



**PGA EUROPEAN TOUR
PROPERTIES LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1997

Company no 2257246

PGA EUROPEAN TOUR PROPERTIES LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1997

Company registration number: 2257246

Registered office: Wentworth Drive
Virginia Water
Surrey
GU25 4LX

Directors: Mr N C Coles MBE
Mr A Gallardo
Mr B Gallacher OBE
Mr R G Hills
Mr T A Horton
Mr M G King
Mr J E O'Leary
G C O'Grady
K D Schofield CBE
P M P Townsend

Secretary: M Bray

Bankers: Barclays Bank plc
George Street Branch
28 George Street
Luton
LU1 2AE

Solicitors: Harbottle and Lewis
Hanover House
14 Hanover Square
London
W1R 0BE

Auditors: Grant Thornton
Registered auditors
Chartered accountants

PGA EUROPEAN TOUR PROPERTIES LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1997

INDEX	PAGE
Report of the directors	1 - 2
Report of the auditors	3
Principal accounting policies	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 10

PGA EUROPEAN TOUR PROPERTIES LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1997.

Principal activities

The company is principally engaged in the investment in, design, and management of golf courses, club houses and associated facilities.

Business review

There was a profit for the year after taxation amounting to £63,173 (1996: profit £6,851,051). The directors do not recommend payment of a dividend and the profit has therefore been transferred to reserves.

Directors

The present membership of the Board is set out below. All directors served on the board throughout the year.

Mr N C Coles MBE
Mr A Gallardo
Mr B Gallacher OBE
Mr R G Hills
Mr T A Horton
Mr M G King
Mr J E O'Leary
G C O'Grady
K D Schofield CBE
P M P Townsend

None of the directors held any interest in the shares of the company during the year.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In 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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

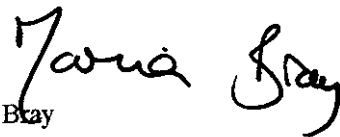
PGA EUROPEAN TOUR PROPERTIES LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD


M Bray
Secretary

23rd April, 1988.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PGA EUROPEAN TOUR PROPERTIES LIMITED**

We have audited the financial statements on pages 4 to 10 which have been prepared under the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of the 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 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON**

23 April 1998

PGA EUROPEAN TOUR PROPERTIES LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous period and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Fixtures and fittings	25%
Computer equipment	15%-25%

DEFERRED TAXATION

Deferred tax is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

ASSOCIATED UNDERTAKINGS

Undertakings other than subsidiary undertakings, in which the company has an investment representing at least 20% of the voting rights over which it exerts significant influence, and companies over which it exerts significant influence, are treated as associated undertakings.

The company's share of the profits and other recognised gains and losses of the associated undertaking are included in the group financial statements of PGA European Tour (a company limited by guarantee).

PGA EUROPEAN TOUR PROPERTIES LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover	1	55,000	55,000
Administrative expenses		(51,884)	(55,010)
Operating profit / (loss)		3,116	(10)
Exceptional items			
Profit on disposal of fixed asset investment	3	-	6,852,383
Income from other fixed asset investments		75,071	-
Interest payable and similar charges		-	(1,322)
Profit on ordinary activities before taxation	1	78,187	6,851,051
Tax on profit on ordinary activities	4	(15,014)	-
Profit transferred to reserves		63,173	6,851,051

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

PGA EUROPEAN TOUR PROPERTIES LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Note	1997 £	1997 £	1996 £	1996 £
Fixed assets					
Tangible assets	5		-		249
Investments	6		8,409,400		8,409,400
			<u>8,409,400</u>		<u>8,409,649</u>
Current assets					
Debtors	7	496		2,372	
Cash at bank and in hand		422		463	
		<u>918</u>		<u>2,835</u>	
Creditors: amounts falling due within one year	8	(2,164,037)		(2,229,376)	
Net current liabilities			<u>(2,163,119)</u>		<u>(2,226,541)</u>
Total assets less current liabilities			<u>6,246,281</u>		<u>6,183,108</u>
Creditors: amounts falling due after more than one year	9		(49,000)		(49,000)
			<u>6,197,281</u>		<u>6,134,108</u>
Capital and reserves					
Called up share capital	10		1,000		1,000
Profit and loss account			6,196,281		6,133,108
Shareholders' funds	11		<u>6,197,281</u>		<u>6,134,108</u>

The financial statements were approved by the Board of Directors on 23rd April, 1998.

N C Coles MBE - Director

A Gallardo - Director

The accompanying accounting policies and notes form an integral part of these financial statements.

PGA EUROPEAN TOUR PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:

	1997 £	1996 £
Auditors' remuneration:		
Audit services	500	500
Non-audit services	500	295
Depreciation and amortisation:		
Tangible fixed assets, owned	249	72

2 DIRECTORS AND EMPLOYEES

No staff were directly employed by the company during the year.

Remuneration in respect of directors was as follows:

	1997 £	1996 £
Management remuneration	50,449	53,994

3 EXCEPTIONAL ITEMS

The investment in PGA European Tour Courses (IMG) Limited was disposed of in the prior year via a share for share exchange for shares in PGA European Tour Courses PLC. This realised a profit on disposal of the investment of £6,852,383.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
Tax attributable to franked investment income	15,014	-

Unrelieved tax losses of £110,000 (1996: £113,000) remain available to offset against future taxable trading profits.

PGA EUROPEAN TOUR PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

5 TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 January 1997 and 31 December 1997	1,747	7,252	8,999
Depreciation			
At 1 January 1997	1,740	7,010	8,750
Provided in the year	7	242	249
	1,747	7,252	8,999
Net book amount at 31 December 1997	-	-	-
Net book amount at 31 December 1996	7	242	249

6 FIXED ASSETS INVESTMENTS

	Investments £
Interest in associated undertaking	8,409,400

Company	Country of registration and incorporation	Class of share capital held	Proportion held	Nature of business
PGA European Tour Courses PLC	England and Wales	Ordinary	18.9%	Investment in golf courses

The market value of the investment at 31 December 1997 was £3,904,364.

PGA EUROPEAN TOUR PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Trade creditors	4,896	4,895
Amounts owed to parent undertaking	1,688,515	1,773,955
Amounts owed to fellow subsidiary undertakings	470,126	450,526
Accruals and deferred income	500	-
	<u>2,164,037</u>	<u>2,229,376</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £	1996 £
12% Debenture 1998/2002	<u>49,000</u>	<u>49,000</u>

The loan stock was issued on 24 May 1989 and is redeemable at any time between 1998 and 2002. Interest due for the year ended 31 December 1997 has been waived. The redemption is at the option of the holder, who has also stated that the loan stock will not be redeemed in the year to 31 December 1998.

10 SHARE CAPITAL

	1997 £	1996 £
Authorised 1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year and net movement in shareholders' funds	63,173	6,851,051
Shareholders' funds at 1 January 1997	<u>6,134,108</u>	<u>(716,943)</u>
Shareholders' funds at 31 December 1997	<u>6,197,281</u>	<u>6,134,108</u>

PGA EUROPEAN TOUR PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year and net movement in shareholders' funds	63,173	6,851,051
Shareholders' funds at 1 January 1997	<u>6,134,108</u>	<u>(716,943)</u>
Shareholders' funds at 31 December 1997	<u>6,197,281</u>	<u>6,134,108</u>

12 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1997 or 31 December 1996.

13 CONTINGENT LIABILITIES

The company has guaranteed the bank facilities of its ultimate parent undertaking by a fixed and floating charge over the assets of the company.

There were no other contingent liabilities at 31 December 1997 or 31 December 1996.

14 DEFERRED TAXATION

No provision has been made for taxation which would accrue if the investment in PGA European Tour Courses PLC was disposed of at its market value. The amount unprovided is £1,150,000 (1996: £2,539,000). The directors do not intend to dispose of the company's holding in the investment in the foreseeable future.

15 TRANSACTIONS WITH DIRECTORS

N C Coles MBE received £50,000 (1996: £50,000) during the period for consultancy fees.

16 CONTROLLING RELATED PARTY

The directors consider that the ultimate parent undertaking of this company is PGA European Tour Limited, a company registered in England and Wales.

As a wholly owned subsidiary undertaking of PGA European Tour Limited, the company is exempt from the requirements of Financial Reporting Standard 8 to disclose transactions with other members of the group headed by PGA European Tour Limited.