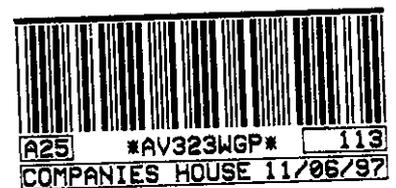


**INVICTA LEISURE LIMITED
AND ITS SUBSIDIARIES**

REPORT AND ACCOUNTS

29 DECEMBER 1996

Registered Number: 2464159



INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

The directors present their report and accounts for the period 25 December 1995 to 29 December 1996 to the annual general meeting.

REVIEW OF THE BUSINESS

The principal activity continued to be the operation of golf, tennis and health clubs.

During the period additional finance was raised to develop new clubs. On 26 February 1997 the Lancashire Health and Racquet Club in Manchester was opened.

DIVIDENDS AND TRANSFERS FROM RESERVES

The directors do not recommend the payment of a dividend.

Losses after tax of £566,059 (1995 - loss £1,269,477) have been transferred from reserves.

FIXED ASSETS

Particulars of significant changes in fixed assets are shown in notes 7 to 9 of the accounts.

DIRECTORS

The directors of the company during the period and their interests in the ordinary share capital of the company were:-

	29 December 1996	24 December 1995 or on appointment
S J Creed	27,500	28,890
M J Fallows	20,000	28,889
P Griffiths	-	-
K B McCollum	25,001	13,333
R Singer	470	470
K F Weatherley	27,500	28,889
R L Davies - appointed 30 May 1996	-	-

The directors do not have any interests in any other class of share capital, except for R Singer who has an interest in the convertible redeemable non-cumulative preference shares of £1 each, which amounts to £15,188 (1995 - £15,188).

No director has any interest in the share capital of any other group company.

Details of share options granted to K B McCollum during the period are disclosed in note 19 to the accounts.

In the event of a sale or listing of the group, the existing ordinary shareholding directors have an option to receive a greater proportion of the sale or listing proceeds pro-rata to their current holdings of shares.

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT (Continued)

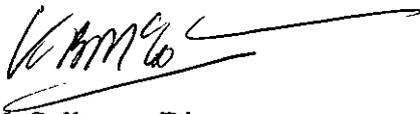
DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are required by company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group at the end of the financial year and of the profit or loss of the group for that period. In preparing the accounts, suitable accounting policies have been used, applied consistently, and reasonable and prudent judgements have been made. The directors are also responsible for maintaining adequate accounting records, safeguarding the assets of the group, and preventing and detecting fraud and other irregularities. The directors are satisfied that the business is a going concern.

AUDITORS

In accordance with Section 385 of the Companies Act 1985 a resolution proposing the re-appointment of Solomon Hare as auditors to the company will be put to the annual general meeting.

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



K B McCollum - Director

15 April 1997

AUDITORS' REPORT TO THE SHAREHOLDERS OF INVICTA LEISURE LIMITED

We have audited the accounts on pages 4 to 30 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 14.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

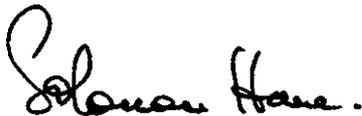
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 29 December 1996 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

SOLOMON HARE



Chartered Accountants
Registered Auditors

Oakfield House
Oakfield Grove
Clifton
Bristol
BS8 2BN

15 April 1997

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 29 DECEMBER 1996

CONTINUING OPERATIONS

	Note	1996 £	1995 £
TURNOVER	2	6,101,483	5,331,762
Cost of sales		1,111,714	1,109,554
		<hr/>	<hr/>
GROSS PROFIT		4,989,769	4,222,208
Administrative expenses		5,124,984	4,544,703
		<hr/>	<hr/>
OPERATING LOSS		(135,215)	(322,495)
Interest receivable and similar income		789	4,725
		<hr/>	<hr/>
		(134,426)	(317,770)
Interest payable and similar charges		(433,036)	(950,407)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(567,462)	(1,268,177)
Tax on loss on ordinary activities	6	1,403	(1,300)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(566,059)	(1,269,477)
Minority interests - equity		-	-
		<hr/>	<hr/>
LOSS FOR THE PERIOD		(566,059)	(1,269,477)
		<hr/> <hr/>	<hr/> <hr/>
AMOUNT TRANSFERRED FROM RESERVES	20	(566,059)	(1,269,477)
		<hr/> <hr/>	<hr/> <hr/>

RECOGNISED GAINS AND LOSSES

All recognised gains and losses are included in the profit and loss account.

The notes on pages 12 to 30 form part of these accounts

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 29 DECEMBER 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	7	24,167,646	18,402,038
CURRENT ASSETS			
Stocks	10	241,744	244,000
Debtors	11	2,650,765	2,058,918
Cash at bank and in hand		1,038,485	955,994
		<u>3,930,994</u>	<u>3,258,912</u>
Creditors (amounts falling due within one year)	12	4,736,391	3,573,889
		<u> </u>	<u> </u>
NET CURRENT (LIABILITIES) (including amounts receivable after more than one year of £186,775 - 1995 £308,950)		(805,397)	(314,977)
		<u> </u>	<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES		23,362,249	18,087,061
Creditors (amounts falling due after more than one year)	13	16,675,015	10,952,469
		<u> </u>	<u> </u>
NET ASSETS		<u>6,687,234</u>	<u>7,134,592</u>

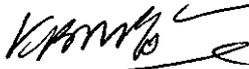
The notes on pages 12 to 30 form part of these accounts

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 29 DECEMBER 1996 (Continued)

	Note	1996 £	1995 £
CAPITAL AND RESERVES			
Called up share capital - equity	18	206,667	200,000
- non-equity	18	7,730,001	7,730,000
Profit and loss account		(5,604,402)	(4,976,674)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	20	2,332,266	2,953,326
MEMBERS DEBENTURES	21	4,354,968	4,181,266
		<hr/>	<hr/>
		6,687,234	7,134,592
		<hr/> <hr/>	<hr/> <hr/>
 Analysis			
SHAREHOLDERS' FUNDS			
Equity		(5,397,735)	(4,776,674)
Non-equity		7,730,001	7,730,000
		<hr/>	<hr/>
		2,332,266	2,953,326
		<hr/> <hr/>	<hr/> <hr/>

Approved by the Board



K B McCollum
Director



M J Fallows
Director

15 April 1997

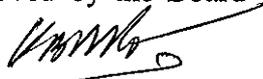
INVICTA LEISURE LIMITED

BALANCE SHEET AT 29 DECEMBER 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	8	341,671	156,684
Investments	9	12,249,525	9,020,730
		<hr/>	<hr/>
		12,591,196	9,177,414
CURRENT ASSETS			
Stock	10	4,514	-
Debtors	11	11,628,200	6,573,092
Cash at bank and in hand		53,727	61
		<hr/>	<hr/>
		11,686,441	6,573,153
Creditors (amounts falling due within one year)	12	358,394	473,052
		<hr/>	<hr/>
NET CURRENT ASSETS (including amounts receivable after more than one year of £11,407,904 - 1995 £6,409,853)		11,328,047	6,100,101
TOTAL ASSETS LESS CURRENT LIABILITIES			
Creditors (amounts falling due after more than one year)	13	16,211,275	7,826,395
		<hr/>	<hr/>
NET ASSETS		7,707,968	7,451,120
CAPITAL AND RESERVES			
Called up share capital - equity	18	206,667	200,000
- non-equity	18	7,730,001	7,730,000
Profit and loss account		(228,700)	(478,880)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	20	7,707,968	7,451,120
		<hr/> <hr/>	<hr/> <hr/>

All items within shareholders' funds are equity except where shown.

Approved by the Board


K B McCollum - Director


M J Fallows - Director

15 April 1997

The notes on pages 12 to 30 form part of these accounts

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 29 DECEMBER 1996

	1996	1996	1995	1995
	£	£	£	£
Net cash inflow from operating activities (note 1)		729,717		410,593
Returns on investments				
- bank interest	789		7,705	
Servicing of finance				
- loan stock interest paid	(36,717)		-	
- bank loan interest paid	(509,579)		(463,342)	
- LTA loan interest paid	(7,928)		(9,949)	
- refinancing costs paid	(7,000)		-	
- hire purchase and finance lease interest paid	(12,862)		(19,110)	
Net cash outflow from returns on investments and servicing of finance		(573,297)		(484,696)
		156,420		(74,103)
Taxation				
Corporation tax paid	(1,578)		-	
		(1,578)		-
Investing activities				
Purchase of tangible fixed assets	(5,573,057)		(1,563,706)	
Sale of tangible fixed assets	28,914		11,826	
Other	(150,000)		-	
Purchase of minority interests in subsidiaries	(55,002)		-	
Net cash outflow from investing activities		(5,749,145)		(1,551,880)
Net cash outflow before financing carried forward		(5,594,303)		(1,625,983)

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 29 DECEMBER 1996

	1996 £	1996 £	1995 £	1995 £
Net cash outflow before financing brought forward		(5,594,303)		(1,625,983)
Financing:				
New borrowings				
- Electra Fleming loan	3,800,000		-	
Less: issue costs	(353,195)		-	
	<u>3,446,805</u>		<u>-</u>	
- bank loan	5,005,000		285,000	
- LTA loan	-		30,000	
- loan stock	-		709,722	
	<u>8,451,805</u>		<u>1,024,722</u>	
Borrowings repaid:				
- hire purchase and finance leases	(174,540)		(90,159)	
- bank loans	(2,500,000)		(70,000)	
- LTA loan	(15,000)		-	
- loan stock	(100,681)		-	
	<u>(2,790,221)</u>		<u>(160,159)</u>	
Members debentures received		317,204		480,629
Issue of shares		1		-
		<u>317,205</u>		<u>480,629</u>
Net cash inflow from financing		<u>5,978,789</u>		<u>1,345,192</u>
Increase/(decrease) in cash and cash equivalents (note 2)		<u>384,486</u>		<u>(280,791)</u>

The notes on pages 10 to 11 form part of this cashflow statement

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 29 DECEMBER 1996
(Continued)

1 RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £	1995 £
Operating loss	(135,215)	(322,495)
Depreciation of tangible fixed assets	453,249	451,019
Profit on sale of tangible fixed assets	-	(646)
Loss on sale of tangible fixed assets	4,878	6,407
(Increase)/decrease in stocks	2,256	(31,415)
(Increase)/decrease in debtors	(579,919)	(457,576)
Increase/(decrease) in creditors	984,468	765,299
	<hr/>	<hr/>
Net cash inflow from operating activities	729,717	410,593
	<hr/> <hr/>	<hr/> <hr/>

2 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD

	1996 £	1995 £
At 25 December 1995	653,999	934,790
Net cash inflow/(outflow)	384,486	(280,791)
	<hr/>	<hr/>
At 29 December 1996	1,038,485	653,999
	<hr/> <hr/>	<hr/> <hr/>

3 ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996 £	1995 £	Change in the period	
	£	£	1996 £	1995 £
Cash at bank and in hand	1,038,485	955,994	82,491	6,349
Bank overdrafts	-	(301,995)	301,995	(287,140)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,038,485	653,999	384,486	(280,791)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 29 DECEMBER 1996
(Continued)

4 ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD

	1996		1995	
	Share capital (including premium) £	Loans, HP and finance lease obligations £	Share capital (including premium) £	Loans, HP and finance lease obligations £
At 25 December 1995	7,930,000	14,883,555	3,430,000	16,982,308
Issue of loan stock	-	55,364	-	709,722
Bank loan received	-	5,005,000	-	285,000
Electra Fleming loan received	-	3,800,000	-	-
LTA loan received	-	-	-	30,000
Issue costs	-	(353,195)	-	-
Amortisation of issue costs	-	17,918	-	-
New hire purchase and finance lease obligations	-	142,968	-	78,613
Repayment of hire purchase and finance leases	-	(174,540)	-	(90,159)
Debentures committed	-	173,702	-	437,793
Conversion of loan stock and interest into shares	-	-	4,500,000	(3,770,000)
Bank loans repaid	-	(2,500,000)	-	(70,000)
Loan stock repaid	-	(156,045)	-	-
Conversion of interest into loan stock	-	-	-	290,278
Issue of shares	6,668	-	-	-
LTA loan repaid	-	(15,000)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 December 1996	7,936,668	20,879,727	7,930,000	14,883,555
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

a Basis of preparation

These accounts have been prepared under the historical cost convention in accordance with applicable accounting standards except as stated in 1b.

b Tangible fixed assets and depreciation

The cost of tangible fixed assets is written off using the reducing balance method at the following annual rates:

Fixtures, fittings and office equipment	25%
Golf course equipment	25%
Motor vehicles	25%

Long leasehold land and buildings are written off over the life of the lease in equal annual instalments.

The group has not provided depreciation in accordance with SSAP12 Accounting for Depreciation in respect of its freehold property, as it is group 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 period 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.

c Consolidation

The consolidated accounts incorporate the accounts of the company and each of its subsidiaries for the period ended 29 December 1996, and exclude all intra-group transactions except intra-group loan interest capitalised in land and buildings.

The company has taken advantage of the exemption conferred by S.230 of the Companies Act 1985 from presenting its own profit and loss account.

The profit dealt with in the accounts of the parent company is £250,180 (1995 - loss - £126,877).

d Stocks

Stocks are valued at the lower of cost and net realisable value making allowance for slow moving and obsolete items.

e Deferred taxation

Provision is made, using the liability method, for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability will crystallise in the foreseeable future.

Goodwill arising on the purchase of minority interests in subsidiaries in the period has been written off direct to reserves.

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (Continued)

f Fixed assets held under hire purchase or finance leases

Where assets are financed by hire purchase agreements or by leasing agreements that give rights approximating to ownership ('finance leases') the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under hire purchase and finance leases.

Depreciation on such assets is charged to the profit and loss account on the same basis as shown above.

Hire purchase and leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the straight line method.

All other leases are 'operating leases' and the relevant annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

g Capitalisation of interest

Interest is capitalised during the construction of assets.

h Development costs

Development costs on golf courses and tennis centres are written off as incurred until such time as the particular project has become operationally and financially viable in the subsidiary set up to manage the project. At that time the costs are recharged to the subsidiary. In the subsidiary the capital costs are capitalised as incurred until such time as the golf course or tennis centre opens. At that time the costs are written off over the remaining life of the lease associated with the course or centre or are included within freehold land and buildings. During the period certain costs have been capitalised in the parent company as the subsidiary companies have either not yet been incorporated or are not yet operational.

i Members debentures

The members debentures are included in the balance sheet after Capital and Reserves. This treatment has been adopted as required by FRS4 (capital instruments). Since the debentures would never be repayable on a going concern basis the directors consider that the treatment adopted gives a more accurate view of the permanent nature of the source of finance.

j Investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (Continued)

m Membership income

Joining fees are recognised as revenue at the time of receipt, annual membership subscriptions are released to the profit and loss account over the current membership year. Life memberships are released to the profit and loss account over two years from joining.

n Finance costs

The costs associated with the raising of finance are netted off against the value of the capital investment in accordance with FRS4. These costs are amortised over a period of 10 years, the estimated period of repayment of the finance.

2 TURNOVER

The turnover, loss on ordinary activities before taxation and net assets arise from the following activities carried on wholly within the United Kingdom.

	Turnover		(Profit)/Loss on Ordinary Activities Before Tax		Net Assets	
	1996 £	1995 £	1996 £	1995 £	1996 £	1995 £
Golf	3,843,888	3,684,465	353,481	250,415	12,058,999	12,222,257
Tennis and health	2,257,595	1,647,297	(333,967)	(473,125)	10,741,510	3,007,664
Unallocated	-	-	(586,976)	(1,045,467)	(16,113,275)	(8,095,329)
	<u>6,101,483</u>	<u>5,331,762</u>	<u>(567,462)</u>	<u>(1,268,177)</u>	<u>6,687,234</u>	<u>7,134,592</u>

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

3	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	1996	1995
		£	£
	Loss on ordinary activities before taxation is arrived at after charging:		
	Directors' remuneration	75,431	89,376
	Auditors' remuneration - audit	38,250	35,250
	- other	14,801	22,556
	Interest paid and payable on bank borrowings repayable within 2 to 5 years	426,448	501,932
	Interest paid and payable on loan stock repayable within 2 to 5 years	17,503	19,931
	Interest paid and payable on loan stock repayable after 5 years	4,970	399,485
	Interest paid and payable on Electra Fleming loan repayable after 5 years	172,588	-
	Refinancing costs	24,918	-
	Interest paid and payable on LTA loan repayable after 5 years	7,928	9,949
	Interest on hire purchase and finance leases	12,862	19,110
	Waiver of loan stock interest	(234,181)	-
	Depreciation - owned assets	381,454	384,914
	- assets held under leases	71,795	66,105
	Operating leases - land and buildings	245,363	233,372
	- other	2,740	2,219
	Hire costs	37,370	27,128
	Loss on sale of fixed assets	4,878	6,407
		<hr/>	<hr/>
	and after crediting:		
	Profit on sale of fixed assets	-	646
	Other interest receivable	789	4,725
		<hr/>	<hr/>
4	DIRECTORS' REMUNERATION		
	Remuneration excluding pension scheme contributions:		
		1996	1995
		£	£
	Chairman - fees	2,811	2,831
		<hr/>	<hr/>
	Highest paid director	24,376	25,889
		<hr/>	<hr/>

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

4 DIRECTORS' REMUNERATION (Continued)

Other directors in scale:	No. of directors	
£0 - £5,000	3	2
£5,001 - £10,000	-	1
£20,001 - £25,000	2	-
£25,001 - £30,000	-	2
	<u> </u>	<u> </u>

The group also paid £320,465 (1995 - £258,564) to parties, in which certain directors have an interest as detailed in note 22.

5 STAFF NUMBERS AND COSTS

The average number of persons employed by the group (including directors) during the period was as follows:

	1996	1995
Management and office	34	27
Retail and maintenance	150	149
	<u> </u>	<u> </u>
	184	176
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£	£
Wages and salaries	1,928,790	1,756,457
Social security costs	144,710	130,013
	<u> </u>	<u> </u>
	2,073,500	1,886,470
	<u> </u>	<u> </u>

6 TAX ON LOSS ON ORDINARY ACTIVITIES

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
UK corporation tax at 33%	(652)	1,300	-	-
Adjustments in respect of prior years	(751)	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(1,403)	1,300	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At the period end the group had tax losses available for carry forward of £4,242,000 (1995 - £4,482,000). The company had tax losses available for carry forward of £1,545,000 (1995 - £1,720,000).

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

7 TANGIBLE ASSETS - GROUP

	Land and buildings £	Motor vehicles £	Fixtures fittings & office equipment £	Golf course equipment £	Total £
Cost					
At 25 December 1995	17,568,547	72,977	1,347,148	471,482	19,460,154
Transfers	-	-	(4,590)	4,590	-
Additions	5,930,933	25,490	222,973	73,253	6,252,649
Disposals	-	(500)	(10,650)	(63,170)	(74,320)
At 29 December 1996	23,499,480	97,967	1,554,881	486,155	25,638,483
Depreciation					
At 25 December 1995	251,201	23,132	540,333	243,450	1,058,116
Transfers	-	-	(2,294)	2,294	-
Charge for the period	131,502	17,348	235,885	68,514	453,249
Disposals	-	-	(5,688)	(34,840)	(40,528)
At 29 December 1996	382,703	40,480	768,236	279,418	1,470,837
Net book amounts					
At 29 December 1996	23,116,777	57,487	786,645	206,737	24,167,646
At 24 December 1995	17,317,346	49,845	806,815	228,032	18,402,038

The net book value of the fixed assets includes an amount of £238,213 (1995 - £224,396) in respect of assets held under hire purchase and finance lease agreements.

The cost of land and buildings includes £974,374 (1995 - £842,449) of capitalised interest.

The cost of land and buildings is made up as follows:

	1996 £	1995 £
Freehold land and buildings	4,001,525	3,980,969
Long leasehold land and buildings	19,497,955	13,587,578
	<u>23,499,480</u>	<u>17,568,547</u>

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

7 TANGIBLE ASSETS - GROUP (Continued)

Commitment for Capital Expenditure

The group had contracted for additional capital expenditure on building projects at 29 December 1996 of £8,560,000.

8 TANGIBLE ASSETS - COMPANY

	Development costs £	Motor vehicles £	Fixtures fittings & office equipment £	Total £
Cost				
At 25 December 1995	119,100	48,400	8,090	175,590
Additions	956,861	25,490	1,823	984,174
Transfer to subsidiary	(785,487)	-	-	(785,487)
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 December 1996	290,474	73,890	9,913	374,277
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 25 December 1995	-	13,663	5,243	18,906
Charge for the period	-	13,700	-	13,700
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 December 1996	-	27,363	5,243	32,606
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amounts				
At 29 December 1996	290,474	46,527	4,670	341,671
	<hr/>	<hr/>	<hr/>	<hr/>
At 24 December 1995	119,100	34,737	2,847	156,684
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of fixed assets includes an amount of £46,527 (1995 - £34,737) in respect of vehicles held under hire purchase and finance lease agreements.

Included in fixed assets are development costs relating to the setting up of additional Tennis Centres. These costs have been capitalised as the projects are sufficiently advanced to be reasonably certain of their viability. The costs will be transferred to a subsidiary undertaking on incorporation.

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

9 INVESTMENTS - COMPANY

	Loan stock and loans in group undertakings £	Shares in group undertakings £	Other investments £	Total £
Cost				
At 25 December 1995	8,779,319	237,911	3,500	9,020,730
Additions	3,430,408	361,671	-	3,792,079
Redemptions	(509,950)	-	-	(509,950)
Amounts written off	-	(53,334)	-	(53,334)
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 December 1996	11,699,777	546,248	3,500	12,249,525
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All of the above are unlisted investments.

The following are subsidiary undertakings at the period end:

Name	Country of incorporation and registration	Proportion of voting rights and ordinary share capital held	Nature of business
Mentmore Golf and Country Club plc	England	91%	Golf & Country Club
Stonevine Limited	England	100%	Golf Club
Chelsfield Lakes Golf Centre Limited	England	100%	Golf Club and Driving Range
Invicta Leisure (Tennis) Limited	England	100%	Tennis and Health Club
Invicta St James Limited	England	80%	Leisure Management Services
Invicta Leisure (Manchester) Limited	England	100%	Tennis and Health Club
Invicta Leisure (Brighton) Limited	England	100%	Dormant

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

10	STOCK	Group		Company	
		1996 £	1995 £	1996 £	1995 £
	Consumables	44,300	44,585	4,514	-
	Goods for resale	197,444	199,415	-	-
		<u>241,744</u>	<u>244,000</u>	<u>4,514</u>	<u>-</u>
		<u><u>241,744</u></u>	<u><u>244,000</u></u>	<u><u>4,514</u></u>	<u><u>-</u></u>
11	DEBTORS	Group		Company	
		1996 £	1995 £	1996 £	1995 £
	Trade debtors	61,705	61,826	8,505	-
	Subscriptions due	1,744,067	1,213,366	-	-
	Amounts owed by group undertakings	-	-	8,674,903	4,298,920
	Other debtors	213,221	35,396	7,678	20,857
	Prepayments and accrued income	289,448	283,699	2,902,887	2,239,853
	Other taxes and social security	34,227	13,462	34,227	13,462
	Amounts due from debenture holders	307,667	451,169	-	-
	Corporation tax	430	-	-	-
		<u>2,650,765</u>	<u>2,058,918</u>	<u>11,628,200</u>	<u>6,573,092</u>
		<u><u>2,650,765</u></u>	<u><u>2,058,918</u></u>	<u><u>11,628,200</u></u>	<u><u>6,573,092</u></u>

Included in the amounts owed by group undertakings is £8,530,000 (1995 - £4,170,000) which is recoverable as follows:

	1996 £	1995 £
1-2 years	236,944	294,166
2-5 years	2,843,332	1,176,666
After 5 years	5,449,724	2,699,168
	<u>8,530,000</u>	<u>4,170,000</u>
	<u><u>8,530,000</u></u>	<u><u>4,170,000</u></u>

Included in prepayments for the group is £104,000 (1995 - £156,000) which is recoverable after one year.

Included in prepayments for the company is £2,877,904 (1995 - £2,239,853) which is receivable after more than one year of which £1,939,729 (1995 - £Nil) is receivable after five years.

Included in amounts due from debenture holders is £82,775 (1995 - £152,950) which is receivable in more than one year.

Included within other debtors is an amount of £150,000 which has been paid into an Escrow account to be used as security for building works being undertaken. This amount will be used to settle invoices raised after the period end.

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

12 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Bank loans and overdrafts	-	301,995	-	301,995
Trade creditors	949,317	789,729	94,085	106,262
Subscriptions in advance	2,104,678	1,421,191	-	-
Amounts owed to group undertakings	-	-	-	13,365
Other creditors	530,572	63,167	26,299	-
Corporation tax	-	2,551	-	-
Other taxes and social security	444,429	356,625	14,347	11,498
Accruals	567,991	541,492	151,983	24,268
Obligations under hire purchase and finance leases	57,735	82,139	11,670	15,664
Other loans (note 16)	15,000	15,000	-	-
Directors current account	6,659	-	-	-
Accrued other loan interest (note 16)	60,010	-	60,010	-
	<u>4,736,391</u>	<u>3,573,889</u>	<u>358,394</u>	<u>473,052</u>

13 CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Bank loans (note 15)	8,530,000	6,025,000	8,530,000	3,530,000
Loan stock (note 14)	4,317,727	4,418,408	4,105,364	4,050,000
Accrued loan stock interest (note 14)	116,783	347,319	-	234,181
Obligations under hire purchase and finance leases	27,074	34,242	4,980	12,214
Other loans (note 16)	3,577,223	127,500	3,464,723	-
Accrued other loan interest (note 16)	106,208	-	106,208	-
	<u>16,675,015</u>	<u>10,952,469</u>	<u>16,211,275</u>	<u>7,826,395</u>

Obligations under hire purchase and finance leases are due as follows:

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Within 1-2 years	25,521	30,781	4,980	12,214
Within 2-5 years	1,553	3,461	-	-
	<u>27,074</u>	<u>34,242</u>	<u>4,980</u>	<u>12,214</u>

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

14 LOAN STOCK

The loan stock comprises the following:

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Secured subordinated loan stock 1999	212,363	4,280,000	-	4,050,000
Secured subordinated loan stock 2003	-	138,408	-	-
Secured subordinated loan stock 2007	4,105,364	-	4,105,364	-
	<u>4,317,727</u>	<u>4,418,408</u>	<u>4,105,364</u>	<u>4,050,000</u>

Certain existing secured subordinated loan stock 1999/2003 was cancelled on 30 May 1996 and new secured 2007 subordinated loan stock created.

The secured subordinated loan stock 1999/2007 is repayable on the earlier of the repayment date or any date the companies may elect. The loan stock is secured by way of a fixed and floating charge over the particular company's assets. Interest is charged at 2% above the banks base rate. The loan stock and interest are subordinated to the bank borrowings.

The loan stock and loan stock interest are due as follows:

	Loan Stock			
	1996 £	Group 1995 £	1996 £	Company 1995 £
Within 2-5 years	212,363	4,280,000	-	4,050,000
After 5 years	4,105,364	138,408	4,105,364	-
	<u>4,317,727</u>	<u>4,418,408</u>	<u>4,105,364</u>	<u>4,050,000</u>

	Loan Stock interest			
	1996 £	Group 1995 £	1996 £	Company 1995 £
Within 2-5 years	105,798	329,348	-	234,181
After 5 years	10,985	17,971	-	-
	<u>116,783</u>	<u>347,319</u>	<u>-</u>	<u>234,181</u>

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

15 BANK LOANS

On 16 September 1991, as amended by an Amendment and Restatement Agreement dated 30 May 1996, and a Facility Agreement dated 30 May 1996, the company entered into an agreement with Coutts & Co under which Coutts & Co agreed to lend the company up to £10,000,000. As security for the loans the company granted Coutts & Co a mortgage debenture over all the company's assets, incorporating a specific charge over book debts.

The bank also holds a Deed of Subordination dated 30 May 1996 between Coutts & Co, RIT Capital Partners Plc, R N Singer and R Drysdale whereby the claims in respect of the convertible redeemable non-cumulative preference shares and secured subordinated loan stock held by those parties are subordinated to the claims of Coutts & Co.

At 29 December 1996 advances totalling £8,530,000 had been made which are repayable in 36 equal quarterly instalments commencing 31 December 1998. The previous loans of £6,025,000 were due for repayment commencing on 31 March 1997. Interest is payable at 2% over banks base rate. The parent company had advanced £8,530,000 to the subsidiaries on the same terms as at 29 December 1996.

The bank loans are due as follows:

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
In less than 1 year	-	-	-	-
Due 1-2 years	236,944	502,083	236,944	294,166
Due in 2-5 years	2,843,332	2,008,333	2,843,332	1,176,666
After 5 years	5,449,724	3,514,584	5,449,724	2,059,168
	<u>8,530,000</u>	<u>6,025,000</u>	<u>8,530,000</u>	<u>3,530,000</u>

The loans to the company are also secured by a composite guarantee with all of the subsidiary companies with the exception of Invicta St James Limited. Since the period end, this guarantee has been amended such that Mentmore Golf and Country Club Plc only guarantees the bank borrowings in respect of Invicta Leisure Limited, Stonevine Limited and Chelsfield Lakes Golf Centre Limited which at 29 December 1996 had borrowings amounting to £2,900,000.

Since the period end, the company has received further advances from Coutts & Co amounting to £2,305,000.

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

16 OTHER LOANS

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Loans	3,927,500	142,500	3,800,000	-
Less: costs directly attributed to the issue of the loan	(353,195)	-	(353,195)	-
Add: amortisation of costs	17,918	-	17,918	-
Less: amounts falling due within one year	(15,000)	(15,000)	-	-
	<u>3,577,223</u>	<u>127,500</u>	<u>3,464,723</u>	<u>-</u>

The loans comprise of the following:

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Electra Fleming Limited	3,800,000	-	3,800,000	-
Lawn Tennis Association	127,500	142,500	-	-
	<u>3,927,500</u>	<u>142,500</u>	<u>3,800,000</u>	<u>-</u>

The Electra Fleming Limited loan is repayable on 30 September 2004 and carries interest at 13% per annum. Of this interest charge, 8% per annum is capitalised and is to be repaid on the maturity of the facility.

The loan is secured by a mortgage debenture over the assets of all of the group companies except for Invicta St James Limited. The security is governed by an inter-creditor agreement between Invicta Leisure Limited, Coutts & Co and Electra Fleming Limited which subordinates the Electra Fleming Limited debt to that of Coutts & Co. The mortgage debenture over the assets of Mentmore Golf and Country Club Plc was released after the period end.

The Lawn Tennis Association loan carries interest at 6% per annum and is secured by a fixed charge over the leasehold land and buildings of Invicta Leisure (Tennis) Limited which has priority over the debts due to Coutts & Co and Electra Fleming Limited.

Since the period end the company has received further advances from Electra Fleming Limited amounting to £2,500,000.

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

16 OTHER LOANS (Continued)

The loans are due for repayment as follows:

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Within 1 year	15,000	15,000	-	-
In 1-2 years	15,000	15,000	-	-
In 2-5 years	45,000	45,000	-	-
After 5 years	3,852,500	67,500	3,800,000	-
	<u>3,927,500</u>	<u>142,500</u>	<u>3,800,000</u>	<u>-</u>
Less: issue costs attributed to future periods				
Within 1 year	(35,320)	-	(35,320)	-
In 1-2 years	(35,320)	-	(35,320)	-
In 2-5 years	(105,960)	-	(105,960)	-
After 5 years	(158,677)	-	(158,677)	-
	<u>3,592,223</u>	<u>142,500</u>	<u>3,464,723</u>	<u>-</u>

The accrued interest on other loans is due as follows:

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Within 1 year	60,010	-	60,010	-
After 5 years	100,208	-	100,208	-
	<u>166,218</u>	<u>-</u>	<u>166,218</u>	<u>-</u>

17 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation:

Group

There were no amounts of provided or unprovided deferred taxation at either 29 December 1996 or 24 December 1995.

Company

The amounts of unprovided deferred taxation at 29 December 1996 and 24 December 1995 were as follows:

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

17 PROVISIONS FOR LIABILITIES AND CHARGES (Continued)

	1996 £	Unprovided 1995 £
Accelerated capital allowances	(8,123)	(4,263)
Other short term timing differences	597,095	669,913
	<hr/>	<hr/>
Unutilised tax losses	588,972 (509,930)	665,650 (568,205)
	<hr/>	<hr/>
	79,042	97,445
	<hr/> <hr/>	<hr/> <hr/>

There were no amounts of provided deferred taxation at either 29 December 1996 or 24 December 1995.

18 CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised:		
Ordinary shares of £1 each	500,000	200,000
Convertible Redeemable Non Cumulative Preference shares of £1 each	10,000,000	10,000,000
Golden share of £1	1	-
Ordinary "A" shares of £0.10 each	35,000	-
	<hr/>	<hr/>
	10,535,001	10,200,000
	<hr/> <hr/>	<hr/> <hr/>
	1996 £	1995 £
Allotted and fully paid:		
Ordinary shares of £1 each	206,667	200,000
Convertible Redeemable Non Cumulative Preference shares of £1 each	7,730,000	7,730,000
Golden Share of £1	1	-
	<hr/>	<hr/>
	7,936,668	7,930,000
	<hr/> <hr/>	<hr/> <hr/>

6,667 ordinary £1 shares were issued during the period in exchange for 3,333 ordinary shares of £1 in Invicta Leisure (Tennis) Limited.

A Golden Share of £1 was issued as part of the refinancing of the group undertaken during the period.

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

18 CALLED UP SHARE CAPITAL (continued)

The rights attaching to the various shares are as follows:

The Convertible Redeemable Non Cumulative Preference shares

- i May be redeemed at par or converted into ordinary shares in the event of the earlier of sale, a listing or 30 September 1997. Further details of the redemption rights are contained within the company's Articles of Association.
- ii Carry the right to receive a dividend of 0.001p per share.
- iii Carry the right to attend general meetings of the company but do not carry voting rights except in a winding up or where the company is in breach of its Articles of Association.

The Golden Share

- i Does not carry an entitlement to vote.
- ii Does not carry a right to dividends.
- iii Entitles the holder to nominate a representative to attend all meetings of the board.
- iv Shall be converted into 1 "A" ordinary share in the event of a sale, listing or transfer.
- v Ranks pari passu with ordinary shares in all other respects.

Ordinary "A" Shares

- i Ordinary "A" shares shall rank pari passu with ordinary shares in all respects.

19 SHARE OPTION AND WARRANT

Option

An option has been granted to K McCollum to subscribe for up to 28,000 ordinary £1 shares in the company at par of £1 per share.

The option is exercisable at any time during the period commencing 30 May 1996 and the date of completion of the earlier of the sale or listing of the company.

Warrant

A share warrant has been issued to Electra Fleming Limited conferring a right to subscribe in cash for Ordinary "A" shares. No consideration was due on the issue of the warrant. Such rights are exercisable at any time after 31 March 2001, or in the event of the sale or listing of the company.

The number of Ordinary "A" shares subscribed for is dependent upon a formulae as defined in the Warranty Agreement dated 30 May 1996 and is based on the value of the equity shares in the company, the amounts drawn down under the Electra Fleming Limited Loan Agreement and the date the warrant is exercised.

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

GROUP	1996 £	1995 £
Opening shareholders funds	2,953,326	(277,197)
Issue of shares	6,668	
Loss for the period	(566,059)	(1,269,477)
Exchange of loan stock for preference shares	-	4,500,000
Goodwill arising on purchase of minority interests in subsidiaries	(61,669)	-
	<hr/>	<hr/>
Closing shareholders funds	2,332,266	2,953,326
	<hr/> <hr/>	<hr/> <hr/>
COMPANY	1996 £	1995 £
Opening shareholders funds	7,451,120	3,077,997
Profit/(loss) for the period	250,180	(126,877)
Exchange of loan stock for preference shares	-	4,500,000
Issue of shares	6,668	-
	<hr/>	<hr/>
Closing shareholders funds	7,707,968	7,451,120
	<hr/> <hr/>	<hr/> <hr/>

INVICTA LEISURE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

21 MEMBERS DEBENTURES

The members debentures are unsecured, are not refundable, do not carry the right to receive interest and are transferrable. In compliance with FRS4 they have been stated net of costs directly related to their issue.

	1996 £	1995 £
Gross debentures committed	4,965,924	4,761,240
Less costs directly attributed to the issue of debentures	(610,956)	(579,974)
	<hr/>	<hr/>
	4,354,968	4,181,266
	<hr/> <hr/>	<hr/> <hr/>

52 new debentures were issued during the period.

22 RELATED PARTY TRANSACTIONS

Management services were provided during the period by Lansdown Sports Management under an agreement dated 2 April 1990. Directors S J Creed, M J Fallows and K F Weatherley are partners in this business. Fees charged to the company during the period total £179,780 (1995 - £154,350).

The company also engaged the management and secretarial services of Greytudor Limited, a company in which K B McCollum is a director. Fees charged in the period were £85,000 (1995 - £65,167). An amount of £8,323 due to Greytudor Limited is included within trade creditors at 29 December 1996.

The company also engaged the professional consultancy services of R Drysdale Associates, a business in which R Drysdale has an interest. Fees charged in the period were £29,685 (1995 - £18,000). A subsidiary company was charged a further £26,000 (1995 - £21,047) by this business during the period.

During the period the company acquired 3,333 ordinary shares and loan stock of £55,364 in Invicta Leisure (Tennis) Limited from R Drysdale in exchange for 6,667 ordinary shares and loan stock of £55,364 in the company. The company also acquired 5,000 ordinary shares and loan stock of £83,044 in Invicta Leisure (Tennis) Limited from M Appleton for £55,000 and £83,044 respectively.

INVICTA LEISURE LIMITED

NOTES TO THE ACCOUNTS

23 OPERATING LEASE COMMITMENTS

At 29 December 1996 the group had annual operating lease commitments due as follows:

Leases expiring in:	Other 1996 £	Land and buildings 1996 £	Other 1995 £	Land and buildings 1995 £
Within 1 year	740	-	760	-
Within 2-5 years	-	-	-	-
Over 5 years	-	192,576	-	176,000
	<u>740</u>	<u>192,576</u>	<u>760</u>	<u>176,000</u>

The group also has a commitment under a long lease and has prepaid the first five years of this rent. The prepayment amounted to £104,000 at 29 December 1996 (1995 - £156,000).