Co HSE

Registered number 3210281

Riverside Childcare Limited

Directors' report and financial statements
Year ended 31 December 2007

Contents

Directors' report

Directors

J Dhody
G G Timms
D J Leatherbarrow

The directors present their report together with the audited financial statements in respect of the year ended 31 December 2007.

Principal Activity

The company is a 50% partner in The Riverside Teddies Partnership which provides childcare services at Esporta group health clubs.

Esporta Group Limited, a holding company, and Esporta Health & Fitness Limited, a parent undertaking, may enter into contracts and agreements as agent for the Company and act as paying and receiving agent for the Company. Where this applies, relevant accounting entries are made in the books of the Company.

Business Review

The profit before taxation for the year was £58,000 *(2006: £104,000)* as shown in the Profit and Loss Account on page 7. The directors do not recommend payment of a dividend for the year (*2006: £nil)*.

On 31 March 2006, a fire destroyed the Riverside Health & Racquets Club, Chiswick, including the facilities of Riverside Teddies Nursery. Esporta group's insurers have accepted liability for damage caused by the fire and the insurance policies cover the company's share of the loss of profits and the cost of rebuilding the club. The club was rebuilt and reopened on 17 April 2008.

On 22 February 2007 Bell Leisure Group Limited acquired the company's then ultimate parent undertaking, Esporta Group Limited, through intermediate holding companies Bell Leisure Investments No 1 (UK) Limited and Bell Leisure Investments No 2 (UK) Limited. On 14 August 2007 Martin Ellis, Andrew Hosking and Mark Byers, partners in Grant Thornton UK LLP, were appointed joint administrators of Bell Leisure Investments No 1 (UK) Limited and Bell Leisure Investments No 2 (UK) Limited. The administrators' strategy is to facilitate a financial restructuring of the capital structure of these companies or an appropriate sale. Esporta Group Limited is not in administration.

Despite the administration of these companies, great care has been taken to ensure business continues as usual and to insulate the operating businesses within the Esporta group to ensure minimum impact on the trading entities and to ensure that individual clubs continue to trade as normal. As a result, sufficient funding has been provided to meet all of the Esporta Group's operational commitments and to ensure that capital expenditure for the development and the improvement of clubs continues.

The Directors' report for the company's intermediate parent undertaking at the year end, Esporta Group Limited, contains a fair review of the business of the Esporta Group including the company, and an indication of future developments as required by section 234ZZB of the Companies Act 1985, using key performance indicators and risk analysis.

Directors' report *(continued)*

Business Review (continued)

Trading
The company is a member of the group of companies headed by Esporta Group Limited ("the group"). The general economic environment and resultant trading conditions for the group continue to be challenging and are envisaged to remain so for the foreseeable future. While the group's business is not immune from this environment or these conditions, and the group has experienced reduced memberships in certain clubs, a proportion of the group's income is derived from contractual memberships and can be forecast with reasonable confidence over the remaining terms of those contracts. Beyond this, forecasting becomes increasingly uncertain, particularly in the current economic environment. In the short and medium term, a proportion of the cost base can be adjusted to mitigate the impact of any reductions in revenues.

Directors

The directors shown at the head of this report are currently in office. Changes to the directors since 1 January 2007 were as follows:

Name	Appointed	Resigned
N D Gillis	-	13 July 2007
M D Ball	-	13 August 2007
T P Moore	-	4 April 2007
P J Guyer	24 April 2007	12 September 2007
G G Timms	13 July 2007	-
S P Charlton	4 September 2007	30 November 2008
A J Hall	28 November 2007	30 April 2008
J Dhody	26 March 2008	-
D J Leatherbarrow	19 December 2008	-

There were no other directors during the year.

Indemnity

The Articles of Association provide for the company indemnifying all directors subject to the provisions of the Companies Act 1985 (as amended).

Auditors

Consequent to the change of control of the Company, KPMG LLP resigned as Auditors on 22 February 2007 and Ernst & Young LLP were appointed as Auditors in their place. Ernst & Young LLP, having confirmed their willingness to act, will continue as Auditor to the Company pursuant to Section 386 (2) of the Companies Act 1985.

Annual General Meeting

Pursuant to the Elective Resolutions passed on 19 March 2004 the company will not hold an Annual General Meeting unless this is requested by any member.

Directors' report *(continued)*

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and

- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

J Dhody
Director

2nd April 2009

Registered Office:
Trinity Court
Molly Millars Lane
Wokingham
Berkshire RG41 2PY

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with the applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Independent auditors' report to the members of Riverside Childcare Limited

We have audited the financial statements of Riverside Childcare Limited for the year ended 31 December 2007, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Reconciliation of Shareholders' Funds and the related notes 1 to 12. 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 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 United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the company's affairs as at 31 December 2007 and of the profit of the company for the year then ended; and

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements of circumstances affecting the company's ability to continue as a going concern. These circumstances indicate the existence of material uncertainty over the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor

London 29 April 2009

Profit and loss account
for the year ended 31 December 2007

	Note	2007 £000	2006 £000
Turnover	*1*	665	793
Cost of sales		(445)	(539)
Gross profit		220	254
Administrative expenses		(188)	(174)
Operating profit	*2*	32	80
Interest receivable	*4*	26	24
Profit on ordinary activities before taxation		58	104
Tax on profit on ordinary activities	*5*	(7)	58
Profit for the financial year	*11*	51	162

All amounts relate to continuing activities.

Statement of total recognised gains and losses
for the year ended 31 December 2007

The company has no recognised gains or losses in either period other than those shown in the profit and loss account for both the current and prior year.

Balance sheet
at 31 December 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Tangible assets	*6*		-		2
Current assets					
Debtors	*7*	674		820	
Cash at bank and in hand		1,176		750	
		1,850		1,570	
Creditors: amounts falling due within one year	*8*	(888)		(661)	
Net assets			962		911
Capital and reserves					
Called up share capital	*10*		-		-
Profit and loss account	*11*		962		911
Equity shareholders' funds			962		911

These financial statements were approved by the board of directors on 24 April. 2009
and signed on its behalf by:

J Dhody
Director

Reconciliation of shareholders' funds

for the year ended 31 December 2007

	2007	2006
	£000	£000
Opening shareholders' funds	**911**	749
Profit for the financial year	**51**	162
Closing shareholders' funds	**962**	911

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, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting convention and within the requirements of the Companies Act 1985.

Going concern

The directors have prepared these financial statements on a going concern basis.

The company is a member of the group of companies headed by Esporta Group Limited ("the group") and the directors have assessed whether the going concern basis of preparation is appropriate by reference to the position of the group. The directors have reviewed and sensitised the group's financial projections in the light of the general economic environment and current trading conditions discussed in the Business Review - *Trading* section of the Directors' Report.

These projections reflect the group's most recent trading performance and general market intelligence, along with management's actions to mitigate the impact of projected reductions in income on cash flow and profitability. Based on these projections, the group is expected to be able to operate within the level of its current facility of £12.5 million for at least 12 months from the date of approval of these financial statements.

The directors have obtained financial support for the group, including continued provision of the facility referred to above, from the Administrators to the parent companies of Esporta Group Limited, Bell Leisure Investments No 1 (UK) Limited and Bell Leisure Investments No 2 (UK) Limited. The Administrators have confirmed in writing that it is their current intention to continue to provide this facility until such time as the Administrators vacate office or the group is subject to sale or other ownership transfer. This facility has, in turn, been provided to the Administrators by the parent companies' bankers, who are also their principal creditor, and who have confirmed in writing their current intention to continue to provide this facility. In the absence of a firmer commitment from the Administrators and from the parent companies' bankers, there remains a material uncertainty over the continued provision of this facility which may cast significant doubt over the group's ability to continue as a going concern. Having consulted with the Administrators and the parent companies' bankers, the directors strongly believe that provision of this facility will continue and have therefore prepared the financial statements on a going concern basis. Should the going concern basis not be appropriate, significant changes may be required to the financial statements.

Cash flow statement

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Esporta Group Limited, and is included within the publicly available consolidated financial statements of that company.

Related party transactions

The directors have taken advantage of the exemption in FRS 8, paragraph 3(c) and have not disclosed related party transactions with parent and fellow subsidiary undertakings.

Joint Arrangements

The company's activities are conducted through contractual arrangements to engage in joint activities that do not create an entity. The company's financial statements include its share of the assets, liabilities, income and expenses of these arrangements.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. All turnover arises in the United Kingdom.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less the estimated residual value, based on prices prevailing at the date of acquisition of each asset, evenly over the asset's expected useful life, as follows:

Fixtures, fittings and equipment - 3 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2 Operating profit

	2007	2006
	£000	£000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	**2**	1

Auditors' remuneration is paid by a fellow subsidiary undertaking.

3 Remuneration of directors

The directors received no remuneration from the company during the period *(2006: £nil)* but were remunerated by a fellow subsidiary undertaking, Esporta Health & Fitness Ltd. It is not possible to identify separately this remuneration in respect of services to the company.

4 Interest receivable

	2007	2006
	£000	£000
Other interest receivable	**26**	24

Notes *(continued)*

5 Taxation

Analysis of tax charge/(credit) in the year

	2007		2006	
	£000	£000	£000	£000
Corporation tax				
Adjustment in respect of prior years	-		(46)	
		-		-
Total current tax		-		(46)
Deferred tax				
Origination and reversal of timing differences	6		(12)	
Effect of decreased tax rate on deferred tax balance	1		-	
Total deferred tax		7		(12)
Tax charge/(credit) on profit on ordinary activities		7		(58)

Factors affecting the current tax for the year

The current tax for the year is lower (*2006: lower*) than the standard rate of corporation tax in the UK of 30% (*2006:30%*). The differences are explained below.

	2007	2006
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	58	84
Current tax at 30% (*2006: 30%)*	17	25
Effects of:		
Other timing differences	(6)	-
Group relief received without payment	(11)	(25)
Adjustment in respect of prior years	-	(46)
Total current tax	-	(46)

The UK corporation tax rate decreased from 30% to 28% from 1 April 2008. This rate change will affect the amount of future cash tax payments to be made by the company. The deferred tax balance has been adjusted in the current year to reflect this change.

Notes *(continued)*

6 Tangible fixed assets

	Fixtures, Fittings and equipment	Total
	£000	£000
Cost		
At 1 January 2007 and 31 December 2007	48	48
Depreciation		
At 1 January 2007	46	46
Charge for the year	2	2
At 31 December 2007	48	48
Net book value at 31 December 2007	-	-
Net book value at 31 December 2006	2	2

7 Debtors

	2007	2006
	£000	£000
Trade debtors	60	107
Amounts due from parent and fellow subsidiary undertakings	593	683
Prepayments	3	5
Deferred tax (note 9)	18	25
	674	820

8 Creditors: amounts falling due within one year

	2007	2006
	£000	£000
Trade creditors	75	79
Other creditors	712	500
Accruals and deferred income	101	82
	888	661

Notes *(continued)*

9 Deferred taxation

	Deferred taxation £000
At 1 January 2007	25
Movement in year (note 5)	(7)
At 31 December 2007 (note 7)	**18**

The elements of deferred taxation are as follows:

	2007 £000	2006 £000
Difference between accumulated depreciation and capital allowances	**1**	1
Other timing differences	**17**	24
Undiscounted asset	**18**	25

10 Called up share capital

	2007	2006
Authorised		
100 Ordinary shares of £1 each	**£100**	£100
Allotted, called up and fully paid		
1 Ordinary share of £1	**£1**	£1

11 Profit and loss account

	Profit and loss account £000
At 1 January 2007	911
Profit for the financial year	51
At 31 December 2007	**962**

12 Ultimate parent undertaking

The company's immediate parent undertaking is Riverside Limited, a company registered in England and Wales.

At 31 December 2007, the company's ultimate parent undertaking was Bell Leisure Group Limited, a company registered in Jersey. Esporta Group Limited, a company registered in England and Wales, is an intermediate parent undertaking and is the parent undertaking of the largest and smallest group of which the company is a member and for which group financial statements are prepared. Copies of the financial statements of Esporta Group Limited may be obtained from Trinity Court, Molly Millars Lane, Wokingham, Berkshire RG41 2PY.