The Club Company Acquisitions (Holdings) Limited

FINANCIAL STATEMENTS

for the period ended

30 September 2004

Company No 5075807

The Club Company Acquisitions (Holdings) Limited
DIRECTORS AND OFFICERS

DIRECTORS

GN Simonds (Non-Executive Chairman)
CM Parker
PS Stephens
T Delsol
P Sellars (Non-Executive)
WB Priestley (Non-Executive)
B Phillips (Non-Executive)

SECRETARY

PS Stephens

COMPANY NUMBER

5075807 (England and Wales)

REGISTERED OFFICE

Bath Road
Knowl Hill
Reading
Berkshire
RG10 9AL

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London
WC1B 3ST

The Club Company Acquisitions (Holdings) Limited
DIRECTORS' REPORT

The directors submit their report and the financial statements of The Club Company Acquisitions (Holdings) Limited for the period ended 30 September 2004.

PRINCIPAL ACTIVITY

The principal activity of the Company is that of a holding company co-ordinating the activities of its subsidiary undertakings. The subsidiary undertakings own and operate leisure businesses.

On 17 March 2004, Law 2415 was incorporated as an off the shelf company. On 8 April, Law 2415 changed its name to Park Lane Acquisitions (Holdings) Limited. Together with its immediate subsidiary Park Lane Acquisitions Limited (formerly Law 2412 Limited), Park Lane Acquisitions (Holdings) Limited was incorporated solely for the purpose of acquiring the whole of the issued share capital of Clubhaus PLC. The offer for the shares of Clubhaus PLC became unconditional on 26 May 2004, and accordingly these accounts show the results of the group from 26 May 2004 to 30 September 2004.

On 21 September 2004, the Company changed its name from Park Lane Acquisitions (Holdings) Limited to The Club Company Acquisitions (Holdings) Limited.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Purchase of Clubhaus PLC

On 26 May 2004, the shareholders of Clubhaus PLC agreed to accept an offer for the entire issued share capital of the Company. This offer was made by Park Lane Acquisitions Limited (now The Club Company Acquisitions Limited) on behalf of certain members of the Clubhaus PLC board backed by Legal & General Ventures Ltd ("LGV"). As part of the offer, the Clubhaus PLC high yield bond instrument, due for redemption in 2009, was repaid along with all accrued interest, as was all Clubhaus PLC's bank debt. The total cost of the transaction, including fees, was approximately £61 million. The Club Company Acquisitions (Holdings) Limited funded the offer from three sources.

Firstly, new bank facilities were arranged with Barclays Bank PLC. The facilities total £48.6 million and comprise:

- Two loans totalling £40.5 million repayable over 8 years.
- A capital expenditure facility of £6.6 million to assist with the construction of the group's undeveloped country clubs.
- A £1.5 million revolving working capital facility covering a combination of overdraft and finance leases.

Secondly, unsecured deep discounted bonds totalling £18.7 million were issued by the Company to LGV. The bonds are repayable on or before 30 September 2013 and attract interest of 10%. All interest is payable in kind by the issue of further deep discounted bonds. In addition to the deep discounted bonds issued and subscribed for as part of the offer, there are a further £6.6 million of bonds available to be issued. Proceeds from these bonds will be used for capital expenditure. LGV have agreed, subject to certain conditions, to subscribe for these bonds.

Thirdly, LGV, the board and certain members of the management team have subscribed for new equity of £2.0 million in The Club Company Acquisitions (Holdings) Limited.

Trading

The profit and loss account on page 9 shows the results of the group for the 4 month period ended 30 September 2004. This reflects the performance of the group since control passed to The Club Company Acquisitions (Holdings) Limited at the end of May 2004. The profit for the period after taxation was £1,186,000.

The performance of the underlying group of companies on a consolidated basis for the year ended 30 September 2004 (together with comparatives) is shown in note 6 on page 19. The commentary below relates to the performance for the year ended 30 September 2004 compared with the year ended 30 September 2003.

The operating business has continued to perform strongly on a like for like basis, with turnover growing by 6.3% and EBITDAHO (earnings before tax, depreciation and central costs) growing by 11.5%.

Turnover

An analysis of revenues is shown below. The total number of members grew during the year, increasing the monthly subscription income in September 2004 (compared with September 2003) by 8% to £1.3 million. All revenue areas grew in absolute terms.

	2004 Actual %	2003 Actual %
Membership subscriptions	52	51
Joining fees	2	2
Green fees	9	10
Food and beverage	20	20
Retail (pro shop)	7	7
Accommodation	2	2
Sundry golf revenues	3	3
Sundry health and fitness revenues	5	5
TOTAL	100	100

Cost of sales

Cost of sales comprises direct costs of food and beverage, retail and sundry health and fitness items. Gross margins achieved were as follows:

	2004 Actual %	2003 Actual %
Food and beverage	63	63
Retail	31	30

Overheads

Total club related overheads rose 4.9% from £16.0 million to £16.8 million. The rise was in part due to the costs of servicing an increased membership base, and in part due to inflationary pressures. The operating margin at the clubs (pre-rent) rose from 30.6% to 32.1%.

Head office costs (which include all centralised functions including I.T., accounting and marketing) remained similar to the prior period, but following the elimination of some costs over the last few months of this financial year, are now running at a pro-forma level of below £2.0 million.

Dividends

No dividend was paid during the period.

Directors

The following directors have held office since incorporation:

Huntsmoor Limited	(appointed 17 March 2004, resigned 18 March 2004)
Huntsmoor Nominees Limited	(appointed 17 March 2004, resigned 18 March 2004)
Taylor Wessing Secretaries Ltd	(appointed 17 March 2004, resigned 18 March 2004)
Gavin Simonds	(Non-Executive Chairman, appointed 15 April 2004)
Charlie Parker	(appointed 18 March 2004)
Thierry Delsol	(appointed 18 March 2004)
Paul Stephens	(appointed 18 March 2004)
Paul Sellars	(Non-Executive Director, appointed 18 March 2004)
Brian Phillips	(Non-Executive Director, appointed 27 May 2004)
Bill Priestley	(Non-Executive Director, appointed 27 May 2004)

The Board

The board consists of three executive and four non-executive Directors. The board has met as required throughout the period. A formal schedule of matters reserved for the decision of the board covers key areas of the Group's affairs including overall Group strategy, acquisition and divestment policy, approval of budgets, major capital expenditure projects, health and safety, and general treasury and risk management policies. The board has delegated specific responsibilities to committees, as described below.

The Audit Committee

The Audit Committee comprises the four non-executive Directors. Bill Priestley is the Chairman of the Committee. The Committee met once during the period. The Committee reviews the Company's annual financial statements before submission to the board for approval. The Committee also recommends the appointment and reviews the fees of the external auditors.

The Remuneration Committee

The Remuneration Committee comprises the four non-executive Directors. Brian Phillips is the Chairman of the Committee. The Committee met once during the period. The Committee's policy is designed to ensure that individual rewards and incentives are aligned with the performance of the Group and the interests of shareholders.

Employees

The Group's policy is to consult and discuss with employees, either individually and/or at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through departmental meetings and staff briefings, information memos, circulating minutes of monthly management meetings, reports and press releases. All of these methods seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance. The Group's policy is to treat all applicants regardless of gender, ethnic or national origin or disability, no less favourably than others. As such we will invite suitable disabled candidates for interview and ensure that they receive full and fair consideration based on their ability to fulfil the requirements of a position.

Creditors

It is the Group's policy to ensure that all creditors are paid in accordance with their terms and conditions once a satisfactory service has been delivered. The total amount of trade creditors falling due within one year at 30 September 2004 represents 22 days (2003: 25 days) as a proportion of the total amount invoiced by suppliers during the year.

Directors' Interests

The following Directors in office at 30 September 2004 held the following shares in the Company on 22 December 2004.

	Number of Ordinary Shares of 10p each
Charlie Parker	60,000
Paul Stephens	60,000
Thierry Delsol	60,000
Paul Sellars	60,000
Gavin Simonds	14,000

	Number of A Ordinary Shares of 10p each
Gavin Simonds	2,260

The interests of the Directors shown above are owned beneficially. Other than nominee shareholdings, no Director has any interest in the share capital of a subsidiary company.

Bill Priestley and Brian Phillips hold indirect interests in the company through their investments in entities that have invested in the funds that own the company's issued shares.

Conclusion

The reconstituted balance sheet allows the new group to complete the development of its estate. Seven of the group's 11 facilities are existing country clubs, while the remaining four golf only sites all have planning consent for health and fitness facilities. The construction of two of the four outstanding projects has already commenced; at Chartham Park (scheduled for opening in April 2005) and The Warwickshire (scheduled for opening in November 2005). While the group's principal strategy going forward involves the completion of the unutilised planning consents, selective acquisitions will also be considered on their merits. The group also has parcels of surplus land which it intends to sell off in order to reduce indebtedness.

Auditors

During the period, the Directors appointed Baker Tilly as auditors. A resolution to re-appoint Baker Tilly as auditors will be put to the members at the annual general meeting.

By order of the board

PS Stephens
Director

The Club Company Acquisitions (Holdings) Limited
DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires 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 the group and of the profit or loss of the group for that period. In preparing those financial statements, directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

d. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the requirements of 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE CLUB COMPANY ACQUISITIONS (HOLDINGS) LTD

We have audited the financial statements on pages 9 to 31.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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 with the company and other members of the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 director 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 affairs of the company and the group at 30 September 2004 and of the group profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

Baker Tilly
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
22 December 2004

The Club Company Acquisitions (Holdings) Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the period ended 30 September 2004

	Notes	Period ended 30 September 2004 £000
Turnover	1	11,148
Cost of sales		(1,492)
Gross profit		9,656
Administrative expenses		(6,850)
Operating Profit and Profit on Ordinary activities before interest		2,806
Net interest payable	2	(1,620)
Profit on ordinary activities before taxation	6	1,186
Taxation on profit on ordinary activities	7	-
Profit on ordinary activities after taxation and retained profit transferred to reserves	19	**1,186**

The operating profit for the period arises from the Group's acquired operations.

The profit and loss account above shows the results of the group for the 4 month period ended 30 September 2004. The performance of the underlying group of companies on a consolidated basis for the year ended 30 September 2004 (together with comparatives) is shown in note 6 to the accounts on page 19.

The Club Company Acquisitions (Holdings) Limited
Statement of Total Recognised Gains and Losses

	Period ended 30 September 2004 £000
Retained profit for the financial period	1,186
Negative goodwill arising on acquisition	8,588
Total recognised gains for the period	9,774

Reconciliation of Movement in Shareholders' Funds

	Group	Company
	Period ended 30 September 2004 £000	Period ended 30 September 2004 £000
Opening shareholders' funds	-	-
Issue of ordinary shares	1,982	1,982
Retained profit for the period	1,186	-
Negative goodwill arising on acquisition	8,588	-
Closing shareholders' funds	11,756	1,982

Historical cost profits and losses

No note of historical cost profits and losses has been produced on the basis that the numbers shown in the profit and loss account would remain unaltered.

The Club Company Acquisitions (Holdings) Limited
CONSOLIDATED BALANCE SHEET
30 September 2004

	Notes	2004 £000
FIXED ASSETS		
Tangible assets	9	72,030
CURRENT ASSETS		
Stock	11	866
Debtors falling due after more than 1 year	12	640
Debtors falling due after less than 1 year	12	898
Cash at bank and in hand		2,356
		4,760
CREDITORS: Amounts falling due within 1 year	13	(8,319)
NET CURRENT LIABILITIES		(3,559)
TOTAL ASSETS LESS CURRENT LIABILITIES		68,471
CREDITORS: Amounts falling due after more than one year	14	(56,715)
Provisions for liabilities for charges	17	-
NET ASSETS		11,756
CAPITAL AND RESERVES		
Called up share capital	18	198
Share premium account	19	1,784
Other reserve	19	8,588
Profit and loss account	19	1,186
SHAREHOLDERS' FUNDS		11,756

Approved by the board on 22 December 2004

PS Stephens
Director

The Club Company Acquisitions (Holdings) Limited
COMPANY BALANCE SHEET
30 September 2004

	Notes	2004 £000
FIXED ASSETS		
Investments	10	1,940
CURRENT ASSETS		
Cash at bank and in hand		42
NET CURRENT ASSETS		42
NET ASSETS		1,982
CAPITAL AND RESERVES		
Called up share capital	18	198
Share premium account	19	1,784
Profit and loss account	19	-
SHAREHOLDERS' FUNDS		1,982

Approved by the board on 22 December 2004

PS Stephens
Director

The Club Company Acquisitions (Holdings) Limited
Consolidated Cash Flow Statement
for the period ended 30 September 2004

	Notes	Period ended 30 September 2004 £000
Net cash inflow from operating activities	22	3,077
Net cash outflow from returns on investments and servicing of finance	23	(712)
Net cash outflow from capital expenditure and financial investment	23	(2,618)
Net cash outflow from acquisitions	23	(57,747)
Net cash outflow from investing activities		(61,077)
Net cash outflow before use of liquid resources and financing		(58,000)
Net cash inflow from financing	23	60,356
Increase in cash	24	2,356
Reconciliation of net cash flow to movement in net debt		
Increase in cash in period	24	2,356
Cash outflow from decrease in debt and lease finance	24	(58,374)
Change in net debt resulting from cash flows	24	(56,018)
Borrowings acquired with subsidiary	24	(186)
Other non-cash changes in loans	24	(34)
Movement in net debt	24	(56,238)
Opening net debt on incorporation	24	-
Closing net debt at 30 September 2004	24	(56,238)

Accounting convention
The accounts are prepared under the historical cost convention as modified by the revaluation of tangible fixed assets and in accordance with applicable United Kingdom Accounting Standards. The principal accounting policies are set out below.

Basis of consolidation
The consolidated financial statements incorporate the accounts of the Company and all Group undertakings. The acquisition of the shares of Clubhaus PLC gives rise to negative goodwill (being the excess of the fair value of the net assets acquired over the purchase price at the date of acquisition). Following recent Financial Reporting Review Panel precedent, the true and fair override has been applied and the negative goodwill credited directly to reserves in the year of acquisition.

The results of businesses acquired are included in the profit and loss account from the date that control passes to the Company.

Accounting for acquisitions
The results of the businesses acquired are consolidated from the effective date of acquisition. On the acquisition of subsidiary undertakings, the acquisition cost is allocated against the fair value of net assets acquired.

Tangible fixed assets
Fixed assets are included at valuation in accordance with FRS 15 "Tangible Fixed Assets". Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets on a straight line basis over their estimated useful lives, at the following annual rates:

Fixtures and equipment	10-33%
Short leasehold property	over the period of the lease
Long leasehold property (more than 50 years)	2%
Freehold buildings	2%

Freehold land is not depreciated.

Investments
The investment held by the Company is stated at cost less provisions for impairment.

Stocks
Stocks of golf products, health and beauty products, food and beverage, and surplus real estate earmarked for disposal are stated at the lower of cost and net realisable value. Cost is calculated on an average cost basis and net realisable value is the estimated selling price less any costs of disposal.

Capital instruments
In accordance with the requirements of FRS 4 "Accounting for Capital Instruments", arrangement fees associated with the current bank facility are amortised over the term of the facility. Unamortized amounts are netted off against the total bank loan outstanding.

The bank facility is hedged by an interest rate cap. The upfront premium for this cap is amortised over the life of the hedge. Unamortized amounts are netted off against the total bank loan outstanding.

Interest rate swaps
Other than the interest rate cap, the only derivative instruments used by the Group are interest rate swaps. These are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group. The Group does not enter into speculative derivative contracts. Payments and receipts on interest rate swaps are accounted for on an accruals basis over the lives of the swaps and are included within net interest payable in the profit and loss account. Termination payments are taken to the profit and loss account as they are incurred.

Leases
Where a lease is entered into which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the longer of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included in creditors.

All other leases are treated as operating leases and the rental is charged to the profit and loss account on a straight line basis over the life of the lease.

Taxation and deferred taxation
The charge for taxation is based on the results for the period, which takes account of taxation deferred.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pensions
The costs to the Group of contributions to stakeholder and private personal pension schemes are charged to the profit and loss account as incurred.

1. Turnover

Turnover represents the amounts receivable for annual membership subscriptions, joining fees and other services supplied to third parties, excluding surplus real estate earmarked for disposal and value added tax. Membership revenue is recognised evenly over the period of the membership year. Joining fees (net of bad debt provisions) are recognised in full in the year of sale.

Turnover is generated exclusively in the United Kingdom and is all derived from the same business type. Accordingly, no segmental information is provided.

2. Net Interest Payable

	Period ended 30 September 2004 £000
Interest receivable	43
Interest payable and similar charges	
Interest payable on bank overdrafts and loans	(993)
Interest payable on finance leases	(1)
Interest payable on deep discounted bonds	(635)
Amortisation of bank arrangement fees and cap premiums	(34)
	(1,663)
Net interest payable	(1,620)

The interest payable on the deep discounted bonds is payable in kind (via the issue of further bonds) rather than in cash.

3. Remuneration of Directors

The remuneration of the Directors during the period (pro ratad where applicable) was as follows:

	Period ended 30 September 2004 £000
Remuneration as Executives	113
Bonus payments	64
Fees as Directors	22
Other fees	8
Benefits in kind	13
Pension contributions	13
Total	233

The figure for 'Fees as Directors' includes £10,000 paid to Legal and General Ventures Ltd rather than to the Directors personally. The highest paid Director in the period ended 30 September 2004 was Charlie Parker.

	£000
Emoluments	74
Pension contributions	7
Total	81

4. Pensions

The Group makes pension contributions to various defined contribution pension schemes on behalf of the executive Directors. Under these arrangements, the Company made defined contributions totalling £12,917. The assets of the schemes are held separately from those of the Group and are independently administered.

The Group also operates a Group Personal Pension Scheme open to all employees in accordance with stakeholder pension provisions. The Group makes voluntary contributions of a minimum of 3% for all qualifying employees. The scheme is administered independently of the Company.

5. Staff Numbers and Costs

Average number of employees, including part time and casual employees:

	Period ended 30 September 2004
	Number
Head office (including I.T., accounts and Executive Directors)	20
Clubs	792
	812

The payroll costs for these persons were as follows:

	Period ended 30 September 2004
	£000
Wages and salaries	3,301
Social security costs	272
Pension costs	96
	3,669

6. Profit on Ordinary Activities Before Taxation

	Period ended 30 September 2004 £000
The profit on ordinary activities before taxation is stated after charging:	
Depreciation on owned assets	423
Depreciation on assets held under finance leases	59
Operating lease payments - plant and machinery	81
Operating lease payments – rentals on leasehold properties	305
Remuneration by the Group to the auditors was as follows:	
Group audit fees	21
Other services in the UK	-

The profit and loss account on page 9 shows the results of the group for a 4 month period ended 30 September 2004. The performance of the underlying group of companies on a consolidated basis for the year ended 30 September 2004 (together with comparatives) was as follows:

	Year ended 30 September 2004 £000	Year ended 30 September 2003 £000
Turnover	28,640	26,938
Cost of sales	(3,549)	(3,482)
Gross profit	25,091	23,456
Club overheads excluding depreciation	(16,768)	(15,989)
Earnings before interest, tax, depreciation and central costs	8,323	7,467
Central costs	(2,076)	(2,026)
Earnings before interest, tax and depreciation	6,247	5,441

7. Taxation on Profit on Ordinary Activities

The taxation charge (both current and deferred) is £Nil.

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Period ended 30 September 2004 £000
Profit on ordinary activities before tax	1,186
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	356
Losses created in the 8 month period ended May 2004 (pre-acquisition)	(356)
Current tax charge for the period	-

The Group has approximately £15.1 million of revenue losses to carry forward against future profits, although only £1.7 million of these losses are within the six trading companies. The Group has approximately £5.3 million of capital losses to carry forward against future capital gains. Of these, £4.8 million are within the six trading companies.

8. Result Retained for the period

As a consolidated profit and loss account is published, a separate profit and loss account of the parent company is omitted from the Group accounts by virtue of the exemption granted by Section 230 of the Companies Act 1985. The result for the parent company in the period was £Nil.

9. Tangible Fixed Assets

Group	Freehold property	Long leasehold property	Short leasehold property	Fixtures and equipment	Total
	£000	£000	£000	£000	£000
Cost / valuation					
At acquisition *	52,100	13,790	3,191	2,481	71,562
Additions	614	83	11	242	950
Disposals	-	-	-	-	-
At 30 September 2004	**52,714**	**13,873**	**3,202**	**2,723**	**72,512**
Depreciation					
At acquisition	-	-	-	-	-
Charge for the period	(68)	(65)	(23)	(326)	(482)
Disposals	-	-	-	-	-
At 30 September 2004	**(68)**	**(65)**	**(23)**	**(326)**	**(482)**
Net book value at cost / valuation					
At 30 September 2004	**52,646**	**13,808**	**3,179**	**2,397**	**72,030**

* Cost or valuation at acquisition is based on valuation at 30 September 2003 (see below) plus capital expenditure net of depreciation in the eight months prior to acquisition in May 2004.

Included in freehold property is land of £37,526,000 which is not depreciated.

Included in the cost or valuation of fixtures and equipment are assets of £399,000 held under finance leases (at acquisition: £399,000). The accumulated depreciation on these assets at 30 September 2004 was £191,000 (at acquisition: £132,000).

Fixed assets are included at valuation in accordance with FRS 15 "Tangible Fixed Assets". The valuations carried at 30 September 2004 are those of the Directors. The valuations at 30 September 2004 constitute year three of the five year cycle prescribed by FRS 15 for the valuation of fixed assets.

Prior to The Club Company's acquisition, the underlying assets were valued at 30 September 2003 (year two of the cycle) and 30 September 2001 (the beginning of the cycle) by FPD Savills, acting in the capacity of External Valuers. FPD Savills are chartered surveyors, being members of the Royal Institution of Chartered Surveyors. All properties were valued at 30 September 2003 and 30 September 2001 in accordance with the RICS Appraisal and Valuation Standards. The next third party valuation is required in year five of the cycle, i.e. 30 September 2006.

10. Investments

Company	Investment in subsidiary undertaking £000
At cost	1,940
Adjustment to carrying value	-
At 30 September 2004	1,940

The Company's immediate subsidiary undertaking is The Club Company Acquisitions Limited. The subsidiary is 100% owned and is incorporated in England and Wales.

The following are the Group's principal subsidiary companies as at 30 September 2004, the results of which are included in the consolidated financial statements. All the companies are 100% owned and are incorporated in England and Wales.

- The Club Company Acquisitions Limited
- The Club Company (UK) Limited
- The Club Company Operations Limited
- Castle Royle Limited
- Chartham Park Limited
- The Essex Golf and Country Club Limited
- Stonevine Limited
- Mentmore Golf and Country Club PLC

11. Stocks

	Group 2004 £000
Retail	607
Food and Beverage	116
Health and beauty products	68
Surplus real estate held for resale	75
	866

12. Debtors

	Group 2004 £000
Trade debtors	1,269
Prepayments and accrued income	269
	1,538

Included within trade debtors is £640,000 in respect of debtors recoverable after more than one year. This relates to joining fees paid in instalments.

13. Creditors: amounts falling due within one year

	Group 2004 £000
Bank loans and overdrafts	2,250
Obligations under finance leases	106
Trade creditors	736
Taxation and social security	947
Other creditors	572
Accruals and deferred income	3,708
	8,319

The bank loans and overdrafts are secured by fixed and floating charges over the Group's fixed and current assets.

14. Creditors: amounts falling due after more than one year

	Group 2004 £000
Deep discounted bonds	18,700
Bank loans	37,489
Obligations under finance leases	49
Advances from club members	477
	56,715

On 26 May 2004, the Group was issued with £18.7 million of deep discounted bonds carrying a coupon of 10%. The bonds are redeemable on 30 September 2013 at their face value of £45,578,751. Interest is payable in kind rather than in cash.

On 2 June 2004, the Group drew down a £40.5 million 8 year senior bank facility secured on the Group's assets. £2.25 million is repayable within the next 12 months as disclosed in note 13. In addition, a £1.35 million overdraft / finance lease facility and a £6.6 million capital expenditure facility are available but currently undrawn. These loans carry a rate of interest of between 1.75% and 2.25% over LIBOR and are hedged by means of swaps and caps. The amount of £37,489,000 shown above is net of £761,000 of unamortized costs being written off in accordance with FRS 4. The gross amount outstanding is £38,250,000.

Advances from club members consist of sums advanced at Mentmore Golf and Country Club where life memberships have been purchased in previous years. These amounts are being released to the profit and loss account over ten years.

15. Obligations Under Finance Leases

At 30 September 2004 the following commitments to payments existed in respect of finance leases:

	Group 2004 £000
Minimum lease payments payable:	
Within 1 year	106
Within 2 to 5 years	49
	155

16. Operating Lease Commitments

As at 30 September 2004, the following commitments over the next year existed in respect of operating leases:

	Group 2004 £000
Leases which expire:	
Within 1 year	40
Within 2 to 5 years	194
Over 5 years	880
	1,114

All leases which expire within five years relate to fixtures and equipment. All leases which expire in greater than five years relate to leasehold property.

17. Provisions for Liabilities and Charges

As at 30 September 2004, the Group had tax losses of approximately £15 million and a capital allowance pool of approximately £12 million. As it is not certain that either the losses or the capital allowances will be accessible in the foreseeable future, they are not being carried as deferred tax assets in the balance sheet.

18. Called Up Share Capital

	2004 £000
Authorised	
Equity share capital	
2,500,000 A ordinary shares of 10p each	250
2,500,000 ordinary shares of 10p each	250
	500
Allotted and fully paid	
Equity share capital	
1,686,000 A ordinary shares of 10p each	169
296,000 ordinary shares of 10p each	29
	198

18. Called Up Share Capital (continued)

On 17 March 2004 (the date of incorporation), the authorised share capital was 1,000 ordinary shares of £1 each. On 15 April, the authorised share capital was increased to £500,000 by the creation of 499,000 new shares of £1 each. On 15 April, the £500,000 authorised share capital was sub-divided into 2,500,000 ten pence A Ordinary shares and 2,500,000 ten pence Ordinary shares

On 17 March 2004 (the date of incorporation), one £1 ordinary share was issued to Huntsmoor Nominees Limited for the consideration of £1. On 18 March, this share was transferred to Charles Parker for a price of £1. On 15 April, this share was sub-divided into ten 10 pence ordinary shares. On 27 May, 1,686,000 10p A ordinary shares and 253,990 10p ordinary shares were issued for cash at a price of £1 per share. On 15 September 2004, a further 42,000 10p Ordinary shares were issued for cash at a price of £1 per share.

The Ordinary shares and the A Ordinary shares carry the same rights save for the fact that:

i. In the event of a winding up, the A Ordinary shares rank ahead
ii. From the year ended 30 September 2010 onward, the A Ordinary shares are entitled to receive a dividend of 20% of profit after tax.

As at 30 September 2004, the issued shareholding of the Company was as follows:

	No. of 10p Ordinary shares	No. of 10p A Ordinary shares	Total shareholding
LGV 3	0	1,683,740	1,683,740
Gavin Simonds	14,000	2,260	16,260
Charles Parker	60,000	0	60,000
Paul Stephens	60,000	0	60,000
Thierry Delsol	60,000	0	60,000
Paul Sellars	60,000	0	60,000
Other management	42,000	0	42,000
Total	296,000	1,686,000	1,982,000

A further 18,000 Ordinary shares have been reserved for other management. It is the intention to allot these shares within the next 6 months.

LGV 3 is a fund managed by Legal & General Ventures Ltd, a wholly owned subsidiary of Legal & General Investment Management (Holdings) Ltd, which itself is a wholly owned subsidiary of Legal & General PLC, which is listed on the London Stock Exchange.

19. Reserves

Group	Share premium	Other reserves	Profit and loss account
	£000	£000	£000
At incorporation	-	-	-
Issue of ordinary shares	1,784	-	-
Negative goodwill on acquisition	-	8,588	-
Profit retained for the period	-	-	1,186
At 30 September 2004	1,784	8,588	1,186

Company	Share premium £000
At incorporation	-
Issue of ordinary shares	1,784
At 30 September 2004	1,784

20. Acquisitions

In May 2004, the company completed the acquisition of the whole of the share capital of Clubhaus PLC.

	Net assets acquired	Fair value adjustments (see below)	Fair value of assets acquired
	£000	£000	£000
Fixed assets - tangible	71,561	-	71,561
Cash	2,598	-	2,598
Finance leases	(186)	-	(186)
Other working capital balances	(3,821)	(1,219)	(5,040)
Net assets acquired	70,152	(1,219)	68,933
Consideration	(60,345)	-	(60,345)
Negative goodwill taken to reserves in accordance with accounting policy	9,807	(1,219)	8,588

20. Acquisitions (continued)

The fair value adjustments relate to the following items:	£000
Change of accounting estimate for joining fees	679
Provision against open swap position	250
Provision for overseas taxation	200
Provision for other tax and social security	90
	1,219

21. Capital Commitments

	Group 2004 £000
Capital commitments contracted but not provided	8,300

The capital commitments at 30 September 2004 relate to elements of the construction of health clubs at Chartham Park and The Warwickshire, which are scheduled for opening in April 2005 and November 2005 respectively.

22. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	Period ended 30 September 2004 £000
Operating profit	2,806
Depreciation and amortisation	482
Decrease in stocks held for resale	136
Increase in debtors	(515)
Increase in creditors and deferred income	168
Net cash inflow from operating activities	3,077

23. Analysis of Cash Flow for Headings Netted in the Cash Flow Statement

	Period ended 30 September 2004 £000
Returns on investments and servicing of finance	
Interest received	43
Interest paid	(754)
Interest element of finance lease payments	(1)
Net cash outflow from returns on investment and servicing of finance	(712)
Capital expenditure and financial investment	
Payments to acquire tangible fixed assets	(649)
Deal costs paid in period since acquisition	(1,969)
Net cash outflow from capital expenditure and financial investment	(2,618)
Acquisitions	
Purchase of Clubhaus PLC (see note 25)	(60,345)
Cash balance acquired with subsidiary	2,598
Net cash outflow from acquisitions	(57,747)
Financing	
Issue of new ordinary shares	1,982
Capital element of finance lease rental payments	(31)
New loan drawn down	39,705
Issue of deep discounted bonds	18,700
Net cash inflow from financing	60,356

24. Analysis of Net Debt

Following the acquisition detailed in note 20, the group's net debt position is as detailed below:

	Cash flow	On acquisition	Other non-cash changes	Reclass-ification	30 September 2004
	£000	£000	£000	£000	£000
Cash	2,356	-	-	-	2,356
Debt within 1 year	(1,000)	-	-	(1,250)	(2,250)
Debt over 1 year	(57,405)	-	(34)	1,250	(56,189)
Obligations under finance leases	31	(186)	-	-	(155)
	(58,374)	(186)	(34)	-	(58,594)
Total net debt	(56,018)	(186)	(34)	-	(56,238)

Total net debt excludes non-interest bearing advances from members (see note 14).

25. Acquisition of Clubhaus PLC

The cash flow impact of acquiring Clubhaus PLC was as follows:

	£000
Fixed assets	71,561
Cash at bank	2,598
Finance leases	(186)
Other working capital	(3,821)
	70,152
Negative goodwill before fair value adjustments	(9,807)
Cash outflow in respect of acquisition	60,345

The acquisition of Clubhaus PLC contributed all the operating cash flows of the group for the period.

26. Contingencies of the Group

The loan facility held by the immediate subsidiary company, The Club Company Acquisitions Limited, is secured on all the assets of the group.

Both currently and at 30 September 2004, the only material contingent liability relates to a public liability insurance claim arising from an incident in 2000. Although the group has always maintained public liability insurance cover, the insurance company involved at the time of the incident has subsequently gone into liquidation. In the absence of any monies being recovered by creditors, the Group will be required to meet the claim in full once it has been settled. Owing to the complicated nature of the claim, it is possible that the claim will be settled for an amount greater than that provided, which represents the current best estimate of the likely settlement.