



**ZONESPAN LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2002**

# **ZONESPAN LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 31 December 2002

---

Company registration number: 2855397

Registered office: Hills Lane  
BIGGLESWADE  
Bedfordshire  
SG18 9AY

Directors: J D Dell  
W P Morris  
J A Watts

Secretary: J D Dell

Bankers: Barclays Bank plc  
45 High Street  
BIGGLESWADE  
Bedfordshire  
SG18 0JF

Auditors: Grant Thornton  
Registered Auditors  
Chartered Accountants  
Byron House  
Cambridge Business Park  
Cowley Road  
CAMBRIDGE  
CB4 0WZ

**ZONESPAN LIMITED**

**FINANCIAL STATEMENTS**

For the year ended 31 December 2002

---

<b>INDEX</b>	<b>PAGE</b>
Report of the directors	1 - 2
Report of the independent auditors	3 - 4
Principal accounting policies	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 18

# ZONESPAN LIMITED

## REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 2002.

### Principal activities

The company is principally engaged in the franchised retailing of golfing equipment and the operation of golf courses and driving ranges.

### Business review

In spite of a difficult retail market with deflation affecting many of our products, turnover was increased by 21% on a like for like basis. Further volume growth should be complemented by an additional store opening in the second half of 2003.

There was a profit for the year after taxation amounting to £60,083 (2001: £278,977). The directors do not recommend the payment of a dividend (2001: £100,000) and the profit of £60,083 (2001: £178,977) has been retained.

### Directors

The present membership of the Board is set out below. All directors served throughout the year.

The interests of the directors and their families in the shares of the company as at 1 January 2002 and 31 December 2002 were as follows:

		Number of ordinary shares of £1 each	
		31 December 2002	1 January 2001
J D Dell		-	-
W P Morris		-	-
J A Watts		200	200

The interests of the directors in the shares of other group companies as at 1 January 2002 and 31 December 2002 were as follows:

		Number of ordinary shares of £1 each	
		31 December 2002	1 January 2001
W P Morris	South West Golf Limited	400	400
J D Dell	South West Golf Limited	600	600

# **ZONESPAN LIMITED**

## **REPORT OF THE DIRECTORS**

---

### **Directors' responsibilities for the financial statements**

Company law in the United Kingdom 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

Grant Thornton were appointed auditors on 2 December 2002 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985 and offer themselves for reappointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



J A Watts  
Chairman

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ZONESPAN LIMITED**

We have audited the financial statements of Zonespan Limited for the year ended 31 December 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement, and notes 1 to 26. 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 auditors' 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 the directors and auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards 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 United Kingdom auditing 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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
ZONESPAN LIMITED**

**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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Grant Thornton*

**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
CAMBRIDGE**

*8 September 2003.*

## **ZONESPAN LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

---

#### **BASIS OF PREPARATION**

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

#### **GOODWILL**

Purchased goodwill is capitalised and is amortised on a straight line basis over its estimated useful economic life (5 - 10 years).

#### **TURNOVER**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

#### **INTANGIBLE FIXED ASSETS**

Patents and trademarks are included at cost and amortised on straight-line basis over their useful economic lives.

#### **TANGIBLE FIXED ASSETS AND DEPRECIATION**

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their estimated useful economic lives. The periods generally applicable are:

Freehold property	nil
Fixtures and fittings	2 - 5 years
Leasehold property	10 years

#### **LEASED ASSETS**

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

#### **INVESTMENTS**

Investments are included at cost less amounts written off.

#### **STOCKS**

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



## **ZONESPAN LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

---

#### **RETIREMENT BENEFITS**

##### **Defined Contribution Pension Scheme**

The pension cost charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

**ZONESPAN LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2002

	Note	2002 £	2001 £
<b>Turnover</b>	1	<b>6,599,267</b>	5,453,115
Cost of sales		<u>4,403,447</u>	<u>3,592,643</u>
Gross profit		<b>2,195,820</b>	1,860,472
Administrative expenses		<u>2,063,528</u>	<u>1,442,064</u>
<b>Operating profit</b>	18	<b>132,292</b>	418,408
Net interest and other similar charges	2	<u>19,013</u>	<u>23,135</u>
<b>Profit on ordinary activities before taxation</b>	1	<b>113,279</b>	395,273
Tax on profit on ordinary activities		<u>53,196</u>	<u>116,296</u>
<b>Profit for the financial year</b>	17	<b>60,083</b>	278,977
Dividends	5	<u>-</u>	<u>100,000</u>
<b>Profit retained</b>	16	<b>60,083</b>	178,977
Retained profit brought forward		<u>681,775</u>	<u>502,798</u>
<b>Retained profit carried forward</b>		<u><b>741,858</b></u>	<u>681,775</u>

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

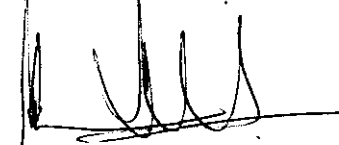
# ZONESPAN LIMITED

## BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 £	2002 £	2001 £	2001 £
<b>Fixed assets</b>					
Intangible assets	6		6,768		10,968
Tangible assets	7		960,337		934,484
Investments	8		32,985		20,995
			<u>1,000,090</u>		<u>966,447</u>
<b>Current assets</b>					
Stocks	9	759,736		617,197	
Debtors	10	121,816		30,990	
Cash at bank and in hand		448,330		214,889	
		<u>1,329,882</u>		<u>863,076</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>1,046,222</u>		<u>901,172</u>	
<b>Net current assets/(liabilities)</b>			<u>283,660</u>		<u>(38,096)</u>
<b>Total assets less current liabilities</b>			<u>1,283,750</u>		<u>928,351</u>
<b>Creditors: amounts falling due after more than one year</b>	12		140,892		245,576
<b>Provisions for liabilities and charges</b>	14		400,000		-
			<u>742,858</u>		<u>682,775</u>
<b>Capital and reserves</b>					
Called up share capital	15		1,000		1,000
Profit and loss account	16		741,858		681,775
<b>Equity shareholders' funds</b>	17		<u>742,858</u>		<u>682,775</u>

The financial statements were approved by the Board of Directors on

8 September 2003



J D Dell  
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

**ZONESPAN LIMITED****CASH FLOW STATEMENT**

For the year ended 31 December 2002

	<b>Note</b>	<b>2002 £</b>	<b>2001 £</b>
<b>Net cash inflow from operating activities</b>	<b>18</b>	<b>695,090</b>	<b>384,689</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		3,839	2,054
Interest paid		<u>(22,852)</u>	<u>(25,189)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u><b>(19,013)</b></u>	<u><b>(23,135)</b></u>
<b>Taxation</b>		<b>(117,596)</b>	<b>(98,296)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(134,745)	(85,461)
Purchase of investments		<u>(11,990)</u>	<u>(19,946)</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<u><b>(146,735)</b></u>	<u><b>(105,407)</b></u>
<b>Equity dividends paid</b>		<b>(100,000)</b>	<b>(100,000)</b>
<b>Financing</b>			
Repayment of borrowings		<u>(78,305)</u>	<u>(128,972)</u>
<b>Net cash outflow from financing</b>		<u><b>(78,305)</b></u>	<u><b>(128,972)</b></u>
<b>Increase/(decrease) in cash</b>	<b>19</b>	<u><b>233,441</b></u>	<u><b>(71,122)</b></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

# ZONESPAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is attributable to the following classes of continuing business and is entirely derived from the UK market:

	2002 £	2001 £
Franchised retail of golfing equipment	6,286,177	5,169,860
Operation of golf courses and driving ranges	313,090	283,255
	<u>6,599,267</u>	<u>5,453,115</u>

The profit on ordinary activities before taxation is stated after:

	2002 £	2001 £
Auditors' remuneration	8,000	4,579
Depreciation and amortisation:		
Tangible fixed assets owned	108,891	121,675
Intangible fixed assets	4,200	4,200
Hire of plant and machinery	4,018	4,870
Other operating lease rentals	<u>89,452</u>	<u>45,804</u>

### 2 NET INTEREST

	2002 £	2001 £
Other interest payable and similar charges	22,852	25,189
Other interest receivable and similar income	<u>(3,839)</u>	<u>(2,054)</u>
	<u>19,013</u>	<u>23,135</u>

### 3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2002 £	2001 £
Wages and salaries	1,211,798	683,078
Social security costs	64,892	54,603
Other pension costs	<u>31,052</u>	<u>7,515</u>
	<u>1,307,742</u>	<u>745,196</u>

**ZONESPAN LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2002

**DIRECTORS AND EMPLOYEES (CONTINUED)**

The average number of employees of the company during the year was:

	2002 Number	2001 Number
Production	50	59
Administration	5	5
	<u>55</u>	<u>64</u>

Remuneration in respect of directors was as follows:

	2002 £	2001 £
Emoluments	498,363	92,020
Pension contributions to money purchase pension schemes	4,656	10,000
	<u>503,019</u>	<u>102,020</u>

During the year 2 directors (2001: 2) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2002 £	2001 £
Emoluments	245,413	75,741
Pension contributions to money purchase pension schemes	3,898	5,000

**4 TAX ON PROFIT ON ORDINARY ACTIVITIES**

The tax charge represents:

	2002 £	2001 £
Corporation tax at 30% (2001: 30%)	53,100	117,500
Adjustments in respect of prior year	96	(1,204)
Total current tax and tax on profit on ordinary activities	<u>53,196</u>	<u>116,296</u>

**ZONESPAN LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2002

**TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

The tax assessed for the year is higher (2001: lower) than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained as follows:

	2002 £	2001 £
Profit on ordinary activities before tax	<u>113,279</u>	<u>395,273</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	<u>33,984</u>	<u>118,582</u>
Effect of:		
Expenses not deductible for tax purposes	16,482	(1,244)
Differences between capital allowances for the year and depreciation	2,378	8,463
Marginal relief	(7,977)	(8,301)
Other timing differences	8,233	-
Adjustments to tax charge in respect of prior year	<u>96</u>	<u>(1,204)</u>
Current tax charge for the year	<u>53,196</u>	<u>116,296</u>

**5 DIVIDENDS**

	2002 £	2001 £
Equity dividends:		
Final dividend paid of £nil per share (2001: £100 per share)	<u>-</u>	<u>100,000</u>

**6 INTANGIBLE FIXED ASSETS**

	Franchise licence £	Goodwill £	Total £
Cost			
At 1 January 2002 and at 31 December 2002	<u>30,000</u>	<u>1</u>	<u>30,001</u>
Amortisation			
At 1 January 2002	19,033	-	19,033
Provided in the year	<u>4,200</u>	<u>-</u>	<u>4,200</u>
At 31 December 2002	<u>23,233</u>	<u>-</u>	<u>23,233</u>
Net book amount at 31 December 2002	<u>6,767</u>	<u>1</u>	<u>6,768</u>
Net book amount at 31 December 2001	<u>10,967</u>	<u>1</u>	<u>10,968</u>

**ZONESPAN LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2002

**7 TANGIBLE FIXED ASSETS**

	<b>Freehold property £</b>	<b>Leasehold property £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
Cost				
At 1 January 2002	714,819	3,600	795,671	1,514,090
Additions	10,874	49,571	74,300	134,745
	725,693	53,171	869,971	1,648,835
Transfers	3,321	5,332	(8,653)	-
At 31 December 2002	729,014	58,503	861,318	1,648,835
Depreciation				
At 1 January 2002	-	50	579,556	579,606
Provided in the year	-	2,203	106,689	108,892
At 31 December 2002	-	2,253	686,245	688,498
Net book amount at 31 December 2002	729,014	56,250	175,073	960,337
Net book amount at 31 December 2001	714,819	3,550	216,115	934,484

**8 FIXED ASSET INVESTMENTS**

	<b>2002 £</b>	<b>2001 £</b>
Listed investments	32,985	20,995

**9 STOCKS**

	<b>2002 £</b>	<b>2001 £</b>
Goods for resale	759,736	617,197



**ZONESPAN LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2002

**10 DEBTORS**

	2002 £	2001 £
Trade debtors	34,027	30,990
Other debtors	29,600	-
Prepayments and accrued income	58,189	-
	<u>121,816</u>	<u>30,990</u>

**11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2002 £	2001 £
Loans	83,884	78,405
Trade creditors	434,173	248,439
Amounts owed to group undertakings	224,664	281,619
Corporation tax	53,100	117,500
Social security and other taxes	113,363	88,130
Director's loan account	40,800	20,000
Accruals and deferred income	96,238	67,079
	<u>1,046,222</u>	<u>901,172</u>

**12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2002 £	2001 £
Loans	140,892	224,676
Director's loan account	-	20,800
	<u>140,892</u>	<u>245,476</u>

The loans are 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 6 June 1998. The loans are repayable in monthly instalments, which bear interest at 9%.

# ZONESPAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 13 BORROWINGS

Borrowings are repayable as follows:

	2002 £	2001 £
Within one year		
Bank and other borrowings	124,684	98,405
After one year and within two years		
Bank and other borrowings	89,877	104,684
After two years and within five years		
Bank and other borrowings	51,015	140,792
	<u>265,576</u>	<u>343,881</u>

### 14 PROVISIONS FOR LIABILITIES AND CHARGES

	Other provisions £
Provided during the year and at 31 December 2002	<u>400,000</u>

During the year the company committed to incurring £400,000 of remuneration costs, provision for which has been made in accordance with current accounting practice. It is anticipated that the majority of the provision will be utilised within the next year.

### 15 SHARE CAPITAL

	2002 £	2001 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

**ZONESPAN LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2002

**16 PROFIT AND LOSS ACCOUNT**

	2002 £	2001 £
At 1 January 2002	681,775	502,798
Retained profit for the year	60,083	178,977
At 31 December 2002	<u>741,858</u>	<u>681,775</u>

**17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2002 £	2001 £
Profit for the financial year	60,083	278,977
Dividends	-	(100,000)
Net increase in shareholders' funds	60,083	178,977
Shareholders' funds at 1 January 2002	<u>682,775</u>	<u>503,798</u>
Shareholders' funds at 31 December 2002	<u>742,858</u>	<u>682,775</u>

**18 NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2002 £	2001 £
Operating profit	132,292	418,408
Depreciation	108,892	121,675
Amortisation	4,200	4,200
Increase in stocks	(142,539)	(71,164)
(Increase)/decrease in debtors	(90,826)	46,182
Increase/(decrease) in creditors and provisions	<u>683,070</u>	<u>(134,612)</u>
Net cash inflow from operating activities	<u>695,090</u>	<u>384,689</u>

**ZONESPAN LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2002

**19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)**

	2002 £	2001 £
Increase/(decrease) in cash in the year	233,441	(71,121)
Cash outflow from financing	78,305	128,972
Movement in net funds in the year	311,746	57,851
Net debt as at 1 January 2002	(128,992)	(186,843)
Net funds/(debt) as at 31 December 2002	182,754	(128,992)

**20 ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)**

	At 1 January 2002 £	Cash flow £	At 31 December 2002 £
Cash in hand and at bank	214,889	233,441	448,330
Loans	(343,881)	78,305	(265,576)
	(128,992)	311,746	182,754

**21 CAPITAL COMMITMENTS**

The company had no capital commitments at 31 December 2002 or 31 December 2001.

**22 CONTINGENT LIABILITIES**

There were no contingent liabilities at 31 December 2002 or 31 December 2001.

**23 RETIREMENT BENEFITS****Defined Contribution Pension Scheme**

The group operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

# ZONESPAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 24 LEASING COMMITMENTS

Operating lease payments amounting to £125,700 (2001: £89,452) are due within one year. The leases to which these amounts relate expire as follows:

	2002 Land and buildings £	2001 Land and buildings £
Between one and five years	4,500	-
In five years or more	121,200	89,452
	<u>125,700</u>	<u>89,452</u>

### 25 TRANSACTIONS WITH RELATED PARTIES

During the year, the company traded with South West Golf Limited, its ultimate parent undertaking. These transactions comprise recharges for services provided and stock transfers between sites. Zonespan Limited charged South West Golf Limited £135,925 (2001: £596,585) during the year, and was charged £176,863 (2001: £747,952) by South West Golf Limited in respect of these. At the year end, Zonespan Limited owed South West Golf Limited £124,664 (2001: £281,619).

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

The company also traded with Page & Watts Limited, a company controlled by a director of the company. These transactions were under normal trading terms and at market price. During the year, Page & Watts Limited charged the company £11,398 (2001: £9,378) for repair and maintenance work carried out and £57,699 (2001: £5,718) for work of a capital nature. At the year end, there was no balance outstanding (2001: £nil).

### 26 ULTIMATE PARENT UNDERTAKING

South West Golf Limited is the company's immediate and ultimate parent undertaking by virtue of its ownership of 80% of the issued share capital of the company. South West Golf Limited is controlled by J D Dell and W P Morris, both directors of the company.

South West Golf Limited is exempt from preparing consolidated financial statements on the grounds that, taken together with its subsidiaries, it qualifies as a small group under s248 of the Companies Act 1985. As a result, no group accounts are available.