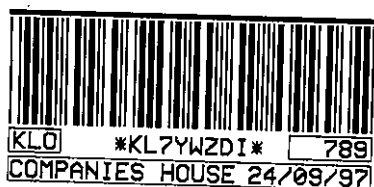


**RACQUETS & HEALTHTRACK
GROUP LIMITED**

**Report and Financial Statements
30 September 1996**

Company Number 3065807



RACQUETS & HEALTHTRACK GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 1996

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RACQUETS & HEALTHTRACK GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G M Thomas
M B Wildsmith
C J Lee

SECRETARY

C J Lee

REGISTERED OFFICE

91 Fleet Road
Fleet
Hampshire
GU13 8PJ

BANKERS

National Westminster Bank plc
176 Fleet Road
Fleet
Hampshire
GU13 8YJ

Hill Samuel Bank Limited
188 Brompton Road
Knightsbridge
London
SW3 1HQ

SOLICITORS

Collyer-Bristow
4 Bedford Row
London
WC1R 4DF

AUDITORS

Brooking Knowles & Lawrence
Chartered Accountants
Clifton House
Bunnian Place
Basingstoke
RG21 7JE

RACQUETS & HEALTHTRACK GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 16 month period ended 30 September 1996.

PRINCIPAL ACTIVITIES

The principal activity of the group is that of providing sports, leisure and other related activities.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company was incorporated on 7 June 1995 as Racquets & Healthtrack Group Limited.

On 1 April 1996 the group acquired the Brooklands Healthtrack Club at Weybridge which was opened in October 1995. This Club has provided all of the group turnover for the period. In addition the group set up a number of separate subsidiary companies to develop new sites and create new Clubs. The costs of these subsidiary companies is included in the result for the period. The subsidiary company Cheshire Oaks Racquets and Healthtrack Limited opened a new Club Cheshire Oaks on 29 October 1996. This is expected to significantly expand turnover and profitability in 1997. The Board has an ambitious plan for the future and based on these expectations look to the future with confidence.

RESULTS AND DIVIDENDS

The profit and loss account for the 16 month period is set out on page 6. The group has incurred a loss of £7,011, which is proposed to be transferred to the profit and loss account.

The directors do not propose a dividend.

DIRECTORS

The directors of the company at 30 September 1996 are listed on page 1 of whom M B Wildsmith was appointed on 7 June 1995 and C J Lee and G M Thomas were appointed on 13 July 1995. All have been directors for the whole period to 30 September 1996.

Waterloo Nominees Limited was appointed as first director of the company, upon its incorporation, and resigned on the 7 June 1995.

None of the directors held any beneficial interest in the shares of the company or other group companies.

FIXED ASSETS

During the period the group purchased fixed assets totalling £9,131,183 and acquired fixed assets of £6,694,891 as part of the acquisition of Brooklands Healthtrack Limited.

As part of the acquisition of Brooklands Healthtrack Limited on 1 April 1996 the Brooklands Club was fair valued by the directors giving a surplus of £725,095. A formal valuation was completed by Humberts Leisure in July 1996. They are of the opinion that the estimated realisation price for existing use is in the order of £11.25 million and this has been incorporated into the accounts.

Details of movements in fixed assets are set out in note 8 to these financial statements.

RACQUETS & HEALTHTRACK GROUP LIMITED

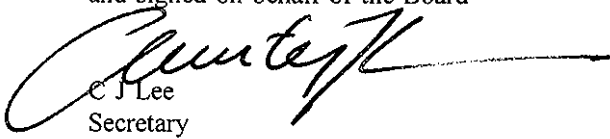
DIRECTORS' REPORT (CONT'D)

AUDITORS

The board appointed Messrs Brooking Knowles & Lawrence as the group auditors.

A resolution to reappoint Brooking Knowles & Lawrence as auditors will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors
and signed on behalf of the Board


C J Lee
Secretary

Date: 24 September 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In so doing, 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 group and company will continue in business.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 21 which have been prepared under the accounting policies set out on pages 11 to 12.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility as auditors to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

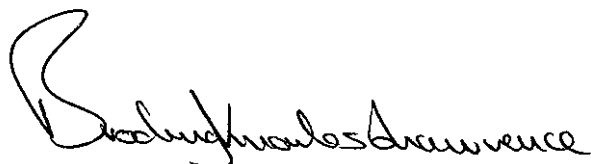
Basis of Opinion

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 group and 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 group and the company as at 30 September 1996 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



BROOKING KNOWLES & LAWRENCE

Chartered Accountants and
Registered Auditors

Dated: 24 September 1997

Clifton House
Bunnian Place
Basingstoke
Hampshire
RG21 7JE

RACQUETS & HEALTHTRACK GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT 16 month period ended 30 September 1996

	Note	1996 £
TURNOVER	1	2,031,527
Cost of sales		(143,192)
Gross profit		<u>1,888,335</u>
Administrative expenses		(1,643,677)
OPERATING PROFIT	2	<u>244,658</u>
Other interest receivable and similar income	5	19,421
Interest payable and similar charges	6	(271,090)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(7,011)</u>
Tax on profit on ordinary activities	7	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	16	<u>(7,011)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1996 £
Loss for the financial period	(7,011)
Unrealised surplus on revaluation of tangible fixed assets	4,588,155
TOTAL RECOGNISED GAINS	<u>4,581,144</u>

Turnover and operating profit for the current period arise from continuing activities.

RACQUETS & HEALTHTRACK GROUP LIMITED

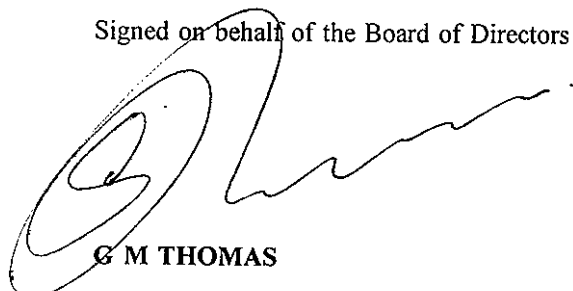
CONSOLIDATED BALANCE SHEET 30 September 1996

	Note	£	1996 £
FIXED ASSETS			
Tangible assets	8		20,330,055
CURRENT ASSETS			
Stock	10	99,855	
Debtors	11	243,255	
Cash at bank and in hand		654,767	
		<u>997,877</u>	
CREDITORS: amounts falling due within one year	12	(3,640,142)	
NET CURRENT LIABILITIES			<u>(2,642,265)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			17,687,790
CREDITORS: amounts falling due outside one year	13		(13,106,546)
NET ASSETS			<u>4,581,244</u>
CAPITAL AND RESERVES			
Called up share capital	15		100
Revaluation reserve	16		4,588,155
Profit and loss account	16		(7,011)
EQUITY SHAREHOLDERS FUNDS	18		<u>4,581,244</u>

The financial statements on pages 6 to 21 were approved by the Board of Directors on

24 September 1997

Signed on behalf of the Board of Directors



G M THOMAS

Director

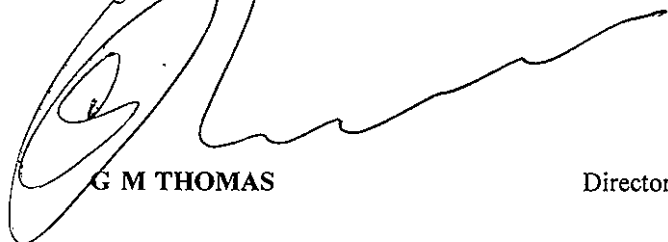
RACQUETS & HEALTHTRACK GROUP LIMITED

COMPANY BALANCE SHEET 30 September 1996

	Note	£	1996 £
FIXED ASSETS			
Tangible assets	8		13,928
Investments	9		200,590
			<u>214,518</u>
CURRENT ASSETS			
Debtors	11	274,851	
CREDITORS: amounts falling due within one year	12	(598,471)	
NET CURRENT LIABILITIES			<u>(323,620)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(109,102)
CREDITORS: amounts falling due outside one year	13		<u>(3,422)</u>
NET LIABILITIES			<u><u>(112,524)</u></u>
CAPITAL AND RESERVES			
Called up share capital	15		100
Profit and loss account	16		(112,624)
EQUITY SHAREHOLDERS DEFICIT	18		<u><u>(112,524)</u></u>

The financial statements on pages 6 to 21 were approved by the Board of Directors on 24 September 1997

Signed on behalf of the Board of Directors



G M THOMAS

Director

RACQUETS & HEALTHTRACK GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT 16 month period ended 30 September 1996

	Note	1996 £
Net cash inflow from operating activities	1	73,456
Returns on investments and servicing of finance		
Interest received		19,421
Interest paid		(99,993)
Net cash outflow from returns on investments and servicing of finance		<u>(80,572)</u>
Investing activities		
Purchase of tangible fixed assets		(9,131,183)
Purchase of subsidiary		(209,319)
Disposal proceeds		11,082
Net cash outflow from investing activities		<u>(9,329,420)</u>
Net cash outflow before financing		(9,336,536)
Financing		
Share capital	4	100
New bank loans	4	7,900,000
New other loans	4	1,802,377
New finance leases	4	8,800
Repayment of principal under finance lease	4	(2,445)
Net cash inflow from financing		<u>9,708,832</u>
Increase in cash and cash equivalents	2	<u>372,296</u>

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE CASH FLOW STATEMENT 16 month period ended 30 September 1996

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £
Operating profit	244,658
Depreciation	73,092
Increase in stock	(27,388)
Increase in debtors	(78,476)
Decrease in creditors	(138,430)
	<hr/>
Net cash inflow from operating activities	73,456
	<hr/>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD

	£
Net cash inflow	372,296
	<hr/>
Balance at 30 September 1996	372,296
	<hr/>

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996 £	Change in period £
Cash at bank and in hand	654,767	654,767
Bank overdrafts	(282,471)	(282,471)
	<hr/>	<hr/>
	372,296	372,296
	<hr/>	<hr/>

4. ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD

	Share capital £	Loans/Finance lease obligations £
Cash inflow from financing	100	9,711,177
Cash outflow from financing	-	(2,445)
	<hr/>	<hr/>
Balance at 30 September 1996	100	9,708,732
	<hr/>	<hr/>

5. MAJOR NON-CASH TRANSACTIONS

During the period certain freehold land and buildings were revalued upwards by £4,588,155.

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE ACCOUNTS

16 month period ended 30 September 1996

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings, in accordance with applicable accounting standards and on a going concern basis.

Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiaries. All companies in the group have accounting periods ending 30 September. All intra-group profits are eliminated.

The acquisition cost of each subsidiary is allocated to each class of asset on the basis of fair value at the date of acquisition. The surplus/deficit of cost over/under fair value of the net assets of the subsidiaries at the date of acquisition is charged/credited against/to reserves.

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers outside the group during the period from continuing activities.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation. The cost or valuation of fixed assets is written off over their expected useful lives to the business at the following rates:-

Land and Buildings	10 - 30 years for items with a wasting life.
Fixtures and fittings	15% straight line
Plant and equipment	5 - 20% straight line
Computer equipment	25% straight line

The group has not provided depreciation in accordance with Statement of Standard Accounting Practice No 12. "Accounting for depreciation" in respect of freehold property as it is the group policy to maintain properties in such a condition that their value is not diminished by the passage of time and relevant expenditure is charged to profit before tax in the year when it is incurred. Therefore, any element of depreciation is considered to be immaterial and no provision is made. Should any permanent diminution in value occur, full provision will be made.

Capitalisation of interest

Interest costs and similar charges relating to the financing of freehold and long leasehold property developments are capitalised up to the date of completion of the project.

Stock

Stock has been valued at the lower of cost and net realisable value except base stock which is carried forward at its cost value.

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE ACCOUNTS

16 month period ended 30 September 1996

1. ACCOUNTING POLICIES (CONT'D)

Current investments

Investments held as current assets are recorded at cost less any diminutions in value arising since acquisition.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Membership income

Joining fees are recognised evenly as revenue over the accounting period in which they are received. Annual membership subscriptions are released to the profit and loss account over the period to which they relate. Life memberships are released to the profit and loss account on receipt.

Pre-Opening Expenses

All pre-opening expenses are written off as they are incurred.

Operating and finance leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

2. OPERATING PROFIT

Operating profit is stated after charging:

	1996
	£
Depreciation	73,092
Auditors' remuneration	
-audit fees (company £2,000)	13,000
-other services	3,000
	<u> </u>

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE ACCOUNTS

16 month period ended 30 September 1996

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average number of persons employed by the group during the period and their aggregate emoluments are shown below:

	1996 No.
Management and administration	18
Sales staff	9
Fitness staff	21
Other employees	79
	<u>127</u>

The costs incurred in respect of those employees were:

	£
Wages and salaries	1,004,756
Social security costs	82,164
	<u>1,086,920</u>

4. DIRECTORS' EMOLUMENTS

The emoluments of the directors were as follows:

Management remuneration (including benefits in kind)	28,375
--	--------

Fees and other emoluments include amounts paid to:

	1996 £
Chairman	-
Highest paid director	<u>15,153</u>

The number of directors (including the chairman and highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996
£0 to £ 5,000	1
£10,001 to £15,000	1
£15,001 to £20,000	<u>1</u>

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1996 £
Other interest receivable and similar income	<u>19,421</u>

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE ACCOUNTS

16 month period ended 30 September 1996

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £
Bank loans	845,801
Bank overdrafts	605
	<hr/> 846,406
Less: Interest and similar charges Capitalised	(575,316)
	<hr/> 271,090
	<hr/> <hr/>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

No provision for corporation tax arises on the results for the period, due to losses incurred and the availability of group relief.

8. TANGIBLE FIXED ASSETS

Group

	Freehold land and buildings £	Long leasehold land and buildings £	Fixtures and fittings £	Plant and equipment £	Computer equipment £	Motor vehicles £	Total £
Cost							
Additions	1,550,905	7,210,061	250,250	43,158	65,809	11,000	9,131,183
In respect of new subsidiary	6,260,002	-	31,924	349,074	53,891	-	6,694,891
Revaluations	4,588,155	-	-	-	-	-	4,588,155
Transfer to stock	-	-	(8,882)	-	-	-	(8,882)
Disposals	-	-	-	(5,500)	-	-	(5,500)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1996	12,399,062	7,210,061	273,292	386,732	119,700	11,000	20,399,847
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation							
Charge for year	34,360	-	10,647	22,696	5,389	-	73,092
Disposals	-	-	-	(3,300)	-	-	(3,300)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1996	34,360	-	10,647	19,396	5,389	-	69,792
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Book Value							
At 30 September 1996	12,364,702	7,210,061	262,645	367,336	114,311	11,000	20,330,055
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The freehold land and buildings held by Brooklands Healthtrack Limited were valued by Humberts Leisure, a firm of independent Chartered Surveyors, in July 1996. They are of the opinion that the current estimated realisation price for "existing use as an operational entity having regard to trading potential" is in the order of £11.25 million. This value has been reflected in the accounts at 30 September 1996.

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE ACCOUNTS 16 month period ended 30 September 1996

8. TANGIBLE FIXED ASSETS (CONT'D)

If land and buildings had not been revalued they would have been included at the following amounts:

	1996
	£
Cost to the group	6,255,095
	<u> </u>
Aggregate depreciation based on cost	34,360
	<u> </u>

Included in land and buildings is capitalised interest and similar charges of £575,316 before tax relief.

Company	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Cost and net book value				
Additions	2,578	350	11,000	13,928
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 1996	2,578	350	11,000	13,928
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9. INVESTMENTS

Company	Interest in group undertakings £
Cost and net book value	
Additions	200,590
	<u> </u>
At 30 September 1996	200,590
	<u> </u>

The company has the following subsidiaries:

Subsidiary	Nature of Business	Country of incorporation	Proportion of nominal value of issued shares held by group
Solihull Racquets & Healthtrack Limited	Private health club	England and Wales	100%
Cheshire Oaks Racquets & Healthtrack Limited	Private health club	England and Wales	100%
Brooklands Healthtrack Limited	Private health club	England and Wales	90%
RHG (Bromborough) Limited	Private health club	England and Wales	100%
Nottingham Racquets & Healthtrack Limited	Private health club	England and Wales	100%
Ealing Racquets and Healthtrack Limited	Private health club	England and Wales	100%

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE ACCOUNTS

16 month period ended 30 September 1996

9. INVESTMENTS (CONT'D)

The group has entered in to an option agreement to acquire the 10% minority interest in Brooklands Healthtrack Limited for £200,000. The Board entered detailed negotiations in April 1996 and the contract was finalised and signed on 10 October 1996. The group board intend to exercise this option and in accordance with Financial Reporting Standard No. 5 (FRS5) the substance of this transaction has been reflected in these financial statements. A liability of £200,000 has been created and Brooklands Healthtrack Limited has been recorded as a 100% subsidiary.

10. STOCK

	1996 Group £	1996 Company £
Consumables	41,959	-
Goods held for resale	57,896	-
	<u>99,855</u>	<u>-</u>

11. DEBTORS

	1996 Group £	1996 Company £
Amount owed by subsidiary undertakings	-	265,712
Other debtors	243,255	9,139
	<u>243,255</u>	<u>274,851</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 Group £	1996 Company £
Bank loans and overdrafts	544,971	12,021
Other loans	1,449,400	151,400
Obligations under finance leases	2,933	2,933
Trade creditors	295,691	18,241
Amounts owed to subsidiary undertakings	-	210,060
Other creditors	382,611	200,000
Taxation and social security	123,964	3,816
Accruals and deferred income	840,572	-
	<u>3,640,142</u>	<u>598,471</u>

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE ACCOUNTS

16 month period ended 30 September 1996

13. CREDITORS: AMOUNTS FALLING DUE OUTSIDE ONE YEAR	1996 Group £	1996 Company £
Obligations under finance leases	3,422	3,422
Other loans	352,977	-
Bank loans	12,726,766	-
Accruals and deferred income	23,381	-
	<u>13,106,546</u>	<u>3,422</u>

Bank Loans

- a) On 11 March 1996 the group entered into a facility agreement with National Westminster Bank plc., under which the bank agreed to lend the group up to £3,950,000.

On 11 March 1996 the group executed a guarantee and debenture in favour of National Westminster Bank Plc., pursuant to which the group guaranteed the obligations of the Group under the facility agreement.

As security for the loan the group granted National Westminster Bank plc., a legal mortgage over the land and buildings comprising the Cheshire Oaks Racquets and Health Club, South Wirral.

At the 30 September 1996 advances totalling £3,950,000 had been made which are repayable in equal quarterly instalments commencing in March 1998. The rate of interest is 9.625% fixed for five years and then at 2% over bank base rate.

- b) On 13 March 1996 the group entered into a facility agreement with National Westminster Bank plc., under which the bank agreed to lend the group up to £2,800,000.

On 13 March 1996 the group executed a debenture over the assets of the group.

As security for the loan the group granted National Westminster Bank plc., a legal mortgage over the land and buildings comprising the Brooklands Healthtrack Club, Weybridge.

At 30 September 1996 advances totalling £2,800,000 had been made which are repayable in equal quarterly instalments commencing on the 4 December 1996. The rate of interest is 9.75% fixed for five years and then at 2% over bank base rate.

- c) On 18 July 1996 the group entered into a facility agreement with Hill Samuel Bank Limited under which the bank agreed to lend the group £3,950,000. On 18 July 1996 the group executed a debenture in favour of Hill Samuel Bank Limited subject to prior charge in favour of National Westminster Bank plc.

As security for the loan the group gave a deed of priority between Hill Samuel Bank Limited and National Westminster Bank plc., in respect of a second ranking mortgage debenture. At 30 September 1996 advances totalling £3,950,000 had been made which is repayable in full in one instalment on the earlier of 31 July 2001 and the fifth anniversary of the drawdown of the first tranche of the facility. The rate of interest is 12% per annum.

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE ACCOUNTS

16 month period ended 30 September 1996

13. CREDITORS: AMOUNTS FALLING DUE OUTSIDE ONE YEAR

- d) On 7 March 1996 the group entered into a facility agreement with the Hill Samuel Bank Limited under which the bank agreed to lend the group £2,289,266. On 7 March 1996 the group executed a debenture in favour of Hill Samuel Bank Limited subject to prior charge in favour of National Westminster Bank Plc.

As security for the loan the group gave a deed of priority between Hill Samuel Bank Limited and National Westminster Bank plc., in respect of a second ranking mortgage debenture. At 30 September 1996 advances totalling £2,289,266 had been made which is repayable in full in one instalment on the earlier of the 31 March 1999 and the third anniversary of the drawdown. The rate of interest is 12% per annum.

The bank loans are due as follows:-

	1996 £
In less than 1 year	262,500
Due in 1 - 2 years	720,313
Due in 2 - 5 years	8,770,516
In more than 5 years	3,235,937
	<u>12,989,266</u>

Finance leases

The net finance lease obligations to which the group and company are committed are:-

	1996 £
In one year or less	2,933
Between one and two years	2,933
Between two and five years	489
	<u>6,355</u>

14. DEFERRED TAXATION

	1996 Group £	1996 Company £
Deferred taxation	<u>Nil</u>	<u>Nil</u>

If the freehold property was realised at the amounts included in the balance sheet, in view of the groups policy of expansion and continued ownership of its assets, it would be necessary to replace them by purchasing similar property; rollover relief would therefore be available. Accordingly the amounts do not constitute timing differences as defined by SSAP15 and the potential amount of deferred tax if they were to be disposed of has not therefore been quantified.

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE ACCOUNTS

16 month period ended 30 September 1996

15. CALLED UP SHARE CAPITAL	1996 Group £	1996 Company £
Authorised		
Ordinary shares of £1 each	1,000,000	1,000,000
	<u> </u>	<u> </u>
Allotted called up and fully paid		
Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

The company was incorporated on 7 June 1995 with an authorised share capital of 1,000,000 ordinary shares of £1 each. 2 shares were issued on incorporation at par for cash consideration. A further 98 share were issued on 4 August 1995 at par for cash consideration.

16. STATEMENT OF MOVEMENTS ON RESERVES

Group	1996 Profit and loss account £	1996 Revaluation reserve £
Loss for the period	(7,011)	
Property revaluation in the period	-	4,588,155
	<u> </u>	<u> </u>
At 30 September 1996	(7,011)	4,588,155
	<u> </u>	<u> </u>
 Company	 £	
Loss for the period and at 30 September 1996	(112,624)	
	<u> </u>	

On the 1st April 1996 the company acquired 90% of the Issued Share Capital of Brooklands Healthtrack Limited for a total consideration of £90. In addition as set out in note 9 the company also entered into an arrangement to acquire the remaining 10% for £200,000. In accordance with FRS 5 the acquisition has been accounted for on the basis of the group acquiring 100% of the equity.

The group has used acquisition accounting to account for the purchase.

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE ACCOUNTS

16 month period ended 30 September 1996

17. ACQUISITIONS (Cont'd)

The summarised Profit and Loss Account for Brooklands Healthtrack Limited for the period from 1st October 1995, the beginning of the subsidiary's financial year, to the date of acquisition is as follows:

	Period Ended 31.03.96 £
Profit and Loss Account	
Turnover	1,117,097
Operating Loss	(70,737)
Loss on ordinary activities before and after taxation	£(93,702)

The loss on ordinary activities after taxation for the period ended 30th September 1995 was £(431,303).

The Assets and Liabilities of Brooklands Healthtrack Limited acquired are set out below:

	Book Value £	Revaluation £	Fair Value £
Tangible Fixed Assets	5,969,796	725,095	6,694,891
Current Assets:			
Stock	72,467	-	72,467
Debtors	6,278,802	-	6,278,802
Total Assets	12,321,065	725,095	13,046,160
Liabilities			
Creditors			
Bank Overdraft	9,229	-	9,229
Bank Loans	5,089,266	-	5,089,266
Creditors	7,747,575	-	7,747,575
Net (Liabilities)/Assets	(525,005)	725,095	200,090
Satisfied by:			
Cash			90
Deferred consideration (see Note 9)			200,000
			£200,090

In the light of a formal valuation of the Brooklands Club in July 1996 identifying a significant revaluation surplus, the board consider that a fair value of Brooklands Healthtrack Limited at 1 April 1996 reflects neither a gain or loss on the net assets acquired.

RACQUETS & HEALTHTRACK GROUP LIMITED

NOTES TO THE ACCOUNTS

16 month period ended 30 September 1996

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	1996 £
Loss attributable to members of the group	(7,011)
Share capital issued	100
Revaluation reserve	4,588,155
	<hr/>
Shareholders funds at 30 September 1996	4,581,244
	<hr/>
 Company	 1996 £
Loss for the period	(112,624)
Issued share capital	100
	<hr/>
Shareholders funds at 30 September 1996	(112,524)
	<hr/>

19. CAPITAL COMMITMENTS

	1996 £
The group had the following capital commitments	
Contracted but not provided for	£9,811,505
	<hr/>

20. FINANCIAL COMMITMENTS

At 30 September 1996 the group had no annual commitments under non-cancellable operating leases.

21. CONTINGENT LIABILITIES

There were no contingent liabilities.

22. DIRECTORS INTERESTS IN TRANSACTIONS

The directors had an interest in the management charges paid to GML Leisure of £285,703 by virtue of their directorship of that company. Of these charges £64,624 was outstanding at the period end.

The freehold land and buildings known as Brooklands Healthtrack Club was purchased for £5.5 million from Cosgrove Limited, a shareholder on an arms length basis.

23. ULTIMATE PARENT COMPANY

The ultimate parent company is Acanthus Leisure Limited, a company incorporated in the British Virgin Islands.