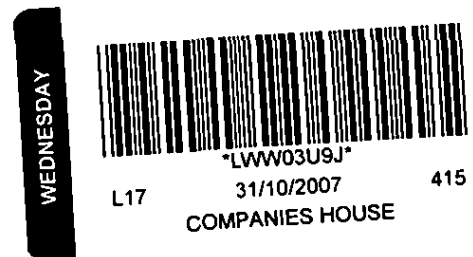


Chantrey Vellacott DFK LLP



ETROP GRANGE LIMITED

**Financial statements
31 December 2006**

ETROP GRANGE LIMITED

Financial statements for the year ended 31 December 2006

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ETROP GRANGE LIMITED

Officers and professional advisers

Directors

P Kirschner
George Tang

Secretary

A Clayton

Registered office

Blakelands House
Yeomans Drive
Blakelands
Milton Keynes
MK14 5HG

Bankers

Bank of Scotland plc
38 Threadneedle Street
London
EC2P 2EH

Solicitors

Denton Wilde Sapte
206 Upper Fifth Street
Milton Keynes
MK9 3DW

Auditor

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 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006

Principal activity and review of the business

The principal activity of the company is the operation of a hotel and related leisure facilities. The only hotel in the company was disposed of in March 2006.

During 2006 Corus Hotels plc (parent company) divested 27 hotels from its portfolio, this included Etrop Grange and the company stopped trading in March 2006.

The directors believe that the key performance indicators of the group are turnover, occupancy rates and overhead costs, some of these are discussed below.

The company's turnover for the two months of trading was £391,003, rooms, food and beverage revenue being £184,857, £106,157 and £48,399 respectively. Average room rate of £65.25 was 2% lower than prior year. Occupancy dropped from 76% to 70% on the years trading compared to 2005.

Food cost is 28% compared to 25% in 2005 and beverage cost 29% compared to 25% prior year.

Company made a profit on disposal of £2,353,695, attributed to sale of Etrop Grange in March 2006.

The results for the year ended 31 December 2006 are set out on page 6.

Dividends

The directors do not recommend the payment of a dividend (2005: £nil).

Directors and their interests

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

Y-K Loy (resigned 31 December 2006)

P Kirschner

P V Pillay (resigned 5 March 2006)

M Tan (resigned 15 March 2007)

George Tang (appointed 26 October 2006)

None of the directors of the company at 31 December 2006 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 on 31 October 2007
and signed on behalf of the Board



P Kirschner
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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and established that the auditor is aware of that information

The directors are responsible for the maintenance and integrity of the corporation and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2006 which comprise the Profit and Loss Account, Balance Sheet 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 2006 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

31 October 2007

Chantrey Vellacott DFK LLP

ETROP GRANGE LIMITED

Profit and loss account for the year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover	2	393,003	2,692,212
Cost of sales		<u>(53,864)</u>	<u>(1,180,655)</u>
Gross profit		339,139	1,511,557
Administrative expenses		<u>(292,897)</u>	(793,229)
Profit on Disposal of Assets		<u>2,353,695</u>	-
Operating profit	4	2,399,937	718,328
Interest receivable	5	1,398	9,533
Interest payable and similar charges	6	<u>(5,249)</u>	<u>(5,250)</u>
Profit on ordinary activities before taxation		2,396,086	722,611
Tax on profit on ordinary activities	7	<u>136,073</u>	<u>(42,845)</u>
Retained profit for the financial year	15	<u>2,532,159</u>	<u>674,766</u>

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 8 to 13 form part of these financial statements

ETROP GRANGE LIMITED

Balance sheet as at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	8	-	7,647,169
Current assets			
Stocks	9	-	10,301
Debtors	10	11,813,470	775,967
Cash at bank and in hand		53,064	761,803
		11,866,534	1,548,071
Creditors amounts falling due within one year	11	(626,492)	(351,284)
Net current assets		11,240,042	1,196,787
Total assets less current liabilities		11,240,042	8,843,956
Provision for liabilities and charges	12	-	(136,073)
Net Assets		11,240,042	8,707,883
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
Profit and loss account	14	9,404,697	4,004,386
Equity shareholders' funds	15	11,240,042	8,707,883

These financial statements were authorised and approved by the Board of Directors on 31 October 2007

Signed on behalf of the Board of Directors

P Kirschner
Director

The notes on pages 8 to 13 form part of these financial statements

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2006

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 freehold land and building are reviewed for impairment 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 and 150 years
Plant and machinery	Between 3 and 25 years
Fixtures and fittings	Between 3 and 15 years
Motor vehicles	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. 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.

Financial instruments

Financial assets such as cash and debtors are measured at the present value of the amounts receivable, less an allowance for the expected level of doubtful receivables. Financial liabilities such as trade creditors, loans and finance leases are measured at the present value of the obligation. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2006

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

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 are 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

	2006 No	2005 No
Employees		
Average number of persons employed		
Hotel, administration and sales	<u>16</u>	<u>67</u>
	2006 £	2005 £
Staff costs		
Wages and salaries	143,513	749,820
Employer's social security costs	4,078	55,215
Other pension costs	384	1,706
	<u>147,975</u>	<u>806,741</u>

4 Operating profit

	2006 £	2005 £
Operating profit is stated after charging		
Hire of plant and machinery	2,442	7,856
Depreciation - owned assets	-	143,194
Auditors' remuneration - audit services	-	8,000
Profit on disposal of fixed assets	<u>2,353,695</u>	<u>-</u>

The Audit fee has been borne by Corus Group Plc

5 Interest receivable

	2006 £	2005 £
Bank interest	<u>1,398</u>	<u>9,533</u>

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2006

6	Interest payable and similar charges	2006	2005
		£	£
	Bank loans	5,249	5,250
		5,249	5,250

7 Tax on profit on ordinary activities

(a) Analysis of charge in period

	2006	2005
	£	£
Current tax		
UK corporation tax on profits of the period	-	-
Adjustments in respect of previous periods	-	-
Total current tax (note 7(b))	-	-
Deferred tax		
Origination and reversal of timing differences	(334,220)	27,738
Discount	232,632	20,107
Adjustment in respect of previous periods	(34,485)	-
Total deferred tax	(136,073)	47,845
Tax on profits on ordinary activities	(136,073)	47,845

(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

	2006	2005
	£	£
Profit on ordinary activities before tax	2,396,086	722,611
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	718,826	216,783
Effects of		
Expenses not deductible for tax purposes	17,010	17,435
Transfer pricing adjustment	(9,117)	(70,450)
Capital allowances for period in (excess) of qualifying depreciation	334,220	(27,738)
Capital gain (less than)/in excess of profit on disposal	(1,087,379)	-
Losses (claimed)	26,440	(136,030)
Adjustments to tax charge in respect of previous periods	-	-
Current tax for period (note 7(a))	-	-

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2006

(c) Special factors affecting tax charge

The assets to which deferred tax balance as at 1 January 2006 of £136,073 related were sold in the year and as a consequence the tax has been reversed, resulting in significant tax credit

8 Tangible fixed assets

	Freehold hotel property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2006	7,444,552	285,394	1,490,140	9,220,086
Additions	-	-	2,317	2,317
Disposals	(7,444,552)	(285,394)	(1,492,457)	(9,222,403)
At 31 December 2006	-	-	-	-
Depreciation				
At 1 January 2006	53,781	236,201	1,282,935	1,572,917
Charge for the year	-	-	-	-
Disposal	(53,781)	(236,201)	(1,282,935)	(1,572,917)
At 31 December 2006	-	-	-	-
Net book value				
At 31 December 2006	-	-	-	-
At 31 December 2005	<u>7,390,771</u>	<u>49,193</u>	<u>207,205</u>	<u>7,647,169</u>

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 and includes interest capitalised amounting to £186,096

9	Stocks	2006 £	2005 £
	Food and beverage stocks	-	10,301
10	Debtors	2006 £	2005 £
	Trade debtors	19,269	171,715
	Amounts owed by group undertaking	11,794,201	559,561
	Prepayments and accrued income	-	44,691
		<u>11,813,470</u>	<u>775,967</u>

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2006

11	Creditors: amounts falling due within one year	2006	2005
		£	£
	Trade creditors	8,859	146,449
	Other taxation and social security	-	86,437
	Other creditors	53,631	38,079
	Accruals and deferred income	-	80,319
	Amounts owed by group undertaking	564,002	-
		626,492	351,284
12	Provision for liabilities and charges	2006	2005
		£	£
	Provision for deferred tax		
	Accelerated capital allowances	-	368,705
	Discount	-	(232,632)
	Discounted provision for deferred tax	-	136,073
	Provision at start of year	136,073	88,228
	Adjustment in respect of previous periods	(34,486)	-
	Deferred tax charge in profit and loss account for period	(101,587)	47,845
	Provision at end of year	-	136,073
13	Called up share capital	2006	2005
		£	£
	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
		2,400,000	2,400,000
	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
		1,800,000	1,800,000

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

ETROP GRANGE LIMITED

Notes to the financial statements For the year ended 31 December 2006

14 Statement of movements on reserves

	Share premium account £	Revaluation reserve £	Profit and loss reserve £
At 1 January 2006	35,345	2,868,152	4,004,386
Retained profit for the year	-	-	2,532,159
Transfer on sale of asset		(2,868,152)	2,868,152
At 31 December 2006	35,345	-	9,404,697

15 Reconciliation of movement in shareholders' funds

	2006 £	2005 £
Opening shareholders' funds	8,707,883	8,033,117
Retained profit for the year	2,532,159	674,766
Closing shareholders' funds	11,240,042	8,707,883

16 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

17 Ultimate parent company

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

The immediate parent company for which consolidated financial statements are prepared 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