

**Registration number 4204327**

**ARLAFORM LIMITED**

**Directors' Report and Financial Statements**

**for the year ended 31 December 2005**

**TUESDAY**



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## **ARLAFORM LIMITED**

### **Company information**

Directors	R Tang S Hussain
Secretary	R Tang
Company number	4204327
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

# **ARLAFORM LIMITED**

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# ARLAFORM 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 principal activity of the company is the provision of management services to its subsidiary company, Stapleford Park Limited, a hotel operator

### Directors and their interests

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

	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

**ARLAFORM 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**

12 March 2007

## **ARLAFORM LIMITED**

### **Independent auditors' report to the shareholders of Arlaform Limited**

We have audited the financial statements of Arlaform 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.

## ARLAFORM LIMITED

### Independent auditors' report to the shareholders of Arlaform 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 conditions 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 profit 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

Date:

5 April 2007

Abbotsbury House  
156 Upper New Walk  
Leicester  
LE1 7QA

# ARLAFORM LIMITED

## Profit and Loss Account for the year ended 31 December 2005

		2005	2004
	Notes	£	£
<b>Turnover</b>	<b>2</b>	20,000	30,000
Administrative expenses		(679)	(75,818)
<b>Operating profit/(loss)</b>	<b>3</b>	19,321	(45,818)
Investment income	<b>4</b>	714,897	736,716
Interest payable and similar charges	<b>5</b>	(709,127)	(736,714)
<b>Profit/(loss) on ordinary activities before taxation</b>		25,091	(45,816)
Tax on profit/(loss) on ordinary activities	<b>7</b>	-	-
<b>Profit/(loss) on ordinary activities after taxation</b>		25,091	(45,816)
<b>Retained profit/(loss) for the year</b>	<b>13</b>	25,091	(45,816)
Accumulated (loss)/profit brought forward		(4,716)	41,100
<b>Retained profit/(loss) carried forward</b>		20,375	(4,716)

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 13 form an integral part of these financial statements.



# ARLAFORM LIMITED

## Balance Sheet as at 31 December 2005

	Notes	2005 £	£	2004 £	£
<b>Fixed assets</b>					
Investments	8	6,056,578		6,056,578	
<b>Current assets</b>					
Debtors	9	16,745,711		15,403,529	
Cash at bank and in hand		594		9,242	
		<u>16,746,305</u>		<u>15,412,771</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(13,222,902)</u>		<u>(13,237,552)</u>	
<b>Net current assets</b>		<u>3,523,403</u>		<u>2,175,219</u>	
<b>Total assets less current liabilities</b>		<u>9,579,981</u>		<u>8,231,797</u>	
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(8,979,606)</u>		<u>(7,656,513)</u>	
<b>Net assets</b>		<u>600,375</u>		<u>575,284</u>	
<b>Capital and reserves</b>					
Called up share capital	12	1,125		1,125	
Share premium account	13	578,875		578,875	
Profit and loss account	13	20,375		(4,716)	
<b>Equity shareholders' funds</b>	14	<u>600,375</u>		<u>575,284</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:

The notes on pages 7 to 13 form an integral part of these financial statements.

## **ARLAFORM 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 investors This in turn impacts on its ability to repay group indebtedness generally and on the resultant viability of Arlaform 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 that the carrying value of its direct 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

# ARLAFORM LIMITED

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

continued

### 1.4. Turnover

Turnover represents the total value, excluding value added tax, of sales made during the year

### 1.5. Investments

Investments are included at cost. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities

### 1.6. 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. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK

<b>3. Operating profit/(loss)</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss) is stated after charging		
Auditors' remuneration	650	750
	<u>650</u>	<u>750</u>
<b>4. Interest receivable</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Income from group undertakings	714,897	736,716
	<u>714,897</u>	<u>736,716</u>
<b>5. Interest payable and similar charges</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Interest payable on bank borrowings	709,127	720,306
Other similar charges payable	-	16,408
	<u>709,127</u>	<u>736,714</u>

Included within other similar charges payable is £nil (2004 £16,408) of interest payable to group undertakings

# ARLAFORM LIMITED

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

continued

### 6. Directors' emoluments

	2005	2004
	£	£
Compensation for loss of directorship	-	59,500

### 7. Tax on profit/(loss) on ordinary activities

Analysis of charge in period	2005	2004
	£	£
<b>Current tax</b>		
UK corporation tax	-	-

#### Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below

	2005	2004
	£	£
Profit/(loss) on ordinary activities before taxation	25,091	(45,816)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (31 December 2004 30%)	7,527	(13,745)
<b>Effects of:</b>		
Group relief received	(7,527)	-
Unrelieved tax losses carried forward	-	13,745
Current tax charge for period	-	-

# ARLAFORM LIMITED

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

continued

8. Fixed asset investments	Shares in group undertakings £	Total £
<b>Cost</b>		
At 31 December 2004 and 31 December 2005	6,056,578	6,056,578
<b>Net book values</b>		
At 31 December 2005	6,056,578	6,056,578
At 31 December 2004	6,056,578	6,056,578

At 31 December 2005 the company held 100% of the allotted share capital of Stapleford Park Limited, a company which runs a hotel and golf course. At 31 December 2005 the capital and reserves of the company amounted to £(1,093,128) and the company made a loss for the year of £1,682,758.

9. Debtors	2005 £	2004 £
Amounts owed by group undertakings	16,745,582	15,402,458
Other debtors	129	99
Prepayments and accrued income	-	972
	<u>16,745,711</u>	<u>15,403,529</u>

Amounts falling due after more than one year and included in debtors are	2005	2004
Amounts owed by group undertaking	<u>15,905,523</u>	<u>14,562,399</u>

# ARLAFORM LIMITED

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

continued

10. Creditors: amounts falling due within one year	2005 £	2004 £
Bank loan	12,000,000	12,000,000
Shareholder loan	300,000	300,000
Amounts owed to group undertaking	838,860	838,860
Accruals and deferred income	84,042	98,692
	<u>13,222,902</u>	<u>13,237,552</u>

The shareholder loan is unsecured and is interest free

The bank loan is secured by a fixed and floating charge over the company's assets £5 million of the loan has subsequently been repaid by a capital injection by the ultimate controlling company, Innoview Limited Agreement has also been reached with the directors of Innoview Limited to repay the remaining £7 million of the bank loan

11. Creditors: amounts falling due after more than one year	2005 £	2004 £
Amounts owed to group undertakings	4,497,835	4,497,835
Shareholder loan	3,902,801	2,579,678
'B' Convertible loan stock	579,000	579,000
	<u>8,979,636</u>	<u>7,656,513</u>

### Convertible loan stock

The B loan stock is convertible into A and B ordinary shares of the company Conversion is at the rate of 1 ordinary share for £4,632 of loan stock The loan stock carries an interest rate of 6% per annum

# ARLAFORM LIMITED

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

continued

<b>12. Share capital</b>		<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
<b>Authorised equity</b>			
1,000 Ordinary shares of £1 each		1,000	1,000
1,250 'A' Ordinary shares of £0.10 each		125	125
125 'B' Ordinary shares of £1 each		125	125
		<u>1,250</u>	<u>1,250</u>
<b>Allotted, called up and fully paid equity</b>			
1,000 Ordinary shares of £1 each		1,000	1,000
1,250 'A' Ordinary shares of £0.10 each		125	125
		<u>1,125</u>	<u>1,125</u>
<b>13. Equity Reserves</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 31 December 2004</b>	578,875	(4,716)	574,159
Retained profit for the year		25,091	25,091
Equity Dividends		-	-
<b>At 31 December 2005</b>	<u>578,875</u>	<u>20,375</u>	<u>599,250</u>
<b>14. Reconciliation of movements in shareholders' funds</b>		<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
Profit/(loss) for the year		25,091	(45,816)
Opening shareholders' funds		<u>575,284</u>	<u>621,100</u>
Closing shareholders' funds		<u>600,375</u>	<u>575,284</u>

### 15. Contingent liabilities

The company is party to a composite accounting system with its bankers, whereby there is full set-off between the company and its subsidiary, Stapleford Park Limited, of all bank balances and guarantees of bank borrowing

## **ARLAFORM LIMITED**

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

continued

#### **16. Related party transactions**

The company made payments of £nil (2004 £16,408) to Arlacross Limited to cover interest costs and received £714,897 (2004 £736,716) from Stapleford Park Limited to cover interest costs, together with a management charge receipt of £20,000 (2004 £30,000)

The balance due to Arlacross at 31 December 2005 was £5,336,695 (2004 £5,336,695) and the balance due from Stapleford Park Limited was £16,745,582 (2004 £15,402,458)

#### **17. Ultimate parent undertaking**

The ultimate parent undertaking of this company is its parent company, Arlacross Limited

Arlacross Limited is the company's controlling related party under the definitions set out on Financial Reporting Standard No 8 by virtue of its shareholding in the company. The ultimate controlling related party of the company under the definitions set out in Financial Reporting Standard No 8 at 31 December 2005 is Innoview Limited



**ARLAFORM LIMITED**

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

# ARLAFORM LIMITED

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

	2005		2004	
	£	£	£	£
<b>Sales</b>				
Other income		20,000		30,000
		<u>20,000</u>		<u>30,000</u>
<b>Administrative expenses</b>	<u>679</u>	(679)	<u>75,818</u>	(75,818)
<b>Operating profit/(loss)</b>	97%	19,321	153%	(45,818)
<b>Other income and expenses</b>				
<b>Income from investments</b>				
Group income	<u>714,897</u>	714,897	<u>736,716</u>	736,716
<b>Interest payable</b>				
Bank interest	709,127		720,306	
Interest on loans repayable in less than 5 years	<u>-</u>	(709,127)	<u>16,408</u>	(736,714)
<b>Net profit/(loss) for the year</b>		<u>25,091</u>		<u>(45,816)</u>

# ARLAFORM LIMITED

## Administrative expenses for the year ended 31 December 2005

	2005	2004
	£	£
<b>Administrative expenses</b>		
Compensation for loss of office	-	59,500
Audit	650	750
General expenses	29	15,568
	<u>679</u>	<u>75,818</u>