 2002 and, subject to the approval at the Annual General Meeting, will be paid on 16 August 2002 to shareholders on the register at the close of business on 19 July 2002.

Fixed assets

Fixed assets are included at cost less accumulated depreciation. The directors believe that the total market value of land, buildings and contents exceeds the net book value of £398.7m by a material amount.

Share capital

During the year ended 30 March 2002, 613 Ordinary shares in the Company were issued to satisfy options exercised under the Share Save Scheme.

Directors and their interests

The names of the directors at the date of this report, together with brief biographical details, are listed on pages 18 and 19. Such directors held office throughout the year.

In accordance with Article 74 of the Articles of Association Charles Prew, David Thomas, John Clement and Richard Thomason are each retiring by rotation and, being eligible, offer themselves for re-appointment.

The interests of the directors holding office at the year end in the share capital of the Company at 31 March 2001 and 30 March 2002, according to the Register maintained under Section 325 of the Companies Act 1985, are detailed in the Remuneration report on page 25.

Substantial shareholders

The Company has, as of 31 May 2002, received notification of interests in the Ordinary share capital of the Company in accordance with Section 198 of the Companies Act 1985 (as amended) as follows:

Interests in Ordinary share capital	Number of Ordinary shares	% of issued Ordinary share capital
Fidelity International Limited	20,877,798	12.23%
Harris Associates L.P.	12,951,400	7.59%
Trefick Limited	7,801,050	4.57%
Prudential plc	6,640,000	3.89%
CGNU plc	6,228,895	3.65%
Legal and General Investment Management Limited	5,234,484	3.06%



A57
COMPANIES HOUSE

AEOCXDTR

0478
31/08/02

Policy on payment to suppliers

The Company settles terms of payment with all suppliers when agreeing terms of each transaction. The Company's policy for the payment of its trade creditors is:

a) to ensure that suppliers are made aware of the terms of payment.

b) to pay in accordance with those terms of payment.

The number of creditor days was 22 days (2001: 35 days).

The Group's policy for the payment of its trade creditors is the same as the Company.

Debenture Stock 2004

The £20m 3.80215% to 6.84225% stepped interest First Mortgage Debenture Stock 2004 has been listed on the London Stock Exchange since 26 June 1997.

Crest Share Settlement System

At 30 March 2002, 88.1% of the issued Ordinary share capital was held in electronic form under the Crest Share Settlement System.

Employee involvement

The Company has a keen awareness of the need to attain and maintain high standards of customer care and service, by encouraging employees to promote the Company's interests and to suggest ways in which customer satisfaction can be achieved and improved. Employees are kept informed of the performance and objectives of the Company through regular newsletters and management briefings. In addition, directors and senior management regularly visit hotels and discuss with employees matters of interest and concern to the business. Those employees who are eligible can also become involved in the Group's performance through participation in share option schemes. The Group provides national training and induction programmes for its employees and participates in the Investors in People scheme. At the year end 53 of its hotels and its support centre had been accredited under that scheme.

Employee opportunities

The Group has always adopted employment and recruitment policies, which endeavour to ensure that applicants for employment and existing employees are treated on a fair and equitable basis and that engagement as an employee and any subsequent progression in employment, depends solely on the competence, skill and experience of the relevant person and the requirements of the particular job.

Disabled persons

It is Group policy to give full and fair consideration to applications made by disabled persons and to provide opportunities for the training and career development of disabled employees. If any employee becomes disabled it is standard practice, in almost all but the most extreme circumstances, to offer an alternative job and to provide re-training where necessary.

Pension schemes

Throughout the year, the Group operated the Plan and the Funded Unapproved Retirement Benefit Schemes ('FURBS'). Since April 2002, no new entrants are accepted into the Plan. Instead, new employees are entitled to join the J3P which was set up during the year.

As at 30 March 2002 there were 1,140 (2001: 1,356) active members of the Plan, 6 individual FURBS and 82 members of the J3P. The Group considers that it has taken all appropriate actions to comply with its obligations under the Pensions Act 1995.

Insurance for the Company's directors and officers

During the year the Company purchased insurance for its directors and officers against liabilities in relation to their duties.

Report of the directors

Annual General Meeting

The meeting will be held at 11.00am on Wednesday 31 July 2002 at the Ramada Plaza London, 18 Lodge Road, St John's Wood, London NW8 7JT. The notice of the meeting is set out on pages 50 and 51. The following special business matters will be dealt with at the meeting. The Articles of Association permit the directors to allot shares and other securities, in accordance with sections 80 and 89 of the Companies Act 1985, up to an amount authorised by the shareholders in general meeting.

Resolution 9 (an ordinary resolution) proposes giving the directors authority to allot shares up to an amount of £2,845,114 which represents 33.33% of the Ordinary share capital of the Company at 5 June 2002. **Resolution 10** (a special resolution) proposes giving the directors authority to allot shares for cash, other than by way of a rights issue, up to an amount of £426,810 representing 5% of the total issued Ordinary share capital at 5 June 2002. The existing authorities expire at the date of this year's Annual General Meeting and the passing of resolutions 9 and 10 will renew the authorities until the date of the Annual General Meeting in 2003 or 15 months following the passing of these resolutions (whichever shall first occur). There is no present intention of exercising these authorities except for Employee Share Option Schemes.

The existing authority for the Company to purchase its own shares expires at the conclusion of the 2002 Annual General Meeting. If passed, **Resolution 11** (a special resolution) will enable the Company to purchase up to 25,437,865 Ordinary shares (representing 14.9% of the issued Ordinary share capital at 5 June 2002, the latest practicable date prior to publication of this report). The maximum price at which any Ordinary share may be purchased is the price equal to 5% above the average middle market quotation for an Ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day of such purchase and the minimum price at which any Ordinary share may be purchased is 5p. The number of options for Ordinary shares outstanding at 5 June 2002, the latest practicable date prior to publication of this report, was 7,620,561 (representing 4.5% of the issued Ordinary share capital of the Company at this date). If the proposed authority for the Company to purchase its own shares is used in full, the total number of such options will represent 5.2% of the issued Ordinary share capital of the Company. This power will only be exercised by the Board when it is satisfied that any purchase would have a beneficial impact on earnings per share, would not have a material adverse impact upon attributable assets and would be in the interests of shareholders.

Resolution 12 proposes changes to the Company's Articles of Association in light of recent developments, such as the introduction of uncertificated shares and the possibility of using modern technology to communicate with shareholders. Many of the changes in the new Articles of Association are minor. Details of significant changes are summarised below. References to Article numbers refer to the draft new Articles of Association.

The draft new Articles of Association include provisions which enable shareholders and the Company to use modern technology pursuant to the enactment of the Electronic Communications Act 2000 and the Companies Act 1985 (Electronic Communications) Order 2000 so that the Company will be able to deliver its annual report and notices of general meetings to shareholders by electronic communication (including by fax or by e-mail) and similarly shareholders will be able to communicate their appointment of proxies to the Company electronically (Articles 61, 133, 134 and 135).

Shareholders will be sent documents in an electronic format only if they have previously indicated a willingness to receive documents this way, and only to the extent permitted by the relevant laws and regulations applicable to listed companies from time to time.

As an alternative to electronic communication, such as fax or e-mail, certain documents including notices of general meetings and annual reports may be made available to shareholders on a web site (Articles 133 and 135). The Company must first agree with the shareholder that the relevant document may be accessed by him on a web site instead of being sent to him. The shareholder will then be notified of the availability and publication of the document on the web site.

Shareholders will be provided with full information as and when the Company proposes to introduce electronic communications.

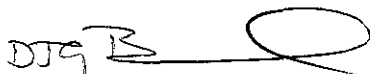
The existing Articles of Association do not contain any provisions for uncertificated shares although as a matter of law the Articles of Association have been over-ridden by statutory provisions enabling shares to be settled in CREST. The draft new Articles of Association permit the Company to settle all of its shares electronically through CREST and set out the procedures by which uncertificated shares are to be held through CREST. The new Articles of Association allow holders of certificated shares to change their shares into uncertificated shares and vice versa. Under the draft new Articles of Association the Company can give notice requiring a shareholder to change uncertificated shares to certificated shares (Article 10).

There are certain consequential amendments in relation to the above-mentioned Articles throughout the draft new Articles of Association.

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office as auditors of the Company and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the Board
DJG Beveridge
Company Secretary
5 June 2002



Directors' responsibilities for preparing the financial statements

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 March 2002. The directors also confirm that applicable accounting standards have been followed and the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Company's corporate web site is also the responsibility of the directors.

Independent auditors' report

to the members of Jarvis Hotels plc

We have audited the financial statements on pages 29 to 45 which have been prepared under the historical cost convention and the accounting policies set out on page 32.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 27.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

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 or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the Corporate Governance statement on pages 16-17 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's Corporate Governance procedures or its risk and control procedures.

Basis of audit 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 March 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

5 June 2002



Consolidated profit and loss account

for the year ended 30 March 2002

	Notes	2002			2001		
		Before exceptional items	Exceptional items (Note 3)	Total	Before exceptional items As re-stated	Exceptional items (Note 3)	Total As re-stated
		£000's	£000's	£000's	£000's	£000's	£000's
Turnover	1	162,562	-	162,562	177,132	-	177,132
- continuing operations							
Cost of sales		(126,677)	-	(126,677)	(127,956)	-	(127,956)
Hotel trading profit		35,885	-	35,885	49,176	-	49,176
Net operating expenses		(10,950)	(1,192)	(12,142)	(10,759)	-	(10,759)
Other operating income		80	-	80	510	-	510
Operating profit	2	25,015	(1,192)	23,823	38,927	-	38,927
- continuing operations							
Profit on sale of hotels		-	564	564	-	1,951	1,951
Interest receivable	7	217	-	217	200	-	200
Interest payable and similar charges	8	(8,201)	(450)	(8,651)	(9,987)	-	(9,987)
Profit on ordinary activities before taxation		17,031	(1,078)	15,953	29,140	1,951	31,091
Taxation on profit on ordinary activities	9	(6,865)	493	(6,372)	(5,449)	-	(5,449)
Profit on ordinary activities after taxation		10,166	(585)	9,581	23,691	1,951	25,642
Dividends	10	(9,417)	-	(9,417)	(9,417)	-	(9,417)
Retained profit for the year	23	749	(585)	164	14,274	1,951	16,225
Earnings per share	11						
- basic				5.7p			15.1p
- basic before exceptional items				6.0p			14.0p
Fully diluted earnings per share	11						
- diluted				5.7p			15.1p
- diluted before exceptional items				6.0p			14.0p

Consolidated statement of total recognised gains and losses

for the year ended 30 March 2002

		2002	2001
		£000's	£000's
Profit for the financial year attributable to shareholders		9,581	25,642
Prior year adjustment	21	(17,316)	
Total recognised gains and losses since last annual report		<u>(7,735)</u>	

There is no difference between the profit on ordinary activities before taxation and the profits stated above, and their historical cost equivalents.

Balance sheets

as at 30 March 2002

	Notes	Group		Company	
		2002	2001	2002	2001
		£000's	As re-stated £000's	£000's	As re-stated £000's
Fixed assets					
Tangible assets	13	399,902	396,922	215,673	346,774
Investments	15	2,738	2,738	133,946	2,738
Current assets					
Stocks	16	1,115	1,257	878	1,011
Debtors: amounts falling due after one year	17	-	-	39,260	42,458
Debtors: amounts falling due within one year	17	15,442	19,099	13,535	15,711
Cash at bank and in hand		1,491	1,768	1,147	1,600
		18,048	22,124	54,820	60,780
Creditors: amounts falling due within one year	18	(37,879)	(50,130)	(42,344)	(57,021)
Net current (liabilities) / assets		(19,831)	(28,006)	12,476	3,759
Total assets less current liabilities		382,809	371,654	362,095	353,271
Creditors: amounts falling due after one year	19	(123,143)	(113,873)	(123,143)	(113,873)
Provisions for liabilities and charges	21	(19,036)	(17,316)	(14,397)	(13,292)
Net assets		240,630	240,465	224,555	226,106
Capital and reserves					
Called up share capital	22	8,536	8,536	8,536	8,536
Share premium account	23	129,230	129,229	129,230	129,229
Capital redemption reserve	23	41,821	41,821	41,821	41,821
Profit and loss account	23	61,043	60,879	44,968	46,520
Total equity shareholders' funds		240,630	240,465	224,555	226,106

The financial statements on pages 29 to 45 were approved by the Board of directors on 5 June 2002 and signed on its behalf by:

J F Jarvis

D O Thomas

Directors



Consolidated cash flow statement

for the year ended 30 March 2002

	Notes	2002 £000's	2001 £000's
Net cash inflow from operating activities	26	41,609	49,726
Returns on investments and servicing of finance			
Interest received		217	200
Interest paid		(7,469)	(10,267)
Net cash outflow from returns on investments and servicing of finance		(7,252)	(10,067)
Taxation paid		(6,334)	(4,937)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(21,626)	(20,891)
Purchase of investments		-	(2,738)
Sale of tangible fixed assets		454	1,406
Net cash outflow from capital expenditure and financial investment		(21,172)	(22,223)
Acquisitions and disposals			
Acquisitions of hotels		-	(3,752)
Proceeds on the sale of hotels		1,789	11,455
Net cash inflow from acquisitions and sales		1,789	7,703
Equity dividends paid to shareholders		(9,418)	(9,173)
Net cash (outflow) / inflow before use of liquid resources and financing		(778)	11,029
Management of liquid resources		-	-
Financing			
Issue of Ordinary share capital		1	1
Purchase of own shares for cancellation		-	(5,318)
Increase / (decrease) in debt		500	(6,000)
Net cash inflow / (outflow) from financing		501	(11,317)
Decrease in cash in the year		(277)	(288)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Decrease in cash in the year	(277)	(288)
Cash (inflow) / outflow from (increase) / decrease in debt	(500)	6,000
Change in net debt resulting from cash flows	(777)	5,712
Non cash movements	(270)	(225)
Movement in net debt in the year	(1,047)	5,487
Net debt at 1 April 2001	(127,105)	(132,592)
Net debt at 30 March 2002	(128,152)	(127,105)

Accounting policies

Principal accounting policies

The financial statements have been prepared in accordance with the applicable Accounting Standards in the United Kingdom. The following Financial Reporting Standards ('FRS') have been adopted during the year: FRS 17 - Retirement benefits, additional disclosure is shown in Note 6; FRS 18 - Accounting policies, this did not require any changes to the existing accounting policies; FRS 19 - Deferred Tax, this has resulted in a prior year adjustment, see Note 21. A summary of the more important Group accounting policies is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 30 March 2002. The results of businesses acquired are included in the consolidated profit and loss account from the date control passed. Intra-group sales and profits are eliminated fully on consolidation.

The Group has taken advantage under Financial Reporting Standard 8 'Related Party Disclosures' (FRS 8) not to disclose transactions and balances between Group companies which are eliminated on consolidation. The Company has taken advantage of the exemption under FRS 8 not to disclose the transactions or balances with subsidiaries which are more than 90% owned within the Group.

Turnover

Turnover represents the amounts receivable for goods sold and services provided, excluding VAT.

Internal professional costs

Internal professional costs incurred on major hotel refurbishment works are capitalised as part of costs of development.

Fixed assets

- (a) Properties are included in the balance sheet at cost plus subsequent additions at cost.
- (b) No depreciation is provided on freehold land. Depreciation is provided on all other tangible fixed assets on a straight line basis. Those parts of each property which have significantly different useful lives are separated for depreciation purposes.
 - Freehold and long leasehold properties - up to 50 years.
 - Short leasehold properties - remaining term of lease.
 - Cost of fitting out properties - up to 25 years.
 - Plant and machinery - 15 years.
 - Computer equipment, motor vehicles and furniture and fittings - 5 to 10 years.No depreciation is provided on work in progress. On completion, the assets are re-classified into their relevant asset category and depreciated accordingly.

Leased assets

Rental payments under operating leases are charged to the profit and loss account as incurred.

Pension scheme arrangements

The pension liabilities of the Plan are matched against investments which are made externally and independently of the Company. A charge is made to the profit and loss account, based on a percentage of pensionable earnings. Variation from the regular pension cost to the Company arising from expected surpluses (or deficiencies) will be credited (or charged) to the profit and loss account over the expected average remaining lives of current employees in the scheme. The Company's contributions to the J3P and the FURBS are charged to the profit and loss account as incurred.

Stocks

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

Deferred taxation

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based upon tax rates known at the balance sheet date.

Investment in own shares

The Company's ESOP is a separately administered Trust. The liabilities of the ESOP are guaranteed by the Company and the assets of the ESOP wholly comprise shares in the Company. In accordance with UITF 13, the assets, liabilities, income and costs of the ESOP have been included in the consolidated financial statements.

Financial instruments

Financial assets are recognised when the Group has rights or other access to economic benefits. Such assets consist of cash and contractual rights to receive cash. Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver financial assets to another entity. Financial assets and liabilities are off-set only when a legal right of set off exists for a determinate monetary amount.

Capitalisation of finance costs and interest

Issue costs are capitalised and written off over the term of the agreement.

Notes to the financial statements

30 March 2002

1 Segmental analysis

The Group's turnover, profit before taxation and net assets are derived from its principal activity within the UK and as such no segmental information has been disclosed.

2 Operating profit

	2002 £000's	2001 £000's
Operating profit is stated after charging / (crediting):		
Auditors' remuneration - audit	92	87
Auditors' remuneration - other	250	65
Depreciation of tangible fixed assets	15,438	13,383
Hire of plant and machinery	3,629	3,760
Other operating leases	6,861	7,743
Loss / (profit) on fixed asset disposals	842	(384)

Net operating expenses excluding exceptional items include £6.7m (2001: £7.0m) for administration and £4.2m (2001: £3.8m) for selling costs. The exceptional costs of £1.2m include £0.5m for administration and £0.7m for selling costs. Auditors' remuneration is borne by the Company for the Group.

3 Exceptional items

£0.7m costs have been incurred for the accelerated write off of the Company's web site development costs. In addition, the collapse of Independent Insurance in June 2001 has given rise to £0.5m of costs in respect of uninsured claims and replacement insurance premiums. The profit on the sale of hotels was £0.6m (2001: £2.0m), and the proceeds, net of selling costs, amounted to £1.4m (2001: £10.6m); any capital gains tax arising from this sale will be rolled over against the cost of future acquisitions of land, buildings and fixed plant. £0.45m issue costs in respect of bank facilities has been fully written off in the year.

4 Directors' remuneration

A full analysis of the directors' emoluments, pension entitlements and share options is detailed in the Remuneration report on pages 23 to 26, sections 2(d), 2(e), 3, 4 and 5. Fees of £50,000 (2001: £50,000) were paid on behalf of non-executive directors to designated companies.

	2002 £000's	2001 £000's
Executive directors		
Salaries and other benefits	1,261	1,190
Bonus	-	289
Pension contributions	286	213
	1,547	1,692
Non-executive directors		
Fees	80	80
	1,627	1,772

Notes to the financial statements

30 March 2002

5 Employee information

The average number of persons employed by the Group during the year was:

	2002	2001
Full time	2,183	2,313
Part time	3,562	3,774
	5,745	6,087

Employment costs of all employees included above:

	2002 £000's	2001 £000's
Gross wages and salaries	50,130	52,054
Employer's national insurance and state pension contributions	2,805	2,909
Employer's pension costs	1,901	1,544
	54,836	56,507

6 Pension schemes

The Company operates the Plan, FURBS and J3P. The Plan is contracted-out of the state earnings related pension scheme and provides benefits based upon final pensionable earnings and years of service at retirement. It is funded and the assets are held separately and invested independently of the Group. The Plan was closed to new members during the year. All new employees are offered membership of the J3P, a defined contribution scheme which was introduced during the year.

The contributions to be paid to the Plan are determined by an independent qualified actuary on the basis of an actuarial valuation using the projected unit method. The most recent actuarial review carried out for the purpose of establishing the pension charge for the year was as at 5 December 1999 (the Plan year end). The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of interest on investment, rate of salary growth and the rate of increase in pensions. It was assumed that real investment return (over prices) would be 5.5% per annum pre-retirement and 3% per annum post-retirement, real earnings growth (also over prices) would average 1.5% per annum, and the element of pension which is not the Guaranteed Minimum Pension would increase at the absolute rate of 3% per annum.

On this basis, as at 5 December 1999, the actuarial value of the assets of the Plan represented 98% of the benefits that had accrued to members after allowing for expected future increases in earnings. The net market value of assets as at 5 December 1999 was £22.1m.

The first formal Minimum Funding Requirement ('MFR') valuation for the Plan was carried out as at 5 December 1999. At that date the MFR funding level of the scheme was 92%. Details of the action taken since that date are given in the Financial review on page 14, Pensions.

The pension charge for the year was £1,901,834 (2001: £1,147,260). As at 30 March 2002 the pension prepayment held on the Group's balance sheet is £910,788 (2001: £232,546).

FRS 17 Retirement benefits

The information included in the financial statements and this Note is in accordance with the requirements of SSAP 24. However, a new accounting standard - FRS 17 Retirement benefits - has been introduced and the information below is disclosed in accordance with its transitional provisions. The most recent actuarial valuation has been updated by independent actuaries to take account of the requirement of FRS 17 in order to assess the assets and liabilities of the scheme at 30 March 2002. Scheme assets are stated at their market value at 30 March 2002.

The figures are calculated assuming all the assets achieve a future return in line with corporate bonds, although some of the assets are invested in equities. In addition to the Plan, the Company also provides benefits in respect of salaries above the earnings cap through FURBS.

	Plan As at 30 March 2002 £000's	FURBS As at 30 March 2002 £000's
Market value of the assets	24,033	1,789
Present value of the liabilities	(35,287)	(2,644)
Deficits	(11,254)	(855)
Related deferred tax	3,376	256
Net pension liability	(7,878)	(599)

The assets of the Plan and the expected long term rates of return as at 30 March 2002 were:

	Value as at 30 March 2002	Expected long term return
Equities	£16,482,000	8.00%
Bonds	£7,551,000	5.50%
Total market value of assets	£24,033,000	

The assets of the FURBS and the expected long term rates of return as at 30 March 2002 were:

	Value as at 30 March 2002	Expected long term return
Equities	£1,431,000	8.00%
Bonds	£358,000	5.50%
Total market value of assets	£1,789,000	

The value of both the above scheme's liabilities has been calculated on data as at the year end, and on the following assumptions:

Rate of increase in salaries	4.25%
Rate of increase in pensions in payment	3.00%
Rate of revaluation of pensions in deferment	2.75%
Inflation rate	2.75%
Discount rate	6.00%

If the above amounts had been recognised in the financial statements, the Group's net assets and reserves at 31 December 2001 would be as follows:

	As at 30 March 2002 £000's
Net assets	
Net assets	240,630
Less: SSAP 24 net pension prepayments	(911)
Less: FRS 17 net pension liability	(8,477)
Net assets including FRS 17 pension liability	231,242
Reserves	
Reserves	61,043
Less: SSAP 24 net pension prepayments	(911)
Less: FRS 17 net pension liability	(8,477)
Reserves including FRS 17 pension liability	51,655

Further information on the pension schemes is given in the Financial review on page 14.

Notes to the financial statements

30 March 2002

7 Interest receivable

	2002 £000's	2001 £000's
Bank interest receivable	217	200

8 Interest payable and similar charges

	2002 £000's	2001 £000's
On bank loans and overdrafts		
Interest payable on bank loans and overdrafts	6,566	8,371
Interest payable on other loans	1,635	1,616
Exceptional item: write off of issue costs of bank facilities (see Note 3)	450	-
	8,651	9,987

9 Taxation

The taxation charge in the Group profit and loss account comprises:

	2002 £000's	2001 As re-stated £000's
UK corporation tax at 30% (2001: 30%)		
Current year charge	4,375	7,543
Under/(overprovision) in prior years	277	(4,487)
	4,652	3,056
Deferred tax (Note 21)	1,720	2,393
	6,372	5,449

Tax for the period is lower (2001: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £000's	2001 £000's
Profit on ordinary activities before tax	15,953	31,091
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	4,786	9,327
Effects of:		
Adjustments to tax in respect of prior period	277	(4,487)
Expenses not deductible for tax purposes	144	-
Capital allowances in excess of depreciation	(1,547)	(2,002)
Non qualifying depreciation and disposal of fixed assets	992	385
Short term timing differences	-	(167)
Current tax charge	4,652	3,056

10 Dividends

	2002 £000's	2001 £000's
Equity shares		
Ordinary shares - interim (paid) 1.8p per share (2001: 1.8p)	3,027	3,027
Ordinary shares - final (proposed) 3.8p per share (2001: 3.8p)	6,390	6,390
	<u>9,417</u>	<u>9,417</u>

11 Earnings per share

Earnings per share are calculated using the profit on ordinary activities after taxation and the weighted average number of shares detailed below. For fully diluted earnings per share the weighted average number of shares is adjusted for the effect of potentially dilutive share options issued under the Company share option schemes.

	2002		2001	
	Earnings £000's	Earnings per share	Earnings As re-stated £000's	Earnings per share As re-stated
Profit on ordinary activities after taxation and exceptional items	9,581	5.7p	25,642	15.1p
Exceptional items (net of tax)	585	0.3p	(1,951)	(1.1p)
Profit on ordinary activities after taxation and before exceptional items	<u>10,166</u>	<u>6.0p</u>	<u>23,691</u>	<u>14.0p</u>
Weighted average number of shares in issue during the year for basic earnings per share calculation	168,159,637		169,261,861	
Options	137,132		149,249	
Weighted average number of shares in issue during the year for diluted earnings per share calculation	<u>168,296,769</u>		<u>169,411,110</u>	
Basic earnings per share	5.7p		15.1p	
Basic earnings per share before exceptional items	6.0p		14.0p	
Diluted earnings per share	5.7p		15.1p	
Diluted earnings per share before exceptional items	6.0p		14.0p	

Supplementary basic and diluted earnings per share have been calculated to exclude the exceptional items.

12 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's retained loss for the financial year was £1.6m (2001 as re-stated: £12.4m profit).

Notes to the financial statements

30 March 2002

13 Tangible fixed assets

Group	Land and buildings			Furniture, fittings and equipment	Motor vehicles	Work-in progress	Total
	Freehold	Leasehold					
		Long	Short				
Cost							
At 1 April 2001	271,184	88,175	3,378	88,647	1,586	8,753	461,723
Acquisitions/Additions	7,128	919	876	4,214	150	7,389	20,676
Reclassification	8,655	1,348	85	5,489	-	(15,577)	-
Disposals	(1,772)	-	(3)	(5,021)	(335)	-	(7,131)
At 30 March 2002	285,195	90,442	4,336	93,329	1,401	565	475,268
Accumulated depreciation							
At 1 April 2001	22,146	2,286	1,556	38,082	731	-	64,801
Charge for year**	3,999	753	226	10,174	286	-	15,438
Disposals	(218)	-	-	(4,403)	(252)	-	(4,873)
At 30 March 2002	25,927	3,039	1,782	43,853	765	-	75,366
Net book value							
At 30 March 2002	259,268	87,403	2,554	49,476	636	565	399,902
At 31 March 2001	249,038	85,889	1,822	50,565	855	8,753	396,922

Company	Land and buildings			Furniture, fittings and equipment	Motor vehicles	Work-in progress	Total
	Freehold	Leasehold					
		Long	Short				
Cost							
At 1 April 2001	232,801	87,070	3,378	69,815	1,503	7,054	401,621
Acquisitions/Additions	2,926	917	876	3,006	130	5,370	13,225
Transfer to Group companies*	(127,198)	-	-	(25,628)	-	(2,096)	(154,922)
Reclassification	5,151	1,348	85	3,179	-	(9,763)	-
Disposals	(1,574)	-	(3)	(4,132)	(327)	-	(6,036)
At 30 March 2002	112,106	89,335	4,336	46,240	1,306	565	253,888
Accumulated depreciation							
At 1 April 2001	19,904	2,199	1,557	30,488	699	-	54,847
Charge for year**	2,580	729	226	7,313	269	-	11,117
Transfer to Group companies*	(11,379)	-	-	(12,335)	-	-	(23,714)
Disposals	(187)	-	-	(3,602)	(246)	-	(4,035)
At 30 March 2002	10,918	2,928	1,783	21,864	722	-	38,215
Net book value							
At 30 March 2002	101,188	86,407	2,553	24,376	584	565	215,673
At 31 March 2001	212,897	84,871	1,821	39,327	804	7,054	346,774

* Refer to Financial review page 15, Formation of new subsidiary companies.

** Depreciation charge for the year includes the exceptional item, the accelerated write off of web site development costs - see Note 3.

14 Capital commitments

	Group		Company	
	2002 £000's	2001 £000's	2002 £000's	2001 £000's
Amounts contracted but not invoiced	2,703	7,979	2,367	5,127

15 Investments

	Group		Company	
	2002 £000's	2001 £000's	2002 £000's	2001 £000's
Investment in Group undertakings	-	-	131,208	-
Investment in own shares	2,738	2,738	2,738	2,738
	2,738	2,738	133,946	2,738

- (a) The investment in Group undertakings represents the net book value of assets transferred to Group companies during the year. Investments are held at cost less accumulated depreciation at the time of transfer.
- (b) Interests in own shares represents the cost of 2,562,558 of the Company's Ordinary shares (nominal value of £128,128) purchased in the previous year. These shares were acquired by a Trust in the open market using funds provided by Jarvis Hotels plc to meet obligations under the 1996 Scheme. The option scheme does not allow the purchase of shares at a discount to the market value at the date of grant of the options, therefore no charge to the profit and loss account arises. The costs of funding and administering the scheme are charged to the profit and loss account of the Company in the year to which they relate. The market value of the shares at 30 March 2002 was £2.8m. The dividends on the shares held by the Trust have been waived.

16 Stocks

All stocks relate to food, beverage and consumables.

17 Debtors

	Group		Company	
	2002 £000's	2001 £000's	2002 £000's	2001 £000's
Amounts falling due after more than one year				
Amounts owed by subsidiary companies	-	-	39,260	42,458
	-	-	39,260	42,458
Amounts falling due within one year				
Trade debtors	9,792	11,941	8,232	10,051
Other debtors	3,015	2,923	2,856	1,864
Prepayments and accrued income	2,635	3,476	2,447	3,272
Corporation tax	-	759	-	524
	15,442	19,099	13,535	15,711

Notes to the financial statements

30 March 2002

18 Creditors

	Group		Company	
	2002 £000's	2001 £000's	2002 £000's	2001 £000's
Amounts falling due within one year				
Bank loans and overdraft (Note 19)	6,500	15,000	6,500	15,000
Trade creditors	4,723	7,938	3,903	6,542
Amounts owed to Group undertakings	-	-	7,611	10,899
Corporation tax	3,035	5,477	2,892	4,844
Other taxation and social security payable	1,912	3,156	1,288	2,419
Other creditors	5,623	3,213	5,147	3,027
Accruals	9,696	8,956	8,613	7,900
Dividends payable	6,390	6,390	6,390	6,390
	<u>37,879</u>	<u>50,130</u>	<u>42,344</u>	<u>57,021</u>

19 Creditors

	Group		Company	
	2002 £000's	2001 £000's	2002 £000's	2001 £000's
Amounts falling due after more than one year				
Bank loans	104,000	95,000	104,000	95,000
First Mortgage Debenture Stock 2004	19,143	18,873	19,143	18,873
	<u>123,143</u>	<u>113,873</u>	<u>123,143</u>	<u>113,873</u>
The maturity analysis of bank and other borrowings is as follows:				
Within one year (Note 18)	6,500	15,000	6,500	15,000
Between one and two years	9,000	28,000	9,000	28,000
Between two and five years	114,143	85,873	114,143	85,873
	<u>129,643</u>	<u>128,873</u>	<u>129,643</u>	<u>128,873</u>

- (a) The £20m 3.80125% to 6.84225% stepped interest First Mortgage Debenture Stock was issued for a consideration of £15.205m. The Debenture Stock is redeemable at par on 31 December 2004 and is secured by fixed and floating charges over the assets of Jarvis Red Tin Shed Corporation Limited.
- (b) The Group has loan facilities with a banking syndicate led jointly by Bank of Scotland and National Westminster Bank Plc to provide finance to December 2005. The loans are unsecured and interest is payable at variable rates of interest based upon LIBOR (London Inter Bank Offer Rate) which resulted in an average rate of 5.6% in the year.

20 Financial instruments

Interest rate risk profile of financial assets and financial liabilities

In preparing this analysis, short-term debtors and creditors have been excluded. The policy of the Company in respect of interest rate risk is detailed on page 15 under Financing. The Company does not engage in foreign currency operations.

Financial assets

The Group has no financial assets other than cash at bank. The cash at bank of £1.5m (2001: £1.8m) is entirely in sterling and is placed on overnight deposit at floating interest rates based on LIBOR. It is available on demand.

Financial liabilities

The interest rate profile of the Group's financial liabilities at 30 March 2002 was:

	Financial liabilities					
	Total		Fixed rate		Floating rate	
	2002	2001	2002	2001	2002	2001
Amount of financial liability (£000's)	129.6	128.9	19.1	18.9	110.5	110.0
Weighted average interest rate (%)	n/a	n/a	8.6	8.6	n/a	n/a
Weighted average period for which rate is fixed (years)	n/a	n/a	2.75	3.75	n/a	n/a

The floating rate financial liabilities comprise sterling denominated bank borrowings that bear interest rates based on LIBOR that have fixed interest rates up to one year.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 30 March 2002 was as follows:

	2002	2001
	£000's	£000's
Within one year	6,500	15,000
Between one and two years	9,000	28,000
Between two and five years	114,143	85,873
	<u>129,643</u>	<u>128,873</u>

Borrowing facilities

As at 30 March 2002, the Group has undrawn committed borrowing facilities of £26.0m (2001: £25.0m) in respect of which all conditions precedent had been met. All of the undrawn facilities expire in more than two years.

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at 30 March 2002.

	Book value		Fair value	
	2002	2001	2002	2001
	£000's	£000's	£000's	£000's
Current portion of long-term borrowings	(6,500)	(15,000)	(6,500)	(15,000)
Long-term borrowings – floating rate	(104,000)	(95,000)	(104,000)	(95,000)
Long-term borrowings – fixed rate	(19,143)	(18,873)	(19,525)	(18,850)
Financial assets	1,491	1,768	1,491	1,768

Market values have been used to determine fair values for fixed rate borrowings. In the case of other financial instruments, the fair value is considered to approximate to the carrying value in the balance sheet.

Notes to the financial statements

30 March 2002

21 Provisions for liabilities and charges

Deferred tax

Provision for deferred tax comprises:

	Group		Company	
	2002	2001 As re-stated	2002	2001 As re-stated
	£000's	£000's	£000's	£000's
Accelerated capital allowances	18,762	17,244	14,107	13,205
Other timing differences	274	72	290	87
	<u>19,036</u>	<u>17,316</u>	<u>14,397</u>	<u>13,292</u>
At 1 April as previously reported	-	-	-	-
Prior year adjustment - FRS 19	17,316		13,292	
As re-stated	17,316		13,292	
Amount charged to profit and loss account (Note 9)	1,720		1,105	
Provision at end of year	<u>19,036</u>		<u>14,397</u>	

FRS 19 - Deferred Tax, has been adopted in the year. The deferred tax charge for the year is £1.7m (2001 as re-stated: £2.4m). In previous years the Group has not provided for deferred tax on the basis that it did expect the timing differences to crystallise in the foreseeable future. The Group had recognised a prior year adjustment of £15.2m in the interim results reflecting the unprovided deferred tax at the end of the previous year. This has been updated to reflect better information as to the opening position and as such the prior year adjustment is now £17.3m. There has been a corresponding reduction to the Group's profit and loss account reserve.

No provision has been made for deferred tax on gains on the sale of properties where potentially taxable gains have been rolled over into replacement assets.

22 Share capital

	2002		2001	
	Number	£000's	Number	£000's
Authorised				
Ordinary shares of 5p each	250,000,000	12,500	250,000,000	12,500
Allotted, called up and fully paid				
Ordinary shares of 5p each	170,722,684	8,536	170,722,071	8,536

During the year, 613 Ordinary shares of 5p each were issued to participants under the SS Scheme for an aggregate consideration of £779. The directors are authorised by the shareholders to purchase, in the market, up to 25,437,865 of the Company's own shares, as permitted under the Company's Articles of Association. The directors will seek to renew the authority at the Annual General Meeting.

Share save and share option schemes

As at 30 March 2002 the following options remained exercisable:

			Ordinary shares	
			2002	2001
SS Scheme	Option price	Options exercisable		
	£1.27	October 2001 to March 2002	-	90,686
	£1.084	October 2002 to March 2003	214,211	272,450
	£0.824	October 2003 to March 2004	755,613	922,525
1996 Scheme	Option price	Options exercisable		
	£1.75	June 1999 to June 2006	3,271,603	3,271,603
	£1.51	December 2000 to December 2007	734,123	734,123
	£1.15	December 2001 to December 2008	587,279	587,279
	£1.025	July 2003 to July 2010	2,057,732	2,057,732

23 Shareholders' funds

Group	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total
	£000's	£000's	£000's	£000's	£000's
At 31 March 2001					
As previously reported	8,536	129,229	41,821	78,195	257,781
Prior year adjustment: FRS 19 (Note 21)	-	-	-	(17,316)	(17,316)
As re-stated	8,536	129,229	41,821	60,879	240,465
Allotted under share option schemes	-	1	-	-	1
Retained profit for the year	-	-	-	164	164
At 30 March 2002	8,536	129,230	41,821	61,043	240,630

Company	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total
	£000's	£000's	£000's	£000's	£000's
At 31 March 2001					
As previously reported	8,536	129,229	41,821	59,812	239,398
Prior year adjustment: FRS 19 (Note 21)	-	-	-	(13,292)	(13,292)
As re-stated	8,536	129,229	41,821	46,520	226,106
Allotted under share option schemes	-	1	-	-	1
Retained loss for the year	-	-	-	(1,552)	(1,552)
At 30 March 2002	8,536	129,230	41,821	44,968	224,555

24 Reconciliation of movement in equity shareholders' funds

	2002	2001
	£000's	As re-stated £000's
Profit for the financial year	9,581	25,642
Dividends - net movement	(9,417)	(9,417)
	164	16,225
Share capital issued	1	1
Shares re-purchased for cancellation	-	(5,318)
Net addition to shareholders' funds	165	10,908
Opening shareholders' funds after adjusting for prior year adjustment	240,465	229,557
Closing shareholders' funds	240,630	240,465

Notes to the financial statements

30 March 2002

25 Contingent liabilities and commitments

- The Group has received a number of tourist board grants which have been used to fund developments within the hotels. The potential clawback of grants is estimated at £34,000 which would crystallise if certain investment criteria were exceeded or the assets in question were not used or retained for purposes intended when the grants were received.
- In order to cover obligations under the EU Directive on package holidays, the Company has placed £341,000 in a Trust account held with the Bank of Scotland. In the event of the Company's insolvency the monies would be used to refund customers.
- The Group has entered into a number of contractual agreements in respect of the hire of plant and equipment installed and used at its hotel premises. There are a large number of agreements in respect of each hotel, of which some provide for accelerated payment of a percentage of outstanding rentals on early termination of the contract.

At 30 March 2002 the Group had annual commitments under operating leases as set out below:

	Land and buildings		Other	
	2002	2001	2002	2001
	£000's	£000's	£000's	£000's
Operating leases which expire				
Within one year	-	-	370	528
In two to five years	-	-	1,230	1,098
Over five years	5,989	6,039	-	-
	<u>5,989</u>	<u>6,039</u>	<u>1,600</u>	<u>1,626</u>

26 Reconciliation of operating profit to cash inflow from operating activities

	2002	2001
	£000's	£000's
Operating profit	23,823	38,927
Adjustment for exceptional items	<u>1,074</u>	<u>-</u>
	24,897	38,927
Depreciation charge (before exceptional items)	14,714	13,383
Loss / (profit) on sale of tangible fixed assets	842	(384)
Decrease in stocks	142	111
Decrease / (increase) in debtors	2,414	(2,616)
(Decrease) / increase in creditors	<u>(1,400)</u>	<u>305</u>
Net cash inflow from operating activities	<u>41,609</u>	<u>49,726</u>

The cash flow impact of operating exceptional items of £1,192,000 per the profit and loss account is £118,000.

27 Analysis of net debt

	At 1 April 2001 £000's	Cash flow £000's	Non cash movement £000's	At 30 March 2002 £000's
Cash at bank and in hand	1,768	(277)	-	1,491
Debt due after one year	(113,873)	(9,000)	(270)	(123,143)
Debt due within one year	(15,000)	8,500	-	(6,500)
TOTAL	(127,105)	(777)	(270)	(128,152)

Non cash movement relates to the charge made against profit each year in accordance with FRS 4 in order to increase the £15.205m consideration received on the issue of the £20m First Mortgage Debenture Stock 2004 to the £20m redemption by December 2004.

28 Interests in Group undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results of financial position, in the opinion of the directors, principally effect the figures of the Group.

Name	Country of incorporation	Class of capital	% of class and voting rights held
Jarvis Hotels - First Time Every Time Limited	Great Britain	Ordinary shares Preference shares	100% 100%
Jarvis Hotels - Creating the Difference Limited	Great Britain	Ordinary shares Preference shares	100% 100%
Jarvis Red Tin Shed Corporation Limited	Jersey	Ordinary shares Preference shares	100% 100%
Jarvis Hotels Bolton Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Ealing Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels East Grinstead Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Farnham Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Gatwick Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Gloucester Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Hatfield Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Hemel Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Hyde Park Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Kensington Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Leatherhead Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Penns Hall Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Solihull Limited	Great Britain	Ordinary shares	100%
Jarvis Hotels Watford Limited	Great Britain	Ordinary shares	100%

A full list of Group subsidiaries will be appended to the next annual return.