

COMPANY REGISTRATION NUMBER 4204314

Arlacross Limited
Financial Statements
31 December 2006

MACINTYRE HUDSON LLP

Chartered Accountants & Registered Auditors
Lyndale House, Ervington Court
Meridian Business Park
Leicester
LE19 1WL



Arlacross Limited

Financial Statements

Year ended 31 December 2006

Contents	Pages
Officers and professional advisers	1
The directors' report	2 to 3
Independent auditor's report to the shareholders	4 to 5
Profit and loss account	6
Balance sheet	7
Accounting policies	8 to 9
Notes to the financial statements	10 to 13
The following page does not form part of the financial statements	
Detailed profit and loss account	15

Arlacross Limited

Officers and Professional Advisers

The Board of Directors

Mr S Hussain
Mr R Tang

Company Secretary

Mr R Tang

Registered Office

E3 The Premier Centre
Abbey Park
Romsey
Hants
SO51 9AQ

Auditor

MacIntyre Hudson LLP
Chartered Accountants
& Registered Auditors
Lyndale House, Ervington Court
Meridian Business Park
Leicester
LE19 1WL

Bankers

Barclays Bank plc
1 Churchill Place
London
E14 5HP

Arlacross Limited

The Directors' Report

Year ended 31 December 2006

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

Principal activities and business review

The principal activity of the company during the year was that of a holding company. The company did not trade during the year.

Results and dividends

The loss for the year amounted to £800. The directors have not recommended a dividend.

Directors

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

Mr S Hussain
Mr R Tang

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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,

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 that disclose with reasonable accuracy at any time the financial position of the company and 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 to establish that the auditor is aware of that information.

Arlacross Limited

The Directors' Report *(continued)*

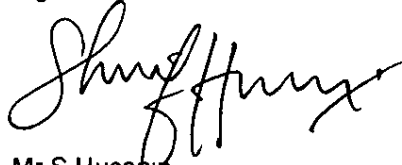
Year ended 31 December 2006

Auditor

A resolution to re-appoint MacIntyre Hudson LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Registered office
E3 The Premier Centre
Abbey Park
Romsey
Hants
SO51 9AQ

Signed on behalf of the directors



Mr S Hussain

Director

Approved by the directors on 29 January 2008

Arlacross Limited

Independent Auditor's Report to the Shareholders of Arlacross Limited

Year ended 31 December 2006

We have audited the financial statements of Arlacross Limited for the year ended 31 December 2006 on pages 6 to 13, which have been prepared on the basis of the accounting policies set out on pages 8 to 9

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 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

Arlacross Limited

Independent Auditor's Report to the Shareholders of Arlacross Limited *(continued)*

Year ended 31 December 2006

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 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

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 £800 during the year ended 31 December 2006 and as of that date, the company's total liabilities exceeded its total assets by £3,815. These conditions, along with other matters set out within the basis of preparation paragraphs within the accounting policies, 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 the basis of preparation within the accounting policies. Our opinion is not qualified in this respect.

MacIntyre Hudson LLP

Lyndale House, Ervington Court
Meridian Business Park
Leicester
LE19 1WL

MACINTYRE HUDSON LLP
Chartered Accountants
& Registered Auditors

14 February 2008

Arlacross Limited

Profit and Loss Account

Year ended 31 December 2006

	Note	2006 £	2005 £
Turnover		–	–
Administrative expenses		<u>800</u>	<u>650</u>
Operating loss, being loss on ordinary activities before taxation	1	(800)	(650)
Tax on loss on ordinary activities		–	–
Loss on ordinary activities after taxation, being loss for the financial year		<u>£(800)</u>	<u>£(650)</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The accounting policies and notes on pages 8 to 13 form part of these financial statements.

Arlacross Limited

Balance Sheet

31 December 2006

	Note	2006 £	£	2005 £
Fixed assets				
Investments	3		<u>1,000</u>	<u>1,000</u>
Current assets				
Debtors	4	5,336,695		5,336,695
Cash at bank		<u>100</u>		<u>100</u>
		5,336,795		5,336,795
Creditors: amounts falling due within one year	5	<u>590,215</u>		<u>589,415</u>
Net current assets			<u>4,746,580</u>	<u>4,747,380</u>
Total assets less current liabilities			<u>4,747,580</u>	<u>4,748,380</u>
Creditors: amounts falling due after more than one year, including convertible debts	6		<u>4,751,395</u>	<u>4,751,395</u>
			<u>£(3,815)</u>	<u>£(3,015)</u>
Capital and reserves				
Called-up equity share capital	9		100	100
Profit and loss account	10		<u>(3,915)</u>	<u>(3,115)</u>
Deficit	11		<u>£(3,815)</u>	<u>£(3,015)</u>

These financial statements were approved by the directors and authorised for issue on 29 January 2008, and are signed on their behalf by



Mr S Hussain
Director

The accounting policies and notes on pages 8 to 13 form part of these financial statements.

Arlacross Limited

Accounting Policies

Year ended 31 December 2006

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards

The directors have adopted a 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 £1,145,392. As a result of losses sustained by Stapleford Park Limited in this and prior years, its ability to continue to trade and meet its liabilities is dependant upon the continued support of the group's 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 2006, the group had bank borrowings of £7,000,000. In February 2007 funding of £7,000,000 was provided by Innoview Properties Limited to repay this indebtedness to Barclays Bank Plc.

The company's ability to continue as a going concern is dependent on the ongoing support of the company's shareholder and investors. The directors have received written confirmation from the shareholder that it is not its present intention to seek recovery of any amounts due to them by members of the group until at least 28th February 2009.

The directors have continued their plans to ensure the group's return to profitability and indications are that there will be a profitable outcome in 2010. The expected return to profitability, together with the shareholder's 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 foregoing, the directors have considered the carrying value of its direct investment in Arlaform Limited, and 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.

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Cash flow statement

The directors have not produced a cash flow statement as there have been no cash movements during the year.

Fixed assets

All fixed assets are initially recorded at cost.

Arlacross Limited

Accounting Policies *(continued)*

Year ended 31 December 2006

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Arlacross Limited

Notes to the Financial Statements

Year ended 31 December 2006

1. Operating loss

Operating loss is stated after charging

	2006 £	2005 £
Directors' emoluments	—	—
Auditor's remuneration - as auditor	<u>800</u>	<u>650</u>

2. Particulars of employees

No salaries or wages have been paid to employees, including the directors, during the year

3. Investments

	Shares in group undertaking £
Cost	
At 1 January 2006 and 31 December 2006	<u>1,000</u>
Net book value	
At 31 December 2006	<u>1,000</u>
At 31 December 2005	<u>1,000</u>

Arlacross Limited

Notes to the Financial Statements

Year ended 31 December 2006

3. Investments (continued)

The company owns 88.9% of the issued share capital of the companies listed below, all of which are registered in the United Kingdom

	2006 £	2005 £
Aggregate capital and reserves		
Arlaform Limited	647,848	600,375
Stapleford Park Limited	(2,171,706)	(1,026,314)
Management Company Country House Hotel & Sporting Estate		
SP(ACE) Spa and Lifestyle Limited (formerly FWD Limited)	(37,427)	(37,427)
Dormant company		
Profit and (loss) for the year		
Arlaform Limited	47,484	25,091
Stapleford Park Limited	(1,145,392)	(1,615,944)
SP(ACE) Spa and Lifestyle Limited (formerly FWD Limited)	—	—

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity

4. Debtors

	2006 £	2005 £
Amounts owed by group undertakings	<u>5,336,695</u>	<u>5,336,695</u>

The debtors above include the following amounts falling due after more than one year

	2006 £	2005 £
Amounts owed by group undertakings	<u>4,497,835</u>	<u>4,497,835</u>

5. Creditors: amounts falling due within one year

	2006 £	2005 £
Other creditors	587,465	587,465
Accruals and deferred income	2,750	1,950
	<u>£590,215</u>	<u>£589,415</u>

Arlacross Limited

Notes to the Financial Statements

Year ended 31 December 2006

6. Creditors' amounts falling due after more than one year, including convertible debts

	2006 £	2005 £
Shareholder loan	1,751,395	1,751,395
Convertible 'B' loan stock	–	3,000,000
Other creditors		
Other creditors	3,000,000	–
	<u>£4,751,395</u>	<u>£4,751,395</u>

7. Creditors: Capital instruments

Convertible instruments amounting to £Nil (2005 - £3,000,000) are included in creditors

The convertible 'B' loan stock was redeemable at par on or before 23 May 2006. The stock was not redeemed and the loan has been recategorised.

8. Related party transactions

There were no transactions with the subsidiary Arlaform Limited during the year and the balance due from that company at the balance sheet date was £5,336,695 (2005 £5,336,695)

9. Share capital

Authorised share capital:

	2006 £	2005 £
1,000 Ordinary shares of £1 each	1,000	1,000
1,100,000 'A' Ordinary shares shares of £1 each	1,100,000	1,100,000
3,000,000 'B' Ordinary shares shares of £1 each	3,000,000	3,000,000
400,000 'C' Ordinary shares shares of £1 each	400,000	400,000
	<u>£4,501,000</u>	<u>£4,501,000</u>

Allotted and called up.

	2006 No	£	2005 No	£
Ordinary shares fully paid of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Arlacross Limited

Notes to the Financial Statements

Year ended 31 December 2006

10 Profit and loss account

	2006 £	2005 £
Balance brought forward	(3,115)	(2,465)
Loss for the financial year	(800)	(650)
Balance carried forward	<u>£(3,915)</u>	<u>£(3,115)</u>

11. Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Loss for the financial year	(800)	(650)
Opening shareholders' deficit	(3,015)	(2,365)
Closing shareholders' deficit	<u>(3,815)</u>	<u>(3,015)</u>

12. Ultimate parent company

The controlling related party of the company, under the definitions set out in Financial Reporting Standard No 8 is Innoview Properties Limited, by virtue of its shareholding