LA (Golders Green) Limited

Directors' report and financial statements

31 July 1999
Registered number 3229416

Directors' report and financial statements

Contents

Company information

Directors	F Turok D Turner J Taylor
Secretary	S Wenbourne
Registered office	60 Commercial Road London E1 1LP
Auditors	KPMG Chartered Accountants Registered Auditors Norfolk House Silbury Boulevard Central Milton Keynes MK9 2HA
Principal bankers	Barclays Bank Plc 54 Lombard Street London EC3V 9EX

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 July 1999.

Principal activities and review of business

Prior to 1 August 1998, the company's principal activity was that of the ownership and operation of health and fitness centres and related activities.

On 1 August 1998 the company ceased trading and transferred its trade and net assets to LA Fitness Limited.

Dividends

The directors do not recommend the payment of a dividend.

Millennium and IT risk

The directors have considered the implication of the millennium bug and do not anticipate that the operational and business issues will have a significant impact on the company. Any costs incurred in addressing any issues will be charged directly to the profit and loss account.

Directors and directors' interests

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		**Cumulative Redeemable Preference Shares of £1 each**	
	31 July 1999	31 July 1998	**31 July 1999**	31 July 1998
F Turok	**2,769,334**	2,809,334	**100,000**	100,000
D Turner	**1,659,335**	1,659,335	**100,000**	100,000
J Taylor	**409,331**	409,331	-	-

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 financial year had any disclosable interest in the shares of the company.

Auditors

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

By order of the board

S. Wenbo

S Wenbourne
Secretary

60 Commercial Road
London
E1 1LP

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

Norfolk House
Silbury Boulevard
Central Milton Keynes
Buckinghamshire, MK9 2HA
United Kingdom

Report of the auditors to the members of LA (Golders Green) Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3 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 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

21 September 1999

Profit and loss account
for the year ended 31 July 1999

	Note	**1999**	1998
		£	£
Turnover	*1,2*	-	664,081
Cost of sales		-	(332,679)
Gross profit		-	331,402
Administrative expenses		-	(111,610)
Operating profit		-	219,792
Interest payable	*5*	-	(10,750)
Profit on ordinary activities before taxation	*3-4*	-	209,042
Taxation on profit on ordinary activities	*6*	-	-
Profit on ordinary activities after taxation		-	209,042
Retained profit brought forward		**219,204**	10,162
Retained profit carried forward		**219,204**	219,204

Turnover and operating profit derive wholly from continuing operations.

There were no recognised gains or losses from 1999 or 1998 other than those included in the profit and loss account.

The notes on pages 7 to 13 form part of these financial statements.

Balance sheet
at 31 July 1999

	Note	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	*7*		-		896,257
Current assets					
Debtors	*8*	597,717		203,375	
Cash at bank and in hand		-		1,464	
		597,717		204,839	
Creditors: amounts falling due within one year	*9*	(59,927)		(538,039)	
Net current assets/(liabilities)			537,790		(333,200)
Total assets less current liabilities			537,790		563,057
Creditors: amounts falling due after more than one year	*10*		(318,584)		(343,851)
Net assets			219,206		219,206
Capital and reserves					
Called up share capital	*12*		2		2
Profit and loss account			219,204		219,204
Equity shareholders' funds	*13*		219,206		219,206

These financial statements were approved by the board of directors on 21 September 1999 and were signed on its behalf by:

F Turok
Director

D Turner
Director

The notes on pages 7 to 13 form part of these 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.

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 a small company.

Turnover

Turnover comprises the value of goods and services supplied by the company, exclusive of value added tax. Membership subscription income is recognised evenly over the membership year.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost 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
Fixtures and equipment	-	12.5% straight line or 20% reducing balance

Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Stocks

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

Notes *(continued)*

1 Accounting policies *(continued)*

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.

Pre-opening expenditure

Pre-opening sales and marketing costs associated with clubs under construction are carried forward until the opening date of the relevant club. Prior to the transfer of trade on 1 August 1998, these costs were being written off over 24 months.

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 centres and related activities.

The company's turnover arose entirely within the United Kingdom.

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1999	1998
	£	£
Depreciation of tangible fixed assets		
- owned by the company	-	32,873
- held under finance leases	-	40,403
Audit fees	-	1,200
Operating lease rentals		
- hire of plant and machinery	-	5,317
- land and buildings	-	77,636

No director received any emoluments *(1998: £Nil).*

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	1999	1998
Club activities	-	21
Marketing	3	2
	3	23

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£	£
Wages and salaries	-	106,063
Social security costs	-	9,249
	-	115,312

5 Interest payable

	1999	1998
	£	£
Bank interest	-	2
On finance lease and hire purchase contracts	-	10,748
	-	10,750

6 Taxation

For 1998 the effective tax rate was nil due to the utilisation of group relief and due to high levels of capital allowances giving rise to timing differences which are not likely to reverse in the foreseeable future.

Notes *(continued)*

7 Tangible fixed assets

	Leasehold land and buildings £	Fixtures and equipment £	Total £
Cost or valuation			
At beginning of year	753,128	248,957	1,002,085
Transfers to group undertakings	(753,128)	(248,957)	(1,002,085)
At end of year	-	-	-
Depreciation			
At beginning of year	38,982	66,846	105,828
Transfer to group undertakings	(38,982)	(66,846)	(105,828)
At end of year	-	-	-
Net book value			
At 31 July 1999	-	-	-
At 31July 1998	714,146	182,111	896,257

At 31 July 1999, £nil *(1998: £714,146)* included within the net book value of land and buildings relates to short leasehold land and buildings.

Included above are assets held under finance lease or hire purchase contracts with a net book value as follows:

	1999 £	1998 £
Fixtures and equipment	-	116,497

8 Debtors

	1999 £	1998 £
Due within one year		
Amounts owed by group undertakings	**569,487**	133,384
Other debtors	**28,230**	47,153
Prepayments and accrued income	-	22,838
	597,717	203,375

Notes *(continued)*

9 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank loans and overdrafts (secured)	-	42,705
Amounts owed to group undertakings	59,927	375,330
Net obligations under finance lease and hire purchase contracts	-	52,748
Other creditors	-	34
Accruals and deferred income	-	67,222
	59,927	538,039

The bank overdraft is secured on the company's leasehold property, and by an unlimited multilateral company guarantee given by the group undertakings to secure the liabilities of each other.

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

10 Creditors: amounts falling due after more than one year

	1999 £	*1998* £
Net obligations under finance lease and hire purchase contracts	-	25,267
Amounts owed to group undertakings	318,584	318,584
	318,584	343,851

	1999 £	*1998* £
Included within the above are amounts falling due as follows:		
In 1-2 years:		
Finance lease and hire purchase obligations	-	*25,267*

11 Provisions for liabilities and charges

The additional potential liability for deferred taxation not provided was as follows:

	1999 £	1998 £
Capital allowances in excess of depreciation	-	23,067

Notes *(continued)*

12 Called up share capital

	1999	1998
	£	£
Authorised		
100 Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	**2**	2

13 Equity shareholders' funds

Reconciliation of movements on shareholders' funds

	1999	1998
	£	£
Profit for the year	**-**	209,042
Opening shareholders' funds	***219,206***	*10,164*
Closing shareholders' funds	**219,206**	219,206

14 Contingent liabilities

The company has provided cross guarantees to its bankers in respect of 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 £5,954,032 *(1998: £2,188,099)*.

15 Other commitments

At 31 July 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1999	Land and buildings 1998
	£	£
Operating leases which expire:		
Over five years	**-**	80,000

Notes *(continued)*

16 *Sale of business*

On 1 August 1998, the company disposed of its trade and related net assets to LA Fitness Limited at net book values in consideration for a net intercompany receivable of £190,976.

The net book value of assets and liabilities disposed of comprised:

	£
Fixed assets	896,257
Current assets	176,609
Creditors: amounts falling due within one year	(538,039)
Creditors: amounts falling due after one year	(343,851)
	190,976
Satisfied by:	
Intercompany loan	190,976

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

The company is a subsidiary undertaking of LA Leisure Limited, which is the ultimate parent and controlling company incorporated in England

The largest group in which the results of the company are consolidated is that headed by LA Leisure Limited. The consolidated accounts are available to the public and may be obtained from 60 Commercial Road, London, E1 1LP.

18 Related party transactions

As the company is a wholly owned subsidiary of LA Leisure Limited, 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.