

CRP Leisure plc
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1997



Company No. 1800158

CRP Leisure plc
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1997

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CRP Leisure plc

DIRECTORS AND ADVISERS

Directors	M E Pope FCA (resigned 12 March, 1997) M Horsman G Lotto J G W Chalmers FCA (resigned 12 March, 1997) H Franks
Secretary	H Franks J G W Chalmers FCA (resigned 12 March, 1997)
Registered Office	c/o Price Firman Prince Consort House Albert Embankment London SE1 7TJ
Registered No.	1800158
Auditors	Andrew, Steale Chartered Certified Accountants & Registered Auditors 48 Albemarle Street Mayfair London W1X 3FE
Principal Bankers	Barclays Bank Plc Mile End Branch 240 Whitechapel Road London E1 1BS Midland Bank Plc Covent Garden Branch 16 King Street London WC2E 8JF
Registrars	Independent Registrars Group Limited Balfour House 390/398 High Road Ilford Essex IG1 1NQ

CRP Leisure plc
Chairman's Statement
for the year ended 31 October 1997

The results for the year ended 31 October, 1997 will be a further disappointment to shareholders, for although the Board continued to look for an appropriate transaction to rejuvenate the company, no suitable opportunity was found.

Following the closure of the Unlisted Securities Market at the end of 1996, your company lost its listed status as the then Board was unable to provide the listing authorities with sufficiently clear plans for the future and in March, 1997, Martin Pope and Gerry Chalmers resigned from their respective positions as Chairman and Finance Director and I was appointed Chairman.

Trading at Stateone Limited (formerly Victor Mara Limited), continued to be difficult with the market being not only highly competitive but also very limited as few new productions were brought into West End. Additionally during the course of the year a major customer who owed Stateone Limited a considerable sum of money was unable to meet its liability and legal action had to be taken. In spite of the company successfully obtaining judgement in the Courts there is little hope of recovering the debt as the defendant is now insolvent.

Note 26 in the accounts refers to the events which have taken place since the 31st October 1997. The activities of Stateone Limited scaled down and the property which it occupied has been sold. The sale price was £575,000 before expenses. These funds enabled the company to retire all secured liabilities. A voluntary arrangement was then presented to all unsecured creditors except holders of the £300,000 of Loan Stock and accepted at the meeting on the 11th of June 1998.

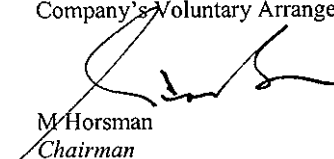
An unaudited Balance Sheet as at 31st July 1998 is stated below. The adjustments following the Company's Voluntary Arrangement and the sale of the property are reflected in this financial statement.

CRP Leisure plc
UNAUDITED BALANCE SHEET AS AT 31 JULY 1998

	£	£
<i>Fixed Assets</i>		500
<i>Current Assets</i>	66,000	
<i>Less: Current Liabilities</i>	-48,846	
<i>Net Current Assets</i>		17,154
TOTAL ASSETS LESS CURRENT LIABILITIES		17,654
<i>Creditors falling due after one year</i>		
<i>8% Loan Stock</i>	-300,000	
<i>Other Creditors</i>	-84,776	
		-384,776
		-367,122
CAPITAL AND RESERVES		
<i>Share Capital</i>		727,508
<i>Share Premium</i>		101,888
<i>Profit and Loss Account</i>		-1,196,518
		-367,122

The Board now feels that after cleaning up a confused and complicated position and simplifying the company's financial profile that opportunities will now become available to capitalise on the company's remaining attractions as a "shell" company.

I feel it also appropriate to point out that the present members of your Board have not participated in the Company's Voluntary Arrangement and have not received any fees or remuneration.


M Horsman
Chairman

6 November 1998

CRP Leisure plc
REPORT OF THE DIRECTORS
for the year ended 31 October 1997

The directors present their annual report and the financial statements for the year ended 31 October, 1997.

Principle Activity

The principal activities of the Group in the year under review was that of design, engineering and construction of sets for theatre, opera, product launches and exhibitions.

Review of business, Results and Dividends

The group's results for the year are shown in the attached profit and loss account. A review of the group's business is contained within the Chairman's Statement of page 4.

The Board does not recommend any dividend for the year.

Tangible Fixed Assets

Details of movements in tangible fixed assets are shown in Note 11.

Directors and their Interests

Details of directors who have served during the year and particulars of directors' beneficial interest in the shares of the company as defined by the Companies Act 1985 are as follows:

	2p Ordinary Shares	
	31/10/97	31/10/96
M E Pope	-	-
M Horsman	-	-
G Lotto	-	-
J G W Chalmers	-	-
H Franks	-	-

In accordance with the Articles of Association, Mr H Franks retires by rotation and being eligible offers himself for re-election.

Non Executive Directors

Harold Franks (71) has been a non executive director of CRP Leisure plc since June 1993. He spent most of his career in the metal trading business including 13 years as trading director of Brookside Metal Trading Co. Limited, a wholly owned subsidiary of the BICC group. Since retiring from full time employment he has spent much of his time as adviser and director of a number of privately owned leisure and property companies.

CRP Leisure plc
REPORT OF THE DIRECTORS – continued
for the year ended 31 October 1997

Share Capital – Substantial Holdings

The company is aware of the following holdings of 3% or more of the issued ordinary share capital:

	Ordinary shares of 2p each	% of issued share capital as at 08/10/98
MSS Nominees Limited*	4,350,000	12.0
MSTC Nominees Limited*	2,930,373	8.0
Jamar Creative Limited	2,796,531	7.7
Mattson Holdings Limited	2,191,565	6.0
Abasan Investments Limited	2,086,000	5.7
State Street Nominees Limited**	1,573,075	4.3
Anchor Trustees Limited	1,500,000	4.1

The directors are aware of the following information relating to the above shareholdings:

*The beneficial owner of the shares registered in the names of MSS Nominees Limited and MSTC Nominees Limited is Fineight International Inc., which is also the beneficial owner of 304,925 ordinary share (0.8%) registered in the name of Ebbark Nominees Limited and 250,000 (0.7%) of the ordinary shares registered in the name of Abasan Investments Limited.

**The trustees of the Mars UK Pension Fund are the beneficial owners of the shares registered in the name of State Street Nominees Limited.

Auditors

In accordance with Section 385 of the Companies Act 1985, Messrs Andrew, Steale will be proposed for reappointment as auditors at the next Annual General Meeting.

Subsequent Events

Details of events occurring after the balance sheet date are set out in note 25 to the financial statements.

Corporate Governance

The company has complied with the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance in so far as the provisions of the Code are in force, except that there is no audit committee or remuneration committee, there is only one non-executive director and there is no agreed procedure for the directors to take independent professional advice in the furtherance of their duties, if necessary, at the company's expense. The directors consider that these are not warranted having regard to the present size of the company and that the responsibility for financial stewardship falls equally on all directors.

In respect of internal controls the directors have reviewed the system of internal controls, the key elements of which having regard to the size of the company are that the board meets regularly and takes the decisions on all material matters, the organisation structure ensures that responsibilities are defined and authority only delegated where appropriate and that regular management accounts are presented to the board wherein the financial performance of the group is analysed.

CRP Leisure plc
REPORT OF THE DIRECTORS – continued
for the year end 31 October 1997

Corporate Governance – continued

The directors acknowledge that they are responsible for the system of internal financial control which is established in order to safeguard the assets, maintain proper accounting records and ensure that financial information used within the business or published is reliable. Any such system of control can however only provide reasonable not absolute assurance against material misstatement or loss.

For the reasons set out in note 26 to the financial statements, particularly in view of the Creditors' Voluntary Arrangement stated below, the directors have a reasonable expectation that the group will continue in operational existence in the foreseeable future as they have also obtained written confirmation of support from the Loan Stockholders up until 31 December, 1999.

The auditors have confirmed that, in their opinion, with respect to the directors' statements on internal financial control the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors), other than the going concern, and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements, and that the directors' other statements above appropriately reflect the company's compliance with the other paragraphs of the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

Creditors' Voluntary Arrangement

On 11 June, 1998 the shareholders, on the recommendation of the directors, approved, in an extraordinary general meeting, a resolution for the company to proceed with a creditors' voluntary arrangement.

On the same day, the creditors of the company also agreed to the proposal.

It is estimated that the participating creditors will receive 10p in the £.

By order of the Board



H Franks
Secretary

6 November 1998

CRP Leisure plc
STATEMENT OF DIRECTORS RESPONSIBILITIES
for the year ended 31 October 1997

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the group and company as at the end of the financial year and of the profit or loss of the group for that year.


In preparing the financial statements, the directors are required:

- to select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates; and
- state whether applicable accounting standards have been followed
(subject to any material departures disclosed)

The directors are also required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for maintaining proper accounting records; for safeguarding the assets of the group; and for preventing and detecting fraud and other irregularities.


G Lotto
Director



6 November 1998

AUDITORS' REPORT TO THE MEMBERS of CRP Leisure plc

We have audited the financial statements on pages 10 to 21 which have been prepared under the historical cost convention and the accounting policies set out on page 14.

Respective Responsibilities of Directors and Auditors

As described on page 8, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report to you.

Basis of Opinion

We conducted our audit in accordance with 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.

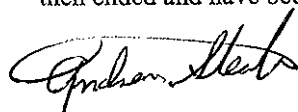
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Uncertainty relating to the Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosures made in notes 25 and 26 concerning the Creditors Voluntary Arrangement and Going Concern. Never the less the financial statements have been prepared on a going concern basis, the validity of which depends on the continued support of the Loan Stockholders and directors. The financial statements do not include any adjustments which would result from a failure to maintain such support.

Opinion

Subject to the above, in our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group at 31 October, 1997, and of the results of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Andrew, Steale
Chartered Certified Accountants & Registered Auditors
48 Albemarle Street
Mayfair
London
W1X 3FE

6 November 1998

CRP Leisure plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1997

	Note	1997	1996
		£	£
TURNOVER - continuing activities	2	370,685	618,883
Cost of sales		<u>-280,920</u>	<u>-480,803</u>
GROSS PROFIT		89,765	138,080
Distribution costs		-80,763	-13,856
Administrative costs		<u>-352,341</u>	<u>-410,977</u>
OPERATING LOSS - continuing activities	3	-433,104	-424,833
Interest receivable	4	46	-286,753
Interest payable and similar charges	4	-66,503	-13,928
Other Operating income		19,536	
Profit on sale of fixed assets		590	
LOSS ON ORDINARY ACTIVITIES		<u>-389,670</u>	<u>-300,681</u>
before taxation			
TAXATION	7	<u>-</u>	<u>-</u>
LOSS AFTER TAXATION		-389,670	-300,681
transferred to Reserves			
Loss per share		1.07p	.083p

There are no recognised gains and losses other than those passing through the profit and loss account

The notes on pages 14 to 21 form part of these financial statements.

CRP Leisure plc
CONSOLIDATED BALANCE SHEET
as at 31 October 1997

	Note	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible assets	11		575,500		531,755
			<u>575,500</u>		<u>531,755</u>
CURRENT ASSETS					
Stocks	12			10,282	
Debtors	13	10,631		82,296	
Cash at bank and in hand		16,310		3,789	
		<u>26,941</u>		<u>96,367</u>	
CREDITORS - amounts falling due within one year	14	<u>-732,721</u>		<u>-418,732</u>	
NET CURRENT LIABILITIES			-705,780		-322,365
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>-130,280</u>		<u>209,390</u>
CREDITORS - amounts falling due after one year	15		-400,000		-400,000
			<u>-530,280</u>		<u>-190,610</u>
CAPITAL AND RESERVES					
Called up share capital	17		727,508		727,508
Profit and loss account	18		-1,584,676		-1,195,006
Revaluation reserve	18		225,000		175,000
Share premium account	18		101,888		101,888
SHAREHOLDERS' FUNDS	19		<u>-530,280</u>		<u>-190,610</u>

The notes on pages 14 to 21 form part of these financial statements.

These financial statements were approved by the Board of Directors on 6 November, 1998 and signed on behalf of the Board by:

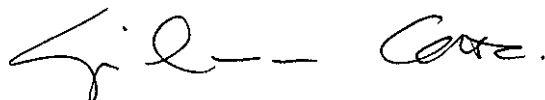
 
G Lotto - Director

CRP Leisure plc
COMPANY BALANCE SHEET
as at 31 October 1997

	Note	£	1997 £	£	1996 £
FIXED ASSETS					
Investments	10				195,254
					<u>195,254</u>
CURRENT ASSETS					
Debtors	13	227,936		249,459	
Cash at bank and in hand		1,857		2,139	
		<u>229,793</u>		<u>251,598</u>	
CREDITORS - amounts falling due within one year	14	<u>-344,144</u>		<u>-237,444</u>	
NET CURRENT ASSETS			-114,351		14,154
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>-114,351</u>		<u>209,408</u>
CREDITORS - amounts falling due after one year	15		-400,000		-400,000
			<u>-514,351</u>		<u>-190,592</u>
CAPITAL AND RESERVES					
Called up share capital	17		727,508		727,508
Profit and loss account	18		-1,343,747		-1,019,988
Share premium account	18		101,888		101,888
SHAREHOLDERS' FUNDS	19		<u>-514,351</u>		<u>-190,592</u>

The notes on pages 14 to 21 form part of these financial statements.

These financial statements were approved by the Board of Directors on 6 November, 1998 and signed on behalf of the Board by:



G Lotto - Director

CRP Leisure plc
GROUP CASH FLOW STATEMENT
for the year ended 31 October 1997

	Notes	£	1997 £	£	1996 £
Net cash flow from operating activities	21		69,949		230,085
Returns on investment and servicing of finance	23	-66,457		-11,624	
Capital expenditure & financial investment	23	5,200		-30,000	
			<u>-61,257</u>	<u></u>	-41,624
Cash inflow before use of liquid resources and financing			8,692		188,461
Net cash outflow before financing			<u>8,692</u>		<u>188,461</u>
Financing					
Increase in cash equivalents	22		<u>8,692</u>		<u>188,461</u>

The notes on pages 14 to 21 form part of these accounts

CRP Leisure plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1997

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold property and in accordance with applicable accounting standards.

The financial statements have been prepared on a going concern basis. Current financial projections indicate that working capital resources are available for the group to continue in operational existence in the immediate future and the directors consider that the going concern basis is appropriate. Further details are given in note 26.

1.2 Consolidation

The group profit and loss account, balance sheet and cash flow statement include the statements of the holding company and its subsidiary undertaking made up to the end of the financial year. Intra group transactions and profits are eliminated on consolidation.

1.3 Goodwill arising on consolidation

Goodwill arising on consolidation which represents the difference between the purchase consideration and the fair value of the net assets of the subsidiary acquired, is eliminated against reserves in the year in which it arises.

1.4 Turnover

Turnover represents the total amount receivable by the group in the ordinary course of business for goods and services provided excluding Value Added Tax.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at the lower of cost or valuation less depreciation.

Depreciation is provided on the cost of tangible fixed assets in order to write off such cost or valuations after taking account of residual values, over the expected useful lives as follows:-

Land and Building	Nil	- not depreciated
Plant and Machinery	10%	- reducing balance
Fixtures and Fittings	25%	- reducing balance

1.6 Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stock. Long term work in progress is valued at cost plus attributable profit.

1.7 Operating leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to profit and loss account and incurred.

1.8 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors there is a reasonable probability that a liability or asset will crystallise in the near future. No provision has been made in the accounts for the sale of the freehold property as in the opinion of the directors no such liability will arise.

1.9 Pensions

Defined benefit pension scheme contributions are charged to the profit and loss account on a basis that spreads the expected cost over the anticipated remaining service lives of employees. Other contributions are charged to profit and loss account as incurred.

CRP Leisure plc
NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 31 October 1997

2. TURNOVER

The directors consider that the subsidiaries which have been consolidated operated as one business segment.

Turnover is analysed by geographical market as follows:

	1997	1996
	£	£
United Kingdom	194,307	370,172
Europe	1,100	22,920
Rest of world	175,278	225,791
	<u>370,685</u>	<u>618,883</u>

3. OPERATING LOSS

This is stated after charging the following:

	1997	1996
	£	£
Auditors' remuneration		
auditing services	5,000	7,500
other services	-3,694	14,000
Depreciation	644	7,615
Property operating lease charges	33,638	23,750
Exceptional item		226,254
	<u> </u>	<u> </u>

The exceptional item relates mainly to a write down in investment.

4. INTEREST

	1997	1996
	£	£
Interest receivable is analysed as follows:		
On bank deposits	46	
On short term loans		
	<u>46</u>	<u>0</u>
Interest payable is analysed as follows:		
On bank overdrafts	324	13,928
Other short term interest		
On loans repayable within one year	4,050	
On loans repayable more than one year	62,129	
	<u>66,503</u>	<u>13,928</u>

CRP Leisure plc
NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 31 October 1997

5. DIRECTORS REMUNERATION

The emoluments of the directors were as follows:

	1997 £	1996 £
Chairman and highest paid director	-	12,000

Other directors emoluments were in the following ranges:

	1997 Number	1996 Number
£0 - £5,000	4	4
£10,001 - £15,000	1	

No pension contributions were made in respect of the chairmen.

In (1996: £24,000) was paid/accrued to Robert Jones Carr & Associated Ltd.
Fees of £15,336 were accrued and not paid to Bier Group Ltd in which Mr Horseman has got an interest.

6. STAFF COSTS

Staff costs, including directors remuneration, were as follows:

	1997 £	1996 £
Their total remuneration was:		
Wages and salaries	155,420	332,509
Social security costs	17,762	33,297
	<u>173,182</u>	<u>365,806</u>

The average number of persons employed by the company including directors during the year was:

	No.	No.
Management	5	5
Administration	1	1
Production and distribution	13	13
	<u>19</u>	<u>19</u>

7. TAXATION

No corporation tax arises for the current year (1996: Nil) in view of the losses incurred for tax purposes during the year. There is no tax attributable to exceptional items.

There is no material potential deferred tax liability.

CRP Leisure plc
NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 31 October 1997

8. LOSS FOR THE FINANCIAL YEAR

In accordance with section 230 of the Companies Act 1985 the company has not included its own profit and loss account in these financial statements. Of the loss for the financial year losses of £323,759 (1996: £368,164) have been dealt within the financial statements of the company.

9. LOSS PER ORDINARY SHARE

This has been calculated on the loss on ordinary activities after tax of £389,670 (1996: Loss £300,681) and the weighted average number of ordinary shares of 36,375,417.

10. FIXED ASSET INVESTMENT – the company

Shares in subsidiary undertaking

Cost	£
At 1 November 1996 and 31 October 1997	<u>1,265,389</u>
Provisions	
At 1 November 1996	1,070,135
Provided in year	195,254
At 31 October 1997	<u>1,265,389</u>
Net book value	
At 31 October 1997	<u>0</u>

11. TANGIBLE FIXED ASSETS

Group and company

	Land & Buildings	Office Equipment	Fixtures Fittings	Motor Vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 November 1996	551,000	5,500	14,506	33,654	604,660
Disposals		-5,500	-14,506	-30,654	-50,660
Revaluation	50,000	-	-	-	50,000
At 31 October 1997	<u>601,000</u>	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>604,000</u>
Depreciation					
At 1 November 1996	26,000	4,392	10,499	32,014	72,905
Disposals		-4,500	-10,895	-30,654	-46,049
Charge for year		108	396	1,140	1,644
At 31 October 1997	<u>26,000</u>	<u>0</u>	<u>0</u>	<u>2,500</u>	<u>28,500</u>
Net book value at 31 October 1997	<u>575,000</u>	<u>0</u>	<u>0</u>	<u>500</u>	<u>575,500</u>
Net book value at 31 October 1996	<u>525,000</u>	<u>1,108</u>	<u>4,007</u>	<u>1,640</u>	<u>531,755</u>

CRP Leisure plc**NOTES TO THE FINANCIAL STATEMENTS – continued***for the year ended 31 October 1997***11.1.1 TANGIBLE FIXED ASSETS – continued**

At 31 October 1997, £575,000 included within the net book value of land and buildings relates to freehold land and buildings. The Company has sold the land and buildings on the 29th January 1998 for £575,000. The property has been re-valued accordingly.

No provision has been made for deferred tax, which might arise upon disposal at the above value, as the directors are of the opinion that no liability will arise.

12. STOCKS

	The group	
	1997	1996
	£	£
Work in progress	-	10,282
	<u>-</u>	<u>10,282</u>

13. DEBTORS

	Group 1997	Company 1997	Group 1996	Company 1996
	£	£	£	£
Trade debtors	10,631	-	57,696	-
Other debtors	-	446	9,769	9,739
Subsidiary undertaking	-	227,490	-	237,005
Prepayments and accrued income	-	-	14,831	2,715
	<u>10,631</u>	<u>227,936</u>	<u>82,296</u>	<u>249,459</u>

14. CREDITORS – amounts falling due within one year

	Group 1997	Company 1997	Group 1996	Company 1996
	£	£	£	£
Bank overdraft	62,434	-	58,605	-
Trade creditors	284,487	198,490	224,672	150,457
Subsidiary undertaking	-	-	-	-
Other taxation and social security	51,101	-	35,209	-
Other creditors and accruals	334,699	145,654	100,246	86,987
	<u>732,721</u>	<u>344,144</u>	<u>418,732</u>	<u>237,444</u>

The bank overdraft is secured by a fixed and floating charge on the group's property and assets.

CRP Leisure plc
NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 31 October 1997

15. CREDITORS – Amounts falling due after more than one year

The group and the company	1997 £	1996 £
8% fixed redeemable secured loan stock	<u>400,000</u>	<u>400,000</u>

The loan stock outstanding at 31 October, 1997 was repayable on 31 December, 1997 at par. £100,000 is secured by a second charge on the company's business and assets. Interest has been accrued. The secured element of the loan stock of £100,000 was repaid after the year end. The loan stock holders have agreed to defer repayment up to the 31 December, 1999.

16. BORROWINGS

The bank overdraft repayable within one year was £62,434 (1996: £58,605) for the Group and nil for the company.

The loans repayable between one and two years were £400,000 (1996: £400,000) for the Group and the Company respectively. On 29th January 1998 £100,000 of the secured loans was repaid.

17. SHARE CAPITAL

The group and the company	Number	1997 £	Number	1996 £
Authorised:				
Convertible preference shares of £1 each	27,000,000	2,700,000	2,700,000	2,700,000
Ordinary shares of 2p each	100,000,000	<u>2,000,000</u>	100,000,000	<u>2,000,000</u>
Allotted and fully paid:				
Ordinary shares of 2p each	36,375,417	<u>727,508</u>	36,375,417	<u>727,508</u>

18. RESERVES

	Share Premium £	Revaluation Reserve £	Profit and Loss £	Total £
The group				
At 1 November 1996	101,888	175,000	-1,195,006	-918,118
Revaluation reserve	-	50,000	-	50,000
Loss for year	-	-	-389,670	-389,670
At 31 October 1997	<u>101,888</u>	<u>225,000</u>	<u>-1,584,676</u>	<u>-1,257,788</u>

Share premium is that of the company. The company incurred £ 323,759 losses in the year, bringing the accumulated loss to £ 1,343,747.

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19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 1997 £	Company 1997 £	Group 1996 £	Company 1996 £
Loss for the financial year	-389,670	-323,759	-300,681	-368,164
Revaluation reserve	50,000	-	-67,500	-
Net movements in shareholders' funds	-339,670	-323,759	-368,181	-368,164
Opening shareholders' funds	-190,610	-190,592	177,571	177,572
Closing shareholders' funds	-530,280	-514,351	-190,610	-190,592

20. CONTINGENCIES

The company has guaranteed the bank overdraft of its subsidiary undertaking and at the balance sheet date the contingent liability in this respect was £47,981. The guarantee is secured by a fixed and floating charge over the company's assets.

**21. RECONCILIATION OF OPERATING LOSS
TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	1997 £	1996 £
Operating loss	-323,803	-256,911
Depreciation charges	1,644	7,615
Provision for fixed asset investment	-	211,850
Decrease/(Increase) in stocks	10,281	-10,281
Increase in debtors	80,734	-319,301
Increase in creditors	301,093	597,113
	<u>69,949</u>	<u>230,085</u>

**22. RECONCILIATION OF NET CASH FLOW
TO MOVEMENT IN NET DEBT**

	1997 £	1996 £
Increase in cash in the period	8,692	188,461
Cash inflow from increase in debt and lease finan	-	-
Changes in net debt resulting from cash flows	<u>8,692</u>	<u>188,461</u>
Net debt at 1 November 1996	-454,816	-643,277
Net debt at 1 November 1997	<u>-446,124</u>	<u>-454,816</u>

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**23. ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT**

Interest received	46	
Interest paid	-66,503	-11,624
Net cash outflow for returns on investments and servicing of finance	-66,457	-11,624
Capital expenditure and financial investment		
Sale/(Purchase) of tangible fixed assets	5200	-30000

24. ANALYSIS OF NET DEBT

	At 1 Nov.96 £	Cash flow £	At 31 Oct.97 £
Net cash :			
Cash at bank and in hand	3,789	-1,932	1,857
Bank overdrafts	-58,605	10,624	-47,981
	<u>-54,816</u>	<u>8,692</u>	<u>-46,124</u>
Debt:			
Debt due after one year	-400,000		-400,000
Net Debt	<u>-454,816</u>	<u>8,692</u>	<u>-446,124</u>

25. SUBSEQUENT EVENTS

Up until 31 December, 1996, the ordinary shares of the company were traded on the Unlisted Securities Market (USM). Following the closure of the USM on 31 December, 1996, the company was unable to transfer to the official list of the London Stock Exchange, as it did not fulfil the requirements of the Listing Rules and in particular, Rule 3.7 (Management Responsibility).

The land and buildings was sold on the 29th January 1998 for £575,000.

An application to court made on the 20th May 1998 for the Company to enter into a Voluntary Arrangement with its Creditors was successful. Following this a shareholder and creditors meeting held on 11 June, 1998 approved the arrangement as presented. It is estimated that the participating creditors will receive 10p in the £. Non participating loan stock holders amounted to £300,000.

26. GOING CONCERN

The group meets its day to day working capital requirements through an overdraft facility and advances from its loan stockholders and other creditors.

As the group is continuing to make losses and due to the uncertainties above the company's going concern is dependant on it loan stockholders and other long term creditors, who have agreed to extend their support up to 31 December, 1999.