

C.S. Leisure Plc

**Directors' report and financial
statements**

Registered number 2357146

31 July 2004



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25/02/05**

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Company information

Directors	F Turok J Taylor
Secretary	G Taylor
Registered office	101 Commercial Road London E1 1RD
Auditors	KPMG Audit Plc Altius House One North Fourth Street Central Milton Keynes MK9 1NE
Principal bankers	Allied Irish Bank plc St Helen's 1 Undershaft London EC3A 8AB Barclays Bank Plc 50 Pall Mall London SW1A 1QA The Royal Bank of Scotland plc 2 Waterhouse Square 138 Holborn London EC1N 2TH

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 July 2004.

Principal activities and review of business

The company did not trade during the current or previous year.

Dividends

The directors do not recommend the payment of a dividend (2003: nil).

Company's policy for payment of creditors

It is the company's policy to settle the terms of payment with suppliers when agreeing each transaction or a series of transactions, to ensure that suppliers are made aware of these terms, and abide by them. The company did not trade in the year, so did not make any purchases or payments.

Directors and directors' interests

The directors who served during the year were as follows:

F Turok
D Turner (resigned 27 September 2004)
J Taylor

The directors had no interests in or contracts with the company during the year.

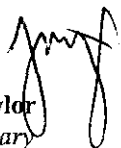
None of the directors who held office at the end of the year had any disclosable interest in the shares of the company.

The disclosable interests of the directors in the share capital of the ultimate parent company undertaking, LA Fitness plc, are shown in the accounts of that company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


G Taylor
Secretary

101 Commercial Road
London
E1 1RD

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Altius House
One North Fourth Street
Central Milton Keynes
Buckinghamshire, MK9 1NE
United Kingdom

Report of the independent auditors to the members of C.S. Leisure Plc

We have audited the financial statements on pages 5 to 8.

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 3, 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 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.

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 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

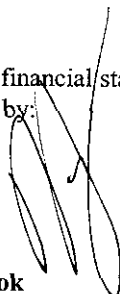
Chartered Accountants
Registered Auditor

10 February 2005

Balance sheet
at 31 July 2004

	Note	2004	2003
		£	£
Current assets			
Debtors	3	2,721,117	2,721,117
		<u>2,721,117</u>	<u>2,721,117</u>
Creditors: amounts falling due within one year	4	(189,888)	(189,888)
		<u></u>	<u></u>
Net current assets		2,531,229	2,531,229
		<u></u>	<u></u>
Total assets less current liabilities		2,531,229	2,531,229
		<u></u>	<u></u>
Creditors: amounts falling due after more than one year	5	(2,062,827)	(2,062,827)
		<u></u>	<u></u>
Net assets		468,402	468,402
		<u></u>	<u></u>
Capital and reserves			
Called up share capital			
- equity	6	270,000	270,000
- non equity	6	125,000	125,000
Share premium account		188,440	188,440
Profit and loss account	7	(115,038)	(115,038)
		<u></u>	<u></u>
Shareholders' funds	8	468,402	468,402
		<u></u>	<u></u>

These financial statements were approved by the board of directors on behalf by:



F Turok
Director

01/02/05

and were signed on its

The notes on pages 6 to 8 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Profit and loss account

During the financial year and the preceding financial year the company did not trade and received no income and incurred no expenditure. Consequently, during those years the company made neither a profit nor a loss and therefore no profit and loss account has been prepared.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the company in its own published consolidated financial statements

2 Staff numbers

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2004 No	2003 No
Directors	3	3

The company has no employees other than the directors. None of the directors received any remuneration in respect of their services to the company during the year (2003: nil).

3 Debtors

	2004 £	2003 £
Due within one year		
Amounts owed by group undertakings	2,721,117	2,721,117

4 Creditors: amounts falling due within one year

	2004 £	2003 £
Amounts owed to group undertakings	189,888	189,888

Notes (continued)

5 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Amounts owed to group undertakings	2,062,827	2,062,827

6 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
555,555 Ordinary shares of 50p each	277,777	277,777
2,000,000 'B' Ordinary shares of 1p each	20,000	20,000
138,888 'A' Ordinary shares of £1 each	138,888	138,888
	<u>436,665</u>	<u>436,665</u>
<i>Allotted, called up and fully paid</i>		
500,000 Ordinary shares of 50p each	250,000	250,000
2,000,000 'B' Ordinary shares of 1p each	20,000	20,000
125,000 'A' Ordinary shares of £1 each	125,000	125,000
	<u>395,000</u>	<u>395,000</u>

Distribution of profits to, and voting rights of shareholders are equal across all classes and are based on the number of shares held.

7 Profit and loss account

	2004 £	2003 £
At beginning and end of year	(115,038)	(115,038)

8 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Opening and closing shareholders' funds	468,402	468,402

Analysis of shareholders' funds

	2004 £	2003 £
Non-equity interests	125,000	125,000
Equity interests	343,402	343,402
	<u>468,402</u>	<u>468,402</u>

Notes *(continued)*

9 Related party transactions

As the company is a wholly owned subsidiary of LA Fitness plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

10 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of LA Fitness plc, which is the ultimate parent and controlling company incorporated in England. The company's immediate parent company is LA Fitness plc.

The largest group in which the results of the company are consolidated is that headed by LA Fitness plc. The consolidated accounts are available to the public and may be obtained from 101 Commercial Road, London, E1 1RD.