Registered number 2464159

Invicta Leisure Limited

Directors' report and financial statements

Year ended 31 December 2006

Contents

Directors' report

Directors

S P Charlton
G G Timms
J Dhody

The directors present their report together with the audited financial statements in respect of the year ended 31 December 2006

Principal Activity

The company's principal activity is that of a holding company

Esporta Group Limited, a holding company, and Esporta Health & Fitness Limited, a fellow subsidiary undertaking, may enter into contracts and agreements as agent for the Company and act as paying and receiving agent for the Company Where this applies, relevant accounting entries are made in the books of the Company

Business Review

The loss before taxation for the year was £4 3 million *(2005 £10 9 million)* as shown in the Profit and Loss Account on page 6 The directors do not recommend the payment of a dividend for the year *(2005 £ nil)*

On 22 February 2007 the ultimate parent undertaking, Esporta Group Limited was wholly acquired by Bell Leisure Investments No 1 (UK) Limited and Bell Leisure Investments No 2 (UK) Limited

Despite the administration of these companies as disclosed in note 16, great care has been taken to ensure business continues as usual and to insulate the operating businesses within the Esporta group to ensure minimum impact on the trading entities and to ensure that individual clubs continue to trade as normal

As a result, sufficient funding has been provided to meet all of the Esporta Group's operational commitments and to ensure that capital expenditure for the development and the improvement of clubs continues

The Directors' report for the company's ultimate parent undertaking at the year end, Esporta Group Limited, contains a fair review of the business of the Esporta Group including the company, and an indication of future developments as required by section 234ZZB of the Companies Act 1985, using key performance indicators and risk analysis

Share Capital

The authorised and issued share capital of the company was increased by £29 million on 3 February 2006

Indemnity

The Articles of Association provide for the company indemnifying all directors subject to the provisions of the Companies Act 1985 (as amended)

Directors' report *(continued)*

Directors

The directors shown at the head of this report are currently in office Changes to the directors since 1 January 2006 were as follows

Name	Appointed	Resigned
M E McGuigan	-	9 May 2006
N D Gillis	-	13 July 2007
M D Ball	-	13 August 2007
T P Moore	10 May 2006	4 April 2007
P J Guyer	3 January 2006	12 September 2007
H Sihra	22 February 2007	26 March 2008
D J Coupe	22 February 2007	26 March 2008
G G Timms	13 July 2007	-
S P Charlton	4 September 2007	-
T J Redburn	4 September 2007	1 November 2007
A J Hall	28 November 2007	30 April 2008
J Dhody	26 March 2008	-

There were no other directors during the year

Auditors

Ernst & Young LLP having been appointed as auditors and having confirmed their willingness to act, will continue as auditors to the company pursuant to Section 386 (2) of the Companies Act 1985

Annual General Meeting

Pursuant to the Elective Resolutions passed on 19 March 2004, the Company will not hold an Annual General Meeting unless this is requested by any member

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and

- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

By Order of the Board

R T V Tyson
Secretary

- 8 MAY 2008

Registered Office
Trinity Court
Molly Millars Lane
Wokingham
Berkshire RG41 2PY

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with the applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditors' report to the members of Invicta Leisure Limited

We have audited the financial statements of Invicta Leisure Limited for the year ended 31 December 2006, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 16 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern The financial statements have been prepared on a going concern basis, the validity of which depends upon the continued provision of adequate financial support to the company, through a parent undertaking Esporta Group Limited, by the administrators to the parent companies of Esporta Group Limited (and in turn by the parent companies' bankers, Societe Generale) As described in note 1, the directors have concluded that the likelihood of withdrawal of this financial support is remote However, the possibility of withdrawal of this financing gives rise to a material uncertainty over the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Ernst & Young LLP
Registered Auditor
London

Date 9 May 2008

Profit and loss account
for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Administrative expenses		-	233
Loss on disposal of fixed assets		(4)	(6,007)
Loss on ordinary activities before interest and taxation		(4)	(5,774)
Interest payable and similar charges	4	(3,307)	(5,160)
Loss attributable to subsidiary LLP		(976)	-
Loss on ordinary activities before taxation	2	(4,287)	(10,934)
Tax on loss on ordinary activities	5	(101)	1
Loss for the financial year	13	(4,388)	(10,933)

Statement of total recognised gains and losses
for the year ended 31 December 2006

	2006 £000	2005 £000
Loss for the financial year	(4,388)	(10,933)
Exchange loss on retranslation of foreign assets	-	(153)
Total gains and losses recognised for the year	(4,388)	(11,086)

Balance sheet
at 31 December 2006

	Note	2006		2005	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	6		-		4
Investments	7		40,367		36,329
			40,367		36,333
Current assets					
Debtors	8	62,232		31,276	
Cash		492		62	
		62,724		31,338	
Creditors: amounts falling due within one year	9	(54,995)		(49,347)	
Net current assets/(liabilities)			7,729		(18,009)
Total assets less current assets			48,096		18,324
Creditors amounts falling due after more than one year	10		(62,546)		(57,386)
Net liabilities			(14,450)		(39,062)
Capital and reserves					
Called up share capital	12		29,532		532
Share premium account	13		474		474
Profit and loss account	13		(44,456)		(40,068)
Shareholders' funds			(14,450)		(39,062)

These financial statements were approved by the board of directors on = 8 MAY 2008 and signed on its behalf by

J Dhody
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2006

	2006 £000	2005 £000
Loss for the financial year	**(4,388)**	(10,933)
Exchange loss on retranslation of foreign assets	**-**	(153)
Increase in share capital	**29,000**	-
Net (increase)/decrease in shareholders' deficit	**24,612**	(11,086)
Opening shareholders' deficit	**(39,062)**	(27,976)
Closing shareholders' deficit	**(14,450)**	(39,062)

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting convention and within the requirements of the Companies Act 1985

Going concern

These accounts have been prepared on a going concern basis as Esporta Group Limited, a parent undertaking of the company, has indicated its intention to provide the company with continuing financial support

The parent companies of Esporta Group Limited (Bell Leisure Investments No 1(UK) Limited and Bell Leisure Investments No 2(UK) Limited) are in administration Esporta Group Limited has confirmed that it has obtained the financial support of the administrators to these companies which has, in turn, been provided by their bankers, Societe Generale The administrators have confirmed to Esporta Group Limited that it is their current intention that this financial support will continue until such time as the administrators vacate office or Esporta Group Limited is subject to sale or other material disposal The directors are of the opinion that, in the case of such an event, the group would be sold on a going concern basis with suitable financing being put in place

Should the intention of the administrators change such that this financial support is withdrawn, then the going concern basis of preparation of these financial statements may not be appropriate However having consulted with the administrators, the directors believe that the likelihood of the withdrawal of the financial support is remote

Exemption from preparation of consolidated financial statements

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements These financial statements therefore present information about the company as an individual company and not about its group

Cash flow statement

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement it is a wholly owned subsidiary undertaking of Esporta Group Limited, and is included within the publicly available consolidated financial statements of that company

Related party transactions

The directors have taken advantage of the exemption in FRS 8, Paragraph 3(c) and have not disclosed related party transactions with parent and fellow subsidiary undertakings

Investments

Investments held as fixed assets are stated at cost less impairment provision Such investments are subject to review, and any impairment is charged to the Profit and Loss Account

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses Such costs include costs directly attributable to making the asset capable of operating as intended

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less the estimated residual value, based on prices prevailing at the date of acquisition of each asset, evenly over the asset's expected useful life, as follows

Motor vehicles	-	3 to 4 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term Lease incentives are recognised over the shorter of the lease term and the date of the next rent review

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year Gains and losses arising on these translations are taken to reserves

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

2 Loss on ordinary activities before taxation

	2006	2005
	£000	£000
Loss on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off tangible fixed assets		
- assets held under leases	-	2
Loss on disposal of fixed assets	4	6,007

Auditors' remuneration was paid by a fellow subsidiary undertaking

3 Directors' remuneration

The directors received no remuneration from the company during the year (*2005 £nil*) but were remunerated by a fellow subsidiary undertaking, Esporta Health & Fitness Limited It is not possible to identify separately this remuneration in respect of services to the company

The company has no employees (*2005 Nil*)

Notes *(continued)*

4 Interest payable and similar charges

	2006 £000	2005 £000
Amounts payable to group undertakings	**3,307**	5 160

5 Taxation

Analysis of the current tax for the year

	2006 £000	2005 £000
Current tax		
Current tax charge	-	-
Deferred tax		
Reversal of timing differences	**55**	(1)
Adjustments in respect of prior years	**46**	-
Current tax on loss on ordinary activities	**101**	(1)

Factors affecting the current tax for the year

The current tax charge for the year is higher than the standard rate of corporation tax in the UK of 30% *(2005 30%)* The differences are explained below

	2006 £000	2005 £000
Current tax reconciliation		
Loss on ordinary activities before tax	**(4,287)**	(10 934)
Current tax at 30% *(2005 30%)*	**(1,286)**	(3 280)
Effects of		
Depreciation for the year in excess of capital allowances	**1**	1
Non-taxable profit on disposal of fixed assets	**1**	1 821
Group relief surrendered without payment	**1,284**	1 458
Total current tax charge	-	-

Future tax charges are expected to remain below the current rate of tax due to the existence of tax losses in the Esporta group and capital allowances in arrears of depreciation in the company

Notes *(continued)*

6 Tangible fixed assets

	Motor vehicles £000
Cost	
At 1 January 2006	31
Disposals	(31)
At 31 December 2006	-
Depreciation	
At 1 January 2006	27
Disposals	(27)
At 31 December 2006	-
Net book value	
At 31 December 2006	-
At 1 January 2006	4

7 Fixed asset investments

	Interest in Limited Liability Partnerships £000	Shares in group undertakings £000	Loan stock and loans to group undertakings £000	Total £000
Cost and net book value				
At 1 January 2006	-	11,565	24,764	36,329
Additions	38	4,000	-	4,038
At 31 December 2006	**38**	**15,565**	**24,764**	**40,367**

During the year the company acquired a 99% stake in the Limited Liability Partnership, Esporta PH No 1 LLP All of the above are unlisted investments

Notes *(continued)*

7 Fixed asset investments *(continued)*

The directly owned subsidiary undertakings as at 31 December 2006 are shown below

Name	Country of incorporation	Principal Activity	Percentage of ordinary Share capital held	Percentage of LLP ownership
Limited liability partnerships				
Esporta PH No1 LLP	England	Non-trading		99 9948%
Subsidiary undertakings				
Invicta Leisure (Brighton) Limited	England	Health and Racquets Club	100%	
Invicta Leisure (Manchester) Limited	England	Health and Racquets Club	100%	
Invicta Leisure (Sunderland) Limited	England	Health and Racquets Club	100%	
Invicta Leisure (Tennis) Limited	England	Health and Racquets Club	100%	
Humberston Country Club Limited	England	Health and Racquets Club	100%	
The Oxford Health & Racquets Club Limited	England	Health and Racquets Club	100%	
Esporta Health & Racquets Club Hamilton Limited	England	Health and Racquets Club	100%	
Esporta Health & Racquets Club Gloucester Limited	England	Health and Racquets Club	100%	
The Riverside Health & Racquets Club Northwood Limited	England	Health and Racquets Club	100%	
The Norfolk Health & Racquets Club Limited	England	Health and Racquets Club	100%	
Invicta Leisure (Plymouth) Limited	England	Health and Racquets Club	100%	
Invicta Leisure (Swansea) Limited	England	Health and Racquets Club	100%	
Invicta Leisure (Brentwood) Limited	England	Health and Racquets Club	100%	
Ocean Park Leisure Limited	England	Health and Racquets Club	100%	
Invicta Leisure (Overseas) Limited	England	Health and Racquets Club	100%	
Invicta (Club Indigo) Limited	England	Health and Racquets Club	100%	
Invicta Leisure (Sports) Limited	England	Non-trading	100%	
Invicta Leisure (Financial Services) Limited	England	Non-trading	100%	

8 Debtors

	2006 £000	2005 £000
Due within one year		
Amounts owed by group undertakings	**62,206**	31,147
Other debtors	**26**	28
Deferred tax (*note 11*)	**-**	101
	62,232	31,276

9 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Shares classified as liabilities (*note 12*)	**11,539**	11,539
Amounts owed to group undertakings	**42,480**	37,643
Amounts owed to subsidiary LLP	**976**	-
Accruals and deferred income	**-**	165
	54,995	49,347

10 Creditors: amounts falling due after more than one year

	2006 £000	2005 £000
Amounts payable to fellow subsidiary undertaking	**62,546**	57,386

Notes *(continued)*

11 Deferred taxation

	Deferred taxation £000
At 1 January 2006	101
Movement in the year (*note 5*)	(101)
At 31 December 2006 *(note 8)*	-

The elements of deferred taxation are as follows

	2006 £000	2005 £000
Difference between accumulated depreciation and amortisation and capital allowances	-	51
Other timing differences	-	50
Deferred tax asset	-	101

The company has an unrecognised deferred tax asset of £0 1m (*2005 £nil*) in respect of capital allowances No deferred tax asset has been recognised as there is currently insufficient evidence that any such asset would be recoverable

12 Called up share capital

	2006 £000	2005 £000
Authorised.		
29,800,000 (2005 800,000) Ordinary shares of £1 00 each	**29,800**	800
11,780,000 Convertible Redeemable Non Cumulative Preference shares of £1 00 each	**11,780**	11,780
350,000 Ordinary 'A' shares of £0 10 each	**35**	35
	41,615	12,615
Allotted, called up and fully paid		
29,502,617 (2005 502,617) Ordinary shares of £1 00 each	**29,502**	502
11,538,810 Convertible Redeemable Non Cumulative Preference shares of £1 00 each	**11,539**	11,539
299,344 Ordinary 'A' shares of £0 10 each	**30**	30
	41,071	12,071
Shares classified as liabilities (*note 9*)	**11,539**	11,539
Shares classified as shareholders' funds	**29,532**	532
	41,071	12,071

On 3 February 2006, the company increased the authorised share capital by the creation of an additional 29,000,000 ordinary shares of £1 each These were all issued for cash at par on the same date

The rights attaching to the various shares are as follows

Convertible Redeemable Non Cumulative Preference shares

(i) Redeemable at par on the earlier of a sale, a Stock Exchange listing, or 20 December 2007 or by the company at any time on giving at least seven days notice

(ii) A fixed non-cumulative preferential dividend of 0 001p per share, payable on 31 December each year No rights to any further participation in the profits or assets of the company

Notes *(continued)*

12 Called up share capital *(continued)*

(iii) Holders are entitled to receive notice of and attend general meetings of the company No voting rights except in a winding up or where the company is in breach of its Articles of Association

(iv) On a winding up the par value of each share and any outstanding amounts owing payable in priority to any other class of share

(v) Immediately prior to completion of a sale or a listing, a certain number of preference shares may be converted into ordinary shares

Ordinary 'A' shares

(i) Ordinary 'A' shares rank pari passu with Ordinary shares in all respects

13 Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2006	474	(40,068)
Loss for the financial year	-	(4,333)
At 31 December 2006	**474**	**(44,401)**

14 Contingent liabilities

On 7 February 2006 the immediate parent undertaking, Health and Fitness Holdings Limited completed a refinancing New facilities were arranged by Bank of Scotland totalling £311 6 million

At 31 December 2006, the company was party to a composite guarantee with other group companies with regard to outstanding borrowings from Bank of Scotland, the owners of the loan being Health and Fitness Holdings Limited and Esporta PH LLP At 31 December 2006, total indebtedness under the term debt facility was £240 6 million *(2005 £109 5 million)* and £7 3million of the capital expenditure facility was drawn There were no drawings under the revolving credit facility at the year end

15 Ultimate parent undertaking

The company's immediate parent undertaking is Health and Fitness Holdings Limited, registered in England

At 31 December 2006, the company's ultimate parent undertaking was Esporta Group Limited, registered in England The only consolidated Financial Statements including the results of the company are those of Esporta Group Limited These Financial Statements may be obtained from Trinity Court, Molly Millars Lane, Wokingham, Berkshire RG41 2PY With effect from 22 February 2007 the ultimate parent undertaking became Bell Leisure Group Limited, incorporated in Jersey

16 Post balance sheet events

On 22 February 2007 Bell Leisure Group Limited acquired the company's then ultimate parent undertaking, Esporta Group Limited, through intermediate holding companies Bell Leisure Investments No 1 (UK) Limited and Bell Leisure Investments No 2 (UK) Limited On 13 August 2007 Martin Ellis, Andrew Hosking and Mark Byers, partners in Grant Thornton UK LLP, were appointed joint administrators of Bell Leisure Investments No 1 (UK) Limited and Bell Leisure Investments No 2 (UK) Limited The administrators' strategy is to facilitate a financial restructuring of the capital structure of these companies or an appropriate sale Esporta Group Limited is not in administration