Northwood Developments Limited

Directors' report and financial statements

Registered number 2832351

Year ended 31 December 2000

Contents

Directors report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the company is the operation of tennis and leisure club facilities.

Business review

The directors are satisfied with the results for the period.

Proposed dividend and transfer to reserves

The profit after taxation attributable to the shareholder is £2,471,200 (*14 months ended 31 December 1999: £1,631,000)* and has been transferred to reserves.

The directors do not recommend the payment of a dividend *(14 months ended 31 December 1999: £nil).*

Directors and directors' interests

The directors who held office during the period were as follows:

Mr CG Coles (resigned 21 October 2001)
Mr P Henchoz (resigned 31 December 2000)
Miss V Penrice (appointed 17 May 2000)
Mr M Beadle (appointed 17 May 2000 and resigned 20 July 2001)
Mr D Waddell (appointed 1 November 200)
Mr M Ball (appointed 23 July 2001)

None of the directors who held office at the end of the financial period had any disclosable interest in the share capital of the company.

The interests of Mr CG Coles, Mr M Beadle and Mr D Waddell in the share capital of the company's ultimate parent undertaking, Esporta plc, at 31 December 2000, are disclosed in the financial statements of that company.

The interests of Ms V Penrice, who was not a director of the company's ultimate parent undertaking, Esporta plc, in the ordinary share capital of that company at 31 December 2000 were as follows:

	At end of period Number		**At appointment Number**	
	Shares	Options	Shares	Options
Ms V Penrice	3,030	31,571	-	31,571

The market price of the shares of Esporta plc at 31 December 2000 was 98p and the range during the period since 1 February 2000 was 93p to 130p.

Directors' report

Employment policies

It is Company policy to involve employees in the business and to ensure that matters of concern to them, including the Esporta Group's aims and financial performance, are communicated in an open and regular way. This is achieved through the use of focus groups, management briefings, newsletters and other less formal communications.

The Esporta Group has a comprehensive annual training and development plan which accords with its policy of developing talent. The promotion of equal opportunities for all colleagues, including disabled persons, is regarded as an important Group priority. Applications for employment from, and promotion of, disabled persons are treated on the same basis as those from other applicants having regard to ability, requirements of the job and experience. In the event of a colleague becoming disabled, the company uses its best endeavours to ensure continuity of employment.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Mr M Ball
Director

Trinity Court
Molly Millars Lane
Wokingham

29 October 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

KPMG

Arlington Business Park
Theale
Berkshire
RG7 4SD

Report of the auditors to the members of Northwood Developments Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditor

As described on page 3 the company's directors are responsible for the preparation of the directors report and financial statements. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you as to whether, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the explanations and information we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 October 2001

Profit and loss account

for the year ended 31 December 2000

		Note	Year ended 31 December 2000 £000	14 months ended 31 December 1999 £000
Turnover			**5,667**	5,908
Cost of sales	- normal		**(1,817)**	(1,891)
	- exceptional	2	**-**	(450)
Gross profit			**3,850**	3,567
Administrative expenses			**(1,379)**	(1,936)
Operating profit			**2,471**	1,631
Interest receivable		5	**-**	-
Profit on ordinary activities before taxation		2	**2,471**	1,631
Tax on profit on ordinary activities		6	**-**	-
Retained profit for the financial period		14	**2,471**	1,631

All amounts relate to continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 2000

	Year ended 31 December 2000 £000	14 months ended 31 December 1999 £000
Retained profit for the financial period	**2,471**	1,631
Total recognised gains and losses relating to the financial period	**2,471**	1,631
Prior year adjustment (note 1)	**-**	(865)
Total recognised gains since last annual report	**2,471**	766

Balance sheet
at 31 December 2000

	Note	31 December 2000		31 December 1999	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	7		10,336		10,765
Current assets					
Stocks	8	24		27	
Debtors	9	47		459	
Cash at bank and in hand		2,389		1,799	
		2,460		2,285	
Creditors: amounts falling due within one year	10	(8,920)		(11,493)	
Net current liabilities			(6,460)		(9,208)
Total assets less current liabilities			3,876		1,557
Creditors: amounts falling due after more than one year	11		(1,500)		(1,652)
Net liabilities			2,376		(95)
Capital and reserves					
Called up share capital	13		1		1
Profit and loss account	15		2,375		(96)
Equity shareholders' funds	14		2,376		(95)

These financial statements were approved by the board of directors on 29 October 2001 and were signed on its behalf by:

M Ball
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Except as noted below, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Change in accounting policy

Prior to 1 November 1998 joining fees for life and full memberships were recognised as follows: 20% was recognised as income in the first year of membership and the remaining 80% was released to the profit and loss account over the following four years.

From 1 November 1998 joining fees for such memberships have been recognised evenly over a period of thirty years. The effect of this change in accounting policy, which was shown as a prior year adjustment in 1999, was to decrease operating profit for the 14 months ended 31 December 1999 by £376,000 and to reduce shareholders' funds at that date by £865,000

Basis of preparation

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

The company's ultimate holding company, Esporta plc, has informed the company that it is its present intention to provide the necessary support to enable the company to meet its liabilities as they fall due.

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as at 31 December 2000 it was a wholly owned subsidiary undertaking of Esporta PLC, and its cash flows are included within the consolidated cash flow statement 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.

Operating results

The operating results include transactions at operating units up to and including the Sunday nearest to 31 December of each year. All other transactions are included up to 31 December.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. All turnover arises in the United Kingdom.

Cost of sales and overheads

Cost of sales includes all costs directly related to sales and all costs controllable by unit management. Overheads include all other costs.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets in equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	15 to 50 years
Fixtures, fittings and equipment	-	3 to 10 years
Base stocks	-	3 years

Interest incurred on finance provided for significant fixed asset developments and refurbishments is included as part of the cost of the asset concerned until the work is complete, to the extent that this does not overstate its recoverable amount.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Pension costs

The company participates in a defined benefit pension scheme operated by Esporta PLC. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives.

Actuarial valuations on an on-going basis are prepared every three years and contributions are made in accordance with the recommendation of a professionally qualified actuary using the projected unit method.

Leases

Leases which entail the company taking substantially all the risks and rewards of ownership of an asset are treated as finance leases. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Membership and joining fee income

Fees for life and full membership are recognised on a straight line basis over 30 years.

Other membership fees at the club are recognised in full in the year of enrolment except where fees have been paid annually in advance. In such an event, the income is recognised over the period to which it relates and the unexpired element is held within deferred income at the period end.

2 Profit on ordinary activities before taxation

	Year ended 31 December 2000	14 months ended 31 December 1999
		£000
Profit on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off owned assets	**619**	615

Auditors' remuneration is paid by the company's fellow subsidiary undertaking, Esporta Health and Fitness Limited.

Exceptional cost of sales in the 14 months ending 31 December 1999 of £450,000 reflected the non recurring cost of re-purchasing resaleable memberships from club members following a change in the terms of club memberships.

3 Remuneration of directors

The directors received no remuneration from the company during the year (14 months ended 31 December 1999: £nil) but were remunerated by the company's ultimate parent undertaking, Esporta plc.

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	Year ended 31 December 2000	14 months ended 31 December 1999
Operations	77	80
Administrative	8	9
	85	89

The above figures include 22 part-time employees *(14 months ended 31 December 1999: 28)*.

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2000 £000	14 months ended 31 December 1999 £000
Wages and salaries	1,393	1,438
Social security costs	167	100
	1,560	1,538

5 Interest receivable

	Year ended 31 December 2000 £000	14 months ended 31 December 1999 £000
Interest on Group loans	-	-

6 Taxation

	Year ended 31 December 2000	14 months ended 31 December 1999 £000
Corporation tax	-	-

There is no corporation tax charge for the period *(14 months ended 31 December 1999: nil)* due to the availability of corporation tax losses surrendered by other group companies.

Notes *(continued)*

7 Tangible fixed assets

	Freehold land and buildings £000	Fixtures, Fittings and Equipment £000	Total £000
Cost			
At 31 December 1999	8,008	4,547	12,555
Additions	2	188	190
At 31 December 2000	8,010	4,735	12,745
Depreciation			
At 31 December 1999	228	1,562	1,790
Charge for the period	151	468	619
At 31 December 2000	379	2,030	2,409
Net book value			
At 31 December 2000	**7,631**	**2,705**	**10,336**
At 31 December 1999	7,780	2,985	10,765

Included within land and buildings is land, which is not depreciated, of £6,188,000 *(31 December 1999: £6,188,000).*

Freehold land and buildings are stated at historical cost. However it is the company's policy to periodically reviewing the carrying value of the property.

The company's freehold and long leasehold land and buildings were last valued on 30 May 1997 by Conrad Ritblat, Chartered Surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. The basis of valuation adopted was their open market value for existing use as a fully equipped and operational business entity, having regard to any trading potential and subsisting tenancies.

The valuation of the property showed an increase of £1,291,000 *(31 December 1999: £1,289,000)* relative to original cost and an overall valuation surplus relative to the current book value of £1,323,000 *(31 December 1999: £1,472,000).*

8 Stocks

	2000 £000	1999 £000
Goods for resale	**24**	27

Notes *(continued)*

9 Debtors

	2000	1999
	£000	£000
Trade debtors	**-**	390
Other debtors	**2**	-
Prepayments and accrued income	**45**	69
	47	459

10 Creditors: amounts falling due within one year

	2000	1999
	£000	£000
Trade creditors	**17**	141
Amounts due to parent and fellow subsidiary undertakings	**4,399**	9,506
Other taxation and social security	**405**	-
Other creditors	**28**	434
Accruals and deferred income	**4,071**	1,412
	8,920	11,493

11 Creditors: amounts falling due after more than one year

	2000	1999
	£000	£000
Deferred income	**1,500**	1,652
Total creditors	**10,420**	13,145

12 Deferred tax

As a result of the projected high level of expenditure on additions to fixed assets which attract capital allowances, the timing differences between depreciation and taxation allowances are not expected to reverse in the foreseeable future. Consequently no provision for deferred taxation is required.

Deferred tax unprovided relating to accelerated capital allowances amounts to £1,463,549 *(31 December 1999: £1,282,000).*

Notes *(continued)*

13 Called up share capital

	2000 £000	1999 £000
Authorised		
1,000 ordinary shares of £1 each	1	1
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1	1

14 Reconciliation of movements in equity shareholders' funds

	2000 £000	1999 £000
Profit for the financial year	2,471	1,631
Revaluation reserve	4,298	-
Opening shareholders' funds	(95)	(1,726)
Closing shareholders' funds	6,674	(95)

15 Reserves

	Profit and loss account £000
At 31 December 1999	(96)
Retained profit for the financial year	2,471
At 31 December 2000	2,375

16 Pension scheme

Following the reconstruction of First Leisure Corporation plc, the Group established a defined benefit pension scheme for executive directors and permanent employees who meet certain age criteria, to which employees' entitlements and benefits under the First Leisure Corporation plc pension scheme at 31 January 2000 were transferred.

During the year ended 31 December 2000, employees and executive directors of a certain age criteria were entitled to participate in a defined benefit scheme. The assets of this scheme are held separately from those of Esporta plc.

As this scheme was only established during the year, no actuarial valuation has taken place. An actuarial valuation is currently being prepared and will be reported on next year.

Notes *(continued)*

17 Ultimate parent undertaking

The company is a subsidiary undertaking of Riverside Limited, a company registered in England and Wales.

Prior to 31 January 2000 the ultimate parent undertaking of the company was First Leisure Corporation PLC which is registered in England and Wales. The largest and smallest group in which the results of the company are consolidated was that headed by First Leisure Corporation PLC.

On 31 January 2000, as part of the reconstruction of First Leisure Corporation PLC, the ownership of the entire share capital of Riverside Limited was transferred from First Leisure Corporation PLC to Esporta plc, a company registered in England and Wales. The consolidated accounts of Esporta plc are available to the public and may be obtained from:

Trinity Court
Molly Millars Lane
Wokingham
Berkshire RG41 2PY