

Chantrey Vellacott DFK LLP



ETROP GRANGE LIMITED

**Financial statements
31 December 2005**

ETROP GRANGE LIMITED

Financial statements for the year ended 31 December 2005

| Contents | Page |
|--|------|
| Officers and professional advisers | 1 |
| Directors' report | 2 |
| Statement of directors' responsibilities | 3 |
| Independent auditors' report | 4-5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Cash flow statement | 8 |
| Notes to the financial statements | 9-15 |

ETROP GRANGE LIMITED

Officers and professional advisers

Directors

Y-K Loy

P Kirschner

P V Pillay (resigned 5 March 2006)

M Tan

Secretary

P V Pillay (resigned 5 March 2006)

M Tan (appointed 5 March 2006)

Registered office

Blakelands House

Yeomans Drive

Blakelands

Milton Keynes

MK14 5HG

Bankers

Bank of Scotland plc

38 Threadneedle Street

London

EC2P 2EH

Solicitors

Fennemores

200 Silbury Boulevard

Central Milton Keynes

MK9 1LL

Auditors

Chantrey Vellacott DFK LLP

Chartered Accountants

Russell Square House

10-12 Russell Square

London

WC1B 5LF

ETROP GRANGE LIMITED

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005.

Principal activity and review of the business

The principal activity of the company is the operation of a hotel and related leisure facilities.

The results for the year ended 31 December 2005 are set out on page 6. Subsequent to the year end the company sold its hotel.

Dividends

The directors do not recommend the payment of a dividend (2004: *£nil*).

Directors and their interests

The directors who served the company during the year were as follows:

Y-K Loy
P Kirschner
P V Pillay
M Tan

None of the directors of the company at 31 December 2005 had any interests in the shares of the company during the financial year.

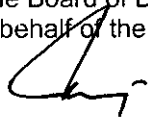
The interests of the directors in the parent company are given in the directors' report of that company.

Auditors

A resolution for the re-appointment of Chantrey Vellacott DFK LLP 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 Kirschner


25.10.2006

Director

ETROP GRANGE LIMITED

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; and
- prepare the financial statements 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.

ETROP GRANGE LIMITED

Independent auditors' report to the shareholders of Etrop Grange Limited

We have audited the financial statements of Etrop Grange Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet, cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

ETROP GRANGE LIMITED

Independent auditors' report to the shareholders of Etrop Grange Limited

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its results for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Chantrey Vellacott DFK LLP
CHANTREY VELLACOTT DFK LLP

Chartered Accountants
Registered Auditors

LONDON

25 October 2006

Chantrey Vellacott DFK LLP

ETROP GRANGE LIMITED

Profit and loss account for the year ended 31 December 2005

| | Notes | 2005 £ | 2004 £ |
|--|-------|------------------|------------------|
| Turnover | 2 | 2,692,212 | 2,896,110 |
| Cost of sales | | (1,180,655) | (1,244,510) |
| Gross profit | | 1,511,557 | 1,651,600 |
| Administrative expenses | | (793,229) | (703,678) |
| Operating profit | 4 | 718,328 | 947,922 |
| Interest receivable | 5 | 9,533 | - |
| Interest payable and similar charges | 6 | (5,250) | (5,304) |
| Profit on ordinary activities before taxation | | 722,611 | 942,618 |
| Tax on profit on ordinary activities | 7 | (47,845) | (42,423) |
| Retained profit for the financial year | 15 | 674,766 | 900,195 |

All activities derive from discontinued operations.

There is no material difference between the results reported above and those which would be reported on an unmodified historical cost basis.

The notes on pages 9 to 15 form part of these financial statements.

ETROP GRANGE LIMITED

Balance sheet as at 31 December 2005

| | Notes | 2005 £ | 2004 £ |
|---|-------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 8 | <u>7,647,169</u> | <u>7,735,579</u> |
| Current assets | | | |
| Stocks | 9 | 10,301 | 16,063 |
| Debtors | 10 | 775,967 | 383,892 |
| Cash at bank and in hand | | <u>761,803</u> | <u>264,384</u> |
| | | 1,548,071 | 664,339 |
| Creditors: amounts falling due within one year | 11 | <u>(351,284)</u> | <u>(278,573)</u> |
| Net current assets / (liabilities) | | <u>1,196,787</u> | <u>(385,766)</u> |
| Total assets less current liabilities | | 8,843,956 | 8,121,345 |
| Provision for liabilities and charges | 12 | <u>(136,073)</u> | <u>(88,228)</u> |
| | | <u>8,707,883</u> | <u>8,033,117</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 1,800,000 | 1,800,000 |
| Share premium account | 14 | 35,345 | 35,345 |
| Revaluation reserve | 14 | 2,868,152 | 2,868,152 |
| Profit and loss account | 14 | <u>4,004,386</u> | <u>3,329,620</u> |
| Equity shareholders' funds | 15 | <u>8,707,883</u> | <u>8,033,117</u> |

These financial statements were approved by the Board of Directors on 25.10.2006

Signed on behalf of the Board of Directors

P Kirschner
Director



The notes on pages 9 to 15 form part of these financial statements.

ETROP GRANGE LIMITED

Cash flow statement

For the year ended 31 December 2005

| | Note | 2005 £ | 2004 £ |
|--|------|-----------------------|-----------------------|
| Net cash inflow from operating activities | 16 | <u>547,920</u> | <u>214,091</u> |
| Returns on investments and servicing of finance | | | |
| Interest received | | 9,533 | - |
| Interest paid | | <u>(5,250)</u> | <u>(5,304)</u> |
| | | 4,283 | (5,304) |
| Taxation | | - | - |
| Capital expenditure | | | |
| Payments to acquire tangible fixed assets | | <u>(54,784)</u> | <u>(37,697)</u> |
| Increase in cash | 17 | <u><u>497,419</u></u> | <u><u>171,090</u></u> |

The notes on pages 9 to 15 form part of these financial statements.

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold properties.

Tangible fixed assets and depreciation

The freehold land and building is stated at cost or valuation, less depreciation. All other fixed assets are stated at cost less depreciation. When implementing FRS 15 'Tangible fixed Assets' in the year to 31 December 2000, the transitional rules of FRS15 were applied so that the carrying value of the property included an element resulting from previous valuations. The hotel has also been reviewed for impairment and none have been found. In accordance with FRS 15, where an impairment is recognised against a prior revaluation surplus, such impairments are taken to the revaluation reserve. Excess of impairment over prior revaluation surpluses are taken to the profit and loss account.

No depreciation has been provided on land.

The cost or valuation of fixed assets is written off on a straight line basis as below:

| | |
|-----------------------|------------------------|
| Freehold buildings | Between 50-150 years |
| Plant and machinery | Between 3-25 years |
| Fixtures and fittings | Between 3 and 15 years |
| Motor vehicle | 4 years |

Operating leases

Rentals paid under operating leases are expensed in the year in which they are incurred.

Deferred taxation

FRS 19 'Deferred tax' requires full provision, subject to certain exceptions, for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and for tax purposes.

In applying FRS19, deferred tax provisions have been calculated on a discounted basis. FRS 19 has no impact on cash flows.

Stocks

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

Pensions costs

Certain employees are members of the Corus Hotels plc defined contribution pension scheme which provides pensions on retirement of staff. Contributions are charged to the profit and loss account as incurred.

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2005

2. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities, after deduction of value added tax. The turnover, all of which arises in the United Kingdom, and profit before taxation and net assets attributable to one activity, the operation of hotels and restaurants and the provision of conference and leisure related facilities.

3. Information regarding directors and employees

Directors

None of the directors received any remuneration in respect of their services as directors of the company in the current or preceding financial years.

| | 2005 No. | 2004 No. |
|-------------------------------------|-------------|-------------|
| Employees | | |
| Average number of persons employed: | | |
| Hotel, administration and sales | 67 | 64 |

| | 2005 £ | 2004 £ |
|----------------------------------|----------------|----------------|
| Staff costs | | |
| Wages and salaries | 749,820 | 755,676 |
| Employer's social security costs | 55,215 | 56,754 |
| Other pension costs | 1,706 | 1,801 |
| | <u>806,741</u> | <u>814,231</u> |

| | | |
|----------------------------|-----------|-----------|
| 4. Operating profit | 2005 £ | 2004 £ |
|----------------------------|-----------|-----------|

Operating profit is stated after charging:

| | | |
|---|---------|---------|
| Hire of plant and machinery | 7,856 | 18,083 |
| Depreciation - owned assets | 143,194 | 140,300 |
| Auditors' remuneration - audit services | 8,000 | 8,000 |

| | | |
|-------------------------------|-----------|-----------|
| 5. Interest receivable | 2005 £ | 2004 £ |
|-------------------------------|-----------|-----------|

| | | |
|---------------|--------------|----------|
| Bank interest | <u>9,533</u> | <u>-</u> |
|---------------|--------------|----------|

ETROP GRANGE LIMITED**Notes to the financial statements
For the year ended 31 December 2005**

| | | | |
|----|---|--------------|--------------|
| 6. | Interest payable and similar charges | 2005 | 2004 |
| | | £ | £ |
| | Bank loans | 5,250 | 5,304 |
| | | <u>5,250</u> | <u>5,304</u> |

7. **Tax on profit on ordinary activities**(a) **Analysis of charge in period**

| | | |
|--|---------------|---------------|
| | 2005 | 2004 |
| | £ | £ |
| Current tax: | | |
| UK corporation tax on profits of the period | - | - |
| Adjustments in respect of previous periods | - | 852 |
| | <u>-</u> | <u>852</u> |
| Total current tax (note 7(b)) | - | 852 |
| Deferred tax: | | |
| Origination and reversal of timing differences | 27,738 | 38,265 |
| Decrease in discount | 20,107 | 3,306 |
| Adjustment in respect of previous periods | - | - |
| | <u>47,845</u> | <u>41,571</u> |
| Total deferred tax | 47,845 | 41,571 |
| Tax on profits on ordinary activities | <u>47,845</u> | <u>42,423</u> |

(b) **Factors affecting tax charge for period**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

| | | |
|--|----------------|----------------|
| | 2005 | 2004 |
| | £ | £ |
| Profit on ordinary activities before tax | <u>722,611</u> | <u>942,618</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 : 30%) | 216,783 | 282,785 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 17,435 | 26,714 |
| Transfer pricing adjustment | (70,450) | - |
| Capital allowances for period in (excess) of qualifying depreciation | (27,738) | (38,265) |
| Losses (claimed) | (136,030) | (271,234) |
| Adjustments to tax charge in respect of previous periods | - | 852 |
| Current tax for period (note 1(a)) | <u>-</u> | <u>852</u> |

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2005

8. Tangible fixed assets

| | Freehold hotel property £ | Plant and machinery £ | Fixtures and fittings £ | Total £ |
|----------------------------|------------------------------------|--------------------------------|----------------------------------|------------------|
| Cost or valuation | | | | |
| At 1 January 2005 | 7,444,552 | 285,394 | 1,435,356 | 9,165,302 |
| Additions | - | - | 54,784 | 54,784 |
| At 31 December 2005 | 7,444,552 | 285,394 | 1,490,140 | 9,220,086 |
| Depreciation | | | | |
| At 1 January 2005 | 46,728 | 220,564 | 1,162,431 | 1,429,723 |
| Charge for the year | 7,053 | 15,637 | 120,504 | 143,194 |
| At 31 December 2005 | 53,781 | 236,201 | 1,282,935 | 1,572,917 |
| Net book value | | | | |
| At 31 December 2005 | 7,390,771 | 49,193 | 207,205 | 7,647,169 |
| At 31 December 2004 | 7,397,824 | 64,830 | 272,925 | 7,735,579 |

The hotel property was revalued on 20 January 2000 on a market value for existing use basis by the surveyors Hartnell Taylor Cook.

The cost of the freehold property is £4,357,150.

The cost of the freehold property includes interest capitalised amounting to £186,096.

| 9. Stocks | 2005 £ | 2004 £ |
|-----------------------------------|-----------|-----------|
| Food and beverage stocks | 10,301 | 16,063 |
| 10. Debtors | 2005 £ | 2004 £ |
| Trade debtors | 171,715 | 132,239 |
| Corporation tax recoverable | - | - |
| Amounts owed by group undertaking | 559,561 | 205,696 |
| Prepayments and accrued income | 44,691 | 45,957 |
| | 775,967 | 383,892 |

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2005

| | | |
|---|----------------|----------------|
| 11. Creditors: amounts falling due within one year | 2005 £ | 2004 £ |
| Trade creditors | 146,449 | 53,711 |
| Other taxation and social security | 86,437 | 109,914 |
| Other creditors | 38,079 | 37,982 |
| Accruals and deferred income | 80,319 | 76,996 |
| | <u>351,284</u> | <u>278,603</u> |
| 12. Provision for liabilities and charges | 2005 £ | 2004 £ |
| Provision for deferred tax | | |
| Accelerated capital allowances | 368,705 | 340,967 |
| Discount | (232,632) | (252,739) |
| Discounted provision for deferred tax | <u>136,073</u> | <u>88,228</u> |
| Provision at start of year | 88,228 | 46,657 |
| Adjustment in respect of previous periods | - | - |
| Deferred tax charge in profit and loss account for period | <u>47,845</u> | <u>41,571</u> |
| Provision at end of year | <u>136,073</u> | <u>88,228</u> |

No provision has been made for deferred tax on gains recognised on revaluing property and other assets to their market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if properties were sold without it being possible to claim rollover relief or utilise capital losses or trading losses within the Corus group. It is not envisaged that any tax will become payable in the foreseeable future.

At the balance sheet date the potential tax liability on revaluation surpluses and previous reliefs in the Corus Group was £Nil (2004 - £3,419,000) and the tax value of available capital losses in the Corus Group was £4,057,000 (2004 - £4,675,000).

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2005

| | | |
|---|------------------|------------------|
| 13. Called up share capital | 2005 £ | 2004 £ |
| Authorised share capital: | | |
| 1,800,000 ordinary shares of £1.00 each | 1,800,000 | 1,800,000 |
| 600,000 'A' ordinary shares of £1.00 | 600,000 | 600,000 |
| | <u>2,400,000</u> | <u>2,400,000</u> |
| Called up, allotted, and fully paid: | | |
| 1,200,000 Ordinary shares of £1.00 each | 1,200,000 | 1,200,000 |
| 600,000 'A' ordinary shares of £1.00 each | 600,000 | 600,000 |
| | <u>1,800,000</u> | <u>1,800,000</u> |

The 'A' ordinary shares carry voting rights equal to two Ordinary shares of £1 each.

| | | | |
|--|----------------------------------|-----------------------------|------------------------------------|
| 14. Statement of movements on reserves | Share premium account £ | Revaluation reserve £ | Profit and loss reserve £ |
| At 1 January 2005 | 35,345 | 2,868,152 | 3,329,620 |
| Retained profit for the year | - | - | 674,766 |
| At 31 December 2005 | <u>35,345</u> | <u>2,868,152</u> | <u>4,004,386</u> |

| | | |
|---|------------------|------------------|
| 15. Reconciliation of movement in shareholders' funds | 2005 £ | 2004 £ |
| Opening shareholders' funds | 8,033,117 | 7,132,922 |
| Retained profit for the year | 674,766 | 900,195 |
| Closing shareholders' funds | <u>8,707,883</u> | <u>8,033,117</u> |

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2005

16. Reconciliation of operating profit to net cash inflow from operating activities

| | 2005 £ | 2004 £ |
|----------------------------------|----------------|----------------|
| Operating profit | 718,328 | 947,922 |
| Depreciation | 143,194 | 140,300 |
| Decrease/(increase) in stocks | 5,762 | (3,061) |
| Increase in debtors | (392,075) | (214,129) |
| Increase/(decrease) in creditors | 72,711 | (656,941) |
| | <u>547,920</u> | <u>214,091</u> |

17. Reconciliation of net cash flow to movement in net funds

| | 2004 £ | 2004 £ |
|-------------------------------|----------------|----------------|
| Increase in cash in the year | 497,419 | 171,090 |
| Change in net funds | 497,419 | 171,090 |
| Net funds at 1 January 2005 | 264,384 | 93,294 |
| Net funds at 31 December 2005 | <u>761,803</u> | <u>264,384</u> |

18. Analysis of changes in net debt

| | At 1 January 2005 £ | Cash flows £ | At 31 December 2005 £ |
|--------------------------|------------------------------|-----------------|--------------------------------|
| Net cash: | | | |
| Cash in hand and at bank | <u>264,384</u> | <u>497,419</u> | <u>761,803</u> |

19. Related party transactions

The company is taking advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with group companies which are related parties.

20. Ultimate parent company

The immediate parent company is Patrolmake Limited, a company incorporated in England and Wales.

The immediate parent company is London Vista Hotels Limited, a company incorporated in England and Wales.

The ultimate company is Malayan United Industries Berhad, a company incorporated in Malaysia.

21. Subsequent Events

The hotel was sold in March 2006.