

off. a

**C. S. LEISURE LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 JULY 1997**

Company Number: 1728962



**C. S. LEISURE LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	F. Turok D. Turner J. Taylor
<b>Secretary</b>	S. Wenbourne
<b>Company Number</b>	1728962
<b>Registered Office</b>	235 Old Marylebone Road London NW1 5QT
<b>Auditors</b>	Wilder Coe Chartered Accountants 233-237 Old Marylebone Road London NW1 5QT

C. S. LEISURE LIMITED

CONTENTS

	Page
Directors' Report	1
Auditors' Report	2
Profit and Loss Account	3
Balance Sheet	4
Notes to the Financial Statements	5 - 11
<i>The following pages do not form part of the statutory accounts:</i>	
Trading and Profit and Loss Account and Summaries	12 - 14

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1997

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

### Principal activities and review of business

The principal activity of the company during the year was that of the ownership and operation of health and fitness clubs.

The directors of the company are satisfied with the performance of the company during the year. It is anticipated that turnover and profitability will continue to show improvement in the coming year due to focused attention to sales and marketing.

### Dividends

An interim dividend of £130,000 (£130 per share) on Ordinary shares was paid during the year.

The directors do not recommend that a final dividend is paid.

### Directors

The directors who served during the year and their beneficial interests in the ultimate parent undertaking's issued share capital, including connected party interests were:

	Ordinary shares of 5p each		Preference shares of £1 each	
	1997	1996	1997	1996
F. Turok	2,850,000	-	100,000	-
D. Turner	1,700,000	-	100,000	-
J. Taylor (appointed 2/9/96)	450,000	-	-	-

The directors' interests in or contracts with the company during the year are disclosed in Note 21 to the financial statements.

### Auditors

The auditors, Wilder Coe, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 27/2/98 and signed on its behalf.

S. Wenbourne  
S. Wenbourne  
Secretary

**C. S. LEISURE LIMITED**

**AUDITORS' REPORT TO THE SHAREHOLDERS OF C. S. LEISURE LIMITED**

We have audited the financial statements on pages 3 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

**Respective responsibilities of directors and auditors**

As described on page 1 the company's directors are responsible for the preparation of 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.

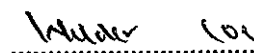
**Basis of opinion**

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 July 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
.....

**WILDER COE**

Chartered Accountants and Registered Auditors

233-237 Old Marylebone Road  
London  
NW1 5QT

Date : 27 February 1998

C. S. LEISURE LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 JULY 1997

		1997	Period ended 31 July 1996 As restated £
	Note	£	£
TURNOVER	1,2	520,671	300,500
Cost of sales		(296,887)	(165,140)
GROSS PROFIT		223,784	135,360
Administrative expenses		(124,848)	(68,588)
OPERATING PROFIT	3	98,936	66,772
Interest receivable		1,577	738
Interest payable	6	(30,539)	(11,834)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		69,974	55,676
TAXATION	7	(180)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		69,794	55,676
DIVIDENDS	8	(130,000)	-
(LOSS)/RETAINED PROFIT FOR THE YEAR		(60,206)	55,676
RETAINED PROFIT BROUGHT FORWARD		192,526	136,850
RETAINED PROFIT CARRIED FORWARD		£ 132,320	£ 192,526

Turnover and operating profit derive wholly from continuing operations.

There were no recognised gains and losses for 1997 or 1996 other than those included in the profit and loss account.

During the year some direct expenditure has been reclassified from administrative expenses and distribution costs to cost of sales in order to more accurately reflect the nature of the expense. Comparative amounts have been correspondingly restated.

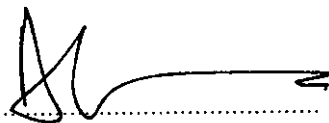
The notes on pages 5 to 11 form part of these financial statements.

C. S. LEISURE LIMITED

BALANCE SHEET  
AS AT 31 JULY 1997

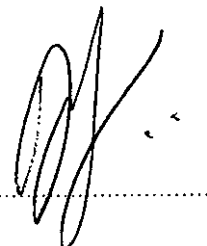
	Note	£	1997 £	£	1996 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	10		370,695		400,889
Investments	11		293,125		291,532
			<u>663,820</u>		<u>692,421</u>
<b>CURRENT ASSETS</b>					
Stocks	12	1,576		-	
Debtors	13	297,916		7,071	
Cash at bank and in hand		1,580		168	
		<u>301,072</u>		<u>7,239</u>	
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(830,758)</u>		<u>(226,074)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(529,686)</u>		<u>(218,835)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>134,134</u>		<u>473,586</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15		<u>-</u>		<u>(279,246)</u>
<b>NET ASSETS</b>			<u>£ 134,134</u>		<u>£ 194,340</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		1,000		1,000
Revaluation reserve			814		814
Profit and loss account			132,320		192,526
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18		<u>£ 134,134</u>		<u>£ 194,340</u>

The financial statements were approved by the board on 27/2/98 and signed on its behalf

  
D Turner

Director

F. Turok

  
Director

The notes on pages 5 to 11 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 1997

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of leasehold land and buildings in accordance with applicable accounting standards and include the results of the company's operations all of which are continuing.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds that it is itself a subsidiary company and its parent undertaking prepares consolidated financial statements which include a consolidated cash flow statement.

The company has taken advantage of the exemption in Section 3(c) of FRS No 8 not to disclose transactions with group entities on the grounds that all subsidiaries are at least 90% subsidiary undertakings whose results are included in publicly available consolidated Financial Statements.

1.2 Turnover

Turnover represents the value of goods sold and services provided in the year net of value added tax.

Membership subscription income is recognised evenly over the membership year.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold buildings	-	Straight line over the life of the lease
Motor vehicles	-	25% Reducing balance
Fixtures & equipment	-	20% Reducing balance

1.4 Stocks

Stocks are valued at the lower of cost and net realisable value.

1.5 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 near future.

1.6 Pensions

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

1.7 Pre-opening expenditure

Pre-opening property, sales and marketing costs associated with clubs under construction are carried forward until the opening date of the relevant club and then amortised on a straight line basis over two years from the date of opening.



**C. S. LEISURE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 1997**

**2. TURNOVER**

The whole of the turnover and profit before taxation is attributable to the one principal activity of the company being that of the ownership and operation of health and fitness clubs.

The company's turnover arose entirely within the U.K.

**3. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	1997	<i>Period ended 31 July 1996</i>
	£	£
Depreciation of tangible fixed assets		
- owned by the company	40,404	21,545
Auditors' remuneration	4,190	8,750
Operating lease rentals		
- land and buildings	77,836	42,467
Hire of plant and machinery	2,554	886
Rent receivable	(41,800)	(17,300)
	<u>          </u>	<u>          </u>

**4. STAFF COSTS**

	1997	<i>Period ended 31 July 1996</i>
	£	£
Wages and salaries	106,904	78,707
Social security costs	9,551	8,599
Other pension costs	-	2,000
	<u>          </u>	<u>          </u>
	<b>£ 116,455</b>	<b>£ 89,306</b>
	<u>          </u>	<u>          </u>

The average monthly number of employees, including directors, during the year was as follows:

	1997	<i>Period ended 31 July 1996</i>
Club activities	7	1
Office and management	-	1
Gym instructors and reception	-	1
Marketing	1	1
	<u>          </u>	<u>          </u>
	<b>8</b>	<b>4</b>
	<u>          </u>	<u>          </u>

C. S. LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 1997

5. DIRECTORS' REMUNERATION

	1997 £	Period ended 31 July 1996 £
Other emoluments	£ -	£ 26,094

6. INTEREST PAYABLE

	1997 £	Period ended 31 July 1996 £
On bank loans and overdrafts	1,229	7,327
On other loans	29,310	3,976
	<u>30,539</u>	<u>11,303</u>
On finance leases and hire purchase contracts	-	531
	<u>£ 30,539</u>	<u>£ 11,834</u>

7. TAXATION

There is no current year tax charge due to the utilisation of tax losses brought forward from prior years.

	1997 £	Period ended 31 July 1996 £
Prior years		
UK Corporation Tax	180	-
	<u>£ 180</u>	<u>£ -</u>

8. DIVIDENDS

	1997 £	Period ended 31 July 1996 £
Ordinary - interim paid	£ 130,000	£ -

**C. S. LEISURE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 1997**

**9. PENSION COSTS**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. Contributions paid during the year amounted to £NIL (1996 : £2,000). No contributions were outstanding at the year end.

**10. TANGIBLE ASSETS**

	Land & Buildings £	Fixtures & Equipment £	Motor Vehicles £	Total £
<b>Cost or valuation</b>				
At 1 August 1996	288,591	272,244	14,000	574,835
Additions	-	10,210	-	10,210
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1997	288,591	282,454	14,000	585,045
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 August 1996	32,123	132,866	8,957	173,946
Charge for year	22,080	17,065	1,259	40,404
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1997	54,203	149,931	10,216	214,350
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>				
At 31 July 1997	£ 234,388	£ 132,523	£ 3,784	£ 370,695
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1996	£ 256,468	£ 139,378	£ 5,043	£ 400,889
	<hr/>	<hr/>	<hr/>	<hr/>

At 31 July 1997, £234,388 (1996: £256,468) included within the net book value of land and buildings relates to short leasehold land and buildings.

C. S. LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 1997

11. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
<b>Cost</b>	
At 1 August 1996	291,532
Additions	1,593
	<hr/>
At 31 July 1997	293,125
	<hr/>
<b>Net Book Value</b>	
At 31 July 1997	£ 293,125
	<hr/>
At 31 July 1996	£ 291,532
	<hr/>

The additional cost of £1,593 capitalised during the year relates to legal and professional costs associated with the acquisition of minority shareholdings under rule 9 of the City Code on Takeovers and Mergers during the prior year.

Investments include an investment in a subsidiary, L. A. Fitness plc, comprising a holding of 100% of its issued ordinary capital. L. A. Fitness plc. is a company incorporated and operating in the UK.

During its latest financial year L. A. Fitness plc made a profit/(loss) after tax of £19,982 (1996 - £(10,693)) and at the end of that year the aggregate of its capital and reserves was £274,197 (1996 - £254,215).

12. STOCKS

	1997 £	1996 £
Finished goods for resale	£ 1,576	£ -
	<hr/>	<hr/>

13. DEBTORS

	1997 £	1996 £
<b>Due within one year</b>		
Trade debtors	9,430	4,198
Amounts owed by group undertakings	261,173	-
Other debtors	7,779	-
Prepayments and accrued income	19,534	2,873
	<hr/>	<hr/>
	£ 297,916	£ 7,071
	<hr/>	<hr/>

**C. S. LEISURE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 1997**

**14. CREDITORS:  
Amounts falling due within one year**

	1997 £	1996 £
Bank loans and overdrafts (secured - see below)	93,603	21,909
Trade creditors	8,842	57,649
Amounts owed to group undertakings	478,105	32,349
Social security and other taxes	32,329	20,843
Other creditors	65,592	3,959
Accruals and deferred income	152,287	89,365
	<u>£ 830,758</u>	<u>£ 226,074</u>

The bank overdraft is secured by a fixed and floating charge over all assets registered on 17 May 1997.

**15. CREDITORS:  
Amounts falling due after more than one year**

	1997 £	1996 £
Bank loans	-	229,246
Other creditors	-	50,000
	<u>£ -</u>	<u>£ 279,246</u>
Included within the above are amounts falling due as follows:		
<b>In 1 - 2 years:</b>		
Loan instalments	-	229,246
	<u>-</u>	<u>229,246</u>

**16. PROVISIONS FOR LIABILITIES AND CHARGES**

In view of tax losses brought forward from prior years, no deferred tax has been provided.

**17. SHARE CAPITAL**

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

**C. S. LEISURE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 1997**

**18. EQUITY SHAREHOLDERS' FUNDS**

**Reconciliation of movements on shareholders' funds**

	1997 £	1996 £
Profit for the year	69,794	55,676
Dividends	(130,000)	-
	<u>(60,206)</u>	<u>55,676</u>
Opening shareholders' funds	194,340	138,664
Closing shareholders' funds	<u>£ 134,134</u>	<u>£ 194,340</u>

**19. CONTINGENT LIABILITIES**

The company has provided cross guarantees to its bankers in respect of the bank borrowings of other group undertakings. A contingent liability therefore exists to the extent of the bank borrowings of the other group undertakings. At the year end this amounted to £469,007.

**20. OTHER COMMITMENTS**

At 31 July 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1997 £	1996 £
<b>Expiry date:</b>		
In more than 5 years	<u>77,836</u>	<u>42,467</u>

**21. TRANSACTIONS WITH DIRECTORS**

Included in accruals and deferred income is an amount of £4,750 (1996 - £NIL) relating to accrued interest on the loan of £50,000 due to F. Turok, which is included in other creditors due within one year. This loan together with accrued interest was repaid on 7 November 1997.

During the year, rent of £66,917 (1996 - £37,333) was paid to Spiremill Limited, a company in which D. Turner has interests as both a director and a shareholder.

**22. ULTIMATE CONTROLLING PARTY**

The controlling party of the company is L. A. Leisure Limited. It does not have an ultimate controlling party.

**23. ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking is L. A. Leisure Limited, a company incorporated in England.