

ZONESPAN LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2000



Company No. 2855397 (England and Wales)

ZONESPAN LIMITED

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ZONESPAN LIMITED  
COMPANY INFORMATION

DIRECTORS:

J D Dell  
W P Morris  
J A Watts

SECRETARY:

J D Dell

REGISTERED OFFICE:

Hills Lane  
Biggleswade  
Bedfordshire  
SG18 9AY

REGISTERED NUMBER:

2855397

AUDITORS:

Richard Perren FCA  
Wickham House  
Station Road  
Braughing  
Herts SG11 2PB  
Registered Auditor

ZONESPAN LIMITED  
REPORT OF THE DIRECTORS

The directors present their report with the financial statements of the company for the year ended 31 December 2000.

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 of the company 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company continued to be that of the franchised retailing of golfing equipment and the operation of golf courses and driving ranges.

The company has continued to expand its operations which has had a significant effect on the turnover and profitability of the company for the year under review.

DIVIDENDS

The Directors recommended a final dividend of £100,000 which was paid on 31st December 2000.

ZONESPAN LIMITED  
REPORT OF THE DIRECTORS

DIRECTORS AND DIRECTORS INTERESTS

The directors at 31 December 2000 and their interests in the shares of the company were as follows:-

<u>Name</u>	<u>Class of Capital</u>	<u>31.12.00</u>	<u>31.12.99</u>
J D Dell	£1 Ordinary shares	nil	nil
W P Morris	£1 Ordinary shares	nil	nil
J A Watts	£1 Ordinary shares	200	200
		=====	=====

The interests of the directors at 31 December 2000 in the shares of other group companies were as follows:

<u>Name</u>	<u>Company</u>	<u>31.12.00</u>	<u>31.12.99</u>
W P Morris	South West Golf Limited	400	400
J D Dell	South West Golf Limited	600	600
		=====	=====

AUDITORS

The auditor Richard Perren, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the board on 28th June 2001 and signed on its behalf.



J A Watts  
Chairman

Registered Office  
Hills Lane  
Biggleswade  
Bedfordshire  
SG18 9AY

ZONESPAN LIMITED  
INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF  
ZONESPAN LIMITED

We have audited the financial statements of Zonespan Limited for the year ended 31st December 2000, which comprise the primary financial statements and related notes set out on pages 5 to 15. These financial statements have been prepared under the historic cost convention and the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Auditing Standards

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Accounting Standards.

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 if 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 information and explanations we require for our audit, or if information specified by law regarding directors remuneration and transactions with the company 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 OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statement. 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 provisions of the Companies Act 1985.

Richard Perren FCA  
Wickham House  
Station Road  
Braughing  
Herts SG11 2PB  
Chartered Accountant &  
Registered Auditor



Date: 28th June 2001.

ZONESPAN LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2000

	<u>Notes</u>	<u>2000</u> £	<u>1999</u> £
<u>TURNOVER</u>	2	4,991,609	4,144,276
Cost of sales		3,371,639	2,723,136
		-----	-----
<u>GROSS PROFIT</u>		1,619,970	1,421,140
Administrative expenses		1,260,718	1,183,185
		-----	-----
<u>OPERATING PROFIT</u>	3	359,252	237,955
Interest receivable	4	7,221	1,803
		-----	-----
		366,473	239,758
Interest payable	5	35,514	39,920
		-----	-----
<u>PROFIT ON ORDINARY</u> <u>ACTIVITIES BEFORE TAX</u>		330,959	199,838
Taxation on ordinary activities	8	99,500	42,949
		-----	-----
<u>PROFIT FOR THE YEAR</u>		231,459	156,889
Dividend	9	100,000	100,000
		-----	-----
		131,459	56,889
Retained profit brought forward		371,339	314,450
<u>RETAINED PROFIT</u> <u>CARRIED FORWARD</u>		----- £502,798 =====	----- £371,339 =====

The accompanying notes form part of these financial statements

**ZONESPAN LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2000**

	Notes	<u>2000</u>	<u>1999</u>
		£	£
<b><u>FIXED ASSETS</u></b>			
Intangible assets	10	15,167	13,616
Tangible assets	11	970,697	1,013,382
Investments	12	1,050	1,050
		-----	-----
		986,914	1,028,048
<b><u>CURRENT ASSETS</u></b>			
Stocks		546,033	591,127
Debtors	13	77,172	53,988
Cash at bank and in hand		286,010	128,299
		-----	-----
		909,215	773,414
<b><u>CREDITORS: AMOUNTS FALLING</u></b>			
<b><u>DUE WITHIN ONE YEAR</u></b>	14	1,089,150	956,270
		-----	-----
<b><u>NET CURRENT ASSETS</u></b>		-179,935	-182,856
<b><u>TOTAL ASSETS LESS CURRENT</u></b>			
<b><u>LIABILITIES</u></b>		-----	-----
		806,979	845,192
<b><u>CREDITORS: AMOUNTS FALLING</u></b>			
<b><u>DUE AFTER ONE YEAR</u></b>	15	303,181	472,853
		-----	-----
<b><u>TOTAL ASSETS</u></b>		£503,798	£372,339
		=====	=====
<b><u>CAPITAL AND RESERVES</u></b>			
Share capital	16	1,000	1,000
Profit and loss account		502,798	371,339
		-----	-----
<b><u>EQUITY SHAREHOLDERS FUNDS</u></b>		£503,798	£372,339
		=====	=====

The financial statements were approved by the board of directors on 28th June 2001 and signed on its behalf by:

DIRECTOR.....  


DIRECTOR.....  


The accompanying notes form part of these financial statements



**ZONESPAN LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2000**

	<u>Notes</u>	<u>31.12.00</u> £	<u>31.12.99</u> £
<b><u>OPERATING PROFIT</u></b>		359,252	237,955
Amortisation of intangible fixed assets	3	3,450	1,717
Depreciation of tangible fixed assets	3	134,315	119,209
Decrease in stocks		45,094	-224,402
Increase in debtors		-23,184	75,129
Decrease in creditors		-38,565	249,050
<b><u>NET CASH INFLOW FROM OPERATIONS</u></b>		480,362	458,658
		=====	=====

**CASH FLOW STATEMENT**

Net cash inflow from operations		480,362	458,658
Returns on investment and servicing of financing	23	-28,293	-38,117
Taxation		-43,000	-30,949
Capital expenditure	23	-96,631	-213,419
		-----	-----
		312,438	176,173
Equity dividends paid	9	-100,000	-100,000
Financing	23	-54,727	-51,749
		-----	-----
Increase in cash		157,711	24,424
		=====	=====

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

Increase in cash in the period	24	157,711	24,424
Cash paid in repaying loans	24	54,727	51,749
		-----	-----
Change in net debt		212,438	76,173
Net debt as at 31st December 1999	24	399,281	475,454
		-----	-----
Net debt as at 31st December 2000	24	-186,843	-399,281
		=====	=====

ZONESPAN LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2000

**1 ACCOUNTING POLICIES**

**a Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

**b Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

**c Tangible Fixed Assets**

Tangible Fixed Assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Fixtures and fittings	-25% on cost
Plant and Machinery	-25% on cost

**d Intangible Fixed Assets**

Amortisation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Franchise Licence	-10% on cost
-------------------	--------------

**e Operating Leases**

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

**f Stock**

Stock is valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**g Group Accounts**

The company has taken advantage of the exemptions conferred by S.248 and S.249 of the Companies Act 1985 not to prepare Consolidated Financial Statements as the company and its subsidiaries have met the criteria for a medium group specified in those sections.

**ZONESPAN LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

**2 TURNOVER**

In the year to 31 December 2000 all of the company's turnover was to the UK market.

**3 OPERATING PROFIT**

	<u>2000</u>	<u>1999</u>
	£	£
The operating profit is stated after charging:		
Depreciation of tangible fixed assets		
- owned by the Company	134,315	119,209
- held under finance leases	-	-
Amortisation	3,450	1,717
Auditors remuneration	7,473	6,857
Operating lease rentals		
-hire of plant and machinery	6,759	9,277
-other	45,804	45,804
Directors remuneration and pension	75,492	80,404
	=====	=====

**4 INTEREST RECEIVABLE**

	<u>2000</u>	<u>1999</u>
	£	£
Bank interest	7,221	1,803
	=====	=====

**5 INTEREST PAYABLE**

	<u>2000</u>	<u>1999</u>
	£	£
Loan interest	35,514	39,920
	=====	=====

**6 STAFF COSTS**

Staff costs, including directors remuneration, were as follows:

	<u>2000</u>	<u>1999</u>
	£	£
Wages and salaries	665,039	579,047
Other pension costs	3,065	11,068
	-----	-----
	668,104	590,115
	=====	=====

The average monthly number of employees, including directors, during the year was as follows:

	<u>2000</u>	<u>1999</u>
	No.	No.
Office and administration	5	5
Sales	72	74
	===	===

ZONESPAN LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2000

<b>7</b>	<b><u>DIRECTORS REMUNERATION</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>
		£	£
	Emoluments	75,492	70,404
	Pension contributions	10,000	10,000
		-----	-----
		85,492	80,404
		=====	=====
<b>8</b>	<b><u>TAXATION</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>
		£	£
	Corporation Tax at 30.25%	99,500	43,000
	Overprovision previous year	-	-51
		-----	-----
		99,500	42,949
		=====	=====
<b>9</b>	<b><u>DIVIDEND</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>
		£	£
	Dividend paid 31.12.00 (£100.00 per share)	100,000	100,000
		=====	=====

**ZONESPAN LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

**10 INTANGIBLE FIXED ASSETS**

	<u>Franchise Licence</u>	<u>Goodwill</u>
<b>COST</b>	£	£
Cost as at 1 January 2000	25,000	1
Additions	5,000	-
	-----	-----
Cost as at 31 December 2000	30,000	1
	=====	=====
 <b>AMORTISATION</b>		
Amortisation as 1 January 2000	11,384	-
Charge for the period	3,449	-
	-----	-----
Amortisation as at 31 December 2000	14,833	-
	=====	=====
 <b>NET BOOK VALUES</b>		
As at 31 December 2000	£15,167	£1
	=====	=====
As at 31 December 1999	£13,616	£1
	=====	=====

**11 TANGIBLE FIXED ASSETS**

	<u>Freehold Property</u>	<u>Fixtures &amp; Fittings</u>	<u>Plant &amp; Machinery</u>	<u>Total</u>
<b>COST:</b>	£	£	£	£
As at 1 January 2000	676,300	606,835	53,866	1,337,001
Additions	-	82,887	8,741	91,628
	-----	-----	-----	-----
As at 31 December 2000	676,300	689,722	62,607	1,428,629
	=====	=====	=====	=====
 <b>DEPRECIATION:</b>				
As at 1 January 2000	-	307,301	16,318	323,619
Charge for the period	-	122,163	12,150	134,313
	-----	-----	-----	-----
As at 31 December 2000	-	429,464	28,468	457,932
	=====	=====	=====	=====
 <b>NET BOOK VALUE:</b>				
As at 31 December 2000	£676,300	£260,258	£34,139	£970,697
	=====	=====	=====	=====
As at 31 December 1999	£676,300	£299,534	£37,548	£1,013,382
	=====	=====	=====	=====

**ZONESPAN LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

12 <u>INVESTMENTS</u>	<u>2000</u>	<u>1999</u>
	£	£
Listed investments	1,050	1,050
(The market value of the investments was not less than the cost of £1,050 )	=====	=====

13 <u>DEBTORS</u>	<u>2000</u>	<u>1999</u>
	£	£
Trade debtors	37,772	19,100
Prepayments and accrued income	39,400	34,888
	-----	-----
	77,172	53,988
	=====	=====

14 <u>CREDITORS: AMOUNTS</u> <u>FALLING DUE WITHIN ONE YEAR</u>	<u>2000</u>	<u>1999</u>
	£	£
Trade creditors	522,196	459,206
Other taxation and social security	85,135	75,597
Corporation tax	99,500	43,000
Amount owed to group undertakings	80,000	160,000
Accruals and deferred income	132,647	163,740
Other creditors	169,672	54,727
	-----	-----
	1,089,150	956,270
	=====	=====

15 <u>CREDITORS: AMOUNTS FALLING</u> <u>DUE AFTER MORE THAN ONE YEAR</u>	<u>2000</u>	<u>1999</u>
	£	£
Other creditors:		
Falling due after more than one year:		
- repayable within 5 years	303,181	254,687
- repayable after 5 years	-	218,166
	-----	-----
	303,181	472,853
	=====	=====

This is secured by a first legal charge over the company's freehold property, a floating charge over certain assets of the company and personal guarantees of the directors dated 06/06/1998.

This sum is repayable in monthly instalments, of which £372,853 is interest bearing at 9%. Capital and interest are payable monthly and the loan will be repaid in full by 03/05/2005.

ZONESPAN LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2000

<u>16 SHARE CAPITAL</u>	<u>2000</u>	<u>1999</u>
	£	£
<b>Authorised:</b>		
Ordinary shares of £1 each	1,000	1,000
	=====	=====
<b>Allotted issued and fully paid up:</b>		
Ordinary shares of £1 each	1,000	1,000
	=====	=====
	<u>2000</u>	<u>1999</u>
<u>17 PROFIT AND LOSS ACCOUNT</u>	£	£
Balance at 1 January 2000	371,339	314,450
Profit retained for the year	131,459	56,889
	-----	-----
Balance at 31 December 2000	502,798	371,339
	=====	=====

ZONESPAN LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2000

**18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS**

	<u>2000</u>	<u>1999</u>
	£	£
Profit for the year	231,459	156,889
Equity dividend paid	-100,000	-100,000
	-----	-----
Increase in year	131,459	56,889
Shareholders funds at 1 January 2000	371,339	314,450
	-----	-----
Shareholders funds at 31 December 2000	502,798	371,339
	=====	=====

**19 OTHER COMMITMENTS**

At 31 December 2000 the company had the following annual commitments under non-cancellable operating leases as follows:

	<u>2000</u>	<u>1999</u>
	£	£
Expiry Date:		
Within one year	-	-
Between two and five years	-	-
after more than five years	89,452	89,452
	=====	=====

**20 PENSION CONTRIBUTIONS**

The company operates a defined contribution pension scheme, for its Directors and senior employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

**21 TRANSACTIONS CONCERNING DIRECTORS**

The company leases a property from Redtarn Investments Limited, a company controlled by two of the directors. The terms of the lease were negotiated at arms length and at market value.

The company also traded with Page & Watts Limited, a company controlled by a director. These transactions were under normal trading terms and at market price.

**22 ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY**

South West Golf Limited is the company's immediate and ultimate parent undertaking and J D Dell controls 60% of the shares of this company. South West Golf Limited is incorporated in England and Wales.



ZONESPAN LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2000

23 <u>GROSS CASHFLOWS</u>	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Returns on investment		
and servicing of finance:		
Interest paid	35,514	39,920
Interest received	-7,221	-1,803
	-----	-----
	28,293	38,117
	=====	=====
Capital expenditure:		
Payments to acquire		
tangible fixed assets	91,628	207,419
Payments to acquire		
intangible fixed assets	5,000	6,000
	-----	-----
	96,628	213,419
	=====	=====
Financing:		
Capital elements		
of Loan repayments	54,727	51,749
Loan advance	-	-
	-----	-----
	54,727	51,749
	=====	=====

24 ANALYSIS OF CHANGES IN NET DEBT

	<u>BALANCE</u> <u>01/01/00</u>	<u>CASH</u> <u>FLOWS</u>	<u>BALANCE</u> <u>31/12/2000</u>
Cash balances	128,299	157,711	286,010
Loans	-527,580	54,727	-472,853
	-----	-----	-----
Total	-399,281	212,438	-186,843
	=====	=====	=====