

**Arlaform Limited**

Financial statements

For the year ended 31 December 2003

Grant Thornton 



**Company No. 4204327**

## Company information

|                                    |  |
|------------------------------------|--|
| <b>Company registration number</b> | 4204327  |
| <b>Registered office</b>           | E3 The Premier Centre<br>Abbey Park<br>Romsey<br>Hants<br>SO51 9AQ   |
| <b>Directors</b>                   | R Tang<br>S Hussain<br>J Dare  |
| <b>Secretary</b>                   | R Tang   |
| <b>Bankers</b>                     | Barclays Bank plc<br>50 Pall Mall<br>London<br>SW1A 1QA  |
| <b>Auditors</b>                    | Grant Thornton UK LLP<br>Chartered Accountants<br>Registered Auditors<br>8 West Walk<br>Leicester<br>LE1 7NH |

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## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2003.

### **Principal activities and business review**

The company's principal activity is the provision of management services to its subsidiary company, Stapleford Park Limited, a hotel operator.

There was a profit for the year after taxation amounting to £3,794 (2002: £23,600).

### **Results and dividends**

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

### **Directors**

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

A F Parker  
R Tang

The interests of the directors, all of whom are also directors of the company, are disclosed in the holding company's financial statements.

S M Hussain was appointed as a director on 30 January 2004.

J B R Dare was appointed as a director on 1 May 2004.

A F Parker retired as a director on 20 April 2004.

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those 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.

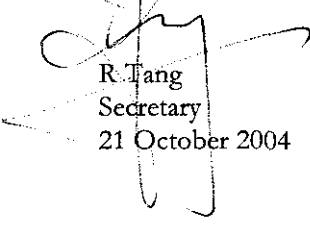
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



R. Tang  
Secretary  
21 October 2004

## Report of the independent auditors to the members of Arlaform Limited

We have audited the financial statements of Arlaform Limited for the year ended 31 December 2003 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 18. These financial statements have been prepared under 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 directors and auditors**

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards 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 United Kingdom auditing standards.

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 other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

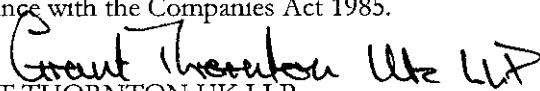
### **Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

  
GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

LEICESTER  
28 October 2004

## Principal accounting policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention.

### **Consolidation**

The company was, at the end of the year, a subsidiary of another company incorporated in the European Union and in accordance with section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts.

### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

### **Turnover**

Turnover is the total amount receivable by the company for management services provided, excluding VAT.

### **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.

### **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:

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.

### **Going concern**

The directors have adopted the going concern basis in the preparation of these financial statements, on the basis of trading forecasts and the continuing support of shareholders.



## Profit and loss account

|  | Note | 2003<br>£   | 2002<br>£   |
|--|------|-------------|-------------|
| Turnover   | 1    | 120,000     | 144,000     |
| Other operating charges                              | 2    | 102,846     | 142,574     |
| <b>Operating profit</b>                              | 3    | 17,154      | 1,426       |
| Interest receivable                                  | 6    | 1,100,000   | 1,092,260   |
| Interest payable and similar charges                 | 7    | (1,113,360) | (1,070,086) |
| <b>Profit on ordinary activities before taxation</b> |      | 3,794       | 23,600      |
| Tax on profit on ordinary activities                 | 8    | —           | —           |
| <b>Retained profit for the financial year</b>        |      | 3,794       | 23,600      |

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.

## Balance sheet

|  | Note | 2003<br>£             | 2002<br>£            |
|--|------|-----------------------|----------------------|
| <b>Fixed assets</b>  |      |                       |                      |
| Investments  | 9    | <u>6,056,578</u>      | <u>6,176,560</u>     |
| <b>Current assets</b>  |      |                       |                      |
| Debtors  | 10   | 12,038,585            | 11,177,589           |
| Cash at bank   |      | <u>13,031</u>         | <u>17,893</u>        |
|  |      | <u>12,051,616</u>     | <u>11,195,482</u>    |
| <b>Creditors: amounts falling due within one year</b>          | 11   | <u>3,936,259</u>      | <u>1,073,251</u>     |
| <b>Net current assets</b>                                      |      | <u>8,115,357</u>      | <u>10,122,231</u>    |
| <b>Total assets less current liabilities</b>                   |      | <u>14,171,935</u>     | <u>16,298,791</u>    |
| <b>Creditors: amounts falling due after more than one year</b> | 12   | <u>13,550,835</u>     | <u>16,260,485</u>    |
|  |      | <u><u>621,100</u></u> | <u><u>38,306</u></u> |
| <b>Capital and reserves</b>                                    |      |                       |                      |
| Called-up equity share capital                                 | 16   | 1,125                 | 1,000                |
| Share premium account  | 17   | 578,875               | —                    |
| Profit and loss account  | 17   | <u>41,100</u>         | <u>37,306</u>        |
| <b>Shareholders' funds</b>                                     | 17   | <u><u>621,100</u></u> | <u><u>38,306</u></u> |

These financial statements were approved by the directors on 21 October 2004 and are signed on their behalf by:

R Tang

*MS Hussain*  
MS HUSSAIN

**1 Turnover**

The turnover and profit before tax are attributable to the one principal activity of the company.  
 An analysis of turnover is given below:

|                | 2003           | 2002           |
|----------------|----------------|----------------|
|                | £              | £              |
| United Kingdom | <u>120,000</u> | <u>144,000</u> |

**2 Other operating income and charges**

|                         | 2003           | 2002           |
|-------------------------|----------------|----------------|
|                         | £              | £              |
| Administrative expenses | <u>102,846</u> | <u>142,574</u> |

**3 Operating profit**

Operating profit is stated after charging:

|                         | 2003       | 2002       |
|-------------------------|------------|------------|
|                         | £          | £          |
| Directors' emoluments   | 60,000     | 93,165     |
| Auditors' remuneration: |            |            |
| <i>Audit fees</i>       | <u>650</u> | <u>650</u> |

**4 Directors and employees**

The average number of staff employed by the company during the financial year amounted to:

|                                | 2003     | 2002     |
|--------------------------------|----------|----------|
|                                | No       | No       |
| Number of administrative staff | <u>3</u> | <u>3</u> |

The aggregate payroll costs of the above were:

|                       | 2003           | 2002           |
|-----------------------|----------------|----------------|
|                       | £              | £              |
| Wages and salaries    | 92,313         | 128,415        |
| Social security costs | 9,790          | 13,413         |
|                       | <u>102,103</u> | <u>141,828</u> |

**5 Directors**

Remuneration in respect of directors was as follows:

|                       | 2003          | 2002          |
|-----------------------|---------------|---------------|
|                       | £             | £             |
| Emoluments receivable | <u>60,000</u> | <u>93,165</u> |

**6 Interest receivable**

|                                  | 2003             | 2002             |
|----------------------------------|------------------|------------------|
|                                  | £                | £                |
| Interest from group undertakings | <u>1,100,000</u> | <u>1,092,260</u> |

**7 Interest payable and similar charges**

|                                    | 2003             | 2002             |
|------------------------------------|------------------|------------------|
|                                    | £                | £                |
| Interest payable on bank borrowing | 755,309          | 692,938          |
| Other similar charges payable      | 358,051          | 377,148          |
|                                    | <u>1,113,360</u> | <u>1,070,086</u> |

Included within other similar charges payable is £315,000 (2002: £315,000) of interest payable to group undertakings.

**8 Taxation on ordinary activities**

*Factors affecting current tax charge*

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

|   | 2003           | 2002           |
|---|----------------|----------------|
|   | £              | £              |
| Profit on ordinary activities before taxation           | <u>3,794</u>   | <u>23,600</u>  |
| Profit on ordinary activities multiplied by rate of tax | 1,138          | 7,080          |
| Group relief received                                   | <u>(1,138)</u> | <u>(7,080)</u> |
| Total current tax                                       | <u>-</u>       | <u>-</u>       |

**9 Investments**

|                     | Shares in<br>group<br>undertakings<br>£ |
|---------------------|---|
| Cost                |   |
| At 1 January 2003   | 6,176,560                               |
| Disposals           | (119,982)                               |
| At 31 December 2003 | <u>6,056,578</u>                        |
| Net book value      |   |
| At 31 December 2003 | <u>6,056,578</u>                        |
| At 31 December 2002 | <u>6,176,560</u>                        |

At 31 December 2003 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 2003 the capital and reserves of the company amounted to £2,197,632 and the company made a loss for the year of £1,765,699.

**10 Debtors**

|                                    | 2003<br>£         | 2002<br>£         |
|------------------------------------|-------------------|-------------------|
| Amounts owed by group undertakings | 12,038,570        | 11,177,423        |
| Other debtors                      | 15                | 166               |
|                                    | <u>12,038,585</u> | <u>11,177,589</u> |

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

|                                    | 2003<br>£         | 2002<br>£         |
|------------------------------------|-------------------|-------------------|
| Amounts owed by group undertakings | <u>10,965,511</u> | <u>10,337,364</u> |

**11 Creditors: amounts falling due within one year**

|                                    | 2003             | 2002             |
|------------------------------------|------------------|------------------|
|                                    | £                | £                |
| Shareholder loan                   | 300,000          | —                |
| Bank loans                         | 2,676,000        | 446,000          |
| Amounts owed to group undertakings | 822,452          | 507,452          |
| PAYE and social security           | —                | 4,025            |
| Accruals and deferred income       | 137,807          | 115,774          |
|                                    | <u>3,936,259</u> | <u>1,073,251</u> |

The shareholder loan is unsecured and is interest free.

**12 Creditors: amounts falling due after more than one year**

|                                    | 2003              | 2002              |
|------------------------------------|-------------------|-------------------|
|                                    | £                 | £                 |
| Bank loans                         | 8,474,000         | 10,604,000        |
| Amounts owed to group undertakings | 4,497,835         | 4,498,485         |
| 'A' Convertible loan stock         | —                 | 579,000           |
| 'B' Convertible loan stock         | 579,000           | 579,000           |
|                                    | <u>13,550,835</u> | <u>16,260,485</u> |

**Bank loan**

The bank loan is secured by a fixed and floating charge over the company's assets. The bank loan is repayable in 50 equal monthly installments of £223,000 from 22 November 2003 to 22 December 2007, following a further drawdown of £100,000 on 17 January 2003. Interest is payable at 1.5% over base. The bank loan is repayable upon demand if the company refinances.

**Convertible loan stock**

The Convertible 'A' loan stock of £579,000 was redeemed at par during the year.

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.

**13 Creditors - capital instruments**

Creditors include finance capital which is due for repayment as follows:

|   | 2003              | 2002              |
|---|-------------------|-------------------|
|   | £                 | £                 |
| Amounts repayable:                                  |                   |                   |
| In one year or less or on demand                    | 2,976,000         | 446,000           |
| In more than one year but not more than two years   | 2,676,000         | 2,676,000         |
| In more than two years but not more than five years | 5,798,000         | 7,928,000         |
|   | <u>11,450,000</u> | <u>11,050,000</u> |

**14 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.

**15 Related party transactions**

As a wholly owed subsidiary of Arlacross Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Arlacross Limited.

**16 Share capital**

Authorised share capital:

|   | 2003         | 2002         |
|---|--------------|--------------|
|   | £            | £            |
| 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> |

On 16 January 2003 the company redesignated the 125 £1 'A' ordinary shares to 1,250 10p 'A' ordinary shares.

Allotted, called up and fully paid:

|                                   | 2003         |              | 2002         |              |
|-----------------------------------|--------------|--------------|--------------|--------------|
|                                   | No           | £            | No           | £            |
| Ordinary shares of £1 each        | 1,000        | 1,000        | 1,000        | 1,000        |
| 'A' Ordinary shares of £0.10 each | 1,250        | 125          | —            | —            |
|                                   | <u>2,250</u> | <u>1,125</u> | <u>1,000</u> | <u>1,000</u> |

On 16 January 2003 the company made an allotment of 1,250 'A' ordinary 10p shares at £463.20 per share. The difference between the total consideration of £579,000 and the total nominal value of £125 has been credited to the share premium account.

**17 Reconciliation of shareholders' funds and movement on reserves**

|                                     | Share capital | Share premium account | Profit and loss account | Total shareholders' funds |
|-------------------------------------|---------------|-----------------------|-------------------------|---------------------------|
|                                     | £             | £                     | £                       | £                         |
| At 1 January 2002                   | 1,000         | —                     | 13,706                  | 14,706                    |
| Retained profit for the year        | —             | —                     | 23,600                  | 23,600                    |
| At 31 December 2002                 | 1,000         | —                     | 37,306                  | 38,306                    |
| Retained profit for the year        | —             | —                     | 3,794                   | 3,794                     |
| New equity share capital subscribed | 125           | 578,875               | —                       | 579,000                   |
| At 31 December 2003                 | <u>1,125</u>  | <u>578,875</u>        | <u>41,100</u>           | <u>621,100</u>            |

**18 Ultimate parent company**

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 in FRS 8 by virtue of its shareholding in the company. The ultimate controlling related party of the company under the definitions set out in FRS 8 at 31 December 2003 was A F Parker by virtue of his shareholding in that company. Following the sale of A F Parker's shareholding after the year end the new ultimate controlling related party is Innoview Limited.