

Boomsign Limited

REPORT AND FINANCIAL STATEMENTS

**for the year ended
31 December 2002**

Company Registration No. 2305174



Boomsign Limited

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31 DECEMBER 2002

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Boomsign Limited
DIRECTORS AND OFFICERS
31 DECEMBER 2002

Directors	J Treharne	(Resigned 25 March 2002)
	M Grealey	(Appointed 25 March 2002)
	D Jarvis	
	R A Davies	(Resigned 6 September 2002)
Secretary	R A Davies	(Resigned 6 September 2002)
	D Jarvis	(Appointed 6 September 2002)
Registered Office	33 Imperial Way Purley Way Croydon, Surrey CR0 4RR	
Auditors	KMPG Audit 1 Puddle Dock London EC4V 3PD	
Bankers	HSBC Bank plc 168 High Street Guildford Surrey GU1 3YE	
Solicitors	Ashurst Morris Crisp Broadwalk House 5 Appold Street London EC2A 2HA	
Website	www.crownsportspc.com	
Company Number	2305174	

Boomsign Limited

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2002

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2002.

Principal activities

The company is engaged in the ownership and management of health clubs.

Results and Dividends

The company's profit on ordinary activities before taxation was £248,574 (2001 profit - £43,290). The directors do not recommend the payment of a dividend. (2001 : nil).

Directors and their interests

The Directors who held office during the year and their interests in the company's ordinary shares of 25 pence each were as follows:

J R Treharne (resigned 25 March 2002)
 R A Davies (resigned 6 September 2002)
 M Grealey (appointed 25 March 2002)
 D Jarvis

None of the Directors had any interest in the shares of the company or subsidiaries during the year.

No Director had any contract of significance subsisting during the year or at 31 December 2002, or was materially interested in such a contract with the company or any of its subsidiary companies.

M Grealey was appointed as a Director of the immediate holding company Crown Sports Plc on 14 January 2003 and his shareholding and share options are disclosed in that company's annual report.

D Jarvis, R A Davies and J R Treharne's beneficial interests in the shares and options of Crown Sports Plc are as follows:

	Number shares held 31 December 2001	Number shares held 31 December 2002
D Jarvis	None	None
R A Davies	828,881	None
J R Treharne	1,706,645	900,000

DIRECTOR'S SHARE OPTIONS

	At 1 Jan 2002	Lapsed	At 31 Dec 2002	Exercise price	Earliest date of exercise	Expiry date
D Jarvis	300,000	-	300,000	16p	14 Nov 2004	14 Nov 2011
R A Davies	500,000	500,000	-	30p	26 Jan 2004	26 Jan 2011
J R Treharne	1,000,000	1,000,000	-	30p	26 Jan 2004	26 Jan 2011

Following J R Treharne's resignation from the Board on 25 March 2002 and R A Davies resignation from the Board on 6 September 2002, options granted for 1,500,000 shares of Crown Sports plc have lapsed. No further options were awarded to the above directors during the year and no options were exercised by the above named directors during the year.

There have been no changes to Directors' interests since the end of the year, except that J R Treharne has sold the 900,000 shares he held in Crown Sports plc at 31 December 2002.

Boomsign Limited

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2002

Payments to suppliers

The company does not follow any formal payment code but agrees terms of payment with suppliers when opening an account, to ensure each supplier is made aware of these terms and to comply with payment terms agreed for existing and new accounts. The company makes payment to the majority of its suppliers, tax authorities and employees electronically via the BACS payments system in order to facilitate a fast, effective and secure transmission of payment.

Health and Safety at Work

The company has a positive approach to health and safety at work and copies of health and safety policy statements are available at the clubs.

Employment policies

Employees are encouraged to identify with, and become involved with, the financial performance of the company and service to club members by ongoing internal and external training and by means of bonus arrangements. The company has a policy of keeping employees up to date with major developments by means of regular staff meetings.

It is the policy of the company to give full and fair consideration to applications for employment by people with disabilities. For the purposes of training, career development and promotion, all employees are treated equally.

Auditors

During the year CLB resigned as the company auditors and the Directors appointed KPMG Audit Plc to fill the casual vacancy. A resolution to re-appoint KPMG Audit Plc as auditors for the coming year will be proposed at the Annual General Meeting, in accordance with section 384 of the Companies Act.

Signed on behalf of the directors



D Jarvis
Company Secretary and Finance Director

23 October.....2003.

Boomsign Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES YEAR ENDED 31 DECEMBER 2002

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 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 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 requirements of the Companies Act 1985. The directors 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.

Boomsign Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS YEAR ENDED 31 DECEMBER 2002

We have audited the financial statements on pages 6 to 15.

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 are responsible for preparing the Directors' report, and as described on page 4, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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 group is not disclosed.

Basis of audit 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 31st December 2002 and of the profit of the company for the year then ended; and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

KPMG Audit Plc

24 October.....2003

Boomsign Limited
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	Year ended 31 December 2002 £	Restated Year ended 31 December 2001 £
Turnover	1	1,139,195	602,249
Cost of sales		(56,503)	(17,446)
Gross profit		1,082,692	584,803
Administrative expenses		(834,118)	(541,513)
Operating profit	4	248,574	43,290
Profit on ordinary activities before taxation		248,574	43,290
Taxation	5	(69,909)	(20,681)
Retained profit/(loss) for the financial year	12	178,665	22,609

All results were derived from continuing operations and there is no difference between the results of the financial period as reported compared to a historical cost basis.

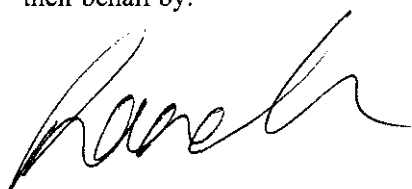
STATEMENT OF TOTAL RECOGNISED GAINS

	Year ended 31 December 2002 £	Restated Year ended 31 December 2001 £
Profit for the financial year/period	178,665	22,609
Unrealised surplus on revaluation of properties	-	399,134
Prior year adjustment Deferred Tax (FRS 19)	(162,929)	-
Total recognised gains and losses since last financial statements	15,736	421,743


Boomsign Limited
BALANCE SHEET
AS AT 31 DECEMBER 2002

	Note	2002 £	2001 £
Fixed Assets			
Tangible assets	6	3,007,818	3,000,000
Current assets			
Stocks	7	1,576	7,686
Debtors	8	38,660	58,040
Cash at bank and in hand		12,531	18,558
		<u>52,767</u>	<u>84,284</u>
Creditors: Amounts falling due within one year	9	(2,358,362)	(2,629,906)
Net current liabilities		<u>(2,305,595)</u>	<u>(2,545,622)</u>
Total assets less current liabilities		702,223	454,378
Provision for liabilities and charges	10	(232,109)	(162,929)
Net assets		<u>470,114</u>	<u>291,449</u>
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account	12	70,978	(107,687)
Revaluation reserve	13	399,134	399,134
Shareholders' Funds	14	<u>470,114</u>	<u>291,449</u>

These financial statements were approved by the directors on 23 October 2003, and are signed on their behalf by:



D Jarvis
Finance Director and Company Secretary



M Grealey
Chief Executive

Boomsign Limited

NOTES TO THE FINANCIAL STATEMENT YEAR ENDED 31 DECEMBER 2002

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with the provision of the Company's Act 1985 and applicable accounting standards. Except as noted below regarding the adoption of FRS 19 and FRS 18 all accounting policies have been consistent throughout the period.

Cash Flow Statement

The director's have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent published a consolidated cash flow statement.

Changes in Accounting Policy and Prior Year Adjustments

The company has adopted Financial Reporting Standard 19 'Deferred taxation' during 2002. This standard requires full provision to be made for deferred taxation on most types of timing differences. Adoption has produced a prior year adjustment, resulting in a reduction in opening reserves at 1 January 2002 of £162,929 and a reduction in the profit for 2002 by £69,180 (2001: £20,681).

Financial Reporting Standard 18 'Accounting policies' has been adopted in 2002. No material effect on the company has occurred owing to this new accounting standard.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life as follows:

The principal annual rates used for this purpose are:

Long Leasehold Property	-	50 years
Surface finishes	-	15 years
Fixtures, Fittings & Equipment	-	3 – 10 years
Motor Vehicles	-	4 years

Land is not depreciated.

The Directors carry out regular impairment reviews of the leasehold buildings in accordance with Financial Reporting Standard No 11. Provisions for impairments in value are taken to the profit and loss account.

Turnover

Turnover is derived from the provision of health club facilities in the United Kingdom and represents membership entrance fees and subscription income receivable in respect of the year together with sales of leisure and catering services at invoice value excluding value added tax. Membership fees are time apportioned over the period that they apply.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Boomsign Limited

NOTES TO THE FINANCIAL STATEMENT YEAR ENDED 31 DECEMBER 2002

1. Accounting Policies (*continued*)

Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

Taxation

The charge for tax is based on the profit and loss account for the year and takes into account tax deferred because of timing differences between the different treatment of certain items for tax and accounting purposes. Provision is made for deferred tax in accordance with the requirements of Financial Reporting Standard 19 'Deferred Taxation' which has been adopted in 2002. Except where required by FRS 19, this standard requires full provision to be made for taxation in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets arising from unrelieved losses are only recognised to the extent that they are regarded as recoverable.

Going Concern

The financial statements have been prepared on the going concern basis.

Investments

Fixed asset investments are carried at cost less provisions for impairment in value.

Foreign Currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Pension Costs

Pension costs relate to defined contribution schemes and are charged to the profit and loss account as incurred.

Interest and other debt related costs

Interest on the company's bank borrowings is written off to profit and loss as incurred including all interest charged during the redesign of clubs prior to opening.

Boomsign Limited

NOTES TO THE FINANCIAL STATEMENT YEAR ENDED 31 DECEMBER 2002

2. Particulars of Employees

	Year ended 31 December 2002 £	Year ended 31 December 2001 No
The average monthly number of persons (including directors) employed by the company during the year amounted to:		
Administration and management	-	2
Service	-	16
	<u>-</u>	<u>18</u>

During 2002 all staff and directors of Boomsign Limited were employees of the immediate parent company Dragons Health Clubs plc. The wages and salaries, including social security costs, are recharged from Dragons Health Clubs plc to Boomsign Limited via the inter-company account.

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Staff costs:		
Wages and salaries	375,410	217,513
Social security costs	-	17,209
Other pension costs	388	-
	<u>375,798</u>	<u>234,722</u>

3. Directors' remuneration

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Emoluments	-	-
Pension contributions	-	-
	<u>-</u>	<u>-</u>

During 2002 the Director's were employees of Dragons Health Clubs plc and received their remuneration from that company.

4. Operating Profit is stated after charging

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Depreciation of tangible fixed assets:		
owned assets	75,493	43,786
Operating leases rentals		
hire of plant and machinery	1,646	8,302
Other operating lease rentals	25,000	27,545
Auditors' remuneration	-	5,000

Auditors' remuneration and other fees were paid by the parent company Crown Sports Plc and are disclosed in the group consolidated financial statements.

Boomsign Limited

NOTES TO THE FINANCIAL STATEMENT YEAR ENDED 31 DECEMBER 2002

5. Taxation on Profit on Ordinary Activities

	Year ended 31 December 2002 £	Restated Year ended 31 December 2001 £
a) Analysis of tax charges for the year		
Current Tax		
UK Corporation Tax – charge	(729)	-
Total Current Tax (note 5b)	(729)	-
Deferred Tax		
Origination and reversal of timing difference (note 5c)	(69,180)	(20,681)
Tax on profit on ordinary activities	(69,909)	(20,681)

b) Factors affecting current tax

	Year ended 31 December 2002 £	Restated Year ended 31 December 2001 £
The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation in the UK of 30% (2001 30%). The differences are reconciled below:		
Profit on ordinary activities	248,574	43,290
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2001 30%)	74,572	12,987
Accelerated capital allowances	(61,486)	(162,117)
Tax losses brought down and used in the current year	(13,120)	149,130
Non deductible trading expenses	34	-
Reversal of underprovision previous years	729	-
Total current tax (credit)/charge (note 5a)	729	-

c) Deferred tax

	Year ended 31 December 2002 £	Restated Year ended 31 December 2001 £
The deferred tax included in the balance sheet as follows:		
Shown on the balance sheet as Provisions for liabilities and charges	(232,109)	(162,929)
At 1st January 2002 (as previously stated)	-	
Prior year adjustment (FRS 19)	(162,929)	
At 1st January 2002 (as restated)	(162,929)	
Deferred tax credit/(charge) in profit and loss account	(69,180)	
At 31st December 2002	(232,109)	

d) Factors that may effect future tax charges

It is anticipated that the current effective tax rate will prevail in future years.

Boomsign Limited

NOTES TO THE FINANCIAL STATEMENT YEAR ENDED 31 DECEMBER 2002

6 Tangible fixed assets

	Long leasehold property	Fixtures and Fittings	Motor Vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 January 2002	2,767,471	300,821	-	3,068,292
Additions	31,767	42,779	8,765	83,311
At 31 December 2002	2,799,238	343,600	8,765	3,151,603
Depreciation				
At 1 January 2002	24,053	44,239	-	68,292
Charged in the year	25,645	49,186	662	75,493
Disposals	-	-	-	-
At 31 December 2002	49,698	93,425	662	143,785
Net book value				
At 31 December 2002	2,749,540	250,175	8,103	3,007,818
At 31 December 2001	2,743,418	256,582	-	3,000,000

7 Stocks

	31 December 2002 £	31 December 2001 £
Stock	<u>1,576</u>	<u>7,686</u>

8 Debtors

	31 December 2002 £	31 December 2001 £
Trade debtors	2,549	1,486
Corporation tax recoverable	-	1,395
Other debtors	1,144	42,783
Prepayments and accrued income	34,967	12,376
	<u>38,660</u>	<u>58,040</u>

Boomsign Limited

NOTES TO THE FINANCIAL STATEMENT YEAR ENDED 31 DECEMBER 2002

9	Creditors: Amounts falling due within one year	31 December 2002 £	31 December 2001 £
	Trade creditors	27,838	26,119
	Amounts due to group undertakings	2,219,343	2,575,244
	Other taxation and social security	38,343	8,865
	Other creditors	13,803	6,740
	Accruals and deferred income	59,035	12,938
		<u>2,358,362</u>	<u>2,629,906</u>
10.	Provision for liabilities and charges	31 December 2002 £	31 December 2001 £
	Deferred Tax	232,109	162,929
11.	Share capital	31 December 2002 £	31 December 2001 £
	Authorised:		
	1,000 ordinary shares of £1 each	1,000	1,000
	Allotted, issued and fully paid:		
	2 ordinary shares of £1 each	2	2
12.	Profit and loss account	31 December 2002 £	
	Opening balance (As previously stated)	55,242	
	Prior year adjustment – Deferred tax	(162,929)	
	Balance brought forward	(107,687)	
	Retained profit for the financial year	178,665	
	Balance carried forward	<u>70,978</u>	

Boomsign Limited

NOTES TO THE FINANCIAL STATEMENT YEAR ENDED 31 DECEMBER 2002

13. Revaluation reserve

	31 December 2002 £	31 December 2001 £
Balance brought forward	399,134	1,555,630
Impairment provision	-	(1,156,496)
	<u>399,134</u>	<u>399,134</u>

14. Reconciliation of movements in shareholders' funds

	31 December 2002 £	Restated 31 December 2001 £
Profit for the financial year/period	178,665	22,609
Net addition /(reduction) to shareholders' funds	<u>178,665</u>	<u>22,609</u>
Opening shareholders' funds (originally £454,378 at 01/01/02 before the prior year adjustment)	291,449	268,840
Closing shareholders' funds	<u>470,114</u>	<u>291,449</u>

15. Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	2002		2001	
	Land & Buildings	Plant and Machinery	Land and Buildings	Plant and Machinery
Leases expiring:				
Within one year	-	-	-	-
Between two and five years	-	1,646	-	4,605
Over five years	25,000	-	25,000	-
	<u>25,000</u>	<u>1,646</u>	<u>25,000</u>	<u>4,605</u>

16. Contingent liability

In April 2002, group bank facilities totalling £53 million were arranged with the ultimate parent company Crown Sports plc's bankers HSBC Bank Plc and Barclays Bank Plc. These replace a range of facilities, which had existed within the businesses and consist of an aggregate £50 million of term loan and revolving facility and £3 million of overdraft facility. The bank loan facility is shown on the balance sheet of Crown plc.

Boomsign Limited

NOTES TO THE FINANCIAL STATEMENT YEAR ENDED 31 DECEMBER 2002

17. **Capital Commitments**

The company had no capital expenditure contracted for but not provided for in the financial statements (2001: £364,645 relating to improvement works at the Milton Keynes club).

18. **Ultimate parent company**

The company is a wholly owned subsidiary of Dragons Health Clubs plc, registered in England and Wales. Dragons Health Clubs plc is a wholly owned subsidiary of Crown Sports plc, registered in England and Wales.

Crown Sports plc prepares group financial statements and copies can be obtained from 33 Imperial Way, Purley Way, Croydon, Surrey CR0 4RR.

19. **Related party transactions**

The company is a wholly owned subsidiary of Dragons Health Clubs Plc, and ultimately of Crown Sports Plc, a company which is quoted on the UK Stock Exchange. There is no ultimate controlling party for the group at the yearend.

In accordance with the exemption stated in Financial Reporting Standard No. 8, no details are shown of related party transactions with the company's parent and fellow subsidiaries in which the parent company holds 90% or more of the voting rights.