

Amending

Reg

**CHESHIRE OAKS RACQUETS &
HEALTHTRACK LIMITED**

**Report and Financial Statements
30 September 1997**



Company number 3050691

CHESHIRE OAKS RACQUETS & HEALTHTRACK LIMITED

REPORT AND FINANCIAL STATEMENTS 1997

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CHESHIRE OAKS RACQUETS & HEALTHTRACK LIMITED

REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G M Thomas
M B Wildsmith
C J Lee

SECRETARY

C J Lee

REGISTERED OFFICE

91 Fleet Road
Fleet
Hampshire
GU13 8PJ

BANKERS

National Westminster Bank plc
176 Fleet Road
Fleet
Hampshire
GU13 8YJ

Robert Fleming & Co Limited
25 Copthall Avenue
London
EC2R 7DR

SOLICITORS

Collyer-Bristow
4 Bedford Row
London
WC1R 4DF

AUDITORS

Brooking Knowles & Lawrence
Chartered Accountants
Clifton House
Bunnian Place
Basingstoke
RG21 7JE

CHESHIRE OAKS RACQUETS & HEALTHTRACK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 1997.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of providing sports, leisure and other related activities to members and visitors of the Cheshire Oaks Racquets & Healthtrack Club.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During the year the major activity of the company was the completion and operation of the Cheshire Oaks Racquets and Healthtrack Club which opened in October 1996.

Both the level of business and the year ended financial position were satisfactory. The club is maturing and the directors expect that the level of income and profitability will be significantly increased in subsequent years.

RESULTS AND DIVIDENDS

The profit and loss account for the year is set out on page 6. The company has incurred a loss of £898,608 as a result of the significant initial marketing costs which have been written off as incurred. It is proposed that this loss should be transferred to the profit and loss account.

The directors do not propose a dividend.

DIRECTORS

The directors of the company at 30 September 1997, all of whom have been directors for the whole of the year, are listed on page 1.

None of the directors held any beneficial interest in the shares of the company.

FIXED ASSETS

During the period the company purchased fixed assets totalling £783,914 to complete the construction and fit out of the Cheshire Oaks Racquets & Healthtrack Club.

The Club premises were valued by Humberts Leisure in December 1996. They are of the opinion that the "current estimated realisation price for existing use" is in the order of £10.5 million and this value has been incorporated into the accounts.

Details of movements in fixed assets are set out in note 8 to these financial statements.

CHESHIRE OAKS RACQUETS & HEALTHTRACK LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

A resolution to reappoint Brooking Knowles & Lawrence as auditors will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors
and signed on behalf of the Board

C J LEE
Secretary



Date: 27th January 1998

CHESHIRE OAKS RACQUETS & HEALTHTRACK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which 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 so doing, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining 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.

CHESHIRE OAKS RACQUETS & HEALTHTRACK LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility as auditors to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

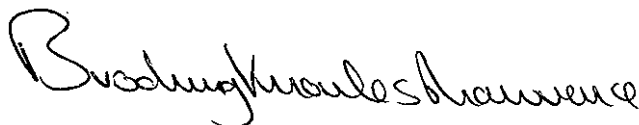
Basis of Opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BROOKING KNOWLES & LAWRENCE

Chartered Accountants and
Registered Auditors

Dated: 27 January 1998

Clifton House
Bunnian Place
Basingstoke
Hampshire
RG21 7JE

CHESHIRE OAKS RACQUETS & HEALTHTRACK LIMITED

PROFIT AND LOSS ACCOUNT year ended 30 September 1997

| | Note | 1997 £ | 17 months 1996 £ |
|--|------|-------------------------|-------------------------|
| TURNOVER | 1 | 2,136,450 | - |
| Cost of sales | | (283,759) | - |
| Gross profit | | <u>1,852,691</u> | <u>-</u> |
| Administration expenses | | (1,845,156) | (647,666) |
| Head office expenses | | <u>(100,000)</u> | <u>-</u> |
| OPERATING LOSS | | <u>(92,465)</u> | <u>(647,666)</u> |
| Other interest receivable and similar income | 5 | 875 | - |
| Interest payable and similar charges | 6 | <u>(807,018)</u> | <u>-</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>(898,608)</u> | <u>(647,666)</u> |
| Tax on loss on ordinary activities | 7 | <u>-</u> | <u>-</u> |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | 15 | <u><u>(898,608)</u></u> | <u><u>(647,666)</u></u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | 1997 £ | 1996 £ |
|---|-------------------------|-------------------------|
| Unrealised surplus on revaluation of tangible fixed assets | 2,363,844 | - |
| Loss for the financial year | <u>(898,608)</u> | <u>(647,666)</u> |
| TOTAL RECOGNISED GAINS AND LOSSES | <u><u>1,465,236</u></u> | <u><u>(647,666)</u></u> |

Turnover and operating profit arise from continuing activities.

CHESHIRE OAKS RACQUETS & HEALTHTRACK LIMITED

BALANCE SHEET 30 September 1997

| | Note | 1997 £ | 1996 £ |
|--|------|-----------------------|-------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 10,500,000 | 7,475,956 |
| CURRENT ASSETS | | | |
| Stock | 9 | 71,231 | 20,936 |
| Debtors | 10 | 73,814 | 309,821 |
| Cash at bank and in hand | | 3,840 | 348,869 |
| | | <u>148,885</u> | <u>679,626</u> |
| CREDITORS: amounts falling due within one year | 11 | <u>(1,063,827)</u> | <u>(903,148)</u> |
| NET CURRENT LIABILITIES | | <u>(914,942)</u> | <u>(223,522)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>9,585,058</u> | <u>7,252,434</u> |
| CREDITORS: amounts falling due outside one year | 12 | <u>(8,767,388)</u> | <u>(7,900,000)</u> |
| NET ASSETS/(LIABILITIES) | | <u><u>817,670</u></u> | <u><u>(647,566)</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 100 | 100 |
| Revaluation reserve | 15 | 2,363,844 | - |
| Profit and loss account | 15 | <u>(1,546,274)</u> | <u>(647,666)</u> |
| EQUITY SHAREHOLDERS' FUNDS/(DEFICIT) | 16 | <u><u>817,670</u></u> | <u><u>(647,566)</u></u> |

The financial statements on pages 6 to 14 were approved by the Board of Directors on

27th January 1998

Signed on behalf of the Board of Directors


G M THOMAS

Director

NOTES TO THE ACCOUNTS
for the year ended 30 September 1997

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are presented under the historical cost convention and include the results of the company's operations as indicated in the directors' report.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that the subsidiary is included in publicly available consolidated accounts.

Turnover

Turnover represents amounts (excluding value added tax) derived from the provision of goods and services to customers during the year from continuing activities.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation. The cost or valuation of fixed assets is written off over their expected useful lives to the business at the following rates:

| | |
|-----------------------|---|
| Land and Buildings | 10 - 20 years for items with a wasting life |
| Fixtures and fittings | 15% straight line |
| Plant and equipment | 5% - 20% straight line |
| Computer equipment | 20% straight line |

The company has not provided depreciation in accordance with Statement of Standard Accounting Practice No 12. "Accounting for depreciation" in respect of freehold property as it is the company policy to maintain properties in such a condition that their value is not diminished by the passage of time and relevant expenditure is charged to profit before tax in the year when it is incurred. Therefore, any element of depreciation is considered to be immaterial and no provision is made. Should any permanent diminution in value occur, full provision will be made.

Revaluation surpluses are considered to be in relation to the non-wasting element of the freehold property and are not depreciated.

Capitalisation of interest

Interest costs relating to the financing of long leasehold property developments are capitalised up to the date of completion of the project.

Stock

Stock has been valued at the lower of cost and net realisable value except base stock which is carried forward at its cost value.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that will arise.

NOTES TO THE ACCOUNTS
for the year ended 30 September 1997

1. ACCOUNTING POLICIES (Cont'd)

Membership income

Joining fees are recognised evenly as revenue over the accounting period in which they are received. Annual membership subscriptions are released to the profit and loss account over the period to which they relate. Life memberships are released to the profit and loss account on receipt.

Pre-Opening Expenses

All pre-opening expenses are written off as they are incurred.

2. OPERATING PROFIT

Operating profit is stated after charging :

| | 1997 | 17 months 1996 |
|---------------------------------------|-------------------|-------------------|
| | £ | £ |
| Depreciation of tangible fixed assets | 206,564 | - |
| Auditors' remuneration | | |
| - audit | 5,200 | 5,000 |
| - other services | 750 | 3,000 |
| | <u> </u> | <u> </u> |

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 1997 | 17 months 1996 |
|--|-------------------|-------------------|
| | <u>No.</u> | <u>No.</u> |
| The average number employed by the company, which includes directors, within each category of persons was: | | |
| Management and administration | 17 | 7 |
| Sales staff | 4 | 5 |
| Fitness staff | 11 | 5 |
| Other employees | 47 | 6 |
| | <u> </u> | <u> </u> |
| | 79 | 23 |
| | <u> </u> | <u> </u> |

| | 1997 | 1996 |
|--|-------------------|-------------------|
| | £ | £ |
| The costs incurred in respect of those employees were: | | |
| Wages and salaries | 865,197 | 106,397 |
| Social security costs | 65,184 | 10,853 |
| | <u> </u> | <u> </u> |
| | 930,381 | 117,250 |
| | <u> </u> | <u> </u> |

4. DIRECTORS' EMOLUMENTS

None of the directors received any remuneration from the company in respect of services as directors.

CHESHIRE OAKS RACQUETS & HEALTHTRACK LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 September 1997

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

| | 17 months |
|--|-----------|
| | 1997 |
| | £ |
| Other interest receivable and similar income | 875 |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 17 months |
|-----------------------------------|-----------|
| | 1997 |
| | £ |
| Bank loans | 824,636 |
| Bank overdrafts | 3,810 |
| Other loans | - |
| | 828,446 |
| <u>Less: Interest capitalised</u> | (21,428) |
| | 807,018 |

7. TAX ON LOSS ON ORDINARY ACTIVITIES

No provision for corporation tax arises on the results for the year, due to the losses incurred.

8. TANGIBLE FIXED ASSETS

| | Long leasehold | Fixtures | Plant and | Computer | Total |
|-----------------------|----------------|----------|-----------|-----------|------------|
| | Land and | and | equipment | equipment | £ |
| | Buildings | fittings | £ | £ | £ |
| Cost or valuation | £ | £ | £ | £ | £ |
| At 1 October 1996 | 7,210,061 | 135,069 | 62,206 | 68,620 | 7,475,956 |
| Additions | 373,930 | 72,405 | 400,810 | 19,619 | 866,764 |
| Revaluations | 2,363,844 | - | - | - | 2,363,844 |
| | 9,947,835 | 207,474 | 463,016 | 88,239 | 10,706,564 |
| Depreciation | | | | | |
| Charge for the year | 95,520 | 31,121 | 62,275 | 17,648 | 206,564 |
| | 95,520 | 31,121 | 62,275 | 17,648 | 206,564 |
| Net book value | | | | | |
| At 30 September 1997 | 9,852,315 | 176,353 | 400,741 | 70,591 | 10,500,000 |
| At 30 September 1996 | 7,210,061 | 135,069 | 62,206 | 68,620 | 7,475,956 |

The leasehold land and buildings including plant and equipment were valued by Herberts Leisure, a firm of independent Chartered Surveyors, in December 1996. They are of the opinion that the "current estimated realisation price for existing use" is in the order of £10.5 million. This value has been reflected in these accounts. The revaluation surplus has been reflected in the net book value of freehold land and buildings above.

If land and buildings had not been revalued they would have been included at the following amounts.

| | 1997 |
|--------------------------------------|-----------|
| | £ |
| Cost | 7,583,991 |
| Aggregate depreciation based on cost | - |

Included in land and buildings is capitalised interest of £556,190 (1996 £534,762) before tax relief.

CHESHIRE OAKS RACQUETS & HEALTHTRACK LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 September 1997

9. STOCKS

| | 1997 | 1996 |
|------------------|---------------|---------------|
| | £ | £ |
| Consumables | 48,643 | 20,936 |
| Goods for resale | 22,588 | - |
| | <u>71,231</u> | <u>20,936</u> |

10. DEBTORS

| | 1997 | 1996 |
|------------------------------------|---------------|----------------|
| | £ | £ |
| Trade debtors | 57,514 | - |
| Amounts owed by group undertakings | 16,300 | 82,570 |
| Other debtors | - | 227,251 |
| | <u>73,814</u> | <u>309,821</u> |

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 1997 | 1996 |
|------------------------------------|------------------|----------------|
| | £ | £ |
| Bank loans and overdrafts | 123,025 | 179,414 |
| Trade creditors | 93,106 | 177,127 |
| Amounts owed to group undertakings | 423,192 | 13,480 |
| Taxation and social security | 79,482 | 11,086 |
| Other creditors | 82,850 | 207,860 |
| Accruals and deferred income | 262,172 | 314,181 |
| | <u>1,063,827</u> | <u>903,148</u> |

NOTES TO THE ACCOUNTS
for the year ended 30 September 1997

**12. CREDITORS: AMOUNTS FALLING DUE
OUTSIDE ONE YEAR**

| | 1997 | 1996 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Bank Loans | 5,900,000 | 7,900,000 |
| Amounts owed to group undertakings | 2,800,000 | - |
| Accruals and deferred income | 67,388 | - |
| | <u>8,767,388</u> | <u>7,900,000</u> |

Bank Loans and overdrafts

- a) On 29 April 1997 the company entered into a facility agreement with National Westminster Bank plc., and Robert Fleming & Company together with the immediate parent undertaking Racquets & Healthtrack Group Limited. Under this facility the banks agreed to lend the company up to £5,900,000.

Also as part of the agreement a group overdraft facility was made available of £1,000,000.

On 29 April 1997 the company executed a debenture in favour of National Westminster Bank Plc., subject to a prior charge in favour of Robert Fleming & Co Ltd pursuant to which the company guaranteed the obligations of the Group under the facility agreement.

As security for the loans the company granted National Westminster Bank plc., a legal mortgage over the land and buildings comprising the Cheshire Oaks Racquets and Healthtrack Club, South Wirral.

At the 30 September 1997 advances totalling £5,900,000 had been made which are repayable in increasing half yearly instalments between September 1999 and April 2004. The rate of interest is 1¼% above LIBOR.

- b) All previous loans held with National Westminster Bank and Hill Samuel Bank were repaid in the year.

The bank loans are due as follows:

| | 1997 | 1996 |
|----------------------|------------------|------------------|
| | £ | £ |
| In less than 1 year | - | - |
| Due in 1 - 2 years | 176,119 | 370,313 |
| Due in 2 - 5 years | 1,629,104 | 5,431,250 |
| In more than 5 years | 4,094,776 | 2,098,437 |
| | <u>5,900,000</u> | <u>7,900,000</u> |

13. DEFERRED TAXATION

| | 1997 | 1996 |
|-------------------|------------|------------|
| | £ | £ |
| Deferred taxation | <u>Nil</u> | <u>Nil</u> |

If the leasehold property was realised at the amounts included in the balance sheet, in view of the company's policy of expansion and continued ownership of its assets it would be necessary to replace them by purchasing similar property; rollover relief would therefore be available. Accordingly the revalued amounts do not constitute timing differences as defined by SSAP15 and the potential amount of deferred tax if they were to be disposed of has not therefore been quantified.

NOTES TO THE ACCOUNTS
for the year ended 30 September 1997

14. CALLED UP SHARE CAPITAL

| | 1997 | 1996 |
|--------------------------------------|-------------------|-------------------|
| | £ | £ |
| Authorised: | | |
| 1,000,000 ordinary shares of £1 each | 1,000,000 | 1,000,000 |
| | <u> </u> | <u> </u> |
| Allotted and fully paid: | | |
| 100 ordinary shares of £1 each | 100 | 100 |
| | <u> </u> | <u> </u> |

15. STATEMENT OF MOVEMENT ON RESERVES

| | Profit and loss account | Revaluation reserve |
|---------------------------------|----------------------------|------------------------|
| | £ | £ |
| Balance as at 1 October 1996 | (647,666) | - |
| Loss for the year | (898,608) | - |
| Revaluation in the year | - | 2,363,844 |
| | <u> </u> | <u> </u> |
| Balance as at 30 September 1997 | (1,546,274) | 2,363,844 |
| | <u> </u> | <u> </u> |

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS/(DEFICIT)

| | 1997 | 1996 |
|---|-------------------|-------------------|
| | £ | £ |
| Loss attributable to members of the company | (898,608) | (647,666) |
| Share capital issued | - | 100 |
| Revaluation during the year | 2,363,844 | - |
| | <u> </u> | <u> </u> |
| Net additions to shareholders' funds | 1,465,236 | (647,566) |
| Shareholders' deficit at 1 October 1996 | (647,566) | - |
| | <u> </u> | <u> </u> |
| Shareholders' funds at 30 September 1997 | 817,670 | (647,566) |
| | <u> </u> | <u> </u> |

NOTES TO THE ACCOUNTS
for the year ended 30 September 1997

| | | |
|---|-------------------|-------------------|
| 17. CAPITAL COMMITMENTS | 1997 | 1996 |
| | £ | £ |
| Future capital expenditure contracted but not provided for | Nil | 419,905 |
| | <u> </u> | <u> </u> |

18. PARENT COMPANY

The parent company is Racquets & Healthtrack Group Ltd a company incorporated in England and Wales. Copies of the parent company accounts can be obtained from the Registrar of Companies, Cardiff.

The ultimate parent company is Acanthus Leisure Limited, a company incorporated in the British Virgin Islands.

19. ULTIMATE CONTROLLING PARTY

The directors have made appropriate enquiries to determine whether there is an ultimate controlling party other than Acanthus Leisure Limited, but have been unable to ascertain this.

20. POST BALANCE SHEET EVENTS

Details of post balance sheet events are given in the directors report.

21. DIRECTORS INTERESTS IN TRANSACTIONS

Transactions with group companies are not disclosed on the grounds that details of the subsidiary are included in publicly available consolidated accounts.

There were no other transactions in which the directors had an interest.