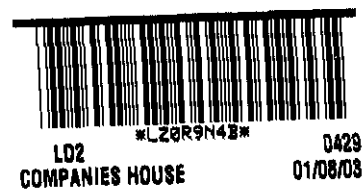


**LEISURE TENNIS LIMITED**  
**Annual Report & Financial Statements**  
**For the year ended 31 December 2002**

**Registered Number 1409437**

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



**LEISURE TENNIS LIMITED**  
**Directors' Report**  
**for the year ended 31 December 2002**

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

**Principal Activities & Review of the Business**

The principal activity of the Company during the year was the ownership of the Harbour Club, a sports and leisure facility in London. In October 2002, Leisure Tennis Limited sold the freehold of the Harbour Club to Harbour Club Operations Limited, a fellow subsidiary of the Company.

**Future Prospects**

The directors intend for the company to be dormant in the future.

**Results and Dividends**

The profit on ordinary activities after taxation amounted to £24,599,000 (2001: loss of £4,037,000). No dividend has been declared (2001: £nil) and the retained profit was transferred to reserves.

**Directors**

The Directors who served throughout the year ended 31 December 2002, except as noted, were as follows:

J Andrew	
M Fish	
M Harris	
M T Oliver	Resigned 16 December 2002
M A Streets	(Company Secretary)
H B Tegelaars	

**Directors' Interests in the Share Capital of the Company**

No Director had any interest in the share capital of the Company or any other group company except as stated below:

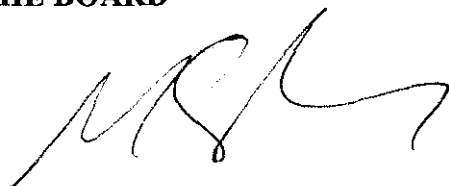
At 31 December 2002 H B Tegelaars, J Andrew, M Harris and M A Streets were also directors of the ultimate parent company, Health Club Investments Group Limited and their interest in the shares of the ultimate parent company are disclosed in the group financial statements. During the year, M Fish resigned as director of Health Club Investments Group Limited but retained his interest in the company of 47,364 £1 ordinary B shares.

**LEISURE TENNIS LIMITED**  
**Directors' Report Continued**  
**for the year ended 31 December 2002**

**Auditors**

On 1 August 2003, Deloitte & Touche will transfer their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. However, at present they remain the company's auditors and have signed the accounts in that capacity. The company is intending to give its consent to treat the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP in due course. Accordingly, although the accounts have been signed in the name of Deloitte & Touche, a resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to be 'M A Streets', written in a cursive style.

M A Streets  
Secretary  
31 July 2003

**LEISURE TENNIS LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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 at the end of the year and of the profit or loss of the Company for the year. 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; and
- 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 also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the systems of internal control, 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 LEISURE TENNIS LIMITED**

We have audited the financial statements of Leisure Tennis Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under 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 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 opinions we have formed.

## **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

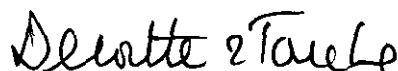
## **Basis of audit opinion**

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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company, 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 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**

Chartered Accountants and Registered Auditors  
London

31 July 2003

**LEISURE TENNIS LIMITED****Profit and Loss Account****for the year ended 31 December 2002**

	Notes	2002 £'000	2001 £'000
Turnover	1	408	490
Administrative expenses		(240)	(4,582)
OPERATING PROFIT/(LOSS)	2	168	(4,092)
Profit on sale of property	8	23,779	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		23,947	(4,092)
Tax credit on profit/(loss) on ordinary activities	4	652	55
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	11	24,599	(4,037)

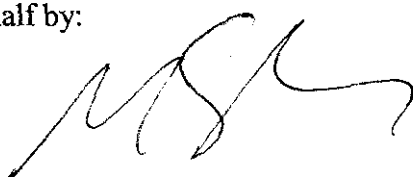
The Company had no recognised gains or losses during the current or preceding financial year other than the profit shown above. No Statement of Total Recognised Gains and Losses has therefore been presented.

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

**LEISURE TENNIS LIMITED****Balance Sheet****at 31 December 2002**

	Notes	2002 £'000	2001 £'000
<b>FIXED ASSETS</b>			
Tangible assets	5	-	13,815
<b>CURRENT ASSETS</b>			
Debtors	6	37,788	22,536
		37,788	22,536
<b>CREDITORS</b> Amounts falling due within one year	7	(15,447)	(13,109)
<b>NET CURRENT ASSETS</b>		22,341	9,427
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		22,341	23,242
<b>CREDITORS</b> Amounts falling due after more than one year	8	-	(24,021)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	9	-	(1,479)
<b>NET ASSETS/(LIABILITIES)</b>		22,341	(2,258)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	2,681	2,681
Share premium account	11	645	645
Profit and loss account	11	19,015	(5,584)
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)</b>	12	22,341	(2,258)

These financial statements were approved by the Board of Directors on 31 July 2003 and signed on its behalf by:



M A Streets  
Director

**LEISURE TENNIS LIMITED**  
**Notes to the Accounts**  
**for the year ended 31 December 2002**

**1 ACCOUNTING POLICIES**

**Basis of Preparation**

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

The Company is a wholly owned subsidiary of Health Club Investments Group Limited and its results and net liabilities are included in the consolidated financial statements of Health Club Investments Group Limited. Consequently, the Company is exempt from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996) and exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of Health Club Investments Group Limited.

**Tangible Fixed Assets & Depreciation**

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on all fixed assets except for land so as to write off the cost less any residual values, on a straight line basis over the expected economic lives of the assets concerned by applying the following annual rates:

Freehold buildings	2% per annum
Plant and machinery	6.7% per annum

The Company does not capitalise interest on assets in the course of construction.

**Deferred Taxation**

Full provision is made for deferred tax liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation, in accordance with FRS19.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.



**LEISURE TENNIS LIMITED**  
**Notes to the Accounts**  
**for the year ended 31 December 2002**

**1 ACCOUNTING POLICIES (CONTINUED)**

Deferred tax has not been recognised on timing differences arising when:

- a fixed asset is re-valued without there being any commitment to sell the asset;
- the gain on the sale of the asset is rolled over into replacement assets; and
- the remittance of a subsidiary's earnings would cause tax to be payable, but no commitment has been made to the remittance of the earnings.

**Turnover**

Turnover excludes value added tax and represents the amortisation of the lease premium over the life of the lease.

**Deferred Income**

Lease premiums are amortised over the length of the life of the lease.

**2 OPERATING PROFIT/(LOSS)**

	2002 £'000	2001 £'000
Operating profit/(loss) is stated after charging:		
Depreciation of owned tangible fixed assets	239	287
Impairment of fixed assets	-	4,274

In the current and preceding financial year, the auditors' remuneration has been borne by Cannons Health and Fitness Limited, a subsidiary of the ultimate parent undertaking.

**3 DIRECTORS' EMOLUMENTS**

No Directors received any emoluments for their services to the Company during the current or preceding year. There were no employees in the current or preceding financial year.

**4 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

**(I) TAX CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	2002 £'000	2001 £'000
Adjustment in respect of prior years	111	-
Group relief	101	134
Total current Tax	212	134
Deferred tax:		
Origination and reversal of timing differences	-	(79)
Adjustment in respect of prior years	440	-
	652	55

**LEISURE TENNIS LIMITED****Notes to the Accounts****for the year ended 31 December 2002****(II) FACTORS AFFECTING TAX CREDIT FOR THE CURRENT YEAR**

	2002 £	2001 £
Profit/(loss) on ordinary activities before taxation	23,947	(4,092)
Tax at 30% thereon	(7,184)	1,227
Effects of		
Capital allowances in excess of depreciation	46	79
Non qualifying depreciation	(17)	(31)
Impairment of fixed assets	-	(1,282)
Non taxable income	7,256	141
Prior year adjustments	111	-
Current tax credit for the year	212	134

A deferred tax asset has not been recognised in respect of timing differences relating to losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £10,586 (2001: nil). The asset would be recovered if there were future suitable profits against which the losses could be offset.

**5 TANGIBLE FIXED ASSETS**

	Freehold Land and Buildings	Plant and Machinery	TOTAL
	£'000	£'000	£'000
Cost			
At 1 January 2002	17,782	994	18,776
Additions	241	-	241
Disposals	(682)	-	(682)
Transfers	(17,341)	(994)	(18,335)
At 31 December 2002	-	-	-
Accumulated Depreciation			
At 1 January 2002	4,456	505	4,961
Charge for year	54	185	239
Transfers	(4,510)	(690)	(5,200)
At 31 December 2002	-	-	-
NBV at 31 December 2002	-	-	-
NBV at 31 December 2001	13,326	489	13,815

During the year the company sold all assets to Harbour Club Operations Limited, a subsidiary of the ultimate parent undertaking, for consideration of £13,300,000.

**LEISURE TENNIS LIMITED**  
**Notes to the Accounts**  
**for the year ended 31 December 2002**

**6 DEBTORS**

	2002	2001
	£'000	£'000
Trade debtors	-	1
Other debtors	717	-
Amounts owed from fellow subsidiary undertakings	37,071	22,535
	<u>37,788</u>	<u>22,536</u>

**7 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2002	2001
	£'000	£'000
Corporation tax	-	75
Trade creditors	-	1
Other taxation and social security	2,406	-
Other creditors	-	1
Amounts owed to group undertakings	13,041	12,950
Accruals and deferred income	-	82
	<u>15,447</u>	<u>13,109</u>

**8 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2002	2001
	£'000	£'000
Deferred income	-	24,021

In October 2002, Leisure Tennis Limited sold its freehold property to Harbour Club Operations Limited, a subsidiary of the ultimate parent undertaking. Leisure Tennis Limited had previously granted Harbour Club Operations Limited a 51 year lease on the same property for £25,000,000 and this income was being taken to the profit and loss account over the life of the lease. At the time of transferring the freehold, the unamortised leasehold premium in the sum of was £23,779,000 credited to the profit and loss account and recognised as a profit on the sale of property.

For taxation purposes, the companies are in the same capital gains group and so the transfer of the freehold occurred on a no gain no loss basis. As such no tax charge arises as a result of this transfer.

**LEISURE TENNIS LIMITED****Notes to the Accounts****for the year ended 31 December 2002****9. PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred Tax 2002 £'000	Deferred Tax 2001 £'000
Balance at 1 January as previously stated	1,479	-
Prior year adjustment	-	1,400
Balance at 1 January as restated	1,479	1,400
(Credit)/charge to profit and loss account	(440)	79
Transfer to Harbour Club Operations Limited	(1,039)	-
Balance at 31 December	-	1,479

	2002 £'000	2001 £'000
Provision of deferred taxation consists of the following:		
Capital allowances in excess of depreciation	-	1,479
Total	-	1,479

**10 CALLED UP SHARE CAPITAL**

	2002 £'000	2001 £'000
Authorised:		
268,095,600 Ordinary shares of 1p each	2,681	2,681
Allotted, issued and fully paid:		
268,095,545 Ordinary shares of 1p each	2,681	2,681

**11 RESERVES**

	Share premium account 2002 £'000	Profit and loss account 2002 £'000
Balance at 1 January 2002	645	(5,584)
Retained profit for the financial year	-	24,599
Balance at 31 December 2002	645	19,015

**LEISURE TENNIS LIMITED**  
**Notes to the Accounts**  
**for the year ended 31 December 2002**

**12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/ FUNDS**

	2002 £'000	2001 £'000
Shareholders' (deficit)/funds at 1 January (2001: originally £3,179,000 before deducting prior year adjustment of £1,400,000)	(2,258)	1,779
Profit/(loss) for the year	24,599	(4,037)
Shareholders' funds/(deficit) at 31 December	22,341	(2,258)

**13 ULTIMATE PARENT UNDERTAKING**

The Company's immediate parent undertaking is The Harbour Club Limited. The Company's ultimate parent undertaking, controlling party and the parent company of the only group to which the company belongs which prepares group financial statements was Health Club Investments Group Limited. All parent undertakings are incorporated in Great Britain. Copies of the financial statements of Health Club Investments Group Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ on payment of the appropriate fee.