

Avant (London) Limited

Annual report for the year ended 31 December 1997

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Directors' report for the year ended 31 December 1997

The directors present their report and audited financial statements for the year ended 31 December 1997.

Principal activities and business review

The principal activity of the company is to act as an investment company. The company holds a 50 per cent interest in Lapsent Limited, which is also an investment holding company. The principal trading subsidiary of Lapsent Limited is Inn on the Park (London) Limited, which operates the Four Seasons Hotel London.

The profit on ordinary activities after taxation amounted to £1,296,536 (1996: £1,051,600) and an interim dividend of £1,500,000 (1996: £55,000) on ordinary share capital was paid during the year. The deficit for the year of £203,464 (1996: retained profit £996,600) has been (deducted)/added to retained profits.

Directors

The following served as directors of the company during the year:

S Grapstein	- resigned 23 February 1998
B L K Heng	- resigned 23 February 1998

Since the year end the following directors were appointed on 23 February 1998:

J Stauss
H W Atkinson

The directors have no interest in the shares of the company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company 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 company will continue in business.

**Directors' report
for the year ended 31 December 1997 (continued)**

Statement of directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand will be proposed at the annual general meeting.

By order of the board

A handwritten signature in dark ink, appearing to be 'H. N. M.', written in a cursive style.

**Secretary
London**

23 April 1998

Report of the auditors to the shareholders of Avant (London) Limited

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 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.

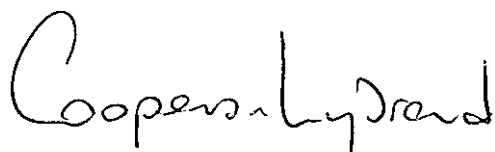
Basis of opinion

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 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 the company's affairs at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, reading "Coopers & Lybrand".

**Chartered Accountants and Registered Auditors
London
23 April 1998**

**Profit and loss account
for the year ended 31 December 1997**

	Notes	1997 £	1996 £
Investment income	2	1,575,000	1,643,750
Administration expenses	3	(4,519)	(3,400)
Operating profit		1,570,481	1,640,350
Capital contribution gifted to Lapsent Limited	5	-	(260,000)
Bank interest received		56,218	-
Profit on ordinary activities before taxation		1,626,699	1,380,350
Taxation	4	(330,163)	(328,750)
Profit on ordinary activities after taxation		1,296,536	1,051,600
Dividends paid	6	(1,500,000)	(55,000)
(Deficit)/retained profit for the financial year	12	£(203,464)	£996,600

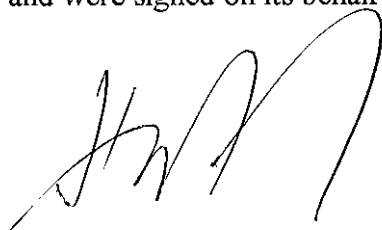
The profit and loss account relates solely to continuing operations, as defined in Financial Reporting Standard No. 3.

There were no recognised gains in 1997 and 1996 other than the results for those years as shown above, and accordingly a statement of total recognised gains and losses is not presented.

**Balance sheet
at 31 December 1997**

	Notes	1997 £	1996 £
Fixed assets			
Investments	7	<u>12,500,000</u>	<u>12,500,000</u>
Current assets			
Debtors	8	2	1,000,002
Cash at bank		<u>811,920</u>	<u>-</u>
		<u>811,922</u>	<u>1,000,002</u>
Creditors			
Amounts falling due within one year	9	<u>(18,784)</u>	<u>(3,400)</u>
Net current assets		<u>793,138</u>	<u>996,602</u>
Total assets less current liabilities		<u><u>£13,293,138</u></u>	<u><u>£13,496,602</u></u>
Capital and reserves			
Called-up share capital	10	1,250,002	1,250,002
Share premium account	11	11,250,000	11,250,000
Profit and loss account	12	<u>793,136</u>	<u>996,600</u>
Equity shareholders' funds	13	<u><u>£13,293,138</u></u>	<u><u>£13,496,602</u></u>

The financial statements on pages 4 to 9 were approved by the board of directors on 23 April 1998 and were signed on its behalf by:



)

) **Directors**



)

Notes to the financial statements for the year ended 31 December 1997

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis of accounting.

Cash flow statement

As Avant (London) Limited qualifies as a small company under Section 247(3) of the Companies Act 1985 it is exempt under the provisions of Financial Reporting Standard No.1 from the need to publish a cash flow statement.

Investments

Investments are recorded at cost less provision for any permanent diminution in value.

2 Investment income

	1997	1996
Dividends received from Lapsent Limited	<u>£1,575,000</u>	<u>£1,643,750</u>

3 Administration expenses

Administration expenses include the following remuneration paid to the auditors.

	1997 £	1996 £
For audit services	1,700	3,400
For non audit services	1,200	-
	<u>£2,900</u>	<u>£3,400</u>

The company has no employees and no remuneration was paid to the directors (1996: Nil).

Notes to the financial statements for the year ended 31 December 1997 (continued)

4 Taxation

	1997 £	1996 £
Tax on profit on ordinary activities		
UK corporation tax at 31.5% (1996 33%)		
Current	16,285	-
Tax attributable to franked investment income	315,000	328,750
Adjustment in respect of the prior year - current tax credit	(1,122)	-
	<u>£330,163</u>	<u>£328,750</u>

5 Capital contribution

The company in March 1996 gifted £260,000 by way of a capital contribution to Lapsent Limited.

6 Dividends paid

	1997	1996
Interim dividends paid during the year to the immediate holding company	<u>£1,500,000</u>	<u>£55,000</u>

7 Fixed asset investments

The company has a 50 per cent interest in the ordinary share capital and voting rights of Lapsent Limited which it acquired at a cost of £12,500,000.

Lapsent Limited is an investment holding company incorporated and operating in England. The principal trading subsidiary of Lapsent Limited is Inn on the Park (London) Limited which operates the Four Seasons Hotel London. The latest published consolidated accounts available for Lapsent Limited are for the year ended 31 December 1997 and these show an aggregate amount of capital and reserves of £14,596,000 (1996: £15,623,000) and a deficit for the year of £1,027,000 (1996: deficit £203,000).

**Notes to the financial statements
for the year ended 31 December 1997 (continued)**

8 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Due from immediate parent company	2	2
Loan to a related company	-	1,000,000
	<u>£2</u>	<u>£1,000,002</u>

The loan to a related company represented an advance of £1 million made to Inn on the Park (London) Limited. The advance was interest free and was repaid in full in March 1997.

9 Creditors

	1997 £	1996 £
Amounts falling due within one year		
Corporation tax	16,285	-
Accruals	2,499	3,400
	<u>£18,784</u>	<u>£3,400</u>

10 Called up share capital

	1997	1996
Authorised		
20,000,000 ordinary shares of £1 each	<u>£20,000,000</u>	<u>£20,000,000</u>
Allotted, called up and fully paid		
1,250,002 ordinary shares of £1 each	<u>£1,250,002</u>	<u>£1,250,002</u>

11 Share premium account

The share premium account represents a premium of £9 per share arising on the issue of 1,250,000 ordinary shares of £1 each on 15 December 1995.

**Notes to the financial statements
for the year ended 31 December 1997 (continued)**

12 Profit and loss account

	£
At 1 January 1997	996,600
Profit after taxation for the year	1,296,536
Dividends paid	(1,500,000)
At 31 December 1997	<u>£793,136</u>

13 Reconciliation of movements in equity shareholders' funds

	1997 £	1996 £
Opening shareholders' funds	13,496,602	12,500,002
(Deficit)/retained profit for the financial year	(203,464)	996,600
Closing shareholders' funds	<u>£13,293,138</u>	<u>£13,496,602</u>

14 Financial commitment

In accordance with a shareholders agreement dated 15 December 1995 there is a requirement for the company together with the other shareholder to contribute in equal terms to Lapsent Limited such sums (either by subscribing for share capital or by loans) as may be needed to enable Inn on the Park (London) Limited (a subsidiary of Lapsent Limited) to achieve its Annual Plan or meet any shortfall in its funding of payments in respect of a bank loan advanced to Lapsent Limited.

15 Ultimate holding company

The ultimate holding company at 31 December 1997 was Sextant Investments Limited, a company incorporated in Hong Kong. Since the year end Kingdom 5-KR-20 Limited, a company incorporated in the Cayman Islands has become the new ultimate holding company.