

Riverside Croydon Limited

Directors' report and financial statements

31 October 1998

Registered number 3340555



Riverside Croydon Limited

Directors' report and financial statements

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Riverside Croydon Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 1998.

Principal activities

The principal activity of the company is the operation of tennis and leisure club facilities.

Business review

The directors are satisfied with the results for the year.

Proposed dividend and transfer to reserves

The profit after taxation attributable to the shareholder is £159,000 (*7 months ended 31 October 1997: £48,000*) and has been transferred to reserves.

The directors do not recommend the payment of a dividend (*7 months ended 31 October 1997: £nil*).

Directors and directors' interests

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

Mr MR Foster

Mr PR Ashworth

Mr GP Shillinglaw (resigned 19 January 1999)

None of the directors who held office at the end of the financial year had any disclosable interest in the share capital of the company.

The interests of Mr MR Foster, Mr PR Ashworth and Mr GP Shillinglaw, who are not directors of the company's ultimate parent undertaking, First Leisure Corporation PLC, in the ordinary share capital of that company, are as follows:

	At end of year		At beginning of year	
	Number		Number	
	Shares	Options	Shares	Options
Mr MR Foster	8,203	104,703	4,712	101,581
Mr PR Ashworth	3,364	12,535	-	-
Mr GP Shillinglaw	1,617	57,119	2,360	57,119
	=====	=====	=====	=====

Mr PR Ashworth was granted 12,535 options during the year under the First Leisure Corporation PLC 1994 executive share option scheme. The options are exercisable from 2001 at an exercise price of £3.14 per share.

Mr MR Foster was granted 3,122 options during the year under the First Leisure Corporation PLC savings related share option scheme. The options are exercisable at the end of the three year saving period (2001) at an exercise price of £2.21 per share.

The market price of the shares at 31 October 1998 was 185p (*1997: 256p*) and the range during the year was 159p to 438p.

Riverside Croydon Limited

Directors' report

Year 2000 compliance

A full audit of operating software was completed in the year to assess compliance with the Year 2000. The most significant system which was not Year 2000 compliant, was the financial accounting system, the replacement of which was operational in April 1999. The Company has adopted British Standards Institute document DISC PD2000-1 as a minimum level of compliance. In addition, all suppliers of IT related hardware and software, and suppliers of equipment containing embedded logic chips, have been asked to confirm their compliance with DISC PD2000-1.

Furthermore, assurances have been sought from general suppliers (eg liquor, food) that they will be unaffected by the Year 2000 and that there will be no interruption in the supply of their products and services. Contingency plans are being formulated for all business-critical systems in the event of an unforeseen failure. This will ensure the company's ability to continue trading as usual with minimal disruption to normal operating procedures.

Millennium compliance has been achieved for the majority of the company's systems through ongoing replacement and upgrade, instigated by operational requirement rather than Year 2000 dictate. The specific cost to the company of Year 2000 compliance will be met by the immediate parent undertaking.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



MR Foster
Director

7 Soho Street
LONDON
W1V 5FA

20 AUGUST 1999

Riverside Croydon Limited

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 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;
- 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 a 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.



Edward VII Quay
Navigation Way
Ashton-on-Ribble
Preston
Lancashire PR2 2YF

Report of the auditors to the members of Riverside Croydon Limited

We have audited the financial statements on pages 5 to 12.

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 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 31 October 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

20 AUGUST 1999

Riverside Croydon Limited

Profit and loss account

for the year ended 31 October 1998

	<i>Note</i>	Year ended 31 October 1998 £000	7 months ended 31 October 1997 £000
Turnover			
- normal		2,991	1,668
- exceptional	2	449	-
Turnover - continuing operations		3,440	1,668
Cost of sales		(805)	(474)
Gross profit		2,635	1,194
Administrative expenses		(2,547)	(1,129)
Operating profit - continuing operations		88	65
Interest receivable	6	71	-
Profit on ordinary activities before taxation	3	159	65
Tax on profit on ordinary activities	7	-	(17)
Retained profit for the financial year/period	13	159	48

Statement of total recognised gains and losses

for the year ended 31 October 1998

The company had no recognised gains or losses other than those shown in the profit and loss account for the current and prior period.

Riverside Croydon Limited

Balance sheet

at 31 October 1998

	Note	1998 £000	1997 £000
Fixed assets			
Tangible assets	8	1,656	124
Current assets			
Debtors	9	274	51
Cash at bank and in hand		632	496
		<u>906</u>	<u>547</u>
Creditors: amounts falling due within one year	10	<u>(2,355)</u>	<u>(623)</u>
Net current liabilities		(1,499)	(76)
Net assets		<u>207</u>	<u>48</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	14	207	48
Equity shareholders' funds	13	<u>207</u>	<u>48</u>

These financial statements were approved by the board of directors on 20/8/1999 and were signed on its behalf by:



MR Foster
Director

Riverside Croydon Limited

Notes

(forming part of the financial statements)

1 Accounting policies

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, under the historical cost accounting rules and within the requirements of the Companies Act 1985.

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of First Leisure Corporation PLC, and its cash flows are included within the consolidated cash flow statement of that company.

Related party transactions

The directors have taken advantage of the exemption in FRS 8, paragraph 3(c) and have not disclosed related party transactions with parent and fellow subsidiary undertakings.

Operating results

The operating results include transactions at operating units up to and including the Sunday nearest to 31 October of each year. All other transactions are included up to 31 October.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. All turnover arises in the United Kingdom.

Cost of sales and overheads

Cost of sales includes all costs directly related to sales and all costs controllable by unit management. Overheads include all other costs.

Membership and joining fee income

Joining fee income is recognised in full in the period of enrolment. Membership fees are similarly recognised except where fees have been paid annually in advance. In such an event, the income is recognised over the period to which it relates and the unexpired element is held within deferred income at the period end.

Tangible fixed assets and depreciation

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

Fixtures, fittings and equipment	-	3 to 10 years
Base stocks	-	3 years

Interest incurred on finance provided for significant fixed asset developments and refurbishments is included as part of the cost of the asset concerned until the work is completed, to the extent that this does not overstate its recoverable amount.

Stocks

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

Riverside Croydon Limited

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Pension costs

The company participates in a defined benefit pension scheme operated by First Leisure Corporation PLC. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the pension scheme are charged to the profit and loss account.

Actuarial valuations on an on-going basis are prepared every three years and contributions are made in accordance with the recommendation of a professionally qualified actuary using the projected unit method.

2 Turnover

Turnover includes £449,000 reported as exceptional. This relates to membership and joining fee income which is exempt from VAT due to the company structure. Customs and Excise have recently published draft legislation which, if enacted in its current form, will render such income subject to VAT. The directors believe that the resulting VAT burden cannot be passed on to club members and therefore that this element of income is not sustainable.

In the seven months ended 31 October 1997, the directors considered that the possibility of a successful challenge by HM Customs in respect of the non profit making status of the company could render the company liable to VAT on membership and joining fee income and accordingly turnover and profit of £140,000 were not recognised. The directors believe that the draft legislation, if enacted in its current form, will not be retrospective and accordingly the provision of £140,000 held at 31 October 1998 has been released and is included in the total exceptional item of £449,000.

3 Profit on ordinary activities before taxation

	Year ended 31 October 1998 £000	7 months ended 31 October 1997 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off fixed assets	108	14
Rentals payable under operating leases - land and buildings	2,068	-
	<hr/>	<hr/>

Auditors' remuneration is paid by the company's ultimate parent undertaking, First Leisure Corporation PLC.

Riverside Croydon Limited

Notes (continued)

4 Remuneration of directors

The directors received no remuneration from the company during the year (7 months ended 31 October 1997: £nil) but were remunerated by the company's parent undertaking, First Leisure Corporation PLC.

5 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	
	Year ended 31 October 1998	7 months ended 31 October 1997
Operations	31	41
Administrative	4	4
	<u>35</u>	<u>45</u>

The above figures include 11 part-time employees (7 months ended 31 October 1997: 15).

The aggregate payroll costs of these persons were as follows:

	Year ended 31 October 1998 £000	7 months ended 31 October 1997 £000
Wages and salaries	579	412
Social security costs	58	41
	<u>637</u>	<u>453</u>

6 Interest receivable

	Year ended 31 October 1998 £000	7 months ended 31 October 1997 £000
Bank interest receivable	71	-

Riverside Croydon Limited

Notes (continued)

7 Taxation

	Year ended 31 October 1998 £000	7 months ended 31 October 1997 £000
Corporation tax at 31% (7 months ended 31 October 1997: 31%) on the profit for the year on ordinary activities	-	17

There is no corporation tax charge for the year due to the availability of corporation tax losses surrendered by other group companies.

8 Tangible fixed assets

	Plant and machinery £000
Cost	
At 1 November 1997	138
Additions	1,640
At 31 October 1998	1,778
Depreciation	
At 1 November 1997	14
Charge for the period	108
At 31 October 1998	122
Net book value	
At 31 October 1998	1,656
At 1 November 1997	124

9 Debtors

	1998 £000	1997 £000
Trade debtors	232	37
Other debtors	6	8
Prepayments and accrued income	36	6
	274	51

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Notes (continued)

10 Creditors: amounts falling due within one year

	1998		1997
	£000	£000	£000
Trade creditors		57	95
Amounts owed to parent and fellow subsidiary undertaking		1,871	207
Other creditors including taxation and social security:			
Corporation tax	11		17
Other creditors	67		173
		78	190
Accruals and deferred income		349	131
		2,355	623

11 Deferred taxation

As a result of the high projected level of expenditure on additions to fixed assets which attract capital allowances, the timing differences between depreciation and taxation allowances are not expected to reverse in the foreseeable future. Consequently no provision for deferred taxation is required.

Deferred tax unprovided relating to accelerated capital allowances amounts to £72,000 (1997: £nil).

12 Called up share capital

	1998	1997
	£	£
Authorised		
100 ordinary shares of £1	100	100
Allotted, issued and fully paid		
100 ordinary shares of £1	100	100

13 Reconciliation of movement in equity shareholders' funds

	1998	1997
	£000	£000
Opening shareholders' funds	48	-
Profit for the financial year/period	159	48
Closing shareholders' funds	207	48

Riverside Croydon Limited

Notes (continued)

14 Reserves

	Profit and loss account £000
At 1 November 1997	48
Retained profit for the financial year	159
At 31 October 1998	<u>207</u>

15 Pension scheme

The company's ultimate parent undertaking, First Leisure Corporation PLC, operates a defined benefit pension scheme for all permanent employees who meet certain age criteria. The assets of the scheme are held separately from those of First Leisure Corporation PLC. The most recent actuarial valuation was at 1 July 1995. Further details are disclosed in the accounts of the ultimate parent undertaking, First Leisure Corporation PLC.

There were no outstanding or prepaid contributions at the end of the financial year.

16 Ultimate parent undertaking

The company is a subsidiary undertaking of Riverside PLC, a company registered in England and Wales.

The ultimate parent undertaking is First Leisure Corporation PLC which is registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by First Leisure Corporation PLC. The consolidated accounts of this group are available to the public and may be obtained from:

7 Soho Street
LONDON
W1V 5FA.