

**AUDLEY GROUP LIMITED**

**Directors' report and  
financial statements**

**31 December 1996**

Registered Number 01823605



A14 \*AJHJI05G\* 449  
COMPANIES HOUSE 09/10/97

# Audley Group Limited

Registered Number 01823605

Directors' report and financial statements  
for the year ended 31 December 1996

<i>Contents</i>	<i>Page</i>
Directors' report	1 - 2
Statement of Directors' responsibilities	3
Auditors' report	4
Consolidated profit and loss account	5
Consolidated statement of movements on reserves	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9
Consolidated statement of total recognised gains and losses	10
Consolidated reconciliation of movements in shareholders' funds	10
Notes to the accounts	11 - 21

# Audley Group Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

### Principal activities

During the year, the group continued to own and manage The Dorchester Hotel, Park Lane, London and The Beverly Hills Hotel in Los Angeles and two commercial properties in the United States of America.

Post balance sheet event.

On 29 April 1997 the group acquired the whole of the issued share capital of Abbot Fields International SpA, owner of Hotel Meurice, Paris for a sum of £61m.

### Business review

The consolidated profit on ordinary activities after taxation is £15,769,993 (1995 5,323,659). The results for the year reflect the first full year's results of the Beverly Hills Hotel. The directors consider the results for the year to be satisfactory.

### Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (1995: £ nil). The retained profit of £15,769,993 (1995: 5,323,659) was transferred to reserves.

### Significant changes in fixed assets

The movement in tangible fixed assets is outlined in note 9 to the financial statements. Of the decrease in net values of £21.6m, £19.0m is due to foreign exchange movements.

### Directors and directors' interests

The details of the directors of the company who have served during the year are as follows:

Current directors:

POKPS Haji Abdul Aziz bin Abdul Rahman (Chairman)

Haji Awang Kassim

Haji Mohamad Arbi Haji Abdul Hamid

Pengiran Haji Mumin bin PLW Pengiran Haji Yussof

(appointed 27<sup>th</sup> May 1996)

Awang Haji Shukri bin Haji Abang Taha

Pengiran Haji Airudin bin Pengiran Haji Mohamad

Haji Ghani Abdul Hamid

Suriati Haji Mohamad Taib

Anil Tanna

Riccardo Obertelli

The directors do not have any beneficial interests in the share capital of the company or its subsidiary undertakings.

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

# Audley Group Limited

## Employees

It is the group's continuing policy and practice to involve staff by providing and receiving information relevant to the progress, development and performance of the company. Matters of concern to staff as employees were communicated through briefing by executives and heads of departments, a newsletter and training courses. Consultation with staff on matters affecting their interests and the general efficiency of the group took place in various ways; one of these was through the elected staff representatives on a consultative committee which met regularly during the year.

In relation to the employment of disabled persons, the hotel's policy is to give the same consideration to disabled people as to other people, in regard to applications for employment, continuation of employment, training, career development and promotion, having regard to their particular aptitudes and abilities.

## Political and charitable contributions

During the year, the group donated £1,000 (1995: £312) for charitable purposes. There were no political donations.


## Creditors

It is the group's policy that payments to suppliers are made in accordance with supplier's terms, provided that suppliers also comply with all relevant terms and conditions.

## Auditors

KPMG will continue in office pursuant to an elective resolution dated 26<sup>th</sup> November 1991.

By order of the Board

  
A Tanna  
Secretary

3 Tilney Street  
London W1Y 5LE  
Date: 31<sup>st</sup> July 1997

# Audley Group Limited

## Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period 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 maintaining 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. In addition, the directors 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.

# Audley Group Limited

## Report of the auditors KPMG to the members of Audley Group Limited

We have audited the financial statements on pages 5 to 21.

### *Respective responsibilities of directors and auditors*

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### *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 1996 and of the profit for 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

London

Date: 26th September, 1997

# Audley Group Limited

## Consolidated profit and loss account for the year ended 31 December 1996

	Notes	1996 £	1995 £
<b>Continuing Operations</b>			
<b>Turnover</b>	2	77,223,601	60,836,798
Cost of sales		(35,559,837)	(29,320,244)
<b>Gross profit</b>		<u>41,663,764</u>	<u>31,516,554</u>
Operating Expenses		(23,725,631)	(23,186,440)
<b>Operating profit</b>		<u>17,938,133</u>	<u>8,330,114</u>
Interest receivable and similar income	6	1,145,437	927,410
Interest payable and similar charges	7	(3,751,555)	(3,933,865)
<b>Profit on ordinary activities before taxation</b>	3	<u>15,332,015</u>	<u>5,323,659</u>
Tax on profit on ordinary activities	8	437,978	-
<b>Retained profit for the financial year</b>		<u><u>15,769,993</u></u>	<u><u>5,323,659</u></u>

The historical cost results are the same as the reported results.

# Audley Group Limited

## Consolidated statement of movements on reserves for the year ended 31 December 1996

	Share capital £	Share Premium £	Merger reserve £	Profit and loss account £	Total £
<b>The Group</b>					
Balance at 1 January 1996	120,009,413	182,711,273	72,456,661	(126,069,208)	249,108,139
Profit retained for year	-	-	-	15,769,993	15,769,993
Foreign exchange translation differences	-	-	-	(18,965,687)	(18,965,687)
Distribution from companies liquidated during merger	-	-	210,608	-	210,608
Balance at 31 December 1996	<u>120,009,413</u>	<u>182,711,273</u>	<u>72,667,269</u>	<u>(129,264,902)</u>	<u>246,123,053</u>
<b>The Company</b>					
Balance at 1 January 1996	120,009,413	182,711,273	-	2,479,882	305,200,568
Profit retained for year	-	-	-	3,100,780	3,100,780
Balance at 31 December 1996	<u>120,009,413</u>	<u>182,711,273</u>	<u>-</u>	<u>5,580,662</u>	<u>308,301,348</u>




# Audley Group Limited

## Consolidated balance sheet at 31 December 1996

	Note	£	1996 £	£	1995 £
<b>Fixed assets</b>					
Tangible assets	9		355,674,507		377,233,646
<b>Current assets</b>					
Stocks	11		2,279,833		2,044,043
Debtors	12		15,011,145		14,578,575
Cash at bank and in hand			44,142,424		13,869,990
			61,433,402		30,492,608
Creditors: amounts falling due within one year	13		(10,640,631)		(9,729,362)
<b>Net current assets</b>			50,792,771		20,763,246
<b>Total assets less current liabilities</b>			406,467,278		397,996,892
Creditors: amounts falling due after more than one year	14		(159,390,585)		(147,355,798)
Provision for liabilities and charges	15		(953,640)		(1,532,955)
<b>Net assets</b>			246,123,053		249,108,139
<b>Capital and reserves</b>					
Called up share capital	16		120,009,413		120,009,413
Share premium account			182,711,273		182,711,273
Other reserves			72,667,269		72,456,661
Profit and loss account			(129,264,902)		(126,069,208)
<b>Shareholders' funds</b>			246,123,053		249,108,139

These financial statements were approved by the board of directors on 31<sup>st</sup> July 1997 and were signed on its behalf by:

  
Haji Mohamad Arbi Haji Abdul Hamid  
Director

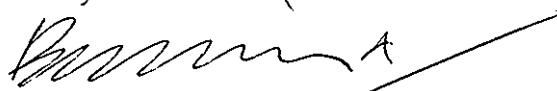
  
Pengiran Haji Airudin bin Pengiran Haji Mohamad  
Director

# Audley Group Limited

## Company Balance Sheet at 31 December 1996

	Note	£	1996 £	£	1995 £
Fixed assets					
Investments	10		258,221,497		258,322,105
Current assets					
Debtors	12	26,120,083		56,255,187	
Cash at bank and in hand		38,325,850		87,593	
		64,445,933		56,342,780	
Creditors: amounts falling due within one year	13	(6,029,339)		(1,127,574)	
Net current assets			58,416,594		55,215,206
Total assets less current liabilities			316,638,091		313,537,311
Creditors: amounts falling due after more than one year	14		(8,336,743)		(8,336,743)
Net assets			308,301,348		305,200,568
Capital and reserves					
Called up share capital	16		120,009,413		120,009,413
Share premium account			182,711,273		182,711,273
Profit and loss account			5,580,662		2,479,882
Shareholders' funds			308,301,348		305,200,568

These financial statements were approved by the board of directors on 31<sup>st</sup> July 1997 and were signed on its behalf by:

  
Haji Mohamad Arbi Haji Abdul Hamid  
Director

  
Pengiran Haji Airudin bin Pengiran Haji Mohamad  
Director

# Audley Group Limited

## Consolidated cash flow statement for the year ended 31 December 1996

	Note	1996 £	1995 £
Net cash inflow from operating activities	20	21,250,995	5,804,927
<b>Return on investments and servicing of finance</b>			
Interest received		1,067,827	927,410
Interest paid		(3,312,263)	(8,000,014)
Net cash outflow from returns on investments and servicing of finance		(2,244,436)	(7,072,604)
Taxation		(49,658)	-
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(2,856,864)	(34,666,505)
Sale of tangible fixed assets		8,061	11,331
Distributions from companies liquidated during merger		210,608	-
Net cash outflow from capital expenditure and financial investment		(2,638,195)	(34,655,174)
Net cash inflow/(outflow) before financing		16,318,706	(35,922,851)
<b>Financing</b>			
Capital contribution		-	22,544,283
New bank loans		39,107,394	18,253,970
Repayments of Loans		(24,746,094)	(6,600,000)
Net cash inflow from financing activities		14,361,300	34,198,253
Increase/(decrease) in cash in the year	21	30,680,006 =====	(1,724,598) =====

# Audley Group Limited

## Consolidated statement of total recognised gains and losses Year ended 31 December 1996

	1996 £	1995 £
Profit for the financial year	15,769,993	5,323,659
Foreign exchange translation differences	(18,965,687)	991,065
Goodwill written off	-	(1,030,710)
<b>Total recognised gains and losses relating to the year</b>	<b>(3,195,694)</b>	<b>5,284,014</b>

## Consolidated reconciliation of movements in shareholders' funds year ended 31 December 1996

	1996 £	1995 £
Profit for the financial year	15,769,993	5,323,659
Other recognised gains and losses relating to the year (net)	(18,965,687)	(39,645)
Distribution from companies liquidated during merger	210,608	-
Amounts written off investment	-	397,860
Capital contribution	-	22,799,818
<b>Net addition to/(reduction in) shareholders' funds</b>	<b>(2,985,086)</b>	<b>28,481,692</b>
Opening shareholders' funds	249,108,139	220,626,447
<b>Closing shareholders' funds</b>	<b>246,123,053</b>	<b>249,108,139</b>

# Audley Group Limited

## Notes

*(forming part of the financial statements)*

### 1. Accounting policies

#### *Basis of preparation*

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

There have been no changes to accounting policies during the year other than those necessary to comply with Financing Reporting Standard 8, Related Party Transactions, which came into effect during 1996. The adoption of this standard has led to additional disclosures, as set out in Note 19. In addition, the cashflow statement has been presented in accordance with the revised standard on cash flow statements (FRS1) and comparative figures restated.

#### *Basis of consolidation*

The group accounts consolidate the accounts of the Audley Group Limited and subsidiary undertakings. The group was formed in 1995 by the merger of two groups of companies which were under common ownership and was accounted for accordingly. In the event that the group grows by acquisition, accounting standards require that the assets and liabilities are brought into the group accounts at their fair values at the acquisition date.

All of the subsidiary undertakings make up accounts to 31st December 1996.

#### *Goodwill*

Goodwill arising on consolidation is written off directly to reserves in the year in which it arises.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Commercial property freehold land and buildings	-	2.5% to 3.2% per annum
Leasehold land and buildings	-	life of lease
Plant, machinery, fixtures, fittings and tools	-	7% to 20% per annum
Motor vehicles	-	25% per annum

No depreciation is provided on freehold land or buildings relating to hotels owned by the group. It is the group's policy to maintain these assets in a continual state of sound repair and to make improvements thereto from time to time. Accordingly, the directors consider that the lives of these assets are so long and residual values at the time of acquisition so high that their depreciation is insignificant. Provision is made for any diminution in value of fixed assets to the extent that it is considered permanent.

#### *Foreign currencies*

Overseas companies' results are translated into sterling at average exchange rates and their balance sheets at year end exchange rates. Exchange differences arising from the translation of the opening balance sheets and results of overseas companies are dealt with through reserves. Exchange differences on transactions in foreign currencies are included in the profit and loss account.

#### *Pension costs*

The group operates three pension schemes, two providing benefits based on final pensionable pay and one based on the contributions made to the scheme. The assets of all schemes are held separately from those of the group in independently administered funds. Contributions to the defined benefits schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

# Audley Group Limited

## Notes (continued)

### *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.

### *Turnover*

Turnover represents the amounts (excluding taxes) derived from the provision of goods and services to customers during the year. The group's turnover on ordinary activities is analysed by class of business and location in note 2.

## 2. Analyses of turnover, net profit on ordinary activities before taxation and net assets

Analyses by class of business and geographical location of turnover, net profit on ordinary activities before taxation and net assets are stated below:

	Turnover		Net Profit/(Loss) on ordinary activities before taxation		Net Assets	
	1996	1995	1996	1995	1996	1995
<b>Class of business</b>						
Hotels	67,067,041	50,866,408	10,845,751	5,055,262	207,073,929	203,100,375
Commercial properties	10,156,560	9,970,390	4,486,264	268,397	39,049,124	46,007,764
	<u>77,223,601</u>	<u>60,836,798</u>	<u>15,332,015</u>	<u>5,323,659</u>	<u>246,123,053</u>	<u>249,108,139</u>
<b>Location</b>						
United Kingdom	43,411,848	38,279,148	10,742,173	10,346,252	88,159,124	73,693,087
United States of America	33,811,753	22,557,650	4,589,842	(5,022,593)	157,963,929	175,415,052
	<u>77,223,601</u>	<u>60,836,798</u>	<u>15,332,015</u>	<u>5,323,659</u>	<u>246,123,053</u>	<u>249,108,139</u>

## 3. Profit on ordinary activities before taxation

	1996	1995
	£	£
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration		
Audit	73,101	112,653
Other services	253,718	116,050
Depreciation and other amounts written off tangible and intangible fixed assets	5,438,934	8,495,385
Hire of plant and machinery	30,222	29,581
Other operating leases	162,192	104,463
<i>after crediting</i>		
Rents receivable from property	9,723,085	9,097,576
Exchange gain	71,757	42,863
Profit on sale of tangible fixed assets	3,290	7,739

# Audley Group Limited

## Notes (continued)

### 3. Profit on ordinary activities before taxation (continued)

The consolidated result for the financial year includes a profit of £3,100,780 (1995: 4,435,985) dealt with in the accounts of the company. In accordance with the exemption conferred by section 230 of the Companies Act 1985, the company has not published its own profit and loss account.

### 4. Remuneration of directors

	1996 £	1995
Directors' emoluments:		
Remuneration as executives	405,239	242,613
Pension contributions by company	40,575	32,250
	<u>445,814</u>	<u>274,863</u>
	=====	=====

The emoluments, excluding pension contributions, of the chairman and highest paid director were as follows:

	1996 £	1995 £
Chairman	-	-
Highest paid director	156,523	126,725

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of Directors	
	1996	1995
£ Nil	7	7
£ 90,001 - £ 95,000	1	-
£115,001 - £120,000	-	1
£125,001 - £130,000	-	1
£150,001 - £155,000	1	-
£155,001 - £160,000	1	-
	<u>10</u>	<u>9</u>
	=====	=====

### 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 of Employees	
	1996	1995
Operations	970	984
Sales and Marketing	15	16
Administration	135	110
	<u>1,120</u>	<u>1,110</u>
	=====	=====

# Audley Group Limited

## Notes (continued)

### 5. Staff numbers and costs (continued)

The aggregate payroll costs of the group were as follows:

	1996 £	1995 £
Wages and salaries	20,259,878	16,180,567
Social security costs	3,240,800	1,480,279
Other pension costs (see note 18)	473,855	346,328
	<u>23,974,533</u>	<u>18,007,174</u>
	=====	=====

### 6. Interest receivable and similar income

	1996 £	1995 £
On bank deposits	1,057,200	927,410
Other	16,480	-
Foreign exchange movements	71,757	-
	<u>1,145,437</u>	<u>927,410</u>
	=====	=====

### 7. Interest payable and similar charges

	1996 £	1995 £
On bank loans, overdrafts and other loans wholly repayable within five years	1,084,893	997,817
To group undertakings	2,666,662	2,878,978
Foreign exchange movements	-	57,070
	<u>3,751,555</u>	<u>3,933,865</u>
	=====	=====

### 8. Taxation

A corporation tax provision is not required (1995: £ nil) due to the availability of tax losses. There is no potential liability on a full deferred tax basis due to the availability of tax losses.

During the year, the group released a provision of £437,978 that is no longer required. Please see note 15 for further information.



# Audley Group Limited

## Notes (continued)

### 9. Tangible fixed assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings tools and equipment £	Property in the course of construction £	Total £
<b>Cost</b>					
At beginning of year	385,119,701	9,462,080	18,406,659	2,694,321	415,682,761
Foreign exchange translation differences	(20,287,408)	(9,354)	(891,702)	(222,869)	(21,411,333)
Additions	1,765,496	741,691	349,677	-	2,856,864
Transfers	(2,822,708)	1,354,609	3,919,484	(2,451,385)	-
Disposals	-	(17,417)	(6,201)	-	(23,618)
At end of year	363,775,081	11,531,609	21,777,917	20,067	397,104,674
<b>Depreciation and diminution in value</b>					
At beginning of year	24,388,105	5,275,270	8,785,740	-	38,449,115
Foreign exchange translation differences	(2,171,966)	(25,885)	(260,031)	-	(2,457,882)
Charge	2,095,039	1,147,430	2,196,465	-	5,438,934
Transfer	(60,750)	-	60,750	-	-
At end of year	24,250,428	6,396,815	10,782,924	-	41,430,167
<b>Net book value</b>					
At 31 December 1996	339,524,653	5,134,794	10,994,993	20,067	355,674,507
At 31 December 1995	360,731,596	4,186,810	9,620,919	2,694,321	377,233,646

The net book value of land and buildings comprises:

	1996 £	1995 £
Freehold	339,353,021	360,557,119
Long leasehold	171,632	174,477
	339,524,653	360,731,596

Land and buildings with a net book value of £ 268,140,757 are not depreciated.

### 10. Fixed asset investments

	1996	1995
<i>Company</i>		
Investment at cost in subsidiary undertakings at cost	75,510,223	75,610,831
Investment by means of share for share exchange	182,711,274	182,711,274
	258,221,497	258,322,105

# Audley Group Limited

## Notes (continued)

### 10. Fixed asset investments (continued)

The companies in which the company's interest is more than 10% are as follows:

	Principal activity	Class and percentage of shares held
<b>Subsidiary undertakings</b>		
Dorchester Hotel Limited	Hotel	Ordinary 100%
The Dorchester Limited	Private Members Club	Ordinary 100% Preference 100%
Audley Hotels and Resorts Europe Limited	Hotel Management	Ordinary 100%
Audley Hotels and Resorts Services Limited	Hotel Management	Ordinary 100%
Dorchester Jewellers Limited	Not trading	Ordinary 100%
New London Dorchester Jewellers Limited	Not trading	Ordinary 100%

All the above companies are incorporated in the United Kingdom and registered in England and Wales. The shares of Dorchester Hotel Limited, Audley Hotels and Resorts Europe Limited and Audley Hotels and Resorts Services Limited are held directly by the company. The shares of the remaining subsidiaries are held by Dorchester Hotel Limited.

Sajahtera Inc, incorporated in USA	Hotel	Common stock 100%
Aman Inc, incorporated in USA	Commercial property	Common stock 100%
Raqib Inc, incorporated in USA	Commercial property	Common stock 100%

The shares of Sajahtera Inc are held directly by the company. The shares of Aman Inc and Raqib Inc are held by Sajahtera Inc.

During the course of the year, the liquidations of Ranmore Corporation NV, incorporated in Netherland Antilles and Laila Holdings BV, incorporated in Holland were completed.

In the opinion of the directors the investments in the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

### 11. Stocks

	1996 £	1995 £
<b>Group</b>		
Consumables	1,715,733	1,255,063
Goods for resale	564,100	788,980
	<u>2,279,833</u>	<u>2,044,043</u>
	=====	=====

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

### 12. Debtors

	1996 £	1995 £
<b>Group</b>		
Trade debtors	14,134,931	13,689,671
Other debtors	371,616	215,601
Prepayments and accrued income	504,598	673,303
	<u>15,011,145</u>	<u>14,578,575</u>

# Audley Group Limited

## Notes (continued)

### 12. Debtors (continued)

	1996 £	1995 £
<b>Company</b>		
Loans to subsidiary undertakings at floating rates	25,215,072	56,253,421
Interest receivable on group loans	882,355	-
Other debtors	22,656	1,766
	<u>26,120,083</u>	<u>56,255,187</u>
	=====	=====

### 13. Creditors: Amounts falling due within one year

	1996 £	1995 £
<b>Group</b>		
Trade creditors	3,203,544	3,964,372
Taxation and social security	2,910,929	2,455,982
Accruals and deferred income	4,287,728	2,702,639
Other creditors	238,430	606,369
	<u>10,640,631</u>	<u>9,729,362</u>
	=====	=====

<b>Company</b>		
Trade creditors	64,388	-
Amounts owed to subsidiary undertakings	5,579,053	1,087,838
Accruals and deferred income	385,898	39,736
	<u>6,029,339</u>	<u>1,127,574</u>
	=====	=====

### 14. Creditors: amounts falling due after more than one year

	1996 £	1995 £
<b>Group</b>		
Bank loan - the loan is secured and subject to interest at a floating rate of LIBOR + 0.2% and repayable in instalments between 1998 and 2001	32,998,522	18,459,731
Loan from parent undertaking. The loan is unsecured, subordinated, interest free and not repayable before 2014	24,800,000	27,800,000
Loans from fellow subsidiary undertakings. The loans are unsecured, subordinated and not repayable before 1999 and 2014		
- interest free	45,336,743	45,336,743
- at floating rates	37,508,478	37,557,939
Accrued interest	18,550,976	18,006,611
Long term security deposits	195,866	194,774
	<u>159,390,585</u>	<u>147,355,798</u>
	=====	=====
Loans maturing between		
1 to 2 years amount to	5,499,754	-
2 to 5 years amount to	83,558,222	74,024,281
over 5 years amount to	70,332,609	73,331,517
	<u>159,390,585</u>	<u>147,355,798</u>
	=====	=====

# Audley Group Limited

## Notes (continued)

### 14. Creditors: amounts falling due after more than one year (continued)

#### Company

	1996 £	1995 £
Loan from fellow subsidiary undertaking. The loan is unsecured, subordinated, interest free and not repayable before 2014.	8,336,743	8,336,743
	=====	=====

### 15. Provision for liabilities and charges

#### Group

	1996 £	1995 £
Pension contributions (see note 18)	828,336	741,500
Deferred taxes	125,304	791,455
	953,640	1,532,955
	=====	=====
Deferred taxes at 31 December 1995	791,455	785,130
Effect of foreign exchange rates	(84,020)	6,325
Release of provision	(437,978)	-
Transfer to creditors	(144,153)	-
	125,304	791,455
	=====	=====

Deferred taxes, which arise principally from temporary differences between reporting periods in which certain income and expenses are recognised for financial reporting purposes and the period in which they affect taxable income, are included in the amounts provided for income taxes.

### 16. Called up share capital

	1996 £	1995 £
Authorised		
Ordinary shares of £1 each	200,000,000	200,000,000
	=====	=====
Allotted, called up and fully paid		
Ordinary shares of £1 each	120,009,413	120,009,413
	=====	=====

# Audley Group Limited

## Notes (continued)

### 17. Commitments

#### Group

Capital commitments at the end of the financial year for which no provision has been made.

	1996	1995
	£	£
Contracted	59,959	2,817,391
Authorised but not contracted	1,939,920	1,303,561
	<u>1,999,879</u>	<u>4,120,952</u>
	=====	=====

### 18. Pension scheme

The group operates two pension schemes in the United Kingdom, a defined contribution scheme and a defined benefit scheme. The assets of the schemes are held separately from those of the group in independently administered funds.

The defined benefit scheme provides benefits based on final pensionable pay. Contributions made by the group are being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The principal assumptions applied in the valuation calculation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would exceed the average salary increases by 1% per annum compound and future pensions would increase at the rate of 3% per annum compound.

The most recent actuarial valuation at 6 April 1994 showed that the market value of the defined benefit scheme's assets was £5.8m and that the actuarial value of those assets represented 124% of the benefits that had accrued to members, after allowing for expected future increases in earnings. As a result of the previous valuation as at 6th April 1991, certain benefits of members were improved and contributions from the company were temporarily suspended. These contributions resumed on 1st April 1996 at 12.4% of employee pensionable earnings. Contributions from employees remained at 4% of earnings. The combined pension charge for the period was £342,448 (1995: £307,480). A provision of £828,336 (1995: £741,500) is included in Provision for liabilities and similar charges, this being the excess of the accumulated pension cost over the amount funded.

The group operates a defined contribution scheme in the United States of America. The scheme allows individuals to make pre-tax income contributions and provides for a profit-sharing contribution plus a partial matching by the company for all eligible employees. The group contribution to this scheme for the period was £131,407 (1995: £38,848).

### 19. Related party transactions

The company is a subsidiary undertaking of the Brunei Investment Agency, a statutory body incorporated in Brunei. Consequently, as a statutory body, related parties to the company include all Brunei government ministries, departments, agencies and their subsidiary undertakings and also includes Bruneian citizens holding office within Brunei and its government.

The group provided hotel services to these related parties amounting to £13,350,682. Amounts owed for these services as at 31st December 1996 amounted to £6,720,667.

# Audley Group Limited

## Notes (continued)

### 19. Related party transactions (continued)

The group also occupies a building in London owned by a fellow subsidiary undertaking, on an annually renewable agreement at a rent of £129,640. It is estimated that the market rent of the building occupied is £298,620. Amounts owed for the rental, associated rates and services as at 31<sup>st</sup> December 1996 amounted to £80,519.

With the exception of the rental of the property, all other material related party transactions are contracted on commercial terms.

For details of related party financing, please refer to note 14.

### 20. Reconciliation of operating profit to net cash inflow from operating activities

Continuing activities	1996	1995
	£	£
Operating profit	17,938,133	8,330,114
Depreciation charge	5,438,934	7,536,038
Profit on sale of tangible fixed assets	(3,290)	(7,739)
Increase in stocks	(271,931)	(144,307)
Increase in debtors	(1,821,461)	(6,214,866)
Decrease in creditors	(29,390)	(3,651,450)
Exchange gain	-	(42,863)
Net cash inflow from operating activities	<u>21,250,995</u> =====	<u>5,804,927</u> =====

There were no discontinued activities during the year.

### 21. Analysis of change in net debt

	At 1 Jan 1996 £	Cashflow £	Other non cash changes £	Exchange movement £	At 31 Dec 1996 £
Cash in hand and at bank	13,869,990	30,680,006	-	(407,572)	44,142,424
Debt due after 1 year	(147,355,798)	(12,279,890)	(2,666,662)	2,911,765	(159,390,585)
Total	<u>(133,485,808)</u> =====	<u>18,400,116</u> =====	<u>(2,666,662)</u> =====	<u>2,504,193</u> =====	<u>(115,248,161)</u> =====

# Audley Group Limited

## Notes (continued)

### 22. Reconciliation of net cashflow to movement in net debt

	£
Increase in cash in the period	30,680,006
Cash outflow from decrease in net debt	(12,279,890)
<b>Change in debt resulting from cashflows</b>	<b>18,400,116</b>
Interest on debt accrued during period	(2,666,662)
Translation differences	2,504,193
<b>Movement in net debt during period</b>	<b>18,237,647</b>
Net debt at 1 <sup>st</sup> January 1996	(133,485,808)
Net debt at 31 <sup>st</sup> December 1996	(115,248,161)
	=====

### 23. Contingent liabilities

Proceedings have been issued in the USA against the Group in which damages in excess of \$5m plus punitive damages are claimed by a former senior employee in the USA. The Group does not accept the validity of the claim and will resist it firmly. No provision, therefore, has been made in the accounts. The directors believe that the action will not have a material adverse effect on the financial condition of the group.

### 24. Ultimate parent company and parent undertaking of which the company is a member

The company is a subsidiary undertaking of the Brunei Investment Agency, a statutory body incorporated in Brunei.

The largest and the smallest group in which the results of the company are consolidated is that headed by Audley Group Limited, a company registered in England and Wales. The consolidated accounts of Audley Group Limited are available to the public and may be obtained from the Registrar of Companies, Department of Trade and Industry, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.