

**BROOKLANDS
HEALTHTRACK LIMITED**

**Report and Financial Statements
30 September 1996**

Company Number 2985386



BROOKLANDS HEALTHTRACK LIMITED

REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G M Thomas
M B Wildsmith
C J Lee

SECRETARY

C J Lee

REGISTERED OFFICE

91 Fleet Road
Fleet
Hampshire
GU13 8PJ

BANKERS

National Westminster Bank plc
176 Fleet Road
Fleet
Hampshire
GU13 8YJ

Hill Samuel Bank Limited
188 Brompton Road
Knightsbridge
London
SW3 1HQ

SOLICITORS

Collyer-Bristow
4 Bedford Row
London
WC1R 4DF

AUDITORS

Brooking Knowles & Lawrence
Chartered Accountants
Clifton House
Bunnian Place
Basingstoke
RG21 7JE

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 1996.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of providing sports, leisure and other related activities to members and visitors of The Brooklands Healthtrack Club.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During the year the major activity of the company was the completion and operation of the Brooklands Healthtrack Club in Brooklands, Weybridge which was opened in October 1995.

Both the level of business and the year ended financial position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

RESULTS AND DIVIDENDS

The profit and loss account for the year is set out on page 5. The company has made a profit of £666,711, which is proposed to be transferred to reserves.

The directors do not propose a dividend.

DIRECTORS

The directors of the company at 30 September 1996, all of whom have been directors for the whole of the year, are listed on page 1.

None of the directors held any beneficial interest in the shares of the company.

FIXED ASSETS

Details of movements in fixed assets are set out in note 8 to these financial statements.

The club premises were valued by Humberts Leisure in July 1996. They are of the opinion that the current estimated realisation price for existing use is in the order of £11.25 million and this value has been incorporated into the accounts.

AUDITORS

A resolution to reappoint Brooking Knowles & Lawrence as auditors will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors
and signed on behalf of the Board



C J Lee
Secretary

Date: 24 September 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 so doing, 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements 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' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on page 9.

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 as auditors to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

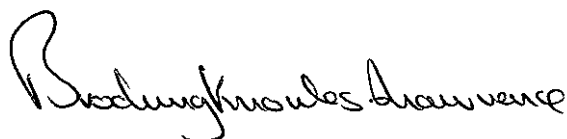
Basis of Opinion

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 affairs of the company as at 30 September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BROOKING KNOWLES & LAWRENCE

Chartered Accountants and
Registered Auditor

Dated: 24 September 1997

Clifton House
Bunnian Place
Basingstoke
Hampshire
RG21 7JE

BROOKLANDS HEALTHTRACK LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 September 1996

	Note	1996 £	11 months 1995 £
TURNOVER	1	3,174,516	-
Cost of sales		(286,545)	-
Gross profit		<u>2,887,971</u>	<u>-</u>
Administration expenses		(1,946,598)	(434,896)
OPERATING PROFIT/(LOSS)	2	<u>941,373</u>	<u>(434,896)</u>
Other interest receivable and similar income	5	25,893	3,593
Interest payable and similar charges	6	(300,495)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>666,771</u>	<u>(431,303)</u>
Tax on profit on ordinary activities	7	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u><u>666,771</u></u>	<u><u>(431,303)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Unrealised surplus on revaluation of tangible fixed assets	-	5,313,250	-
Profit/(Loss) for the financial year/period		<u>666,771</u>	<u>(431,303)</u>
TOTAL RECOGNISED GAINS/(LOSSES)		<u><u>5,980,021</u></u>	<u><u>(431,303)</u></u>

Turnover and operating profit for both the current and prior year arise from continuing activities.

BROOKLANDS HEALTHTRACK LIMITED

BALANCE SHEET 30 September 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	8	11,250,000	271,805
CURRENT ASSETS			
Stock	9	78,919	12,806
Debtors	10	152,721	378,054
Cash at bank and in hand		305,898	-
		<u>537,538</u>	<u>390,860</u>
CREDITORS: amounts falling due within one year	11	<u>(1,040,096)</u>	<u>(1,093,868)</u>
NET CURRENT (LIABILITIES)		<u>(502,558)</u>	<u>(703,008)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,747,442</u>	<u>(431,203)</u>
CREDITORS: amounts falling due outside one year	12	<u>(5,198,624)</u>	<u>-</u>
NET ASSETS/(LIABILITIES)		<u><u>5,548,818</u></u>	<u><u>(431,203)</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Revaluation reserve	15	5,313,250	-
Profit and loss account	15	235,468	(431,303)
EQUITY SHAREHOLDERS FUNDS/(DEFICIT)	16	<u><u>5,548,818</u></u>	<u><u>(431,203)</u></u>

The financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

24 September 1997


G M THOMAS

Director

BROOKLANDS HEALTHTRACK LIMITED

CASHFLOW STATEMENT Year ended 30 September 1996

	Note	1996 £	1995 £
Net cash inflow/(outflow) from operating activities	1	1,396,817	(421,633)
Returns on investments and servicing of finance			
Interest received		25,893	3,593
Interest paid		(129,398)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(103,505)	3,593
Investing activities			
Purchase of tangible fixed assets		(5,822,210)	(271,805)
Transfers/disposal proceeds of tangible fixed assets		11,081	-
Net cash outflow from investing activities		(5,811,129)	(271,805)
Net cashflow before financing		(4,517,817)	(689,845)
Financing			
Share capital	4	-	100
New bank loans	4	5,089,266	-
New other loans	4	348,477	-
Net cash inflow from financing		5,437,743	100
Increase/(Decrease) in cash and cash equivalents	2	919,926	(689,745)

BROOKLANDS HEALTHTRACK LIMITED

NOTES TO THE CASH FLOW STATEMENT Year ended 30 September 1996

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	1996	11 months 1995
	£	£
Operating profit/(loss)	941,373	(434,896)
Depreciation	146,183	-
Increase in stock	(66,113)	(12,806)
Decrease/(Increase) in debtors	225,333	(378,054)
Increase in creditors	150,041	404,123
Net cash inflow/(outflow) from operating activities	<u>1,396,817</u>	<u>(421,633)</u>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1996	11 months 1995
	£	£
Balance at 1 October 1995	(689,745)	-
Net cash inflow/(outflow)	<u>919,926</u>	<u>(689,745)</u>
Balance at 30 September 1996	<u>230,181</u>	<u>(689,745)</u>

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1995	Change in year	1996
	£	£	£
Cash at bank and in hand	-	305,898	305,898
Bank overdrafts	<u>(689,745)</u>	<u>614,028</u>	<u>(75,717)</u>
	<u>(689,745)</u>	<u>919,926</u>	<u>230,181</u>

4. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital	Bank loans	Other loans
	£	£	£
Balance at 1 October 1995	100	-	-
Cash inflow from financing	<u>-</u>	<u>5,089,266</u>	<u>348,477</u>
Balance at 30 September 1996	<u>100</u>	<u>5,089,266</u>	<u>348,477</u>

5. MAJOR NON-CASH TRANSACTIONS

During the year the freehold land and building were revalued by £5,313,250

**NOTES TO THE ACCOUNTS
for the year ended 30 September 1996**

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings, in accordance with applicable accounting standards and on a going concern basis.

Turnover

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation. The cost or valuation of fixed assets is written off over their expected useful lives to the business at the following rates:

Land and Buildings	10 - 30 years for items with a wasting life
Fixtures and fittings	15% straight line
Plant and equipment	5% - 20% straight line
Computer equipment	20% straight line

The company has not provided depreciation in accordance with Statement of Standard Accounting Practice No 12. "Accounting for depreciation" in respect of freehold property as it is the company policy to maintain properties in such a condition that their value is not diminished by the passage of time and relevant expenditure is charged to profit before tax in the year when it is incurred. Therefore, any element of depreciation is considered to be immaterial and no provision is made. Should any permanent diminution in value occur, full provision will be made.

Stock

Stock has been valued at the lower of cost and net realisable value except base stock which is carried forward at its cost value.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Membership income

Joining fees are recognised evenly as revenue over the accounting period in which they are received. Annual membership subscriptions are released to the profit and loss account over the period to which they relate. Life memberships are released to the profit and loss account on receipt.

Pre-Opening Expenses

All pre-opening expenses are written off as they are incurred.

BROOKLANDS HEALTHTRACK LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 September 1996

2. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	1996	11 months 1995
	£	£
Depreciation	146,183	3,300
Auditors' remuneration		
- audit	5,000	3,000
- other services	3,000	-
- Racquets & Healthtrack Group Limited	102,000	-
	<u>102,000</u>	<u>-</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average number of persons employed by the company, which includes directors, within each category of persons was:

	1996	11 months 1995
	No.	No.
Management and administration	11	4
Sales staff	4	2
Fitness staff	16	2
Other employees	73	3
	<u>104</u>	<u>11</u>

The costs incurred in respect of those employees were:

	£	£
Wages and salaries	869,984	102,698
Social security costs	68,417	9,080
	<u>938,401</u>	<u>111,778</u>

4. DIRECTORS' EMOLUMENTS

None of the directors received any remuneration from the company in respect of services as directors.

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1996	11 months 1995
	£	£
Other interest receivable and similar income	25,893	3,593
	<u>25,893</u>	<u>3,593</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1996	11 months 1995
	£	£
Bank loans	300,492	-
Bank overdrafts	3	-
	<u>300,495</u>	<u>-</u>

BROOKLANDS HEALTHTRACK LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 September 1996

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

No provision for corporation tax arises on the results for the year, due to the availability of tax losses created in the prior year and the availability of losses from other group companies.

8. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings	Fixtures and fittings	Plant and equipment	Computer equipment	Total
Cost	£	£	£	£	£
At 1 October 1995	-	119,611	101,603	53,891	275,105
Additions	5,530,000	37,791	254,419	-	5,822,210
Revaluations	5,313,250	-	-	-	5,313,250
Transfers to stock	-	(8,882)	-	-	(8,882)
Disposals	-	-	(5,500)	-	(5,500)
At 30 September 1996	10,843,250	148,520	350,522	53,891	11,396,183
Depreciation					
At 1 October 1995	-	-	3,300	-	3,300
Charge for year	68,719	21,294	45,392	10,778	146,183
Revaluations	-	-	-	-	-
Disposals	-	-	(3,300)	-	(3,300)
At 30 September 1996	68,719	21,294	45,392	10,778	146,183
Net book value					
At 30 September 1996	10,774,531	127,226	305,130	43,113	11,250,000
At 30 September 1995	-	119,611	98,303	53,891	271,805

The freehold land and buildings were valued by Humberts Leisure a firm of independent Chartered Surveyors, in July 1996. They are of the opinion that the current estimated realisation price for "existing use as an operational entity having regard to trading potential" is in the order of £11.25 million. This value has been reflected in the accounts at 30 September 1996.

If land and buildings had not been revalued they would have been included at the following amounts.

	1996 £
Cost	5,530,000
Aggregate depreciation based on cost	68,719

9. STOCKS

	1996 £	1995 £
Consumables	41,959	-
Goods for resale	36,960	12,806
	78,919	12,806

BROOKLANDS HEALTHTRACK LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 September 1996

10. DEBTORS

	1996	1995
	£	£
Amounts owed by group undertakings	149,594	1,658
Other debtors	3,127	376,396
	<u>152,721</u>	<u>378,054</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996	1995
	£	£
Bank loans and overdrafts	338,216	689,745
Trade creditors	93,344	-
Amounts owed to parent company	-	30,059
Taxation and social security	109,062	6,399
Other creditors	31,700	-
Accruals and deferred income	467,774	367,665
	<u>1,040,096</u>	<u>1,093,868</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996	1995
	£	£
Bank loans	4,826,767	-
Other loans	348,477	-
Accruals and deferred income	23,380	-
	<u>5,198,624</u>	<u>-</u>

Bank Loans

- a) On 13 March 1996 the company entered into a facility agreement with National Westminster Bank plc., under which the bank agreed to lend the company up to £2,800,000.

On 13 March 1996 the company executed a debenture over the assets of the company.

As security for the loan the company granted National Westminster Bank plc., a legal mortgage over the land and buildings comprising the Brooklands Healthtrack Club, Weybridge.

At 30 September 1996 advances totalling £2,800,000 had been made which are repayable in equal quarterly instalments commencing on the 4 December 1996. The rate of interest is 9.75% fixed for five years and then at 2% over bank base rate.

- b) On 7 March 1996 the company entered into a facility agreement with Hill Samuel Bank Limited under which the bank agreed to lend the company £2,289,266. On 7 March 1996 the company executed a debenture in favour of Hill Samuel Bank Limited subject to prior charge in favour of National Westminster Bank Plc.

As security for the loan the company gave a deed of priority between Hill Samuel Bank Limited and National Westminster Bank plc., in respect of a second ranking mortgage debenture. At 30 September 1996 advances totalling £2,289,266 had been made which is repayable in full in one instalment on the earlier of the 31 March 1999 and the third anniversary of the drawdown. The rate of interest is 12% per annum.

BROOKLANDS HEALTHTRACK LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 September 1996

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONT'D)

The bank loans are due as follows:-

	1996 £
In less than one year	262,500
Due in 1 - 2 years	350,000
Due in 2 - 5 years	3,339,266
In more than 5 years	1,137,500
	<u>5,089,266</u>

13. DEFERRED TAXATION

	1996 £
Deferred taxation	<u>Nil</u>

If the freehold property was realised at the amounts included in the balance sheet, in view of the company's policy of expansion and continued ownership of its assets it would be necessary to replace them by purchasing similar property; rollover relief would therefore be available. Accordingly the revalued amounts do not constitute timing differences as defined by SSAP15 and the potential amount of deferred tax if they were to be disposed of has not therefore been quantified.

14. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

15. STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account £	Revaluation reserve £
Balance brought forward	(431,303)	-
Profit for the year	666,771	-
Revaluation in the year	-	5,313,250
Balance carried forward	<u>235,468</u>	<u>5,313,250</u>

BROOKLANDS HEALTHTRACK LIMITED

NOTES TO THE ACCOUNTS for the year ended 30 September 1996

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS/(DEFICIT)

	1996	1995
	£	£
Profit/(loss) attributable to members of the company	666,771	(431,303)
Share capital issued	-	100
Revaluation during the year	5,313,250	-
Net additions to Shareholders Funds	5,980,021	431,203
Shareholders deficit at October 1995	(421,203)	-
Shareholders funds/(deficit) at 30 September 1996	<u>5,548,818</u>	<u>(431,203)</u>

17. CAPITAL COMMITMENTS

	1996
	£
Future capital expenditure contracted but not provided for	Nil

18. ULTIMATE PARENT COMPANY

The ultimate parent company is Racquets & Healthtrack Group Limited incorporated in England and Wales. Copies of the parent company accounts can be obtained from the Registrar of Companies, Cardiff.

19. DIRECTORS INTERESTS IN TRANSACTIONS

The directors had an interest in the management charges paid to GML Leisure Ltd of £30,000 by virtue of their directorship of that company.

The directors had an interest in the head office costs paid to Racquets & Healthtrack Group Limited of £102,000 by virtue of their directorship of that company.

The freehold land and buildings were purchased for £5.5 million from Cosgrove Limited a shareholder, on an arms length basis.