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Company Registration No. 01948599

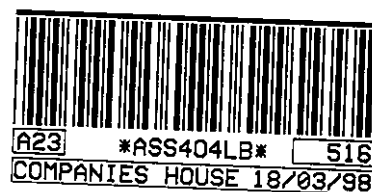
REGISTERED

**STAPLEFORD PARK LIMITED**  
(formerly Stapleford Park plc)

**Report and Financial Statements**

**31 October 1997**

Deloitte & Touche  
St John's House  
East Street  
Leicester  
LE1 6NG





**REPORT AND FINANCIAL STATEMENTS 1997**

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**REPORT AND FINANCIAL STATEMENTS 1997**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

P J De Savary  
L De Savary  
M A Lutyens  
R M Bease  
W Pound

**SECRETARY**

Comlaw Secretaries Limited

**REGISTERED OFFICE**

5 Balfour Place  
Mount Street  
London  
W1Y 5RG

**BANKERS**

Bank of Scotland plc

**SOLICITORS**

Evans Dodd  
5 Balfour Place  
Mount Street  
London  
W1Y 5RG

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
St John's House  
East Street  
Leicester  
LE1 6NG



## **DIRECTORS' REPORT**

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

### **ACTIVITIES**

The company's principal activity is running a luxury country house hotel and sporting estate and membership club.

### **REVIEW OF DEVELOPMENTS**

The results for the year are shown in the profit and loss account on page 5. The profit for the year was £333,107 before deducting exceptional new development costs of £285,928 resulting in retained profits for the year of £47,179 (1996 profit for the period £148,176).

### **FIXED ASSETS**

The company spent £629,625 in the year on renovations and the building of further amenities for the hotel. Movements on fixed assets for the year are detailed in note 7.

The directors believe that the market value of the land and buildings is in excess of the value included in the financial statements.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

No dividend is proposed by the directors.

The profit for the year of £47,179 (1996 profit for the period £148,176) has been transferred to reserves.

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the period were:

P J De Savary  
L De Savary  
M A Lutyens  
R M Bease  
W Pound (appointed 22 May 1997)

During the period, no director had any interest in the share capital of the company.

### **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;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **DIRECTORS' REPORT**

### **AUDITORS**

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

Secretary  
for and on behalf of  
Comlaw Secretaries Limited

12 March 1998



## Chartered Accountants

Deloitte & Touche  
St. John's House  
East Street  
Leicester LE1 6NG

Telephone: National 0116 256 2200  
International + 44 116 256 2200  
Telecopier (Gp. 3): 0116 255 2055

## STAPLEFORD PARK LIMITED (formerly Stapleford Park plc)

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 16 which have been prepared under the accounting policies set out on page 8.

#### 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, except that the scope of our audit was limited as explained below.

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 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. However, the evidence available to us was limited in respect of the revaluation of freehold property to £10,000,000 made at 31 October 1996 carried out by the directors during that year. The directors' estimate of the market value of the property is based on their own financial projections and opinion of market conditions. There were no satisfactory audit procedures that we could adopt to confirm the directors' assessment of market value. Any adjustment to this figure would also have a consequential effect on the revaluation reserve.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Qualified opinion arising from limitation in audit scope

Except for any adjustments to the financial statements that might have been found to be necessary had we been able to obtain sufficient third party evidence concerning the revaluation of freehold property, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and  
Registered Auditors

13.3.98



**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 October 1997**

	Note	12 months to 31 October 1997 £	10 months to 31 October 1996 £
<b>TURNOVER</b>	2	3,410,955	1,876,645
Cost of sales		571,871	369,715
Gross profit		2,839,084	1,506,930
Marketing and distribution costs		1,612,033	770,197
Administrative expenses		645,885	419,042
<b>OPERATING PROFIT BEFORE EXCEPTIONAL DEVELOPMENT COSTS</b>	4	581,166	317,691
Exceptional new development costs	4	285,928	-
<b>OPERATING PROFIT</b>		295,238	317,691
Interest receivable and similar income		-	32,847
Interest payable and similar charges	5	(248,059)	(202,362)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		47,179	148,176
Tax on profit on ordinary activities	6	-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		47,179	148,176
Retained loss brought forward		(2,544,308)	(2,692,484)
Retained loss carried forward		(2,497,129)	(2,544,308)

All results derive from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 October 1997**

	1997 £000	1996 £000
Profit for the financial year	47,179	148,176
Surplus arising on revaluation of freehold land and buildings	-	4,026,845
<b>Total recognised gains and losses relating to the year</b>	47,179	4,175,021


There are no movements in shareholders funds for the current year or prior period other than as stated above.

**BALANCE SHEET**  
**31 October 1997**

	Note	1997 £	1996 £
<b>FIXED ASSETS</b>			
Tangible assets	7	10,821,998	10,307,215
<b>CURRENT ASSETS</b>			
Stocks	8	107,222	78,112
Debtors	9	347,153	337,906
Cash at bank and in hand		8,494	7,692
		462,869	423,710
<b>CREDITORS: amounts falling due within one year</b>	10	(4,746,865)	(4,208,382)
<b>NET CURRENT LIABILITIES</b>		(4,283,996)	(3,784,672)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,538,002	6,522,543
<b>CREDITORS: amounts falling due after more than one year</b>	11	(2,905,830)	(2,937,550)
<b>NET ASSETS</b>		3,632,172	3,584,993
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	2,102,456	2,102,456
Revaluation reserve	7	4,026,845	4,026,845
Profit and loss account		(2,497,129)	(2,544,308)
<b>SURPLUS ON EQUITY SHAREHOLDERS' FUNDS</b>		3,632,172	3,584,993

These financial statements were approved by the Board of Directors on 12 March 1998

Signed on behalf of the Board of Directors

  
 P J De Savary  
 Director



**CASHFLOW STATEMENT**  
**Year ended 31 October 1997**

	Note	1997		1996	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	16		484,302		187,879
<b>Returns on investments and servicing of finance</b>					
Interest received		-		32,847	
Interest paid		(246,967)		(202,362)	
Interest element of finance lease rental payments		(1,092)		-	
<b>Net cash inflow from returns on investments and servicing of finance</b>			(248,059)		(169,515)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(1,096,778)		(1,707,140)	
<b>Net cash outflow from capital expenditure and financial investment</b>			(1,096,778)		(1,707,140)
<b>Net cash outflow before use of liquid resources and financing</b>			(860,535)		(1,688,776)
<b>Financing</b>					
Issue of ordinary share capital		-		152,456	
Debt due within a year:					
Debenture loans		610,000		3,011,511	
Bank loans		-		-	
Other loans		-		(411,511)	
Debt due beyond a year:					
Bank loans		429,836		2,700,000	
Capital element of finance lease rentals		(9,409)		-	
<b>Net cash inflow from financing</b>			1,030,427		5,452,456
<b>Increase in cash</b>	17		169,892		3,763,680

**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1997**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards except for tangible fixed assets, where freehold buildings are not depreciated. The principal accounting policies adopted are stated below.

**Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold land and buildings at 31 October 1996.

**Tangible fixed assets**

Depreciation is provided on cost (less estimated residual value) in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold land	Nil
Freehold buildings	Nil
Motor vehicles	25% per annum
Fixtures, fittings, and equipment	5 to 20% per annum

The cost of buildings includes all expenditure incurred in making good dilapidations which occurred before the building was purchased, as well as other costs of alterations and improvements, including architects fees.

No depreciation is provided on freehold buildings as it is the company's practice to maintain these assets in a continual state of sound repair and to extend and make improvement as necessary. Accordingly the directors consider that the lives of these assets are so long and residual values so high that their depreciation is not material.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost represents purchase price.

**Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

**Leases**

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rentals are charged to the profit and loss account in equal amounts over the lease term.

**Foreign currencies**

All transactions arising in foreign currencies are converted into Sterling at the rates ruling at the balance sheet date. Foreign exchange gains and losses are taken to the profit and loss account in the period they arise.

**Government grants**

Government grants are credited to accruals and deferred income and are written back to the profit and loss account over the estimated life of the assets to which they relate.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1997**

**2. TURNOVER**

Turnover represents amounts charged to guests for goods and services provided during the year after deduction of trade discounts and Value Added Tax.

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	12 months to 31 October 1997 £	10 months to 31 October 1996 £
<b>Directors' emoluments</b>		
Other emoluments	27,498	24,266
	<u>27,498</u>	<u>24,266</u>
 <b>Average number of persons employed</b>	 64	 58
	<u>64</u>	<u>58</u>
	12 months to 31 October 1997 £	10 months to 31 October 1996 £
<b>Staff costs during the year (excluding directors)</b>		
Wages and salaries	1,023,277	573,368
National Insurance	76,462	47,297
Pension	-	2,624
Staff accommodation and welfare	64,714	40,294
	<u>1,164,453</u>	<u>663,583</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1997**

**4. OPERATING PROFIT**

	12 months to 31 October 1997 £	10 months to 31 October 1996 £
<b>Operating profit is after charging/(crediting):</b>		
Depreciation and amortisation		
Owned assets	109,107	55,405
Leased assets	5,735	-
Auditor's remuneration		
Audit	6,781	7,200
English Tourist Board grants	(6,000)	(5,500)
Operating lease charges		
Plant and machinery	16,756	4,935
	<u>16,756</u>	<u>4,935</u>

Costs associated with the relaunch of Stapleford Park in April 1997 amounting to £285,928 represent exceptional publicity mailing and promotional expenditure, which is not recurring.

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	£	£
Bank overdraft and other loans repayable on demand	246,967	202,362
Finance leases and hire purchase contracts	1,092	-
	<u>248,059</u>	<u>202,362</u>

**6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

No corporation taxation has been provided for in the accounts as there are losses of approximately £3.8m to carry forward against future profits of the same trade of the company.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1997**
**7. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £	Fixtures, fittings and equipment £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 November 1996	10,000,000	878,680	10,681	41,129	10,930,490
Additions	426,320	149,331	-	53,974	629,625
At 31 October 1997	<u>10,426,320</u>	<u>1,028,011</u>	<u>10,681</u>	<u>95,103</u>	<u>11,560,115</u>
<b>Accumulated depreciation</b>					
At 1 November 1996	-	595,570	10,681	17,024	623,275
Charge for the year	-	100,000	-	14,842	114,842
At 31 October 1997	<u>-</u>	<u>695,570</u>	<u>10,681</u>	<u>31,866</u>	<u>738,117</u>
<b>Net book value</b>					
At 31 October 1997	<u>10,426,320</u>	<u>332,441</u>	<u>-</u>	<u>63,237</u>	<u>10,821,998</u>
At 31 October 1996	<u>10,000,000</u>	<u>283,110</u>	<u>-</u>	<u>24,105</u>	<u>10,307,215</u>

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 net book value of the fixed assets includes £17,205 (1996: £ nil) in respect of assets held under finance leases and hire purchase contracts.

**8. STOCKS**

	31 October 1997 £	31 October 1996 £
Raw materials and consumables	49,610	43,289
Goods for resale	57,612	34,823
	<u>107,222</u>	<u>78,112</u>

**9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	£	£
Trade debtors	257,865	95,965
Prepayments and accrued income	89,288	37,446
Other debtors	-	204,495
	<u>347,153</u>	<u>337,906</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1997**

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 October 1997 £	31 October 1996 £
Bank overdraft	41,515	210,605
Bank loans	455,556	-
Trade creditors	307,221	490,341
Obligations under finance leases and hire purchase contracts	13,773	-
Other creditors including taxation and social security	232,752	133,022
Accruals and deferred income	74,537	362,903
Debenture loans owing to parent company	3,621,511	3,011,511
	<u>4,746,865</u>	<u>4,208,382</u>

Interest is payable on the bank overdraft and loan at a rate calculated on a daily basis at percentages ranging from 2 to 3.5% over the London Interbank Offer Rate. The overdraft is secured by a first fixed and floating charge over the assets of Stapleford Park plc. The loans from the parent company which are repayable on demand, are secured by a second floating charge over the freehold property and other assets and are interest free.

Other creditors including taxes and social security includes:

	£	£
Taxation and social security	<u>29,542</u>	<u>35,768</u>

**11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	£	£
Bank loan (see notes 10 and 13)	2,674,280	2,700,000
Accruals and deferred income	231,550	237,550
	<u>2,905,830</u>	<u>2,937,550</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1997**

**12. GRANTS RECEIVABLE**

	<b>31 October 1997</b>	<b>31 October 1996</b>
	<b>£</b>	<b>£</b>
Included within accruals and deferred income are the following amounts of grants received from the English Tourist Board:		
within one year	6,000	6,000
after more than one year	231,550	237,550
	<u>237,550</u>	<u>243,550</u>

**13. ANALYSIS OF DEBT REPAYMENT**

	<b>31 October 1997</b>	<b>31 October 1996</b>
	<b>£</b>	<b>£</b>
Debenture loans owing to parent company	3,621,511	3,011,511
Bank loans and overdrafts	3,171,351	2,910,605
Obligations under finance leases and hire purchase contracts	13,773	-
	<u>6,806,635</u>	<u>5,922,116</u>
Analysis of loan repayments:		
Bank loans and overdrafts		
Within one year or on demand	497,071	210,605
Between one and two years	455,556	300,000
Between two and five years	2,218,724	2,400,000
Debentures loans owing to parent company		
Within one year or on demand	3,621,511	3,011,511
Obligations under finance leases and hire purchase contracts:		
Within one year or on demand	15,957	-
Less: finance charges allocated for future periods	(2,184)	-
	<u>6,806,635</u>	<u>5,922,116</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1997**

**14. CALLED UP SHARE CAPITAL**

	Number of shares	31 October 1997 £	Number of shares	31 October 1996 £
Authorised				
Ordinary shares of 10p each	33,500,000	3,350,000	33,500,000	3,350,000
Called up, allotted and fully paid				
Ordinary shares of 10p each	21,024,556	2,102,456	21,024,556	2,102,456

**15. OPERATING LEASE COMMITMENTS**

At 31 October 1997 the company was committed to making the following payments during the next year in respect of operating leases:

	12 months to 31 October 1997 £	10 months to 31 October 1996 £
Leases which expire within one year	397	-
Leases which expire within two to five years	15,202	9,068

None of the operating lease commitments relates to land or buildings.

**16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1997 £	1996 £
Operating profit	295,238	317,691
Depreciation	114,842	55,405
(Increase) in stocks	(29,110)	(40,660)
(Increase) in debtors	(9,247)	(190,384)
Increase in creditors	112,579	45,827
<b>Net cash inflow from operating activities</b>	<b>484,302</b>	<b>187,879</b>





**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1997**

**17. ANALYSIS OF NET DEBT**

	At 1 November 1996 £	Cashflow £	Other non- cash changes £	At 31 October 1997 £
Cash in hand and at bank	7,692	802	-	8,494
Overdrafts	(210,605)	169,090	-	(41,515)
		169,892		
Debt due after one year	(2,700,000)	(429,836)	455,556	(2,674,280)
Debt due within one year	(3,011,511)	(610,000)	(455,556)	(4,077,067)
Finance leases	-	9,409	(23,182)	(13,773)
		(1,030,427)		
<b>Total</b>	<b>(5,914,424)</b>	<b>(860,535)</b>	<b>(23,182)</b>	<b>(6,798,141)</b>

**18. RECONCILIATION OF NET CASHFLOW TO MOVEMENTS IN NET DEBT**

	1997 £	£	1996 £	£
<b>Increase/decrease in cash in the period</b>	169,892		3,763,680	
Cash inflow from increase in debt and lease financing	(1,030,427)		(5,300,000)	
<b>Change in net debt resulting from cashflows</b>	(860,535)		(1,536,320)	
New finance leases	(23,182)		-	
<b>Movement in net debt in the period</b>	(883,717)		(1,536,320)	
Net debt at start of year	(5,914,424)		(4,378,104)	
<b>Net debt at end of year</b>	<b>(6,798,141)</b>		<b>(5,914,424)</b>	

**19. CASHFLOW RELATING TO EXCEPTIONAL ITEMS**

The operating cash inflow includes an outflow of £285,928 incurred as part of the relaunch of Stapleford Park.

**20. MAJOR NON CASH TRANSACTION**

During the year the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £22,940.

**21. ULTIMATE CONTROLLING PARTY**

The directors believe that the ultimate controlling party and parent company is Ghillie Limited incorporated in the Commonwealth of the Bahama Islands whose registered office is at Charlotte House, Charlotte Street, P O Box N10 051, Nassau, Bahamas.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1997**

**22. RELATED PARTY TRANSACTIONS**

	Sales to	Other Operating Expenses £	Owed to 31 October 1997 £	Owed by 31 October 1997 £	Loans Payable £
Skibo Limited	1,112	96,300	97,547	2,938	-
Carnegie Estates Limited	324	-	-	-	-
Bathealton Limited	-	198,498	16,886	-	-
Ghillie Limited	-	-	-	-	3,621,511
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Skibo Limited, Carnegie Estates Limited and Bathealton Limited are related parties by virtue of common directors.

Other operating expenses for Skibo Limited comprises recharges for employee salaries for work done of benefit to both companies and fixed asset additions of £56,460 which have been capitalised.

Other operating expenses for Bathealton Limited comprise recharges of costs incurred by that company relating to employee salaries and provision of management services and leasing costs.