Riverside Croydon Limited

Directors' report and financial statements

Registered number 3340555

14 months ended 31 December 1999

Contents

Directors report

The directors present their annual report and the audited financial statements for the 14 month period ended 31 December 1999.

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 period.

Proposed dividend and transfer to reserves

The profit after taxation attributable to the shareholder is £754,000 *(year ended 31 October 1998: £159,000)* and has been transferred to reserves.

The directors do not recommend the payment of a dividend *(year ended 31 October 1998: £nil)*.

Directors and directors' interests

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

Mr MR Foster (resigned 2 November 1999)
Mr PR Ashworth (resigned 2 November 1999)
Mr CG Coles (appointed 2 November 1999)
Mr P Henchoz (appointed 2 November 1999)
Mr M Beadle (appointed 17 May 2000)
Ms Penrice (appointed 17 May 2000)

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

The interests of Mr CG Coles in the share capital of the company's ultimate parent undertaking at 31 December 1999, First Leisure Corporation PLC, are disclosed in the financial statements of that company.

The interests of Mr P Henchoz, who was not a director of First Leisure Corporate PLC, in the ordinary share capital of that company at 31 December 1999 were as follows:

	At end of period Number		**At beginning of period Number**	
	Shares	Options	Shares	Options
Mr P Henchoz	21,185	231,528	8,099	163,197

The market price of the shares of First Leisure Corporation PLC at 31 December 1999 was 225.5p *(31 October 1998: 185p)* and the range during the period was 265.5p to 182.5p.

Directors' report

Employment policies

It is Company policy to involve employees in the business and to ensure that matters of concern to them, including the Esporta Group's aims and financial performance, are communicated in an open and regular way. This is achieved through the use of focus groups, management briefings, newsletters and other less formal communications.

The Esporta Group has a comprehensive annual training and development plan which accords with its policy of developing talent. The promotion of equal opportunities for all colleagues, including disabled persons, is regarded as an important Group priority. Applications for employment from, and promotion of, disabled persons are treated on the same basis as those from other applicants having regard to ability, requirements of the job and experience. In the event of a colleague becoming disabled, the company uses its best endeavours to ensure continuity of employment.

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

Ms V Penrice
Director

Trinity Court
Molly Millars Lane
Wokingham

31 October 2000

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.

KPMG

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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 auditor

As described on page 3 the company's directors are responsible for the preparation of the directors report and financial statements. 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. We also report to you as to whether, 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 explanations and information we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 December 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

31/10/2000

Profit and loss account

for the 14 month period ended 31 December 1999

	Note	14 months ended 31 December 1999 £000	Year ended 31 October 1998 £000
Turnover			
- normal		**4,286**	2,991
- exceptional	*2*	**565**	449
Turnover		**4,851**	3,440
Cost of sales - normal		**(937)**	(805)
- exceptional		**(113)**	-
Gross profit		**3,800**	2,635
Administrative expenses		**(3,057)**	(2,547)
Operating profit		**743**	88
Interest receivable	*6*	**11**	71
Profit on ordinary activities before taxation	*3*	**754**	159
Tax on profit on ordinary activities	*7*	**-**	-
Retained profit for the financial period	*13*	**754**	159

All amounts relate to continuing operations

Statement of total recognised gains and losses

for the 14 month period ended 31 December 1999

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

Balance sheet
at 31 December 1999

	Note	31 December 1999		31 October 1998	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*8*		**1,237**		1,656
Current assets					
Debtors	*9*	**1,067**		274	
Cash at bank and in hand		**1,635**		632	
		2,702		906	
Creditors: amounts falling due within one year	*10*	**(2,978)**		(2,355)	
Net current liabilities			**(276)**		(1,499)
Net assets			**961**		207
Capital and reserves					
Called up share capital	*12*		**-**		-
Profit and loss account	*14*		**961**		207
Equity shareholders' funds	*13*		**961**		207

These financial statements were approved by the board of directors on 31|10| 2000 and were signed on its behalf by:

M Beadle
Director

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 at 31 December 1999 it was a wholly owned subsidiary undertaking of First Leisure Corporation PLC, and its cash flows are included within the consolidated cash flow statements 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 December of each period. All other transactions are included up to 31 December.

Turnover

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

Notes *(continued)*

1 Accounting policies *(continued)*

Stocks

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

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 and cost of sales include £565,000 *(year ended 31 October 1998: £449,000)* and £113,000 *(year ended 31 October 1998: £nil respectively)* reported as exceptional, principally relating to membership and joining fee income which is exempt from VAT due to the company's legal structure. Customs and Excise have introduced legislation, from 1 January 2000, which makes 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.

3 Profit on ordinary activities before taxation

	14 months ended 31 December 1999 £000	Year ended 31 October 1998 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off fixed assets	**428**	108
Rentals payable under operating leases - land and buildings	**1,361**	2,068
Hire of equipment	**29**	-

Auditors' remuneration for the 14 months ended 31 December 1999 was paid by the company's fellow subsidiary undertaking, Esporta Health and Fitness Limited (formerly First Leisure Health and Fitness Limited).

Auditors' remuneration for the year ended 31 October 1998 was paid by the company's ultimate parent undertaking, First Leisure Corporation PLC.

Notes *(continued)*

4 Remuneration of directors

During the period, Mr CG Coles was remunerated by the company's ultimate parent undertaking, First Leisure Corporation PLC and his remuneration is disclosed in the financial statements of that company. Mr MR Foster and Mr PR Ashworth were also remunerated by First Leisure Corporation PLC.

Mr P Henchoz was remunerated by the company's fellow subsidiary undertaking, ISL Leisure Limited. His remuneration from this date is disclosed in the financial statements of that company.

5 Staff numbers and costs

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

	Number of employees	
	14 months ended 31 December 1999	Year ended 31 October 1998
Operations	**50**	31
Administrative	**7**	4
	57	35

The above figures include 13 part-time employees *(year ended 31 October 1998: 11)*.

The aggregate payroll costs of these persons were as follows:

	14 months ended 31 December 1999 £000	Year ended 31 October 1998 £000
Wages and salaries	**743**	579
Social security costs	**50**	58
	793	637

6 Interest receivable

	14 months ended 31 December 1999 £000	Year ended 31 October 1998 £000
Bank interest receivable	**11**	71

Notes *(continued)*

7 Taxation

	14 months ended 31 December 1999 £000	Year ended 31 October 1998 £000
Corporation tax at 30% *(year ended 31 October 1998: 31%)* on the profit for the period on ordinary activities	-	-

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

8 Tangible fixed assets

	Plant and machinery £000
Cost	
At 31 October 1998	1,778
Additions	9
At 31 December 1999	1,787
Depreciation	
At 31 October 1998	122
Charge for the period	428
At 31 December 1999	550
Net book value	
At 31 December 1999	1,237
At 31 October 1998	1,656

9 Debtors

	1999 £000	1998 £000
Trade debtors	**924**	232
Other debtors	**50**	6
Prepayments and accrued income	**93**	36
	1,067	274

Notes *(continued)*

10 Creditors: amounts falling due within one year

	1999		1998	
	£000	**£000**	£000	£000
Trade creditors		**58**		57
Amounts owed to parent and fellow subsidiary undertaking		**1,737**		1,871
Other creditors including taxation and social security:				
Corporation tax	**15**		11	
Other creditors	**-**		67	
		15		78
Accruals and deferred income		**1,168**		349
		2,978		2,355

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 £40,000 *(31 October 1998: £72,000).*

12 Called up share capital

	1999	1998
	£	£
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

	1999	1998
	£000	£000
Opening shareholders' funds	**207**	48
Profit for the financial period	**754**	159
Closing shareholders' funds	**961**	207

Notes *(continued)*

14 Reserves

	Profit and loss account £000
At 31 October 1998	207
Retained profit for the financial period	754
At 31 December 1999	961

15 Pension scheme

The company's ultimate parent undertaking at 31 December 1999, First Leisure Corporation PLC, operated a defined benefit pension scheme for all permanent employees who met certain age criteria. The assets of the scheme were 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 First Leisure Corporation PLC.

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

16 Ultimate parent undertaking

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

Prior to 31 January 2000 the ultimate parent undertaking of the company was 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 Companies House.

On 31 January 2000, as part of the reconstruction of First Leisure Corporation PLC, the ultimate ownership of the entire share capital of the company was transferred from First Leisure Corporation PLC to Esporta plc, a company registered in England and Wales.