

Hale Leisure 1995 Limited

**Directors' report and financial
statements**

Registered number 3050738

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company during the year was the operating of licensed premises.

Since the year end there have been a number of asset disposals made which has generated cash for the business, and the business is gradually being wound down.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a final dividend.

The loss absorbed by the company before taxation for the year was £110,343 (2001: £650,610).

Directors and directors' interests

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

A J Clancy
E P Dwyer
A G Dodd

The directors who held office at the end of the financial year had the following interest in the ordinary shares of the company according to the register of directors' interests:

	Interest at start of year	Interest at end of year
A J Clancy	1,500	1,500
E P Dwyer	1,500	1,500
A G Dodd	3,000	3,000

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

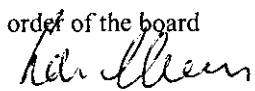
Political and charitable donations

The company made no political or charitable contributions during the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


A J Clancy
Director

4/10/04

106 Princess Street
Manchester
M1 6NG

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 LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditors to the members of Hale Leisure 1995 Limited

We have audited the financial statements on pages 4 to 16.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. 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 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.

Basis of audit 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 affairs of the company as at 31 December 2002 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

5 October 2004

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £	2001 £
Turnover	2	2,817,318	4,015,152
Cost of sales		(959,498)	(1,409,498)
Gross profit		1,857,820	2,605,654
Administrative expenses (pre exceptional items)		(1,991,970)	(3,049,526)
Administrative expenses (exceptional items)	9	(111,635)	(638,548)
		(2,103,605)	(3,688,074)
Other operating income	4	525,610	461,233
Operating profit/(loss)	3-4	279,825	(621,187)
(Loss)/ profit from sale of tangible fixed assets		(58,550)	397,024
Other interest receivable and similar income	5	1,547	1,771
Amounts written off investments		-	(39,441)
Interest payable and similar charges	6	(333,165)	(388,777)
Loss on ordinary activities before taxation		(110,343)	(650,610)
Taxation	10	(100,931)	3,397
Loss on ordinary activities after taxation and retained for the financial year	20	(211,274)	(647,213)

All amounts are derived from continuing activities.

Balance sheet
at 31 December 2002

	Note	2002 £	2001 £
Fixed assets			
Investment properties	11	703,951	532,000
Tangible fixed assets	12	1,289,922	3,572,618
Investments	13	962,332	962,332
		<u>2,956,205</u>	<u>5,066,950</u>
Current assets			
Stocks	14	60,597	97,364
Debtors: amounts falling due within one year	15	270,970	257,832
Cash at bank and in hand		20,442	70,355
		<u>352,009</u>	<u>425,551</u>
Creditors: amounts falling due within one year	16	<u>(3,969,418)</u>	<u>(2,305,543)</u>
Net current liabilities		<u>(3,617,409)</u>	<u>(1,879,992)</u>
Total assets less current liabilities		<u>(661,204)</u>	<u>3,186,958</u>
Debtors: amounts falling due after more than one year	15	1,493,852	1,551,546
Creditors: amounts falling due after more than one year	17	<u>(1,676,630)</u>	<u>(4,763,448)</u>
Net liabilities		<u>(843,982)</u>	<u>(24,944)</u>
Capital and reserves			
Called up share capital	19	6,000	6,000
Revaluation reserve	20	133,632	866,334
Profit and loss account	20	<u>(983,614)</u>	<u>(897,278)</u>
Equity shareholders' funds		<u>(843,982)</u>	<u>(24,944)</u>

These financial statements were approved by the board of directors on 4/10/04 and were signed on its behalf by:



A J Clancy
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2002

	2002 £	2001 £
Loss for the financial year	(211,274)	(647,213)
Revaluation in year	(607,764)	(2,736,741)
	<hr/>	<hr/>
Net reduction to shareholders' funds	(819,038)	(3,383,954)
Opening shareholders' funds	(24,944)	3,359,010
	<hr/>	<hr/>
Closing shareholders' funds	(843,982)	(24,944)
	<hr/>	<hr/>

Note of historical cost profits and losses
for the year ended 31 December 2002

	2002 £	2001 £
Reported loss on ordinary activities before taxation	(110,343)	(647,213)
Difference between the historical cost and the actual depreciation charged for the year on the revalued amount	16,122	20,737
	<hr/>	<hr/>
Historical cost loss on ordinary activities before taxation	(94,221)	(626,476)
	<hr/>	<hr/>
Historical cost loss for the year retained after taxation and dividends	(195,152)	(623,079)
	<hr/>	<hr/>

Statement of total recognised gains and losses
for the year ended 31 December 2002

	2002 £	2001 £
Loss for the financial year	(211,274)	(647,213)
Unrealised loss on revaluation of freehold land and buildings	(607,764)	(2,736,741)
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	(819,038)	(3,383,954)
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Except for the adoption of FRS 19 for the first time in these financial statements, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain assets.

The accounts have been prepared on a going concern basis as the directors have agreed to provide continuing support by not seeking repayment of loans due to them until other liabilities have been discharged.

The company has taken advantage of the exemption under S248(1) to not prepare group accounts on the grounds of its size.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Investment properties

Properties held for investment purposes are carried at open market value. A surplus arising on revaluation is credited to the revaluation reserve on an individual property basis and any deficit which is considered to be a permanent diminution in value is charged directly to the profit and loss account. Where a deficit arises on a subsequent revaluation it is first charged against any existing surplus on that property and any excess is charged directly to the profit and loss account.

No depreciation is charged on freehold or long leasehold investment properties.

Fixed assets and depreciation

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

Freehold and leasehold properties	-	2% per annum
Plant and machinery	-	25% per annum
Fixtures, fittings	-	25% per annum

No depreciation is charged on land.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based on estimated selling price, less any further costs of realisation.

Taxation

The company has adopted FRS 19 for the first time in these accounts. No prior year adjustment has been made, to reflect a deferred tax asset, given the uncertainty over the timing of future profitability of the company.

The charge for taxation is based on the profit 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, without discounting, 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.

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover represents amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Turnover

Turnover and operating profit are derived from the operation of licensed premises in the year and arises wholly within the United Kingdom.

3 Profit/(loss) on ordinary activities before taxation

	2002 £	2001 £
<i>Loss on ordinary activities before taxation is stated: after charging</i>		
Auditors' remuneration – audit	8,000	7,800
- non-audit services		
Depreciation on owned tangible fixed assets	149,877	269,016
Exceptional items – Impairment of fixed assets	111,635	677,989

4 Other operating income

	2002 £	2001 £
Rent receivable	179,040	93,105
Other operating income	346,570	368,128
	<u>525,610</u>	<u>461,233</u>

5 Other interest receivable and similar income

	2002 £	2001 £
Interest received	1,547	1,771

6 Interest payable and similar charges

	2002 £	2001 £
On bank loans and overdrafts	333,165	388,777

7 Remuneration of directors

	2002 £	2001 £
Directors' emoluments	12,569	-

Notes *(continued)*

8 Staff numbers and costs

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

	Number of employees	
	2002	2001
Operational	105	143
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	510,190	874,429
Social security costs	27,672	52,247
	<hr/>	<hr/>
	537,862	926,676
	<hr/>	<hr/>

9 Exceptional items

	2002	2001
	£	£
Impairment in fixed assets	111,635	638,548
	<hr/>	<hr/>

10 Taxation

	2002	2001
	£	£
<i>UK Corporation tax</i>		
Current tax on income for period	100,931	25,328
Adjustments in respect of prior periods	-	(28,725)
	<hr/>	<hr/>
	100,931	(3,397)
	<hr/>	<hr/>

Notes (continued)

10 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2001: higher) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002 £	2001 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(110,343)	(650,610)
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	(33,103)	(195,183)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	96,851	212,321
Capital allowances for period in excess of depreciation	37,183	8,190
Adjustments to tax charge in respect of previous periods	-	(28,725)
	<hr/>	<hr/>
Total current tax charge (see above)	100,931	(3,397)
	<hr/>	<hr/>

11 Investment properties

	Land and buildings £
<i>Open market value</i>	
At beginning of year	532,000
Additions	15,330
Transfer from fixed assets	270,585
Depreciation	(2,329)
Impairment	(111,635)
	<hr/>
At end of year	703,951
	<hr/>

Investment properties comprise:

	2002 £	2001 £
Freehold	471,950	450,000
Long leasehold	82,000	82,000
Short leasehold	150,001	-
	<hr/>	<hr/>
	703,951	532,000
	<hr/>	<hr/>

The investment properties are carried at open market value based on a valuation performed by the directors in December 2002.

Notes (continued)

12 Tangible fixed assets

	Land and buildings £	Plant and Machinery £	Total £
Cost or valuation			
At beginning of year	3,454,653	1,026,991	4,481,644
Additions	12,848	21,845	34,693
Transfers to fixed asset investments	(180,867)	(137,495)	(318,362)
Disposals	(1,155,062)	(349,620)	(1,504,682)
Write off revaluation	(124,938)	-	(124,938)
	<hr/>	<hr/>	<hr/>
At end of year	2,006,634	561,721	2,568,355
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	124,667	784,359	909,026
Charge for year	37,341	112,536	149,877
Impairment losses	607,764	-	607,764
On disposals	(9,583)	(330,874)	(340,457)
On transfers to fixed asset investments	(3,555)	(44,222)	(47,777)
	<hr/>	<hr/>	<hr/>
At end of year	756,634	521,799	1,278,433
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2002	1,250,000	39,922	1,289,922
	<hr/>	<hr/>	<hr/>
At 31 December 2001	3,329,986	242,632	3,572,618
	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Tangible fixed assets (continued)

Included in freehold land and buildings are assets valued at £750,000 (2001: £2,800,000) on the basis of open market value for existing use. Short leasehold property was valued at £500,000 (2001: £530,000) on the basis of open market value for existing use. Additions are stated at cost.

Included within land and buildings above is an amount of £670,000 (2001: £1,520,000) in respect of land which is not depreciated.

The following information relates to assets carried on the basis of revaluations in accordance with FRS15 *Tangible Fixed Assets*.

	2002 £	2001 £
Land and buildings		
At 2002 open market valuation	1,250,000	3,329,986
Aggregate depreciation thereon	-	-
	<hr/>	<hr/>
Net book value	1,857,764	3,329,986
	<hr/>	<hr/>
Historical cost of revalued assets	404,026	847,825
Aggregate depreciation based on historical cost	(8,081)	(19,741)
	<hr/>	<hr/>
Historical cost net book value	395,945	828,084
	<hr/>	<hr/>

Other tangible fixed assets, including additions subsequent to the revaluation of freehold properties, are included at cost.

The land and buildings are carried at open market value based on a valuation performed by the directors in December 2002.

The net book value of land and buildings comprises:

	2002 £	2001 £
Freehold	750,000	2,799,986
Short leasehold	500,000	530,000
	<hr/>	<hr/>
	1,250,000	3,329,986
	<hr/>	<hr/>

Notes (continued)

13 Fixed asset investments

	Loans to group undertakings £	Shares in Group undertakings £	Total £
<i>Cost</i>			
At beginning and end of year	703,483	258,849	962,332

In the opinion of the directors the investments are worth at least the amount at which they are stated in the balance sheet.

The table below provides details of the subsidiary undertakings in which the company has a 100% interest via its holding of ordinary shares.

Name of subsidiary	Net assets £	Nature of business	Country of registration, incorporation and operation
Berlin Limited	1,000	Non-trading	England
Prague Limited	1,000	Non-trading	England
Drybar (Manchester) Limited	1,000	Non-trading	England
Whitewinds Limited	2	Non-trading	England
236 Limited	1,000	Non-trading	England
258 Limited	1,000	Non-trading	England
Superspin Limited	216,517	Non-trading	England

14 Stocks

	2002 £	2001 £
Goods held for resale and consumption	60,597	97,364

15 Debtors

	2002 £	2001 £
Trade debtors	44,935	59,209
Other debtors (see note 21)	1,541,435	1,603,100
Prepayments and accrued income	178,452	147,069
	<u>1,764,822</u>	<u>1,809,378</u>
Debtors falling due within more than one year included in the above were	<u>1,493,852</u>	<u>1,551,546</u>

Included within other debtors are amounts due from related companies of £1,493,852 (2001: £1,551,546).

Notes (continued)

15 Debtors (continued)

The company has a deferred tax asset as set out below:

	2002 £	2001 £
Accelerated capital allowances	12,798	16,200
	<u>12,798</u>	<u>16,200</u>

The company has an unrecognised deferred tax asset largely in respect of tax losses, which has not been recognised as there is uncertainty over the timing of forecast profits for the company in the foreseeable future.

16 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts not including loan repayments	2,900,685	837,076
Trade creditors (see note 21)	529,787	765,152
Amounts owed to group undertakings	15,281	15,281
Other creditors (see note 21)	267,416	470,176
Taxation and social security	126,259	7,138
Accruals	129,990	210,720
	<u>3,969,418</u>	<u>2,305,543</u>

17 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Bank loans and overdrafts	487,281	3,633,596
Other creditors (see note 21)	1,189,349	1,129,852
	<u>1,676,630</u>	<u>4,763,448</u>

Other creditors comprises amounts due to related parties of £1,189,349 (2001: £1,129,852). These loans may not be withdrawn without the consent of the bank. There is no fixed repayment term and no interest is payable.

Analysis of debt:

	2002 £	2001 £
Debt can be analysed as falling due:		
In one year or less, or on demand	2,900,685	837,073
Between one and two years	487,281	525,129
Between two and five years	-	1,652,115
In five years or more	-	1,456,355
	<u>3,387,966</u>	<u>4,470,672</u>

Notes (continued)

18 Creditors: amounts falling due after more than one year (continued)

Included in the above are all bank loans and overdrafts and other creditors falling due after more than one year.

Bank loans and overdrafts are secured against the properties held. Interest is charged at between 7-7.25% on the loans.

19 Provisions for liabilities and charges

The deferred tax asset of £88,767 (2001: £51,585) in respect of trading losses has not been recognised as future suitable taxable profits are not considered to be probable.

20 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
Ordinary shares of £1 each	6,000	6,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	6,000	6,000
	<hr/>	<hr/>

21 Reserves

	Revaluation Reserve £	Profit and loss account £
At beginning of year	866,334	(897,278)
Retained loss for the year	-	(211,274)
Revaluation	(607,764)	-
On disposal of assets	(124,938)	124,938
	<hr/>	<hr/>
At end of year	133,632	(983,614)
	<hr/>	<hr/>

Notes *(continued)*

22 Related party transactions

The company traded with Newlight Limited, a company of which Messrs Clancy, Dwyer and Dodd are directors. Property rentals of £150,000 (2001: £35,000) were receivable during the period. Amounts owing from Newlight Limited at 31 December 2002 were £nil (2001: £nil) in respect of rent and other costs and a loan of £1,493,852 (2001: £1,551,546). The amount owed to Newlight Limited at the year end which is included within trade creditors was £nil (2001: £60,000).

A loan totalling £553,536 (2001: £553,536) is owed to Silent Way Limited (formerly So What Arts Limited), a company of which Mr Dodd is also a director.

The company traded with Hale Leisure Limited, a company of which Messrs Clancy and Dwyer are directors and shareholders. There is a loan outstanding totalling £406,316 (2001: £406,316) included in long term creditors and other amounts of £93,407 (2001: £295,318) included in other creditors. During the year recharges of £nil (2001: £248,978) were made in respect of management fees and other recharges of £nil (2001: £74,103).

A loan totalling £229,500 (2001: £170,000) is owed to Westport Developments, a company of which Mr Dodd is also a director.

Included within other creditors are amounts totalling £117,997 (2001: £110,830) owed to Mr Dodd, £3,118 (2001: Nil) owed to A J Clancy and £2,776 (2001: Nil) owed to E P Dwyer.