

STAPLEFORD PARK LIMITED

Report and Financial Statements

31 December 2000

Deloitte & Touche
1 Woodborough Road
Nottingham
NG1 3FG



REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J De Savary
M A Lutyens
S Fitzgerald (USA)
P D Kazilionis (USA)
W H Walton (USA)

SECRETARY

J Keefe

REGISTERED OFFICE

246/248 Great Portland Street
London
W1N 6JL

BANKERS

Bank of Scotland plc

SOLICITORS

Evans Dodd
5 Balfour Place
Mount Street
London
W1Y 5RG

AUDITORS

Deloitte & Touche
Chartered Accountants
1 Woodborough Road
Nottingham
NG1 3FG

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year are shown in the profit and loss account on page 5.

The golf course development in 1999 continued in 2000 and is due to be opened in Spring 2001. The directors are satisfied with the result and performance for the year.

FIXED ASSETS

The company spent £983,943 in the period on renovations and the building of further amenities for the property. Movements on fixed assets for the year are detailed in note 8.

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 loss for the year of £290,131 (1999: loss for the year £217,447) has been transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

P J De Savary
M A Lutyens
S Fitzgerald
W H Walton
P D Kazilionis

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

DIRECTORS' REPORT (Continued)**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; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

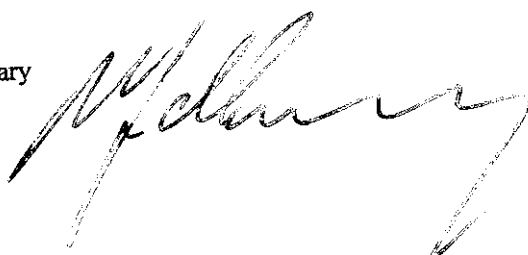
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

P J De Savary
Director





STAPLEFORD PARK LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of director and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 affairs of the company as at 31 December 2000 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

21 May 2001

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2000

	Note	2000 Before exceptional items £	2000 Exceptional items (Note 4) £	2000 Total £	1999 Total £
TURNOVER	2	4,884,082	-	4,884,082	4,149,613
Cost of sales		878,017	-	878,017	754,348
Gross profit		4,006,065	-	4,006,065	3,395,265
Marketing and distribution costs		2,368,255	184,655	2,552,910	2,078,496
Administrative expenses		1,202,660	-	1,202,660	1,119,340
OPERATING PROFIT/(LOSS)	5	435,150	(184,655)	250,495	197,429
Interest payable and similar charges	6			(540,626)	(414,876)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION				(290,131)	(217,447)
Tax on loss on ordinary activities	7			-	-
LOSS FOR THE FINANCIAL YEAR				(290,131)	(217,447)
Retained loss brought forward				(2,522,827)	(2,305,380)
Retained loss carried forward				(2,812,958)	(2,522,827)

All results derive from continuing operations.

There are no recognised gains and losses other than the loss for the current or prior year. Accordingly no statement of total recognised gains and losses is given.

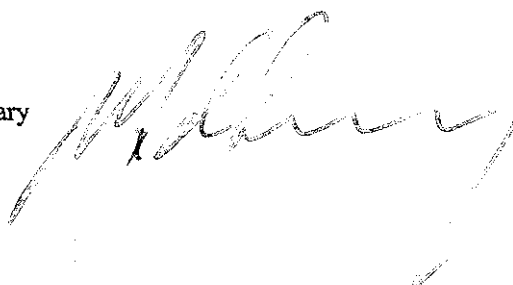
BALANCE SHEET
31 December 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Tangible fixed assets	8	14,066,587	13,096,009
CURRENT ASSETS			
Stocks	9	141,678	108,414
Debtors	10	582,259	423,142
Cash at bank and in hand		8,229	7,825
		<u>732,166</u>	<u>539,381</u>
CREDITORS: amounts falling due within one year	11	<u>(2,581,120)</u>	<u>(1,301,568)</u>
NET CURRENT LIABILITIES		<u>(1,848,954)</u>	<u>(762,187)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,217,633	12,333,822
CREDITORS: amounts falling due after more than one year	12	<u>(7,205,679)</u>	<u>(7,031,737)</u>
NET ASSETS		<u>5,011,954</u>	<u>5,302,085</u>
CAPITAL AND RESERVES			
Called up share capital	15	3,798,067	3,798,067
Revaluation reserve	8	4,026,845	4,026,845
Profit and loss account		<u>(2,812,958)</u>	<u>(2,522,827)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>5,011,954</u>	<u>5,302,085</u>

These financial statements were approved by the Board of Directors on 18 May 2001

Signed on behalf of the Board of Directors

P J De Savary
Director



CASHFLOW STATEMENT
Year ended 31 December 2000

	Note	£	2000 £	£	1999 £
Net cash inflow from operating activities	18		469,969		710,381
Returns on investments and servicing of finance					
Interest paid		(538,914)		(411,809)	
Interest element of finance lease rental payments		(1,712)		(3,067)	
Net cash outflow from returns on investments and servicing of finance			(540,626)		(414,876)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(1,014,170)		(1,639,266)	
Receipts from sale of tangible fixed assets		300		28,000	
Net cash outflow from capital expenditure and financial investment			(1,013,870)		(1,611,266)
Net cash outflow before use of liquid resources and financing			(1,084,527)		(1,315,761)
Financing					
New borrowings		854,991		1,369,020	
Capital element of finance lease rental payments		(4,396)		(9,483)	
Net cash inflow from financing			850,595		1,359,537
(Decrease)/increase in cash	20		(233,932)		43,776

NOTES TO THE ACCOUNTS
Year ended 31 December 2000**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. 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	2% per annum
Motor vehicles	25% per annum
Fixtures, fittings, equipment, plant and machinery	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.

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 December 2000

2. TURNOVER

Turnover represents amounts charged to guests for goods and services provided during the period after deduction of trade discounts and Value Added Tax, and is derived totally within the UK.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000	1999
	£	£
Directors' emoluments		
Other emoluments	-	-

The directors are remunerated through other related companies. They do not consider it practicable to allocate remuneration between companies.

	2000	1999
	No	No
Average number of persons employed		
Management and administration	24	22
Hotel	79	72
General estate	17	15
	120	109
	£	£
Staff costs during the year		
Wages and salaries	1,464,769	1,367,836
National Insurance	109,418	129,276
	1,574,187	1,497,112

4. EXCEPTIONAL COSTS

The exceptional costs were incurred in the marketing of the company's golf course development.

5. OPERATING PROFIT

	2000	1999
	£	£
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	128,391	133,641
Leased assets	4,810	4,810
Auditor's remuneration for audit services	12,500	10,000
English Tourist Board grants	(6,000)	(6,000)
Operating lease charges		
Plant and machinery	21,181	26,907
Profit on disposal of fixed assets	(300)	(9,492)
Royalties	228,022	192,725

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Bank overdraft and other loans repayable on demand	418,914	291,809
Finance leases and hire purchase contracts	1,712	3,067
Interest on Carnegie International BV loan	120,000	120,000
	<u>540,626</u>	<u>414,876</u>

7. TAXATION ON LOSS ON ORDINARY ACTIVITIES

No corporation taxation has been provided for in the accounts as there are losses of approximately £3.7m 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 £406,000.

8. TANGIBLE FIXED ASSETS

	Assets in course of construction £	Freehold land and buildings £	Fixtures, fittings and equipment £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation						
At 1 January 2000	2,260,075	10,644,289	1,088,236	10,681	68,018	14,071,299
Additions	934,233	26,784	119,836	-	22,926	1,103,779
Disposals	-	-	(9,750)	-	-	(9,750)
At 31 December 2000	<u>3,194,308</u>	<u>10,671,073</u>	<u>1,198,322</u>	<u>10,681</u>	<u>90,944</u>	<u>15,165,328</u>
Accumulated depreciation						
At 1 January 2000	-	-	912,620	10,681	51,989	975,290
Charge for the year	-	27,800	99,447	-	5,954	133,201
Disposals	-	-	(9,750)	-	-	(9,750)
At 31 December 2000	<u>-</u>	<u>27,800</u>	<u>1,002,317</u>	<u>10,681</u>	<u>57,943</u>	<u>1,098,741</u>
Net book value						
At 31 December 2000	<u>3,194,308</u>	<u>10,643,273</u>	<u>196,005</u>	<u>-</u>	<u>33,001</u>	<u>14,066,587</u>
At 31 December 1999	<u>2,260,075</u>	<u>10,644,289</u>	<u>175,616</u>	<u>-</u>	<u>16,029</u>	<u>13,096,009</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 £9,838,536.

The net book value of the fixed assets includes £12,425 (1999: £17,235) in respect of assets held under finance leases and hire purchase contracts.

Assets in the course of construction includes £29,738 which should have been allocated to plant and machinery. The extra depreciation chargeable on these assets is not material. The assets will be reallocated to plant and machinery in the next financial year.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

9. STOCKS

	2000 £	1999 £
Raw materials and consumables	48,356	41,315
Goods for resale	93,322	67,099
	<u>141,678</u>	<u>108,414</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Trade debtors	389,021	296,177
Prepayments and accrued income	193,238	126,965
	<u>582,259</u>	<u>423,142</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank overdraft (see note 12)	244,169	9,833
Bank loan	670,000	-
Obligations under finance leases and hire purchase contracts	5,048	4,395
Trade creditors	403,242	254,596
Amounts due to parent company	654,256	426,234
Other creditors including taxation and social security	108,165	115,302
Accruals and deferred income	496,240	491,208
	<u>2,581,120</u>	<u>1,301,568</u>

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

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Bank loan	4,986,417	4,801,426
Carnegie International BV loan	2,000,000	2,000,000
Obligations under finance leases and hire purchase contracts	6,712	11,761
Accruals and deferred income	212,550	218,550
	<u>7,205,679</u>	<u>7,031,737</u>

Interest is payable on the bank overdraft and loan at a rate calculated on a daily basis at percentages ranging from 1.75% to 2% over the London Interbank Offer Rate. The overdraft and loan are secured by a first fixed and floating charge over the assets of Stapleford Park Limited.

The bank loan is repayable in ten annual instalments, commencing October 2001.

The loan from Carnegie International BV is secured by a second floating charge over the freehold property and other assets and bears interest at 6%.

13. GRANTS RECEIVED

	2000 £	1999 £
Included within accruals and deferred income are the following amounts of grants received from the English Tourist Board:		
At 1 January	224,550	230,550
Released to the profit and loss account	(6,000)	(6,000)
	<u>218,550</u>	<u>224,550</u>
At 31 December	218,550	224,550
	<u>218,550</u>	<u>224,550</u>
Within one year	6,000	6,000
After more than one year	212,550	218,550
	<u>218,550</u>	<u>224,550</u>

14. BORROWINGS

	2000 £	1999 £
Bank loans and overdrafts	5,900,586	4,811,259
Obligations under finance leases and hire purchase contracts	11,760	16,156
Carnegie International BV Loan	2,000,000	2,000,000
	<u>7,912,346</u>	<u>6,827,415</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

14. ANALYSIS OF DEBT REPAYMENT (Continued)

	2000 £	1999 £
Analysis of loan repayments:		
Bank loans and overdrafts		
In one year or less or on demand	914,169	9,833
In more than one year but not more than two years	670,000	662,500
In more than two years but not more than five years	2,010,000	1,987,500
In more than five years	2,306,417	2,151,426
Other loans		
In more than two years but not more than five years	2,000,000	2,000,000
Obligations under finance leases and hire purchase contracts:		
In one year or less or on demand	5,048	4,395
In more than one year but not more than two years	6,712	5,048
In more than two years but not more than five years	-	6,713
	<u>7,912,346</u>	<u>6,827,415</u>

15. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised		
50,456,110 ordinary shares of 10p each	5,045,611	5,045,611
Called up, allotted and fully paid		
37,980,665 ordinary shares of 10p each	3,798,067	3,798,067

16. CAPITAL COMMITMENTS

	2000 £	1999 £
Contracted for but not provided	-	-

17. OPERATING LEASE COMMITMENTS

At 31 December 2000, the company was committed to making the following payments during the next year in respect of operating leases:

	2000 £	1999 £
Leases which expire within one year	6,383	607
Leases which expire within two to five years	7,369	15,431

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

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	250,495	197,429
Depreciation	133,201	138,451
Profit on sale of tangible fixed assets	(300)	(9,492)
Amortisation of grant	(6,000)	(6,000)
(Increase)/decrease in stocks	(33,264)	10,859
(Increase)/decrease in debtors	(159,117)	78,554
Increase in creditors	284,954	300,580
Net cash inflow from operating activities	469,969	710,381

19. ANALYSIS OF NET DEBT

	1999 £	Cashflow £	2000 £
Cash in hand and at bank	7,825	404	8,229
Overdrafts	(9,833)	(234,336)	(244,169)
		(233,932)	
Debt due after one year	(6,801,426)	(184,991)	(6,986,417)
Debt due within one year	-	(670,000)	(670,000)
Finance leases	(16,156)	4,396	(11,760)
		(850,595)	
Total	(6,819,590)	(1,084,527)	(7,904,117)

20. RECONCILIATION OF NET CASHFLOW TO MOVEMENTS IN NET DEBT

	£	2000 £	£	1999 £
(Decrease)/increase in cash in the period	(233,932)		43,776	
Cash inflow from increase in debt and lease financing	(850,595)		(1,359,537)	
Change in net debt resulting from cashflows		(1,084,527)		(1,315,761)
Movement in net debt in the year		(1,084,527)		(1,315,761)
Net debt at start of year		(6,819,590)		(5,503,829)
Net debt at end of year		(7,904,117)		(6,819,590)

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

21. ULTIMATE CONTROLLING PARTY

The directors believe the ultimate controlling party to be Westbrook Partners LLC. The immediate parent company is WB Stapleford Investment Limited, a company incorporated in United Kingdom.

22. RELATED PARTY TRANSACTIONS

2000	Sales to £	Other Operating Expenses £	Interest £	Owed to 31 December 2000 £	Owed by 31 December 2000 £	Loans Payable £
Skibo Limited	5,724	226,617	-	93,483	1,314	-
Shilstone Limited	-	88,430	-	6,250	7,344	-
Carnegie International BV	-	-	120,000	-	-	2,000,000
Cherokee Plantation	31,097	12,083	-	-	3,002	-
Carnegie Abbey	5,823	-	-	-	2,009	-
Westbrook Carnegie Investments PLC	-	228,022	-	654,257	-	-

1999	Sales to £	Other operating expenses £	Interest £	Owed to 31 December 1999 £	Owed by 31 December 1999 £	Loans payable £
Skibo Limited	38,654	213,783	-	12,307	-	-
Shilstone Limited	-	176,781	-	-	-	-
Carnegie International BV	-	-	120,000	-	-	2,000,000
Westbrook Carnegie Investments LLC	-	192,727	-	426,234	-	-

Westbrook Carnegie Investments LLC owns 100% of Stapleford Park Limited through the immediate parent company, WB Stapleford Investment Limited. Skibo Limited is also a sub-subsidiary of Westbrook Carnegie Investments LLC. Carnegie International BV has a 20% interest in Westbrook Carnegie Investments LLC.

Stapleford Park Limited paid £2,500 auditors' fees on behalf of its immediate parent company, WB Stapleford Investment Limited.

Other operating expenses for Skibo Limited comprises recharges for employee salaries for work done and other expenses of benefit to both companies.

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

Other operating expenses for Cherokee Plantation comprise recharges of costs incurred by that company relating to advertisement costs.

The interest paid to Carnegie International BV is at 6% per annum on a loan of £2,000,000.

Cherokee Plantation, Shilstone Limited and Carnegie Abbey are related parties by virtue of common directors.