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Grant Thornton 

ZONESPAN LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2003



Company no 2855397

ZONESPAN LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2003

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 UK LLP
Registered Auditors
Chartered Accountants
Byron House
Cambridge Business Park
Cowley Road
CAMBRIDGE
CB4 0WZ

ZONESPAN LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2003

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ZONESPAN LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 2003.

Principal activities

During the period to 31 March 2003 the company was principally engaged in the franchised retailing of golfing equipment and the operation of golf courses and driving ranges.

On 31 March 2003 the trade and assets of Zonespan Limited were hived up to the parent undertaking, South West Golf Limited, and since this date the company has not traded.

Business review

On 31 March 2003 all of the company's trade and assets were hived up to the parent undertaking, South West Golf Limited.

There was a profit for the year after taxation amounting to £29,318 (2002: £60,083). During the year dividends were paid totalling £771,176 (2002: £Nil), leaving £741,858 transferred from reserves (2002: £60,083 to reserves).

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 2003 and 31 December 2003 were as follows:

	Number of ordinary shares of £1 each	
	31 December 2003	1 January 2003
J D Dell	-	-
W P Morris	-	-
J A Watts	-	200

The interests of the directors, who are all directors of the parent undertaking, South West Golf Limited, are disclosed in that company's financial statements.

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
- 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.

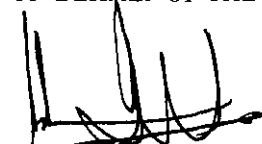
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



JD Dell
Director

**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 2003 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 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

Cambridge

23 August 2004.

ZONESPAN LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and 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 a 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	2%
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.

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 2003

	Note	2003 £	2002 £
Turnover	1	1,336,768	6,599,267
Cost of sales		<u>(917,744)</u>	<u>(4,403,447)</u>
Gross profit		419,024	2,195,820
Administrative expenses		<u>(377,091)</u>	<u>(2,063,528)</u>
Operating profit		41,933	132,292
Net interest	2	<u>(4,315)</u>	<u>(19,013)</u>
Profit on ordinary activities before taxation	1	37,618	113,279
Tax on profit on ordinary activities		<u>(8,300)</u>	<u>(53,196)</u>
Profit for the financial year	17	29,318	60,083
Dividends	5	(771,176)	-
(Loss)/profit retained	16	<u>(741,858)</u>	<u>60,083</u>

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

All of the company's activities were discontinued on 31 March 2003.

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

ZONESPAN LIMITED

BALANCE SHEET AT 31 DECEMBER 2003

	Note	£	2003 £	£	2002 £
Fixed assets					
Intangible assets	6		-		6,768
Tangible assets	7		-		960,337
Investments	8		-		32,985
			-		1,000,090
Current assets					
Stocks	9	-		759,736	
Debtors	10	1,000		121,816	
Cash at bank and in hand		-		448,330	
		1,000		1,329,882	
Creditors: amounts falling due within one year	11	-		(1,046,222)	
Net current assets			1,000		283,660
Total assets less current liabilities			1,000		1,283,750
Creditors: amounts falling due after more than one year	12		-		(140,892)
Provisions for liabilities and charges	14		-		(400,000)
			1,000		742,858
Capital and reserves					
Called up share capital	15		1,000		1,000
Profit and loss account	16		-		741,858
Shareholders' funds	17		1,000		742,858

The financial statements were approved by the Board of Directors on

17/8/04


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 2003

	Note	2003 £	2002 £
Net cash (outflow)/inflow from operating activities	18	<u>(548,508)</u>	<u>695,090</u>
Returns on investments and servicing of finance			
Interest received		1,013	3,839
Interest paid		(5,328)	(22,852)
Net cash outflow from returns on investments and servicing of finance		<u>(4,315)</u>	<u>(19,013)</u>
Taxation		<u>-</u>	<u>(117,596)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(12,738)	(134,745)
Purchase of investments		(100)	(11,990)
Net cash outflow from capital expenditure and financial investment		<u>(12,838)</u>	<u>(146,735)</u>
Acquisitions and disposals			
Net overdraft on hive up to parent undertaking		173,569	-
Net cash inflow from acquisitions and disposals		<u>173,569</u>	<u>-</u>
Equity dividends paid		<u>-</u>	<u>(100,000)</u>
Financing			
Repayment of borrowings		(56,238)	(78,305)
Net cash outflow from financing		<u>(56,238)</u>	<u>(78,305)</u>
(Decrease)/increase in cash	19	<u>(448,330)</u>	<u>233,441</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 2003

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is attributable to the activities as stated in the Report of the Directors and is entirely derived from the UK market.

The profit on ordinary activities before taxation is stated after:

	2003 £	2002 £
Auditors' remuneration	3,200	8,000
Depreciation and amortisation:		
Tangible fixed assets owned	30,689	108,891
Intangible fixed assets	1,050	4,200
Hire of plant and machinery	1,042	4,018
Other operating lease rentals	35,275	89,452

2 NET INTEREST

	2003 £	2002 £
Other interest payable and similar charges	5,328	22,852
Other interest receivable and similar income	(1,013)	(3,839)
	4,315	19,013

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2003 £	2002 £
Wages and salaries	202,809	1,211,798
Social security costs	15,996	64,892
Other pension costs	6,416	31,052
	225,221	1,307,742

ZONESPAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

3 DIRECTORS AND EMPLOYEES (CONTINUED)

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

	2003 Number	2002 Number
Production	13	50
Administration	1	5
	<u>14</u>	<u>55</u>

Remuneration in respect of directors was as follows:

	2003 £	2002 £
Emoluments	28,292	498,363
Pension contributions to money purchase pension schemes	1,329	4,656
	<u>29,621</u>	<u>503,019</u>

During the year 2 directors (2002: 2) participated in money purchase pension schemes.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2003 £	2002 £
Corporation tax at 19% (2002: 30%)	8,300	53,100
Adjustments in respect of prior year - corporation tax	-	96
	<u>8,300</u>	<u>53,196</u>

ZONESPAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

4 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2002: 30%). The differences are explained as follows:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>37,618</u>	<u>113,279</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2002: 30%)	7,147	33,984
Effect of:		
Expenses not deductible for tax purposes	11,538	16,482
Differences between capital allowances for the year and depreciation	(8,971)	2,378
Marginal relief	-	(7,977)
Other timing differences	(5,214)	8,233
General provision transferred on hive up	3,800	-
Adjustments to tax charge in respect of prior year	-	96
Current tax charge for the year	<u>8,300</u>	<u>53,196</u>

5 DIVIDENDS

	2003 £	2002 £
Equity dividends:		
Final dividend paid of £771 per share (2002: £Nil per share)	<u>771,176</u>	<u>-</u>

ZONESPAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

6 INTANGIBLE FIXED ASSETS

	Franchise licence £	Goodwill £	Total £
Cost			
At 1 January 2003	30,000	1	30,001
Transfers to parent undertaking	(30,000)	(1)	(30,001)
At 31 December 2003	-	-	-
Amortisation			
At 1 January 2003	23,233	-	23,233
Provided in the year	1,050	-	1,050
Transfers to parent undertaking	(24,283)	-	(24,283)
At 31 December 2003	-	-	-
Net book amount at 31 December 2003	-	-	-
Net book amount at 31 December 2002	6,767	1	6,768

7 TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold property £	Fixtures and fittings £	Total £
Cost				
At 1 January 2003	729,014	58,503	861,318	1,648,835
Additions	207	-	12,531	12,738
Transfers to parent undertaking	(729,221)	(58,503)	(873,849)	(1,661,573)
At 31 December 2003	-	-	-	-
Depreciation				
At 1 January 2003	-	2,253	686,245	688,498
Provided in the year	1,823	(2,253)	31,119	30,689
Transfers to parent undertaking	(1,823)	-	(717,364)	(719,187)
At 31 December 2003	-	-	-	-
Net book amount at 31 December 2003	-	-	-	-
Net book amount at 31 December 2002	729,014	56,250	175,073	960,337

ZONESPAN LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003

8 FIXED ASSET INVESTMENTS

	2003 £	2002 £
Listed investments	-	32,985

9 STOCKS

	2003 £	2002 £
Goods for resale	-	759,736

10 DEBTORS

	2003 £	2002 £
Trade debtors	-	34,027
Amounts owed by group undertakings	1,000	-
Other debtors	-	29,600
Prepayments and accrued income	-	58,189
	<u>1,000</u>	<u>121,816</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Other loans	-	83,884
Trade creditors	-	434,173
Amounts owed to group undertakings	-	224,664
Corporation tax	-	53,100
Social security and other taxes	-	113,363
Director's loan account	-	40,800
Accruals and deferred income	-	96,238
	<u>-</u>	<u>1,046,222</u>

ZONESPAN LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Other loans	-	140,892

13 BORROWINGS

Borrowings are repayable as follows:

	2003 £	2002 £
Within one year		
Other borrowings	-	124,684
After one year and within two years		
Other borrowings	-	89,877
After two years and within five years		
Other borrowings	-	51,015
	-	265,576

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Other provisions £
At 1 January 2003	400,000
Utilised during the year	(400,000)
At 31 December 2003	-

During the year ended 31 December 2002 the company committed to incurring £400,000 of remuneration costs, provision for which was made in accordance with current accounting practice.

ZONESPAN LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003

15 SHARE CAPITAL

	2003 £	2002 £
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>

16 PROFIT AND LOSS ACCOUNT

	£
At 1 January 2003	741,858
Retained loss for the year	(741,858)
At 31 December 2003	<u>-</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	29,318	60,083
Dividends	(771,176)	-
Net (decrease)/increase in shareholders' funds	(741,858)	60,083
Shareholders' funds at 1 January 2003	742,858	682,775
Shareholders' funds at 31 December 2003	<u>1,000</u>	<u>742,858</u>

18 NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	41,933	132,292
Depreciation and amortisation	31,739	113,092
Decrease/(increase) in stocks	73,110	(142,539)
Decrease/(increase) in debtors	8,913	(90,826)
(Decrease)/increase in creditors and provisions	(704,203)	683,071
Net cash (outflow)/inflow from operating activities	<u>(548,508)</u>	<u>695,090</u>

ZONESPAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

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

	2003 £	2002 £
(Decrease)/increase in cash in the year	(448,330)	233,441
Cash outflow from financing	56,238	78,305
Purchase of current asset investments	100	-
Hive up of loans to parent undertaking	209,238	-
Movement in net (debt)/funds in the year	(182,754)	311,746
Net funds/(debt) as at 1 January 2003	182,754	(128,992)
Net funds as at 31 December 2003	-	182,754

20 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2003 £	Cash flow £	Non-cash items £	At 31 December 2003 £
Cash at bank and in hand	448,330	(448,330)	-	-
Loans	(265,576)	56,238	209,338	-
Current asset investments	-	100	(100)	-
	182,754	(391,992)	209,238	-

21 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2003 or 31 December 2002.

22 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2003 or 31 December 2002.

23 RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The company 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 2003

24 LEASING COMMITMENTS

Operating lease payments amounting to £Nil (2002: £125,700) are due within one year. The leases to which these amounts relate expire as follows:

	2003 Land and buildings £	2002 Land and buildings £
Between one and five years	-	4,500
In five years or more	-	121,200
	-	125,700

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 £31,433 (2002: £135,925) during the year, and was charged £52,148 (2002: £276,863) by South West Golf Limited. At the year end, South West Golf Limited owed Zonespan Limited £1,000 (2002: £224,664 owed by Zonespan Limited).

On 31 March 2003 all of the company's trade and assets were hived up to its parent undertaking South West Golf Limited. The assets and liabilities hived up via intercompany account were as follows:

	£
Fixed assets	
Intangible assets	5,718
Tangible assets	942,386
Investments	32,985
	<u>981,089</u>
Current assets	
Stocks	686,626
Debtors	111,903
Investments	100
Cash at bank	2,900
	<u>801,529</u>
Creditors	
Other loans	(209,338)
Bank overdraft	(176,469)
Taxation	(61,496)
Other creditors	(564,139)
	<u>(1,011,442)</u>
Net assets	<u>771,176</u>

ZONESPAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

25 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

During the period to 31 March 2003 the company leased 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 £2,957 (2002: £11,398) for repair and maintenance work carried out and £3,801 (2002: £57,699) for work of a capital nature. At the year end, there was no balance outstanding (2002: £Nil).

26 ULTIMATE PARENT UNDERTAKING

South West Golf Limited is the company's ultimate parent undertaking by virtue of its ownership of 100% (2002: 80%) of the issued share capital 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 medium sized group under s248 of the Companies Act 1985. As a result, no group accounts are available.