



STAPLEFORD PARK LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2001

STAPLEFORD PARK LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2001

Company registration number:	1948599
Registered office:	E3 The Premier Centre Abbey Park Romsey Hants SO51 9AQ
Directors:	A F Parker R Tang P J De Savary
Secretary:	R Tang
Bankers:	Barclays Bank plc 50 Pall Mall London SW1A 1QA
Solicitors:	Maxwell Batley 27 Chancery Lane London WC2A 1PA
Auditors:	Grant Thornton Registered Auditors Chartered Accountants 8 West Walk Leicester LE1 7NH

STAPLEFORD PARK LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2001

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STAPLEFORD PARK LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 2001.

Principal activities

The company is principally engaged in running a luxury country house hotel, sporting estate and membership club.

Business review

The directors are satisfied with the result for the year and the position at the balance sheet date.

The company's entire share capital was acquired by Arlaform Limited on 23 May 2001.

During the year the directors revised the estimated useful life of certain categories of assets. The impact is a reduction in the depreciation charge of approximately £56,000.

There was a profit for the year after taxation amounting to £82,578 (2000: loss £290,131). The directors do not recommend payment of a dividend.

Directors

The present membership of the Board is set out below. P J De Savary, M A Lutyens, S Fitzgerald, P D Kazilionis and W H Walton resigned from the Board on 22 May 2001. Mr P J De Savary was reappointed to the Board on 4 June 2001.

The interests of the directors, all of whom are also directors of the holding company, are disclosed in the holding company's financial statements.

Directors of the holding company:

A F Parker (appointed 22 May 2001)

R Tang (appointed 22 May 2001)

Fixed assets

The directors are of the opinion that in aggregate the market value of land and buildings exceeds its book value by approximately £2m.

Directors' responsibilities for the financial statements

Company law in the United Kingdom 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 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.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STAPLEFORD PARK LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



R Tang
Director
16 July 2002

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF STAPLEFORD PARK LIMITED

We have audited the financial statements of Stapleford Park Limited for the year ended 31 December 2001, which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement, and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Leicester
16 July 2002

STAPLEFORD PARK LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards up to and including FRS 18, and under the historical cost convention except that certain freehold properties are shown at their revalued amounts.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Motor vehicles	25% per annum
Fixtures, fittings, equipment, plant and machinery	15% reducing balance

On adoption of Financial Reporting Standard 15, the company has followed the transitional provisions to retain the book value of land which was revalued in 1996, but not to adopt a policy of revaluation in the future.

Land, freehold buildings and long leasehold golf course land and the cost of work done to the land are not depreciated due to the residual values being so high and the buildings being maintained to a high state of repair, that any depreciation would be immaterial.

During the year the directors revised the estimated useful life of certain categories of assets. The impact is a reduction in the depreciation charge of approximately £56,000.

GOVERNMENT GRANTS

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets.

STOCKS

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

DEFERRED TAXATION

Deferred tax provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

STAPLEFORD PARK LIMITED

PRINCIPAL ACCOUNTING POLICIES

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

STAPLEFORD PARK LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2001

	Note	2001 £	2000 £
Turnover	1	5,134,633	4,884,082
Cost of sales		(890,736)	(878,017)
Gross profit		4,243,897	4,006,065
Marketing and distribution costs		(2,219,999)	(2,552,910)
Administrative expenses		(1,061,084)	(1,202,660)
Operating profit		962,814	250,495
Net interest	2	(880,236)	(540,626)
Profit / (loss) on ordinary activities before taxation	1	82,578	(290,131)
Tax on profit / (loss) on ordinary activities	6	-	-
Profit / (loss) for the financial year transferred to / (from) reserves	12	82,578	(290,131)

There were no recognised gains or losses other than the profit for the financial year.

STAPLEFORD PARK LIMITED

BALANCE SHEET AT 31 DECEMBER 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	4		14,818,028		14,066,587
Current assets					
Stocks	5	108,939		141,678	
Debtors	7	418,226		582,259	
Cash at bank and in hand		482,384		8,229	
		1,009,549		732,166	
Creditors: amounts falling due within one year	8	(1,525,485)		(2,581,120)	
Net current liabilities			(515,936)		(1,848,954)
Total assets less current liabilities			14,302,092		12,217,633
Creditors: amounts falling due after more than one year	9		(9,207,560)		(7,205,679)
			5,094,532		5,011,954
Capital and reserves					
Called up share capital	11		3,798,067		3,798,067
Revaluation reserve	12		4,026,845		4,026,845
Profit and loss account	12		(2,730,380)		(2,812,958)
Shareholders' funds	13		5,094,532		5,011,954

The financial statements were approved by the Board of Directors on 16 July 2002.

A F Parker

Director

R Tang

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

STAPLEFORD PARK LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2001

	Note	2001 £	2000 £
Net cash inflow from operating activities	15	620,557	469,969
Returns on investments and servicing of finance			
Interest received		2,666	-
Interest paid		(401,139)	(538,914)
Finance lease interest paid		(1,060)	(1,712)
Net cash outflow from returns on investments and servicing of finance		(399,533)	(540,626)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(841,233)	(1,014,170)
Sale of tangible fixed assets		-	300
Net cash outflow from capital expenditure and financial investment		(841,233)	(1,013,870)
Financing			
Increase in borrowings		1,343,583	854,991
Capital element of finance lease rentals		(5,050)	(4,396)
Net cash inflow from financing		1,338,533	850,595
Increase in cash	17	718,324	(233,932)

The accompanying accounting policies and notes form an integral part of these financial statements.

STAPLEFORD PARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and profit on ordinary activities, relate entirely to the continuing principal activities of running a luxury hotel, sporting estate and membership club, and are stated after:

	2001 £	2000 £
Auditors' remuneration	9,500	12,500
Depreciation and amortisation:		
Tangible fixed assets, owned	87,928	128,391
Tangible fixed assets, held under finance leases and hire purchase contracts	1,864	4,810
Hire of plant and machinery	21,018	21,181
English Tourist Board Grants	(6,000)	(6,000)
Royalties	(654,256)	228,022

Royalties due to the previous holding company amounting to £654,256 were waived on change of ownership of this company on 23 May 2001.

2 NET INTEREST

	2001 £	2000 £
On bank loans and overdrafts	181,541	418,914
Finance charges in respect of finance leases	1,060	1,712
Interest payable to group undertakings	650,703	-
Interest on Carnegie International BV loan	49,598	120,000
Other interest receivable and similar income	(2,666)	-
	<u>880,236</u>	<u>540,626</u>

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2001 £	2000 £
Wages and salaries	1,766,864	1,464,769
Social security costs	139,842	109,418
	<u>1,906,706</u>	<u>1,574,187</u>

Included in the above are the following costs which have been capitalised:

	2001 £	2000 £
Wages and salaries	44,756	-
	<u>44,756</u>	<u>-</u>

STAPLEFORD PARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

The average number of employees of the company during the year was as follows:

	2001 Number	2000 Number
Management and administration	26	24
Hotel	85	79
General estate	14	17
	<u>125</u>	<u>120</u>

Remuneration in respect of directors was as follows:

	2001 £	2000 £
Directors' remuneration	<u>31,976</u>	<u>-</u>

In 2000 directors were remunerated through other related companies.

4 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Golf course land £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Assets in the course of construction £	Total £
Cost or valuation							
At 1 January							
2001	10,671,073	-	10,681	90,944	1,198,322	3,194,308	15,165,328
Additions	604,808	-	44,035	-	78,645	113,745	841,233
Reclassifications	4,218	2,781,086	367,482	-	115,962	(3,268,748)	-
At 31 December							
2001	<u>11,280,099</u>	<u>2,781,086</u>	<u>422,198</u>	<u>90,944</u>	<u>1,392,929</u>	<u>39,305</u>	<u>16,006,561</u>
Depreciation							
At 1 January							
2001	27,800	-	10,681	57,943	1,002,317	-	1,098,741
Charge for the year	-	-	34,166	5,731	49,895	-	89,792
At 31 December							
2001	<u>27,800</u>	<u>-</u>	<u>44,847</u>	<u>63,674</u>	<u>1,052,212</u>	<u>-</u>	<u>1,188,533</u>
Net book amount at 31 December							
2001	<u>11,252,299</u>	<u>2,781,086</u>	<u>377,351</u>	<u>27,270</u>	<u>340,717</u>	<u>39,305</u>	<u>14,818,028</u>
Net book amount at 31 December							
2000	<u>10,643,273</u>	<u>-</u>	<u>-</u>	<u>33,001</u>	<u>196,005</u>	<u>3,194,308</u>	<u>14,066,587</u>

STAPLEFORD PARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Fixtures and Fittings £
Net book amount at 31 December 2001	<u>10,561</u>
Net book amount at 31 December 2000	<u>12,425</u>
Depreciation provided during year	<u>1,864</u>

Under the transitional rules of FRS 15, the carrying values of previously revalued assets have been frozen. The valuation has not been updated since the most recent valuation at 31 October 1996.

Freehold land and buildings were valued at £10,000,000 on 31 October 1996 by the directors on the basis of open market value for existing use thereby establishing a revaluation reserve of £4,026,845. The historical cost of freehold land and buildings is £10,486,867.

5 STOCKS

	2001 £	2000 £
Raw materials and consumable stores	31,705	48,356
Goods for resale	<u>77,234</u>	<u>93,322</u>
	<u>108,939</u>	<u>141,678</u>

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

No taxation charge has been provided for in these financial statements as there are losses of approximately £4.3m to carry forward against future profits of the same trade of the company. The property was revalued in 1996. The potential capital gains tax on sale at the revalued amount is estimated at £400,000. The company group relieved current year trading losses of £4,400 to other group companies.

7 DEBTORS

	2001 £	2000 £
Trade debtors	253,707	389,021
Other debtors	<u>24,623</u>	-
Prepayments and accrued income	<u>139,896</u>	<u>193,238</u>
	<u>418,226</u>	<u>582,259</u>

STAPLEFORD PARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loan and overdrafts	-	914,169
Trade creditors	406,009	403,242
Amounts owed to group undertakings	533,567	654,256
Social security and other taxes	75,665	108,165
Other creditors	32,580	-
Accruals and deferred income	465,964	490,240
Deferred income: government grants	6,000	6,000
Amounts due under finance leases	5,700	5,048
	<u>1,525,485</u>	<u>2,581,120</u>

Obligations under finance leases and hire purchase contracts are secured by lease related assets.

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Carnegie International BV loan	-	2,000,000
Bank loan	-	4,986,417
Amounts owed to group undertakings	9,000,000	-
Deferred income: government grants	206,550	212,550
Amounts due under finance leases	1,010	6,712
	<u>9,207,560</u>	<u>7,205,679</u>

Borrowings are repayable as follows:

	2001 £	2000 £
Within one year		
Bank and other borrowings	-	914,169
Finance leases	5,700	5,048
After one and within two years		
Bank and other borrowings	9,000,000	670,000
Finance leases	1,010	6,712
After two and within five years		
Bank and other borrowings	-	4,010,000
After five years		
Bank and other borrowings	-	2,306,417
	<u>9,006,710</u>	<u>7,912,346</u>

STAPLEFORD PARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

Bank and other borrowings repayable after five years comprise:	2001 £	2000 £
Bank loans	-	2,306,417
	-	2,306,417

10 DEFERRED TAXATION

Deferred taxation not provided for in the financial statements is set out below. The amount unprovided represents a contingent liability at the balance sheet date and is calculated using a tax rate of 30%.

	Amount unprovided 2001 £	2000 £
Accelerated capital allowances	241,100	18,800
Less:		
Trading losses	(241,100)	(18,800)
	-	-

11 SHARE CAPITAL

	2001 £	2000 £
Authorised		
50,456,110 ordinary shares of 10p each	5,045,611	5,045,611
Allotted, called up and fully paid		
37,980,665 ordinary shares of 10p each	3,798,067	3,798,067

12 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 2001	4,026,845	(2,812,958)
Retained profit for the year	-	82,578
At 31 December 2001	4,026,845	(2,730,380)

STAPLEFORD PARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit /(loss) for the financial year	82,578	(290,131)
Net increase/(decrease) in shareholders' funds	82,578	(290,131)
Shareholders' funds at 1 January 2001	5,011,954	5,302,085
Shareholders' funds at 31 December 2001	5,094,532	5,011,954

14 GRANTS RECEIVED

	2001 £	2000 £
At 1 January 2001	218,550	224,550
Released to the profit and loss account	(6,000)	(6,000)
At 31 December 2001	212,550	218,550

The above grants were received from the English Tourist Board.

15 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating profit	962,814	250,495
Depreciation	89,792	133,201
Loss on sale of tangible fixed assets	-	(300)
Decrease in stocks	32,739	(33,264)
Decrease in debtors	164,033	(159,117)
Decrease in creditors	(628,821)	278,954
Net cash inflow from continuing operating activities	620,557	469,969

STAPLEFORD PARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

16 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2001 £	Cash flow £	At 31 December 2001 £
Cash in hand and at bank	8,229	474,155	482,384
Overdrafts	(244,169)	244,169	-
Debt	(7,656,417)	(1,343,583)	(9,000,000)
Finance leases	(11,760)	5,050	(6,710)
	<u>(7,904,117)</u>	<u>(620,209)</u>	<u>(8,524,326)</u>

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £	2000 £
Increase in cash in the year	718,324	(233,932)
Cash inflow from financing in the year	(1,343,583)	(854,991)
Cash outflow from finance leases in the year	5,050	4,396
Change in net debt resulting from cashflows	<u>(620,209)</u>	<u>(1,084,527)</u>
Movement in net debt in the year	(620,209)	(1,084,527)
Net debt at 1 January 2001	<u>(7,904,117)</u>	<u>(6,819,590)</u>
Net debt at 31 December 2001	<u>(8,524,326)</u>	<u>(7,904,117)</u>

18 LEASING COMMITMENTS

Operating lease payments amounting to £138,424 (2000: £43,752) are due within one year. The leases to which these amounts relate expire as follows:

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	115,000	2,792	30,000	6,383
Between one and five years	-	20,632	-	7,369
	<u>115,000</u>	<u>23,424</u>	<u>30,000</u>	<u>13,752</u>

19 CONTINGENT LIABILITIES

The company is party to a composite accounting system with its bankers, whereby there is full set-off between the company and its parent, Arlaform Limited, of all bank accounts and guarantees of bank borrowings.

STAPLEFORD PARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

20 TRANSACTIONS WITH RELATED PARTIES

Amounts due in respect of loans, quasi-loans and credit transactions with directors, all of which were at arms length, were as follows:

Mr R Tang undertook transactions with the hotel totalling £1,165. This balance was outstanding at 31 December 2001.

Mr P De Savary received £17,500 during the year for consultancy services after his resignation as a director. This was paid to Carnegie International Asset Management for his services. A payment of £10,000 was also paid in consideration of amounts paid by Mr De Savary personally relating to refurbishment costs for the Stable Restaurant. Purchases were made from the company by Mr De Savary totalling £1,436. No balance was outstanding at the year end.

Payments were made to related companies of the resigning directors as follows:-

Victrix received payments totalling £48,000 for professional services rendered by MA Lutyens.

Cherokee Plantation, of whom Peter De Savary is a director, received payments of £7,033 for Stapleford's element of a financial consultants invoice and £2,578 for shared travel costs.

A payment of £25,000 was made to Century Litho (Truro) Limited for professional services.

Purchase transactions with The London Outpost in the year totalled £15,643, with an outstanding balance at 31 December 2001 of £1,039.

Victrix, Cherokee Plantation, Century Litho (Truro) Limited and The London Outpost are all related parties by virtue of the interests of the retiring directors.

Payments were made to former related company Carnegie International Asset Management of £19,500, relating to reimbursement of refurbishment design costs and management costs, charges and expenses. The loan outstanding at 31 December 2000 of £2,000,000 was repaid during the year. Interest of £49,598 (2000: £120,000) was paid in the year.

Other transactions and balances with related companies in the year were as follows:-

Purchase transactions with Skibo Castle in the year totalled £650,974, with an outstanding balance at 31 December 2001 of £14,243. The company also made sales to Skibo Castle totalling £20,744. This was fully paid during the year.

Skibo Castle is a sub-subsiidiary of the company's previous parent Westbrook Carnegie Investments LLC.

As a wholly owned subsidiary of Arlacross Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Arlacross Limited.

21 ULTIMATE PARENT UNDERTAKING/CONTROLLING RELATED PARTY

The directors consider that the ultimate parent undertaking of this company is Arlacross Limited.

Arlacross Limited is the company's controlling related party under the definitions set out in FRS 8 by virtue of its shareholding in the company. The ultimate controlling related party of the company under the definitions set out in FRS 8 is Mr A F Parker by virtue of his shareholding in that company.