

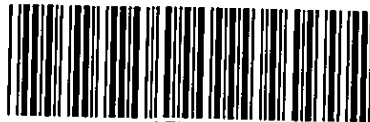
Registration number 4204314

ARLACROSS LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 2005

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ARLACROSS LIMITED

Company information

Directors	R Tang S Hussain
Secretary	R Tang
Company number	4204314
Registered office	E3 The Premier Centre Abbey Park Romsey Hants SO51 9AQ
Auditors	Moore Stephens Abbotsbury House 156 Upper New Walk Leicester LE1 7QA
Bankers	Barclays Bank plc 50 Pall Mall London SW1A 1QA

ARLACROSS LIMITED

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ARLACROSS LIMITED

Directors' Report for the year ended 31 December 2005

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

Principal activity

The company has not traded during the year

The company is the holding company of a trading group in the hotel and leisure industry. The directors consider the results for the period under review satisfactory.

Directors and their interests

The Directors who served during the year and their interests in the company are as stated below

	Class of share	31/12/05	01/01/05
R Tang	Ordinary shares	-	-
S Hussain	Ordinary shares	-	-

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to

- select suitable accounting policies and 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 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.

The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

In so far as the Directors are aware

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ARLACROSS LIMITED

**Directors' Report
for the year ended 31 December 2005**

continued

Auditors

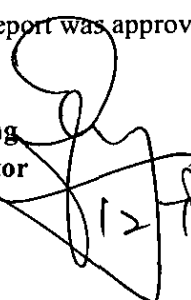
Moore Stephens were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing their reappointment will be put to the Annual General Meeting

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

This report was approved by the Board and signed on its behalf by

**R Tang
Director**

Date:


12 March 2007

ARLACROSS LIMITED

Independent auditors' report to the shareholders of Arlacross Limited

We have audited the financial statements of Arlacross Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 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 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ARLACROSS LIMITED

Independent auditors' report to the shareholders of Arlacross Limited continued

Emphasis of Matter - Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £650 during the year ended 31 December 2005 and, as of that date, the company's total liabilities exceeded its total assets by £3,015. These conditions, along with other matters as set out in Note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result from a failure to continue as a going concern. Details of the circumstances relating to this emphasis of matter are described in Note 1.2. Our opinion is not qualified in this respect.

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 loss for the year then ended,

the financial statements 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 for the year ended 31 December 2005.

**Moore Stephens
Chartered Accountants and
and Registered Auditors**

5 April 2007

**Abbotsbury House
156 Upper New Walk
Leicester
LE1 7QA**

ARLACROSS LIMITED

Profit and Loss Account for the year ended 31 December 2005

		2005	2004
	Notes	£	£
Administrative expenses		(650)	(650)
Investment income	3	-	16,408
Interest payable and similar charges	4	-	(16,408)
Loss on ordinary activities before taxation		(650)	(650)
Tax on loss on ordinary activities		-	-
Loss on ordinary activities after taxation		(650)	(650)
Loss for the year		(650)	(650)
Accumulated loss brought forward		(2,465)	(1,815)
Accumulated loss carried forward		(3,115)	(2,465)

There are no recognised gains or losses other than the profit or loss for the above two financial years

The notes on pages 7 to 11 form an integral part of these financial statements.

ARLACROSS LIMITED

Balance Sheet as at 31 December 2005

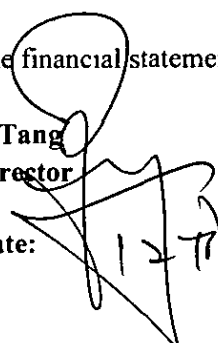
	Notes	2005 £	£	2004 £	£
Fixed assets					
Investments	5		1,000		1,000
Current assets					
Debtors	6	5,336,695		5,336,695	
Cash at bank and in hand		100		100	
		<u>5,336,795</u>		<u>5,336,795</u>	
Creditors: amounts falling due within one year	7	<u>(589,415)</u>		<u>(588,765)</u>	
Net current assets			<u>4,747,380</u>		<u>4,748,030</u>
Total assets less current liabilities			4,748,380		4,749,030
Creditors: amounts falling due after more than one year	8	<u>(4,751,395)</u>		<u>(4,751,395)</u>	
Deficiency of assets			<u>(3,015)</u>		<u>(2,365)</u>
Capital and reserves					
Called up share capital	9		100		100
Profit and loss account			<u>(3,115)</u>		<u>(2,465)</u>
Equity shareholders' funds	10		<u>(3,015)</u>		<u>(2,365)</u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved by the Board and signed on its behalf by

R Tang
Director

Date:


12 March 2007

The notes on pages 7 to 11 form an integral part of these financial statements.

ARLACROSS LIMITED

Notes to the Financial Statements for the year ended 31 December 2005

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention

1.2. Basis of accounting

The directors have adopted the going concern basis in the preparation of these financial statements. Stapleford Park Limited, the company's principal trading subsidiary, has incurred losses for the year of £1,682,758. As a result of losses sustained by Stapleford Park Limited in this year and in past years, its ability to continue to trade and meet its liabilities is dependent upon the continued support of the group's bankers and investors. This in turn impacts on its ability to repay group indebtedness generally and on the resultant viability of Arlacross Limited and the group.

At 31 December 2005, the group had bank borrowings of £12,000,000, supported by a £5,000,000 stand-by letter of credit in favour of Barclays Bank Plc provided by the group's beneficial owners Innoview Limited. Recently, further funding of £5,000,000 has been granted by Innoview Limited and this has been used to repay part of the bank borrowings. A further £7,000,000 is to be provided shortly by Innoview Limited with a view to repaying the remaining indebtedness to Barclays Bank plc.

This company's ability to continue as a going concern is dependent on the ongoing support of the company's shareholders and investors. The directors have received written confirmation from those shareholders that

- they will proceed with the further funding of £7,000,000
- it is not their present intention to seek recovery of any amounts due to them by members of the group until at least 28 February 2008

The directors have continued its plans to ensure the group's return to profitability and indications are that there will be a profitable outcome in 2006. The expected return to profitability, together with the shareholders' confirmation of its continued support, has enabled the directors to reach the conclusion that the financial statements should be prepared on a going concern basis.

In view of the forgoing, the directors have considered the carrying value of its direct investment in Arlaform Limited, its indirect investment in Stapleford Park Limited and the recoverability of amounts due from other companies within the group headed by Arlacross Limited. They have concluded that the company would realise at least their carrying values and that no provisions for impairment or irrecoverability should be made in these financial statements.

1.3. Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cashflow statement because it is a small company.

ARLACROSS LIMITED

Notes to the Financial Statements for the year ended 31 December 2005

continued

1.4. Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value

1.5. Group accounts

The company is entitled to the exemption under Section 248 of the Companies Act 1985 from the obligation to prepare group accounts

2. Operating loss	2005 £	2004 £
Operating loss is stated after charging Auditors' remuneration	650	650

3. Interest receivable	2005 £	2004 £
Interest from group undertakings	-	16,408

4. Interest payable and similar charges	2005 £	2004 £
Other similar charges payable	-	16,408

5. Fixed asset investments	Shares in group undertaking £	Total £
Cost		
At 31 December 2004 and at 31 December 2005	1,000	1,000
Net book values		
At 31 December 2005	1,000	1,000
At 31 December 2004	1,000	1,000

ARLACROSS LIMITED

Notes to the Financial Statements for the year ended 31 December 2005

continued

5.1. Holdings of 20% or more

At 31 December 2005 the company held (in the case of Stapleford Park Limited, indirectly) more than 20% of the allotted share capital of the following undertakings, all of which are registered in England and Wales

Company	Country of registration or incorporation	Nature of business	Shares held class	Proportion of shares held
Subsidiary undertaking				
Arlaform Limited	UK	Management services	Ordinary	100%
Stapleford Park Limited	UK	Hotel and golf course	Ordinary	100%
FWD Limited	UK	Dormant	Ordinary	100%

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Capital and reserves £	Profit/(loss) for the year £
Arlaform Limited	600,375	25,091
Stapleford Park Limited	(1,093,128)	(1,682,758)
FWD Limited	(37,427)	-

6. Debtors

	2005 £	2004 £
Amounts owed by group undertakings	<u>5,336,695</u>	<u>5,336,695</u>

Amounts falling due after more than one year and included in debtors are

Amounts owed by group undertaking	<u>4,497,835</u>	<u>4,497,835</u>
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7. Creditors: amounts falling due within one year

	2005 £	2004 £
Other creditors	587,465	587,465
Accruals and deferred income	1,950	1,300
	<u>589,415</u>	<u>588,765</u>

ARLACROSS LIMITED

Notes to the Financial Statements for the year ended 31 December 2005

continued

8. Creditors: amounts falling due after more than one year	2005 £	2004 £
	2005 £	2004 £
Shareholder loan	1,751,395	1,751,395
Convertible 'B' loan stock	3,000,000	3,000,000
	<u>4,751,395</u>	<u>4,751,395</u>

The convertible B loan stock is redeemable at par on or before 23 May 2006. The loan stock is convertible into B ordinary shares of the company. Conversion is at a rate of one ordinary share for £1 of loan stock. No interest is currently being accrued in respect of the B loan stock.

The shareholder loan is unsecured and interest free.

9. Share capital	2005 £	2004 £
Authorised equity		
1,000 Ordinary shares of £1 each	1,000	1,000
1,100,000 'A' Ordinary shares of £1 each	1,100,000	1,100,000
3,000,000 'B' Ordinary shares of £1 each	3,000,000	3,000,000
400,000 'C' Ordinary shares of £1 each	400,000	400,000
	<u>4,501,000</u>	<u>4,501,000</u>
Allotted, called up and fully paid equity		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

10. Reconciliation of movements in shareholders' funds	2005 £	2004 £
Loss for the year	(650)	(650)
Opening shareholders' funds	<u>(2,365)</u>	<u>(1,715)</u>
Closing shareholders' funds	<u>(3,015)</u>	<u>(2,365)</u>

ARLACROSS LIMITED

Notes to the Financial Statements for the year ended 31 December 2005

continued

11. Related party transactions

The company received payments of £nil (2004 £16,408) from Arlaform Limited to cover interest costs
Balances due from Arlaform Limited at 31 December 2005 was £5,336,695 (2004 £5,336,695)

12. Ultimate parent undertaking

The controlling related party of the company, under the definitions set out in FRS 8, is Innoview Limited by virtue of its shareholding

ARLACROSS LIMITED

The following pages do not form part of the statutory financial statements

ARLACROSS LIMITED

Detailed Trading and Profit and Loss Account for the year ended 31 December 2005

	2005		2004	
	£	£	£	£
Administrative expenses	650		650	
	<u> </u>	(650)	<u> </u>	(650)
Operating loss	-%	(650)	-%	(650)
Income from investments				
Group income	-		16,408	
	<u> </u>	-	<u> </u>	16,408
Interest payable				
Group interest	-		16,408	
	<u> </u>	-	<u> </u>	(16,408)
		<u> </u>		<u> </u>

ARLACROSS LIMITED

**Administrative expenses
for the year ended 31 December 2005**

	2005	2004
	£	£
Administrative expenses		
Audit	650	650
	<u>650</u>	<u>650</u>
	<u>650</u>	<u>650</u>