PRECIS (1748) LIMITED

(Registered Number 3770350)

Annual Report and Accounts

for the period ended 31 December 1999

REGISTERED OFFICE

Cannons House
40-44 Coombe Road
New Malden
Surrey
KT3 4QF

PRECIS (1748) LIMITED
Directors' Report
for the period ended 31 December 1999

The Directors present their report and the audited accounts of the Company for the 7 month period ended 31 December 1999.

Principal Activities & Review of the Business

The Company was incorporated on 13 May 1999.

The principal activity of the Company during the period was that of a holding Company. On 16 June 1999 the Company acquired the entire share capital of Pinnacle Leisure Group Limited.

Results and Dividends

The company made an appropriation in respect of preference dividends of £1,436,000 in the period. Due to the fact the company does not have sufficient distrubutable reserves the amounts have not been accrued but have been credited to the profit and loss reserve, into non-equity shareholders' funds. A retained loss of £209,000 was transferred to reserves.

Directors

The Directors who served during the period were as follows:

	Appointed	Resigned
H B Tegelaars	24 May 1999	
S M Palmer (Company Secretary)	24 May 1999	
C A Wilson	13 May 1999	24 May 1999
D J Penfold	13 May 1999	24 May 1999

The Company maintained liability insurance for its Directors and officers during the year.

Directors' Interests in the Share Capital of the Company

No Directors had any interest in the share capital of the Company.

At 31 December 1999 H B Tegelaars and S M Palmer were also Directors of the parent Company, Cannons Group PLC and their interests in the shares and options of the parent Company are disclosed in that Company's accounts.

Statement of Directors' responsibilities

Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company at the end of the period and of the profit or loss of the Company for the period. In preparing those accounts 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 accounts; and

- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also 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 accounts 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.

Auditors

On 15 December 1999, PricewaterhouseCoopers were appointed as auditors of the Company. In accordance with Section 384 of the Companies Act 1985, a resolution to reappoint PricewaterhouseCoopers as auditors of the Company will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

SM Palmer
Director
26 June 2000

AUDITORS' REPORT TO THE SHAREHOLDERS OF PRECIS (1748) LIMITED

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of Directors and auditors
The Directors are responsible for preparing the Annual Report. As described on pages 1 & 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 the Company's affairs at 31 December 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6NN
26 June 2000

PRECIS (1748) LIMITED
Profit & Loss Account
for the period ended 31 December 1999

	Notes	1999 £'000
Profit on ordinary activities before taxation	2 & 3	-
Tax on profit on ordinary activities	4	-
Profit for the financial year		-
Dividends and other appropriations of profits	5	(1,436)
Retained Loss at 31 December	8	(1,436)

The Company had no other recognised gains or losses during the period other than the loss for the period shown in the profit and loss account. However, as the Company does not have sufficient distributable reserves in order to pay the preference share dividends, these dividends have been credited back within the profit and loss account reserves (refer note 8).

All of the results relate to continuing operations in the United Kingdom.

The notes on pages 6 to 9 form an integral part of these accounts.

PRECIS (1748) LIMITED
Balance Sheet
at 31 December 1999

	Notes	1999 £'000
FIXED ASSETS		
Investment in subsidiary undertakings	6	65,143
		65,143
CURRENT ASSETS		
Amounts due from subsidiary undertakings		21,215
		21,215
CREDITORS Amounts falling due within one year		
Amounts due to parent undertaking		(7,099)
NET CURRENT ASSETS		12,970
NET ASSETS		79,259
CAPITAL AND RESERVES		
Called up share capital	7	79,549
Profit and loss account	8	(290)
TOTAL SHAREHOLDERS' FUNDS (INCLUDING NON EQUITY INTERESTS)	9	79,259
ANALYSIS OF SHAREHOLDERS FUNDS:		
Attributable to equity		(1,436)
Attributable to non equity		80,695
	9	79,259

The notes on pages 6 to 8 form an integral part of these accounts.

These accounts were approved by the board of Directors on 26 June 2000 and signed on its behalf by:
S M Palmer
Director

PRECIS (1748) LIMITED
Notes to the Accounts
for the period ended 31 December 1999

Accounting Policies

Basis of Preparation
The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

The Company is a wholly owned subsidiary of Cannons Group PLC and its results and net assets are included in the consolidated financial statements of Cannons Group PLC which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing group accounts. The Company is also exempt from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996) and exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of Cannons Group PLC.

Investments
Investments in subsidiary undertakings are stated at the lower of cost or Directors' valuation.

Capital instruments
The Company has adopted the provisions of Financial Reporting Standard 4 'Capital instruments' ("FRS 4") which requires the amount of shareholders' funds attributable to equity and non-equity interests to be separately disclosed. Dividends for the year on the Company's redeemable preference shares have been appropriated through the profit and loss account. However, as the Company does not have sufficient distributable reserves in order to pay such preference share dividends, these dividends have been credited back within the profit and loss account reserves.

Financial derivative instruments and foreign exchange
From time to time the Company enters into certain cross-currency swap contracts, with other Companies within the Group, in order to reduce the Company's exposure to the risk of adverse movements in the exchange rates between Sterling and Euros during the period from issue of it's redeemable preference shares until the date that the shares are redeemed. The value of the redeemable preference shares is therefore translated at the rate of exchange implied by the cross-currency swap contract, when such a contract is in place. If no such contract is in place the redeemable preference shares are translated at the exchange rate prevailing at year end.

Under these agreements the Company agrees with other parties to exchange, at specified intervals, the difference between the sterling interest rates paid and the Euro interest rates received calculated by reference to the agreed notional amount. The term of such instruments is not greater than the term of the redeemable preference shares being hedged.

The differential paid or received by the Company on the swap agreement is charged/(credited) to the profit and loss appropriation reserve in the year to which it relates, as part of financing the convertible redeemable preference shares.

Deferred Taxation
Deferred taxation is computed using the liability method and provision is made only to the extent that it is probable that a liability will arise within the foreseeable future.

2 DIRECTORS' EMOLUMENTS

The Company made no payments to the Directors during the period. The remuneration of the Directors is shown in the accounts of the ultimate parent Company.

3 AUDITORS REMUNERATION

The Company's audit fees are borne by Cannons Health & Fitness Limited a subsidary of the ultimate parent company.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The Company incurred no corporation tax in the period. Tax losses of £1,722,000 arose in relation to loss on closure of the cross currency swap agreement (note 5). The company has surrendered the benefit of these tax losses to a fellow subsidiary undertaking without receiving any payment. Accordingly no tax losses are available for carry-forward.

5 DIVIDENDS AND OTHER APPROPRIATIONS OF PROFIT

	1999 £'000
Non-equity dividends (redeemable preference shares)	(1,146)
Other preference share appropriations:	
Loss on closure of cross currency swap agreement	(5,741)
Revaluation of redeemable preference shares	5,451
	(1,436)

In accordance with the provisions of FRS 4, the Company has apropriated through the profit and loss account preference share dividends for the year on the Company's 3.18% redeemable preference shares of € 127,915,126. However as the company does not have sufficient distributable reserves in order to pay such preference share dividends, these dividends have been credited back within the profit and loss account reserves (note 8).

6 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company's subsidiary undertakings which are wholly owned and registered in England and Wales are as follows:

	1999 £'000
Pinnacle Leisure Group Limited	
The Pinnacle Clubs Limited*	
Pinnacle Nurseries Limited*	
Pinnacle Day Nurseries Limited*	
Shares in subsidiary undertakings at cost	65,143

* Indirect control

7 CALLED UP SHARE CAPITAL

	1999 £'000
Equity shares	
Authorised:	
100 Ordinary Shares of £1 each	-
Allotted, issued and fully paid:	
100 Ordinary Shares of £1 each	-
Non-equity shares:	
Authorised:	
85,000,000 Redeemable Preference Shares of £1 each	85,000
Allotted, issued and fully paid:	
85,000,000 Redeemable Preference Shares of £1 each	85,000

The non-equity shares represent cumulative preference shares redeemable on 20 December 2003, which do not carry any voting rights. They were issued in 1999 at £1 per share and the amounts payable on redemption total to €127,915,126. Precis 1748 Limited has the option to redeem the shares on or after 20 December 2000. Shareholders are entitled to receive dividends at 3.18% on €127,915,126 per annum payable on 20 December each year from 20 December 2000. On a winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive €127,915,126 and any dividends accrued but unpaid in respect on their shares.

Because of the Euro exposure associated with the final amount payable on redemption of the preference shares, the Company entered into a cross-currency swap contract to hedge this exposure during part of the year. At the year-end, no hedging contract was in place and accordingly the share capital is translated at the year-end rate and valued at £79,549,000 in the balance sheet.

8 RESERVES - PROFIT AND LOSS ACCOUNT

	1999 £'000
Balance at incorporation	-
Redeemable preference share dividends accrued	(1,146)
Appropriation of loss on closure of cross currency swap agreement	(5,741)
Appropriation of revaluation of redeemable Preference Shares	5,451
Total appropriation for the year	(1,436)
Add dividends accrued credited to profit and loss reserve	1,146
Balance at 31 December	(290)

9 RECONCILIATION OF SHAREHOLDERS' FUNDS

	1999 £'000
Shareholders' funds at incorporation – equity	-
Shareholders' funds at incorporation – non-equity	79,549
Profit and Loss account reserve	(290)
Shareholders' funds at 31 December	79,259

Shareholders funds allocated equity	
Shareholders' funds at incorporation – equity	-
Profit and loss account reserves	(290)
Redeemable preference share dividends due to non-equity shareholders	(1,146)
Shareholders' funds at 31 December	(1,436)

Shareholders funds allocated to non-equity	
Shareholders' funds at incorporation – non-equity	79,549
Redeemable preference share dividends not yet declared	1,146
Shareholders' funds at 31 December	80, 695

10 ACQUISITION OF PINNACLE LEISURE GROUP LTD

On 16 June 1999 the Company acquired the entire share capital of Pinnacle Leisure Group Ltd. The consideration of £67.2m was satisfied in cash, £2.1m of which was sattisfied by the aquired group.

11 ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking is Cannons Group PLC (formerly Vardon PLC). The parent undertaking is registered in England and Wales. Copies of the Financial Statements of Cannons Group PLC are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ on payment of the appropriate fee.