

COMPANY REGISTRATION NUMBER 4204327

Arlaform Limited
Financial Statements
31 December 2006

MACINTYRE HUDSON LLP

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

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Arlaform Limited

Financial Statements

Year ended 31 December 2006

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Arlaform Limited

Officers and Professional Advisers

The Board of Directors

Mr R Tang
Mr S Hussain

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

Arlaform Limited

The Directors' Report

Year ended 31 December 2006

The directors have pleasure in presenting 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 the provision of management services to its subsidiary company, Stapleford Park Limited, a hotel operator

Results and dividends

The profit for the year amounted to £47,484. The directors have not recommended a dividend

Directors

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

Mr R Tang
Mr S Hussain

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company

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

Arlaform Limited

The Directors' Report *(continued)*

Year ended 31 December 2006

In so far as the directors are aware

there is no relevant audit information of which the company's auditor is unaware, and

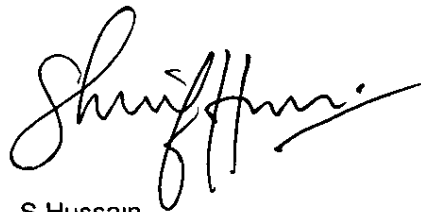
the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

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 by order of the directors



S Hussain
Director

Approved by the directors on 29 January 2008

Arlaform Limited

Independent Auditor's Report to the Shareholders of Arlaform Limited

Year ended 31 December 2006

We have audited the financial statements of Arlaform Limited for the year ended 31 December 2006 on pages 6 to 16, which have been prepared on the basis of the accounting policies set out on pages 9 to 10

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.

Arlaform Limited

Independent Auditor's Report to the Shareholders of Arlaform 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 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

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 the accounting policies 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 could result from a failure to continue as a going concern. Details of the circumstances relating to this emphasis of matter are described in 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

Arlaform Limited

Profit and Loss Account

Year ended 31 December 2006

	Note	2006 £	2005 £
Turnover	1	40,000	20,000
Administrative expenses		(30,209)	(679)
Operating profit	2	9,791	19,321
Interest receivable	4	618,706	714,897
Interest payable and similar charges	5	(581,013)	(709,127)
Profit on ordinary activities before taxation		47,484	25,091
Tax on profit on ordinary activities		—	—
Profit on ordinary activities after taxation, being profit for the financial year		<u>£47,484</u>	<u>£25,091</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 9 to 16 form part of these financial statements.

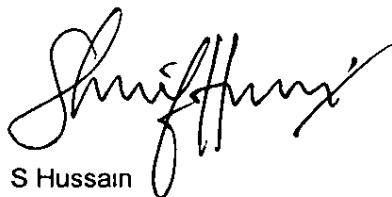
Arlaform Limited

Balance Sheet

31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Investments	6	<u>6,056,578</u>	<u>6,056,578</u>
Current assets			
Debtors	7	17,590,814	16,745,711
Cash at bank		<u>1,178</u>	<u>594</u>
		17,591,992	16,746,305
Creditors. amounts falling due within one year	8	<u>8,216,002</u>	<u>13,222,902</u>
Net current assets		<u>9,375,990</u>	<u>3,523,403</u>
Total assets less current liabilities		<u>15,432,568</u>	<u>9,579,981</u>
Creditors amounts falling due after more than one year, including convertible debts	9	<u>14,784,709</u>	<u>8,979,606</u>
		<u>£647,859</u>	<u>£600,375</u>
Capital and reserves			
Called-up equity share capital	13	1,125	1,125
Share premium account	14	578,875	578,875
Profit and loss account	15	67,859	20,375
Shareholders' funds	16	<u>£647,859</u>	<u>£600,375</u>

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



S Hussain
Director

The accounting policies and notes on pages 9 to 16 form part of these financial statements

Arlaform Limited

Cash Flow Statement

Year ended 31 December 2006

	Note	2006 £	2005 £
Net cash outflow from operating activities	17	(842,212)	(1,337,511)
Returns on investments and servicing of finance	17	37,693	5,770
Cash outflow before financing		<u>(804,519)</u>	<u>(1,331,741)</u>
Financing	17	805,103	1,323,093
Increase/(decrease) in cash	17	<u>£584</u>	<u>£(8,648)</u>

The accounting policies and notes on pages 9 to 16 form part of these financial statements

Arlaform Limited

Accounting Policies

Year ended 31 December 2006

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of financial instruments, 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 year and in past 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 Arlaform 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 the 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 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 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.

Fixed assets

All fixed assets are initially recorded at cost.

Arlaform 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.

Arlaform Limited

Notes to the Financial Statements

Year ended 31 December 2006

1. Turnover

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

2. Operating profit

Operating profit is stated after charging

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

3 Particulars of employees

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

4 Interest receivable

	2006 £	2005 £
Interest from group undertakings	<u>618,706</u>	<u>714,897</u>

5. Interest payable and similar charges

	2006 £	2005 £
Interest payable on bank borrowing	<u>581,013</u>	<u>709,127</u>

6 Investments

	Shares in group undertaking £
Cost	
At 1 January 2006 and 31 December 2006	<u>6,056,578</u>
Net book value	
At 31 December 2006	<u>6,056,578</u>
At 31 December 2005	<u>6,056,578</u>

Arlaform Limited

Notes to the Financial Statements

Year ended 31 December 2006

6 Investments (continued)

The company owns 100% of the issued share capital of the company listed below, which is incorporated in the United Kingdom

	2006 £	2005 £
Aggregate capital and reserves		
Stapleford Park Limited	(2,171,706)	(1,026,314)
Nature of business Country House Hotel and Sporting Estate		
Profit and (loss) for the year		
Stapleford Park Limited	(1,145,392)	1,615,944

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

7 Debtors

	2006 £	2005 £
Amounts owed by group undertakings	17,590,685	16,745,582
Other debtors	129	129
	<u>£17,590,814</u>	<u>£16,745,711</u>

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

	2006 £	2005 £
Amounts owed by group undertakings	<u>17,590,685</u>	<u>15,905,523</u>

Arlaform Limited

Notes to the Financial Statements

Year ended 31 December 2006

8 Creditors amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	7,000,000	12,000,000
Amounts owed to group undertakings	838,860	838,860
Other creditors	300,000	300,000
	<u>£8,138,860</u>	<u>£13,138,860</u>
Accruals and deferred income	77,142	84,042
	<u>£8,216,002</u>	<u>£13,222,902</u>

Other creditors includes a shareholder loan of £300,000 (2005 £300,000) which is unsecured and interest free

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2006 £	2005 £
Bank loans and overdrafts	<u>7,000,000</u>	<u>12,000,000</u>

The bank loan is charged by a fixed and floating charge over the company's assets. As disclosed in Note 15 the loan was fully repaid by a capital injection by the ultimate controlling party, Innoview Properties Limited, after the balance sheet date

9 Creditors amounts falling due after more than one year, including convertible debts

	2006 £	2005 £
Debenture loans (convertible)	579,000	579,000
Amounts owed to group undertakings	4,497,805	4,497,805
Other creditors		
Other creditors	<u>9,707,904</u>	<u>3,902,801</u>
	<u>£14,784,709</u>	<u>£8,979,606</u>

10 Creditors - capital instruments

Convertible instruments amounting to £579,000 (2005 - £579,000) are included in creditors

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

11 Contingencies

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 accounts and guarantees of bank borrowings. At the balance sheet date Stapleford Park Limited had no bank borrowings.

Arlaform Limited

Notes to the Financial Statements

Year ended 31 December 2006

12. Related party transactions

There were no transactions during the year with the company's immediate parent company, Arlacross Limited. At the balance sheet date the balance due to Arlacross Limited was £5,336,695 (2005 £5,336,695)

The company received interest of £618,706 (2005 £714,897) from its subsidiary company, Stapleford Park Limited and raised management charges of £40,000 (2005 £20,000) to that company during the year. At the balance sheet date the balance due from Stapleford Park Limited was £17,590,685 (2005 £16,745,582)

13. Share capital

Authorised share capital.

	2006 £	2005 £
1,000 Ordinary shares of £1 each	1,000	1,000
1,250 'A' Ordinary shares shares of £0.10 each	125	125
125 'B' Ordinary shares shares of £1 each	125	125
	<u>£1,250</u>	<u>£1,250</u>

Allotted, called up and fully paid.

	2006 No	£	2005 No	£
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
'A' Ordinary shares shares of £0.10 each	1,250	125	1,250	125
	<u>£2,250</u>	<u>£1,125</u>	<u>£2,250</u>	<u>£1,125</u>

14. Share premium account

There was no movement on the share premium account during the financial year

15. Profit and loss account

	2006 £	2005 £
Balance brought forward	20,375	(4,716)
Profit for the financial year	47,484	25,091
Balance carried forward	<u>£67,859</u>	<u>£20,375</u>

Arlaform Limited

Notes to the Financial Statements

Year ended 31 December 2006

16. Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	47,484	25,091
Opening shareholders' funds	600,375	575,284
Closing shareholders' funds	<u>647,859</u>	<u>600,375</u>

17. Notes to the statement of cash flows

Reconciliation of operating profit to net cash outflow from operating activities

	2006 £	2005 £
Operating profit	9,791	19,321
Increase in debtors	(845,103)	(1,342,182)
Decrease in creditors	(6,900)	(14,650)
Net cash outflow from operating activities	<u>£(842,212)</u>	<u>£(1,337,511)</u>

Returns on investments and servicing of finance

	2006 £	2005 £
Income from group undertakings	618,706	714,897
Interest paid	(581,013)	(709,127)
Net cash inflow from returns on investments and servicing of finance	<u>37,693</u>	<u>5,770</u>

Financing

	2006 £	2005 £
Repayment of bank loans	(5,000,000)	–
Repayment of long-term amounts owed to group undertakings	–	(30)
Net inflow from other long-term creditors	5,805,103	1,323,123
Net cash inflow from financing	<u>805,103</u>	<u>1,323,093</u>

Arlaform Limited

Notes to the Financial Statements

Year ended 31 December 2006

17. Notes to the statement of cash flows (continued) Reconciliation of net cash flow to movement in net debt

	2006 £	2005 £
Increase/(decrease) in cash in the period	584	(8,648)
Net cash outflow from bank loans	5,000,000	–
Net cash outflow from long-term amounts owed to group undertakings	–	30
Net cash (inflow) from other long-term creditors	(5,805,103)	(1,323,123)
	(804,519)	(1,331,741)
Change in net debt	(804,519)	(1,331,741)
Net debt at 1 January 2006	(20,979,012)	(19,647,271)
Net debt at 31 December 2006	<u>£(21,783,531)</u>	<u>£(20,979,012)</u>

Analysis of changes in net debt

	At 1 Jan 2006 £	Cash flows £	At 31 Dec 2006 £
Net cash			
Cash in hand and at bank	594	584	1,178
Debt			
Debt due within 1 year	(12,000,000)	5,000,000	(7,000,000)
Debt due after 1 year	(8,979,606)	(5,805,103)	(14,784,709)
	(20,979,606)	(805,103)	(21,784,709)
Net debt	<u>£(20,979,012)</u>	<u>£(804,519)</u>	<u>£(21,783,531)</u>

18. Post balance sheet events

In February 2007, following a capital injection from the ultimate controlling party Innoview Properties Limited, the company fully repaid the bank borrowing of £7,000,000

19. Ultimate parent company

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

Arlacross Limited is the company's controlling party under the definitions set out in Financial Reporting Standard No 8 by virtue of its shareholding in the company. Innoview Properties Limited is the company's ultimate controlling related party under the definitions set out in Financial Reporting Standard No 8 by virtue of its shareholding in that company