

Registered no: 2547272

**SMALL LUXURY HOTELS OF THE
WORLD LIMITED (a company limited by
guarantee not having a share capital)
Annual report
for the year ended 31 December 1997**



SMALL LUXURY HOTELS OF THE WORLD LIMITED

Annual report for the year ended 31 December 1997

Registered no: 2547272

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SMALL LUXURY HOTELS OF THE WORLD LIMITED

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Directors' report for the year ended 31 December 1997

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

Principal activities

The profit and loss account for the year is set out on page 4.

The principal activities of the company are the marketing of independently managed hotels and the provision of an international reservation service. The company is limited by guarantee.

Review of business and future developments

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Directors

The directors of the company at 31 December 1997, all of whom have been directors for the whole of the year ended on that date, are listed below:

J P Beghin (Resigned 13 March 1997)

F Brennan

J J Cope

H Crawford

T Dicker

G Ellis

T Holmes

R Gebbie

K B Humes

J Kalach

B Samson (Resigned 7 June 1997)

J W Sharman

J W Slater

Directors' interests

The company is limited by guarantee and has no share capital.

Changes in fixed assets

The company has no fixed assets

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Directors' responsibilities

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 as at the end of the financial year and of the profit or loss for that period.

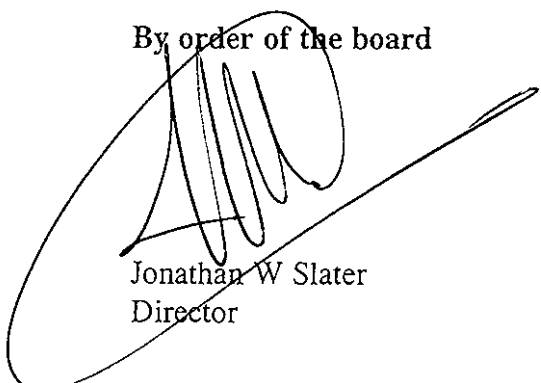
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and the group and 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



Jonathan W Slater
Director

Report of the auditors to the members of SMALL LUXURY HOTELS OF THE WORLD LIMITED

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

As described on page 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.

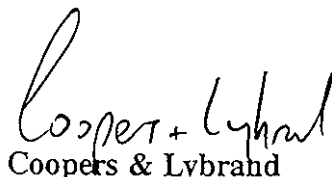
Basis of opinion

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 and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
London

19 August 1998

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Profit and loss account for the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover - continuing operations	2	4,061,178	3,352,100
Cost of sales - continuing operations		(2,116,591)	(1,854,533)
Gross profit		1,944,587	1,497,567
Net operating expenses - continuing operations		(1,793,335)	(1,526,427)
Profit/(loss) on ordinary activities before interest		151,252	(28,860)
Interest receivable and similar income		38,481	30,169
Interest payable and similar charges	5	-	(124)
Profit on ordinary activities before taxation	6	189,733	1,185
Tax on profit on ordinary activities	7	(8,904)	(6,774)
Retained profit/(loss) for the financial year		180,829	(5,589)

The company has no recognised gains and losses other than the profit /(losses) above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit/(loss) for the year stated above, and their historical cost equivalents.

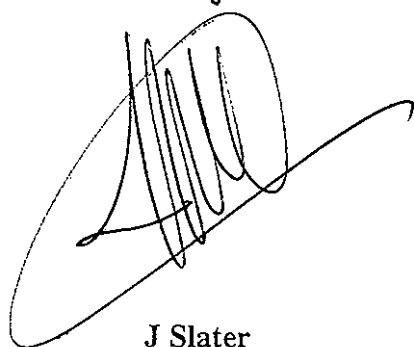
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Balance sheet at 31 December 1997

	Notes	1997 £	1996 £
Current assets			
Debtors	8	1,006,087	1,143,146
Cash at bank and in hand		1,340,235	908,213
		<u>2,346,322</u>	<u>2,051,359</u>
Creditors: amounts falling due within one year	9	(2,101,395)	(1,987,261)
Net current assets		<u>244,927</u>	<u>64,098</u>
Net assets		<u>244,927</u>	<u>64,098</u>
Members Funds			
Profit and loss account	10	244,927	64,098
		<u>244,927</u>	<u>64,098</u>

The financial statements on pages 4 to 10 were approved by the board of directors on 17 August 1998 and were signed on its behalf by:



J Slater
Director

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Cash flow statement for the year ended 31 December 1997

	Notes	1997	1996
		£	£
Net cash inflow from operating activities	11	400,315	254,020
		<hr/>	<hr/>
Returns on investments & servicing of finance			
Interest received		38,481	30,169
Interest payable		-	(124)
		<hr/>	<hr/>
		38,481	30,045
		<hr/>	<hr/>
Corporation tax paid		(6,774)	(3,451)
		<hr/>	<hr/>
Movement in cash balances	12	432,022	280,614
		<hr/>	<hr/>

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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. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

Foreign currencies

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at the average rate of exchange for the year. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

2 Turnover

In the opinion of the directors, it would be detrimental to the company's interest to disclose turnover by geographical area.

3 Directors' emoluments

None of the directors received any emoluments during the year (1996: nil).

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4 Employee information

The company had no employees during the year, other than the directors.

5 Interest payable and similar charges

	1997 £	1996 £
On bank loans, overdrafts and other loans	-	124

6 Profit on ordinary activities before taxation

	1997 £	1996 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration	7,500	5,000
Foreign exchange differences	(10,632)	104,788

7 Tax on profit on ordinary activities

	1997 £	1996 £
United Kingdom corporation tax at 23.25% (1996: 24.25%):		
Current	8,904	6,774

8 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	684,627	663,635
Other debtors	95,739	88,474
Prepayments and accrued income	225,721	391,037

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9 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	611,624	536,017
Corporation tax	8,904	6,774
Accruals and deferred income	1,480,867	1,444,470
	<u>2,101,395</u>	<u>1,987,261</u>

10 Profit and loss account

	£
At 1 January 1997	64,098
Retained profit for the year	180,829
	<u>244,927</u>
At 31 December 1997	

11 Reconciliation of operating profit to net cash inflow from operating activities

	1997 £	1996 £
Operating profit/loss	151,252	(28,860)
Change in Debtors	137,059	(278,485)
Change in Creditors	112,004	561,365
	<u>400,315</u>	<u>254,020</u>

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12 Cash balances

	1997 £	1996 £
At 1 January 1997	908,213	627,599
Net cash inflow	432,022	280,614
At 31 December 1997	<u>1,340,235</u>	<u>908,213</u>