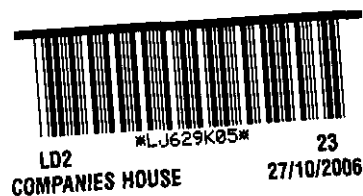


Woolley Grange Limited

Company Registration No. 2503442 (England and Wales)

Director's report and financial statements

For the period ended 3 January 2006



8 New Fields, 2 Stinsford Road, BH17 0NF
Tel. 01202 680777 Fax. 01202 682671

WOOLLEY GRANGE LIMITED

COMPANY INFORMATION

Director A Davis (Appointed 3 January 2006)

Secretary G D Secretarial Services Ltd

Company number 2503442

Registered office Sixth Floor, 90 Fetter Lane
London
EC4A 1PT

Auditors Mazars LLP
8 New Fields, 2 Stinsford Road
Poole
Dorset
BH17 0NF

Solicitors Goodman Derrick
90 Fetter Lane
London
EC4A 1PT

Kingsley Napley
Knights Quarter
14 St Johns Lane
London
EC1M 4AJ

WOOLLEY GRANGE LIMITED

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WOOLLEY GRANGE LIMITED

DIRECTOR'S REPORT FOR THE PERIOD ENDED 3 JANUARY 2006

The director presents his report and financial statements for the period ended 3 January 2006.

Principal activities and review of the business

The principal activity of the company continued to be that of a luxury hotel and restaurant.

Results and dividends

The results for the period are set out on page 4.

Directors

The following directors have held office since 1 January 2005:

A Davis	(Appointed 3 January 2006)
N Chapman	(Resigned 3 January 2006)
R Gallop	(Resigned 3 January 2006)
T Nares	(Resigned 3 January 2006)
N Dickinson	(Resigned 3 January 2006)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	'A' ordinary shares of 50p each	
	3 January 2006	1 January 2005
A Davis	-	-
N Chapman	-	-
R Gallop	-	-
T Nares	-	-
N Dickinson	-	-

	'B' ordinary shares of 50p each	
	3 January 2006	1 January 2005
A Davis	-	-
N Chapman	-	-
R Gallop	-	-
T Nares	-	-
N Dickinson	-	-

The interest of the director holding office on 3 January 2006 in the shares of the ultimate parent is disclosed in that company's accounts.

Auditors

Mazars LLP were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

WOOLLEY GRANGE LIMITED

DIRECTOR'S REPORT (CONTINUED) FOR THE PERIOD ENDED 3 JANUARY 2006

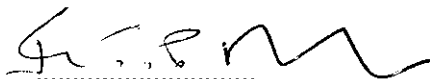
Director's responsibilities

Company law requires the director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

By order of the board



G D Secretarial Services Ltd

Secretary

..... 26/10/00 .

WOOLLEY GRANGE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WOOLLEY GRANGE LIMITED

We have audited the financial statements of Woolley Grange Limited for the period ended 3 January 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with 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 auditors' 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 the director and auditors

As described in the Statement of Directors' Responsibilities on page 2 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 or 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 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 director 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.

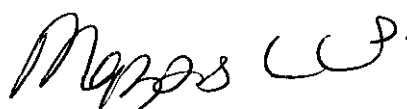
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 3 January 2006 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars LLP

Chartered Accountants
Registered Auditor



26/10/06

8 New Fields, 2 Stinsford Road
Poole
Dorset, BH17 0NF

WOOLLEY GRANGE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 3 JANUARY 2006

		Period ended 3 January 2006 £	Year ended 31 December 2004 £
	Notes		
Turnover	2	1,759,251	1,756,120
Cost of sales		(381,588)	(372,219)
Gross profit		1,377,663	1,383,901
Administrative expenses		(1,276,145)	(1,232,950)
Operating profit	3	101,518	150,951
Interest payable and similar charges	4	(119,387)	(19)
(Loss)/profit on ordinary activities before taxation		(17,869)	150,932
Tax on (loss)/profit on ordinary activities	5	(135,628)	85,000
(Loss)/profit on ordinary activities after taxation	12	(153,497)	235,932

The profit and loss account has been prepared on the basis that all operations are continuing operations.

WOOLLEY GRANGE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 3 JANUARY 2006

	Period ended 3 January 2006 £	Year ended 31 December 2004 £
(Loss)/profit for the financial period	(153,497)	235,932
Unrealised surplus on revaluation of properties	2,719,493	-
Total recognised gains and losses relating to the period	2,565,996	235,932

Note of historical cost profits and losses

	Period ended 3 January 2006 £	Year ended 31 December 2004 £
Reported (loss)/profit on ordinary activities before taxation	(17,869)	150,932
<i>Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount</i>	30,000	-
Historical cost profit on ordinary activities before taxation	12,131	150,932
Historical cost (loss)/profit for the period retained after taxation, extraordinary items and dividends	(123,497)	235,932

WOOLLEY GRANGE LIMITED

BALANCE SHEET AS AT 3 JANUARY 2006

	Notes	2006 £	£	2004 £	£
Fixed assets					
Tangible assets	6	6,000,000		3,269,899	
Current assets					
Stocks	7	39,947		39,643	
Debtors	8	119,491		121,586	
Cash at bank and in hand		255		220,941	
		<u>159,693</u>		<u>382,170</u>	
Creditors: amounts falling due within one year	9	<u>(1,283,327)</u>		<u>(1,477,327)</u>	
Net current liabilities			<u>(1,123,634)</u>		<u>(1,095,157)</u>
Total assets less current liabilities			4,876,366		2,174,742
Provisions for liabilities and charges	10		<u>(361,628)</u>		<u>(226,000)</u>
			<u>4,514,738</u>		<u>1,948,742</u>
Capital and reserves					
Called up share capital	11	1,133,086		1,133,086	
Share premium account	12	360,606		360,606	
Revaluation reserve	12	2,692,779		-	
Profit and loss account	12	328,267		455,050	
Shareholders' funds - equity interests	13		<u>4,514,738</u>		<u>1,948,742</u>

The financial statements were approved by the Board on 26/10/06

.....
A Davis
Director

WOOLLEY GRANGE LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 3 JANUARY 2006

	Period ended 3 January 2006 £	Year ended 31 December 2004 £
Net cash (outflow)/inflow from operating activities	(28,092)	222,134
Returns on investments and servicing of finance		
Interest paid	(119,387)	(19)
Net cash outflow for returns on investments and servicing of finance	(119,387)	(19)
Capital expenditure		
Payments to acquire tangible assets	(81,933)	(83,771)
Net cash outflow for capital expenditure	(81,933)	(83,771)
Net cash (outflow)/inflow before management of liquid resources and financing	(229,412)	138,344
(Decrease)/increase in cash in the period	(229,412)	138,344

WOOLLEY GRANGE LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 3 JANUARY 2006

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	2006 £	2004 £
	Operating profit	101,518	150,951
	Depreciation of tangible assets	71,325	48,000
	Increase in stocks	(304)	(3,040)
	Decrease/(increase) in debtors	2,095	(4,859)
	(Decrease)/Increase in creditors within one year	(202,726)	31,082
	Net cash (outflow)/inflow from operating activities	(28,092)	222,134

2	Analysis of net (debt)/funds	1 January 2005 £	Cash flow £	Other non-3 January 2006 cash changes £
	Net cash:			
	Cash at bank and in hand	220,941	(220,686)	- 255
	Bank overdrafts	-	(8,726)	- (8,726)
		<u>220,941</u>	<u>(229,412)</u>	<u>- (8,471)</u>
	Bank deposits	-	-	- -
	Net funds/(debt)	<u>220,941</u>	<u>(229,412)</u>	<u>- (8,471)</u>

3	Reconciliation of net cash flow to movement in net (debt)/funds	2006 £	2004 £
	(Decrease)/increase in cash in the period	(229,412)	138,344
	Movement in net (debt)/funds in the period	(229,412)	138,344
	Opening net funds	220,941	82,597
	Closing net (debt)/funds	(8,471)	220,941

WOOLLEY GRANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 JANUARY 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	core buildings 200 years building services 30 years
Fixtures, fittings & equipment	3 to 20 years

In accordance with FRS11 and FRS15, assets with a remaining useful economic life estimated to be greater than 50 years will be reviewed annually to ensure that the carrying amounts can be supported.

1.5 Stock

Stock is valued at the lower of cost and net realisable value.

1.6 Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences that have originated but not reversed at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.7 Accounting years

The accounting reference date of the company is 31 December. The comparative year's results are for the 52 week period ended 3 January 2005. The current year's results are for the period ended 1 January 2006

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

WOOLLEY GRANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 3 JANUARY 2006

3	Operating profit	2006	2004
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	71,325	48,000
	Auditors' remuneration	6,250	6,250
		<u> </u>	<u> </u>
4	Interest payable	2006	2004
		£	£
	On amounts payable to group companies	119,387	-
	On bank loans and overdrafts	-	19
		<u> </u>	<u> </u>
		119,387	19
		<u> </u>	<u> </u>
5	Taxation	2006	2004
		£	£
	Current tax charge	-	-
	Deferred tax		
	Deferred tax charge/credit current year	135,628	(85,000)
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the period		
	(Loss)/profit on ordinary activities before taxation	(17,869)	150,932
		<u> </u>	<u> </u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 19.00%)	(5,361)	28,677
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	3,240	-
	Depreciation add back	22,383	-
	Capital allowances	(40,589)	(15,517)
	Group tax relieved	20,327	(13,160)
		<u> </u>	<u> </u>
		5,361	(28,677)
		<u> </u>	<u> </u>
	Current tax charge	-	-
		<u> </u>	<u> </u>

WOOLLEY GRANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 3 JANUARY 2006

6 Tangible fixed assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Total £
Cost or valuation			
At 1 January 2005	2,749,395	764,008	3,513,403
Additions	-	81,933	81,933
Revaluation	2,593,357	-	2,593,357
At 3 January 2006	5,342,752	845,941	6,188,693
Depreciation			
At 1 January 2005	85,675	157,829	243,504
Revaluation	(126,136)	-	(126,136)
Charge for the period	40,461	30,864	71,325
At 3 January 2006	-	188,693	188,693
Net book value			
At 3 January 2006	5,342,752	657,248	6,000,000
At 31 December 2004	2,663,720	606,179	3,269,899

During the period freehold properties were revalued by Messrs Knight Frank Chartered Surveyors, on the basis of the open market value for existing use.

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 January 2005 & at 3 January 2006	2,759,360
Depreciation based on cost	
At 1 January 2005	9,965
Charge for the period	13,747
At 3 January 2006	23,712
Net book value	
At 3 January 2006	2,735,648
At 31 December 2004	2,749,395

WOOLLEY GRANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 3 JANUARY 2006

7	Stocks	2006	2004
		£	£
	Finished goods and goods for resale	39,947	39,643
		<u> </u>	<u> </u>
8	Debtors	2006	2004
		£	£
	Trade debtors	94,908	39,127
	Other debtors	1,880	45,721
	Prepayments and accrued income	22,703	36,738
		<u> </u>	<u> </u>
		119,491	121,586
		<u> </u>	<u> </u>
9	Creditors: amounts falling due within one year	2006	2004
		£	£
	Bank loans and overdrafts	8,726	-
	Trade creditors	80,781	61,038
	Amounts owed to parent and fellow subsidiary undertakings	1,053,970	1,288,187
	Taxes and social security costs	56,201	58,044
	Other creditors	65,317	58,083
	Accruals and deferred income	18,332	11,975
		<u> </u>	<u> </u>
		1,283,327	1,477,327
		<u> </u>	<u> </u>

Subsequent to the period end, the bank loan was repaid in full. New facilities have been put in place in the sub-group holding company, Von Essen Hotels Limited, with charges over the assets in this company as part of the overall security to the sub-group's bankers.

WOOLLEY GRANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 3 JANUARY 2006

10 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 January 2005	226,000
Profit and loss account	135,628
	<u>361,628</u>
Balance at 3 January 2006	<u>361,628</u>

The deferred tax liability is made up as follows:

	2006 £	2004 £
Accelerated capital allowances	<u>361,628</u>	<u>226,000</u>

No provision has been made for additional United Kingdom taxation of approximately £750,000 which would arise if the land and buildings were disposed of at their revalued amount.

11 Share capital

	2006 £	2004 £
Authorised		
2,000,000 'A' ordinary shares of 50p each	1,000,000	1,000,000
1,000,000 'B' ordinary shares of 50p each	500,000	500,000
	<u>1,500,000</u>	<u>1,500,000</u>
Allotted, called up and fully paid		
1,646,022 'A' ordinary shares of 50p each	823,011	823,011
620,150 'B' ordinary shares of 50p each	310,075	310,075
	<u>1,133,086</u>	<u>1,133,086</u>

The 'B' ordinary shares rank pari passu with the 'A' ordinary shares, but 'B' ordinary shareholders have differing powers of appointment of directors and additional rights on winding up. All shares are classified as equity shares.

WOOLLEY GRANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 3 JANUARY 2006

12 Statement of movements on reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2005	360,606	-	455,050
Retained loss for the period	-	-	(153,497)
Transfer from revaluation reserve to profit and loss account	-	(26,714)	26,714
Revaluation during the period	-	2,593,357	-
Depreciation written back	-	126,136	-
Balance at 3 January 2006	<u>360,606</u>	<u>2,692,779</u>	<u>328,267</u>

13 Reconciliation of movements in shareholders' funds

	2006 £	2004 £
(Loss)/Profit for the financial period	(153,497)	235,932
Other recognised gains and losses	2,593,357	-
Depreciation written back	126,136	-
Net addition to shareholders' funds	<u>2,565,996</u>	<u>235,932</u>
Opening shareholders' funds	<u>1,948,742</u>	<u>1,712,810</u>
Closing shareholders' funds	<u>4,514,738</u>	<u>1,948,742</u>

14 Employees

Number of employees

There were no employees during the period apart from the directors.

Employment costs

	2006 £	2004 £
Wages and salaries	<u>589,913</u>	<u>584,523</u>

15 Control

The company was purchased on 3 January 2006. Control passed to Von Essen Hotels 4 and the ultimate parent company changed to Von Essen Mining and Development Corporation (UK) Limited, a company owned by Mr A Davis.

The largest and smallest group in which the results of the company are consolidated is Von Essen Mining & Development Corporation (UK) Limited. These may be requested from the registered office as noted on the company information page.

WOOLLEY GRANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 3 JANUARY 2006

16 Related party transactions

Recharges and other services.

LHM plc and its wholly owned subsidiary, Alias Hotels plc, a group in which Nicholas Dickinson, Nigel Chapman, Ruth Gallop and Tony Nares have an interest, charged expenditure of £12,225, net of £409 charged back at a cost or negotiated rate.

Four Winds Resorts PLC, a group in which N Dickinson and Nigel Chapman have an interest, charged expenditure of £10,578 at cost or a negotiated rate.

Bristol Associates Limited, a company in which Nicholas Dickinson and Nigel Chapman have an interest, held a contract to provide project management services to the company. The value of consultancy to the company amounted to £1,446.

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.