

**MANCHESTER RACQUETS
& HEALTHTRACK
LIMITED**

**Report and Financial Statements
30 September 1998**



Company Number 3194464

MANCHESTER RACQUETS & HEALTHTRACK LIMITED

REPORT & FINANCIAL STATEMENTS 1998

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MANCHESTER RACQUETS & HEALTHTRACK LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

G M Thomas
M B Wildsmith
C J Lee

SECRETARY

C J Lee

COMPANY NUMBER

3194464 (England and Wales)

REGISTERED OFFICE

91 Fleet Road
Fleet
Hampshire
GU13 8PJ

BANKERS

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

Robert Fleming & Co Limited
25 Copthall Avenue
London
EC2R 7DR

SOLICITORS

Collyer-Bristow
4 Bedford Row
London
WC1R 4DF

AUDITORS

BKL Weeks Green
Chartered Accountants
Clifton House
Bunnian Place
Basingstoke
RG21 7JE

MANCHESTER RACQUETS & HEALTHTRACK LIMITED

DIRECTORS' REPORT

for the year ended 30 September 1998

The directors present their annual report and the audited financial statements for the year ended 30 September 1998.

Principal activities

The company has not received any income during the year under review, but has incurred certain overhead expenses.

The principal activity of the company will be that of providing sports, leisure and other related activities.

Year 2000

The company has in place a project to assess the risks and uncertainties associated with the Year 2000. This project is staffed internally and is expected to be completed (all identified issues resolved) by 31 March 1999. The cost of the project has not been quantified as most of the non-compliant hardware and software will be replaced before the year 2000 through the usual asset replacement cycle. No material additional external costs are anticipated in relation to the project.

Review of the business and future developments

The results contained within this report represent initial set-up costs relating to the building and development of a Racquets and Healthtrack Club which opened on 2 January 1999.

Results and dividends

The profit and loss account for the year is set out on page 5. The company has incurred a loss of £389,484 (1997: loss £44,568), which is proposed to be transferred to the profit and loss account deficit.

The directors do not propose a dividend.

Directors

The directors of the company at 30 September 1998, all of whom have been directors for the whole of the year, are listed on page 1.

None of the directors held any beneficial interest in the shares of the company.

Fixed assets

During the year the company incurred capital expenditure of £6,294,176 in relation to the initial development of a Racquets and Leisure Club.

Details of movements in fixed assets are set out in note 6 to these financial statements.

Auditors

With effect from 1 November 1998 the auditors, Brooking Knowles and Lawrence practise under the name BKL Weeks Green.

A resolution to reappoint BKL Weeks Green as auditors will be proposed at the forthcoming annual general meeting.

MANCHESTER RACQUETS & HEALTHTRACK LIMITED

DIRECTORS' REPORT

for the year ended 30 September 1998

Directors Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In 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 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board on of directors and signed on behalf of the Board on 28 January 1999



C J Lee
Secretary

MANCHESTER RACQUETS & HEALTHTRACK LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Dated.....28 January 1999.....

Clifton House
Bunnian Place
Basingstoke
Hampshire

BKL Weeks Green

BKL Weeks Green
Chartered Accountants
Registered Auditor

MANCHESTER RACQUETS & HEALTHTRACK LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 30 September 1998

| | Notes | 1998 £ | 17 months 1997 £ |
|--|-------|-----------|------------------------|
| TURNOVER | | - | - |
| Cost of sales | | - | - |
| Gross profit | | - | - |
| Administrative expenses | | (239,484) | (4,568) |
| Loss before head office expenses | | (239,484) | (4,568) |
| Head office expenses | | (150,000) | (40,000) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 3 | (389,484) | (44,568) |
| Tax on loss on ordinary activities | 5 | - | - |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | 11 | (389,484) | (44,568) |

There were no other gains and losses in the year other than the loss set out above. Accordingly, a statement of total recognised gains and losses has not been presented.

MANCHESTER RACQUETS & HEALTHTRACK LIMITED

BALANCE SHEET as at 30 September 1998

| | Notes | £ | 1998 £ | £ | 1997 £ |
|---|-------|----------------|------------------|---------------|-----------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 6 | | 6,437,634 | | 143,458 |
| CURRENT ASSETS | | | | | |
| Stock | | 5,141 | | - | |
| Debtors | 7 | 122,472 | | 40,600 | |
| Cash at bank and in hand | | 38,655 | | - | |
| | | <u>166,268</u> | | <u>40,600</u> | |
| CREDITORS: Amounts falling due within one year | 8 | (7,037,854) | | (228,526) | |
| NET CURRENT LIABILITIES | | | (6,871,586) | | (187,926) |
| NET LIABILITIES | | | <u>(433,952)</u> | | <u>(44,468)</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 10 | | 100 | | 100 |
| Profit and loss account | 11 | | (434,052) | | (44,568) |
| EQUITY SHAREHOLDERS' DEFICIT 12 | | | <u>(433,952)</u> | | <u>(44,468)</u> |

The financial statements on pages 5 to 10 were approved by the Board of Directors on 28 January 1999

Signed on behalf of the Board of Directors


G M Thomas

Director

MANCHESTER RACQUETS & HEALTHTRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 1998

1 ACCOUNTING POLICIES

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

1.1 Accounting convention

The financial statements are presented under the historical cost convention and include the results of the company's operations as indicated in the directors' report.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that the subsidiary is included in publicly available consolidated accounts.

1.2 Turnover

The company has not generated any turnover during the year.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost of acquisition.

Depreciation is provided at rates calculated to write off the cost of fixed assets over their estimated useful lives.

No fixed assets have been depreciated as the assets acquired were not yet in use at the year end.

1.4 Stock

Stock has been valued at the lower cost and net realisable value.

1.5 Capitalisation of interest

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

1.6 Deferred taxation

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

1.7 Pre-opening expenses

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

MANCHESTER RACQUETS & HEALTHTRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 1998

| 2 | INFORMATION REGARDING DIRECTORS AND EMPLOYEES | 17 months |
|---|--|-----------|
| | The average number employed by the company, which includes directors, within each category of persons was: | 1997 |
| | | No |
| | Management and administration | 3 |
| | Sales | - |
| | | |
| | | 3 |

| | | |
|--|--------|------|
| The costs incurred in respect of those employees were: | 1998 | 1997 |
| | £ | £ |
| Wages and salaries | 28,673 | - |
| Social security costs | 2,573 | - |
| | | |
| | 31,246 | - |

No costs were incurred in respect of these employees in 1997.

| 3 | LOSS ON ORDINARY ACTIVITIES | 17 months |
|---|---|-----------|
| | | 1997 |
| | | £ |
| | The loss on ordinary activities is stated after charging: | |
| | Auditors remuneration | 1,750 |

| 4 | INTEREST PAYABLE AND SIMILAR CHARGES | 17 months |
|---|--|-----------|
| | | 1997 |
| | | £ |
| | Interest and similar charges on immediate parent company loans | 21,442 |
| | Less: Interest capitalised | (21,442) |
| | | |
| | | - |

5 TAX ON LOSS ON ORDINARY ACTIVITIES

No provision for corporation tax arises on the results for the year, due to the availability of tax losses created in both the current and the prior year.

MANCHESTER RACQUETS & HEALTHTRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 1998

6 TANGIBLE ASSETS

| | Long leasehold land and buildings | Fixtures and fittings | Plant and equipment | Computer equipment | Total |
|-------------------------|---|--------------------------|------------------------|-----------------------|-----------|
| Cost and net book value | £ | £ | £ | £ | £ |
| At 1 October 1997 | 143,458 | - | - | - | 143,458 |
| Additions | 6,146,362 | 88,549 | 14,347 | 44,918 | 6,294,176 |
| At 30 September 1998 | 6,289,820 | 88,549 | 14,347 | 44,918 | 6,437,634 |

Costs of fixed assets represent capital work in progress at the year end.

Included within fixed assets are capitalised interest costs of £463,442 (1997: £21,442) before tax relief.

7 DEBTORS

| | 1998 £ | 1997 £ |
|---------------|-----------|-----------|
| Other debtors | 83,122 | - |
| Prepayments | 39,350 | 40,600 |
| | 122,472 | 40,600 |

8 CREDITORS: Amounts falling due within one year

| | 1998 £ | 1997 £ |
|--------------------------------|-----------|-----------|
| Bank loans and overdrafts | 601,888 | - |
| Trade creditors | 41,228 | - |
| Amounts owed to parent company | 5,884,628 | 225,826 |
| Taxation and social security | 6,079 | - |
| Accruals | 504,031 | 2,700 |
| | 7,037,854 | 228,526 |

9 DEFERRED TAXATION

| | 1998 £ | 1997 £ |
|-------------------|-----------|-----------|
| Deferred taxation | Nil | Nil |

10 SHARE CAPITAL

| | 1998 £ | 1997 £ |
|--------------------------------------|-----------|-----------|
| Authorised | | |
| 1,000,000 Ordinary shares of £1 each | 1,000,000 | 1,000,000 |
| Allotted called up and fully paid | | |
| 100 Ordinary shares of £1 each | 100 | 100 |

MANCHESTER RACQUETS & HEALTHTRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 1998

11. STATEMENT OF MOVEMENT ON RESERVES

| | Profit and loss account £ |
|---------------------------------|---------------------------------|
| Balance as at 1 October 1997 | (44,568) |
| Loss for the year | (389,484) |
| | <hr/> |
| Balance as at 30 September 1998 | (434,052) |
| | <hr/> |

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

| | 1998 £ | 1997 £ |
|---|-----------|-----------|
| Loss attributable to members of the company | (389,484) | (44,568) |
| Share capital issued | - | 100 |
| Shareholders' deficit at 1 October 1997 | (44,468) | - |
| | <hr/> | <hr/> |
| Shareholders' deficit at 30 September 1998 | (433,952) | (44,468) |
| | <hr/> | <hr/> |

13 CAPITAL COMMITMENTS

| | 1998 £ | 1997 £ |
|--|-----------|-----------|
| Future capital expenditure contracted but not provided for | 2,470,000 | 530,000 |
| | <hr/> | <hr/> |

14 PARENT COMPANY

The parent company is Racquets & Healthtrack Group Limited a company incorporated in England and Wales. Copies of the parent company accounts can be obtained from the Registrar of Companies, Cardiff.

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

15 ULTIMATE CONTROLLING PARTY

The directors have made appropriate enquiries to determine whether there is an ultimate controlling party other than Acanthus Leisure Limited, but have been unable to ascertain this.

16 DIRECTORS INTEREST IN TRANSACTIONS

Transactions with group companies are not disclosed on the grounds that details of the subsidiary are included in publicly available consolidated accounts.

There were no other transactions in which the directors had an interest.