

QUEENWOOD GOLF CLUB LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002**



S H LANDES & CO

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

Company number: 3757421

QUEENWOOD GOLF CLUB LIMITED
INDEX TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

Contents	Page
Company information	1
Report of the directors	2-3
Auditors' report	4-5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8-12
Detailed accounts (for management use only)	13

QUEENWOOD GOLF CLUB LIMITED**COMPANY INFORMATION****DIRECTORS**

F. D. Green
L. Green

SECRETARY

Bernard Finniston

**BUSINESS ADDRESS
AND REGISTERED OFFICE**

Queenwood Golf Club
Stonehill Road
Ottershaw
Surrey
KT16 0QD

AUDITORS

S H Landes & Co
Chartered Accountants and
Registered Auditors
5th Floor, Walmar House
288 Regent Street
London
W1B 3AL

BANKERS

1st Bank of Vail
17 Vail Road
Vail
Colorado 81657
United States of America

NatWest Bank Plc
Regent Street Branch
PO Box No. 4RY
250 Regent Street
London
W1A 4RY

QUEENWOOD GOLF CLUB LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

The principal activity of the company was that of the development and operation of Queenwood Golf Club.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their beneficial interests in the company's share capital were as follows:

	Redeemable "B" shares of \$1 each	
	31 December 2002	31 December 2001
F. D. Green	1	1
L. Green	-	-

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 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 a 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 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.

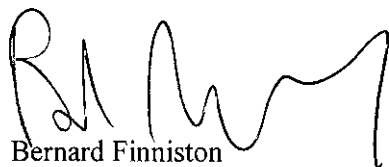
SMALL COMPANY RULES

This report has been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

QUEENWOOD GOLF CLUB LIMITED**REPORT OF THE DIRECTORS**
(continued)**AUDITORS**

The auditors, S H Landes & Co, will be proposed for re-appointment in accordance with S.385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'B. Finniston', written over the printed name.

Bernard Finniston
Secretary

Date: 2 September 2003

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
QUEENWOOD GOLF CLUB LIMITED

We have audited the financial statements of Queenwood Golf Club Limited for the year ended 31 December 2002, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 auditor's 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 opinions 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 is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgments 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.

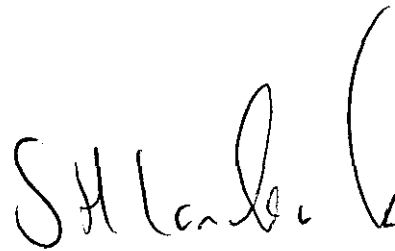
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
QUEENWOOD GOLF CLUB LIMITED
(continued)

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 2002 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

S H LANDES & CO
CHARTERED ACCOUNTANTS AND
REGISTERED AUDITORS

5th Floor, Walmar House
288 Regent Street
London
W1B 3AL

A handwritten signature in dark ink, appearing to read 'S H Landes & Co', with a large, sweeping flourish at the end.

Date: 2 September 2003

QUEENWOOD GOLF CLUB LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

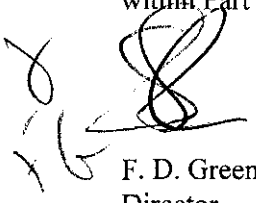
	Notes	2002 £	2001 £
TURNOVER	2	3,000,025	534,155
Administration expenses		(4,388,556)	(2,161,927)
		-----	-----
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(1,388,531)	(1,627,772)
Interest received		28,369	69,683
Tax on results on ordinary activities	4	-	-
		-----	-----
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(1,360,162)	(1,558,089)
		-----	-----
RETAINED LOSS FOR THE YEAR	11	(1,360,162)	(1,558,089)
		=====	=====

The attached notes form part of these financial statements

QUEENWOOD GOLF CLUB LIMITED
BALANCE SHEET AT 31 DECEMBER 2002

	Notes	2002	2001
		£	£
FIXED ASSETS			
Tangible assets	5	14,178,213	11,552,214
INVESTMENTS	6	6,250	6,250
CURRENT ASSETS			
Stock		117,627	73,801
Debtors	7	168,391	1,488,631
Cash at bank and in hand		3,075,192	1,789,894
		<u>3,361,210</u>	<u>3,352,326</u>
CREDITORS: amounts falling due within one year	8	(1,085,581)	(2,532,130)
NET CURRENT ASSETS		2,275,629	820,196
CREDITORS: amounts falling due after one year	9	(166,836)	(224,105)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,293,256</u>	<u>12,154,555</u>
CAPITAL AND RESERVES			
Share capital	10	16,718,774	11,219,911
Profit and loss account	11	(3,153,582)	(1,793,420)
Share premium		2,728,064	2,728,064
SHAREHOLDERS' FUNDS	12	<u>16,293,256</u>	<u>12,154,555</u>

These accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.


F. D. Green
Director

Date: 2 September 2003

The attached notes form part of these financial statements

QUEENWOOD GOLF CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES

(a) **Basis of accounting**

The financial statements have been prepared under the historical cost convention.

(b) **Tangible fixed assets and depreciation**

Depreciation is provided on tangible fixed assets other than construction costs at rates calculated to write off the cost less the estimated residual value on a straight-line basis over their expected useful lives. The applicable annual rates are:

Equipment	20%
Computer equipment	33 1/3%
Construction costs	2%

All costs associated with the construction of the golf course and formation of the golf club have been capitalised and are amortised over an appropriate useful life on commencement of commercial use of the club.

(c) **Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

(d) **Deferred taxation**

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

(e) **Subscriptions**

Subscription income receivable from club members is accounted for in the year to which it relates, on a full accruals basis.

(f) **Stock**

Stock is valued at the lower of cost and net realisable value.

(g) **Leasing and hire purchase contracts**

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

(h) **Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company in respect of the year.

QUEENWOOD GOLF CLUB LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002
(continued)**

2. TURNOVER AND LOSS

The turnover and loss before taxation is attributable to the one principal activity of the company.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002	2001
	£	£
This is stated after charging:		
Depreciation	451,444	132,957
Auditors' remuneration	10,000	8,000
Loss on exchange	373,063	112,755
Pensions costs	25,613	1,691
Loss on disposal of fixed assets	7,244	-
	<u>=====</u>	<u>=====</u>

4. TAXATION

	2002	2001
	£	£
Corporation tax at current rates	-	-
	<u>=====</u>	<u>=====</u>

5. FIXED ASSETS

	Construction costs £	Computer equipment £	Equipment £	Total £
Cost:				
At 1 January 2002	11,087,004	13,434	642,394	11,742,832
Additions	2,930,624	47,268	114,795	3,092,687
Disposals	-	-	(19,055)	(19,055)
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31 December 2002	14,017,628	60,702	738,134	14,816,464
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Depreciation:				
At 1 January 2002	-	5,236	185,382	190,618
Charge for the year	280,351	20,234	150,859	451,444
Deleted on disposals	-	-	(3,811)	(3,811)
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31 December 2002	280,351	25,470	332,430	638,251
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Net book value:				
At 31 December 2002	13,737,277	35,232	405,704	14,178,213
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
At 31 December 2001	11,087,004	8,198	457,012	11,552,214
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

QUEENWOOD GOLF CLUB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002
(continued)

6. INVESTMENTS

	2002	2001
	£	£
Shares in group undertakings	6,250	6,250

The company owns 20% of the ordinary share capital of Queenwood Land Company Limited, a company which owns the land on which the golf club stands.

7. DEBTORS

	2002	2001
	£	£
Trade debtors	113,801	1,149,051
Staff loans	23,400	20,000
Payments on account	-	311,826
Sundry debtors	31,190	7,754
	<u>168,391</u>	<u>1,488,631</u>

8. CREDITORS: amounts falling due within one year

	2002	2001
	£	£
Hire purchase creditor	97,149	86,521
Corporation tax	12,241	12,241
Trade creditors	423,796	103,258
Amounts due to related companies	403,104	408,007
Accruals	34,601	16,516
Sundry creditors	47,391	8,473
Deferred income	-	1,652,867
Other taxes and social security costs	67,299	244,247
	<u>1,085,581</u>	<u>2,532,130</u>

9. CREDITORS: amounts falling due after one year

	2002	2001
	£	£
Hire purchase creditors	166,836	224,105

QUEENWOOD GOLF CLUB LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002
(continued)**

10. SHARE CAPITAL

	2002	2001
	£	£
Authorised:		
100 ordinary "A" shares of £1 each	100	100
900 redeemable "B" shares of US \$1 each	562	562
100 international shares of US \$1 each	62	62
	-----	-----
	724	724
	=====	=====

Subject to the regulations in the company's Articles of Association, redeemable "B" shares can be redeemed by the member delivering the appropriate notice to the company. The redemption price is equal to the then current "B" share subscription price less a discount of up to 15%.

Allotted, called up and fully paid:

	2002	2001
	£	£
2 "A" ordinary shares of £1 each	2	2
265 "B" redeemable shares of US \$1 each	10,552,603	61
Payments on shares not issued:		
Deposits on US \$ "B" shares issued in 2003 at a premium	6,166,169	11,219,848
	-----	-----
	16,718,774	11,219,911
	=====	=====

During the year 168 redeemable "B" shares of US \$1 each were issued.

11. REVENUE RESERVES

	2002	2001
	£	£
Retained loss brought forward	(1,793,420)	(235,331)
Retained loss for the year	(1,360,162)	(1,558,089)
	-----	-----
At 31 December 2002	(3,153,582)	(1,793,420)
	=====	=====

QUEENWOOD GOLF CLUB LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002
(continued)**

12. SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Loss for the year	(1,360,162)	(1,558,089)
Movements on share capital	5,498,863	6,571,706
Opening shareholders' funds	12,154,555	7,140,938
Closing shareholders' funds	16,293,256	12,154,555

13. CAPITAL COMMITMENTS

At 31 December 2002 the company had capital commitments contracted for but not provided in these accounts of £324,500.

14. TRANSACTIONS WITH DIRECTORS

Mr. F. Green is a director of Golf Services Inc., from whom the company purchased golf club development consultancy services to the value of £136,575 (2001: £149,327) on normal commercial terms. At the balance sheet date the amount outstanding was £nil (2001: £nil).

Mrs. L. Green was paid £52,378 in respect of interior design services during the year on normal commercial terms (2001: £63,885). At the balance sheet date the amount outstanding was £nil (2001: £nil).