

Trainstation Limited

REPORT AND FINANCIAL STATEMENTS

**for the year ended
31 December 2003**

Company Registration No. 03381595



Trainstation Limited

TABLE OF CONTENTS

Contents	Pages
Officers and professional advisers	1
The directors' report	2 to 3
Statement of directors' responsibilities	4
Independent auditors' report to the members of Trainstation Limited	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 to 16

Trainstation Limited
DIRECTORS AND OFFICERS
Year ended 31 December 2003

Directors	M Grealey D Jarvis
Secretary	D Jarvis
Registered Office	33 Imperial Way Purley Way Croydon, Surrey CR0 4RR
Auditors	KPMG Audit Plc 1 Puddle Dock London EC4V 3PD
Bankers	Barclays Bank plc Liverpool City Business Centre 4, Water Street Liverpool L69 2DU
Solicitors	Ashurst Broadwalk House 5 Appold Street London EC2A 2HA
Website	www.crownsportsplc.com
Company Number	03381595

Trainstation Limited

DIRECTORS' REPORT

Year ended 31 December 2003

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2003.

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 £144,080 (2002 profit - £332,641). The Directors do not recommend the payment of a dividend. (2002: nil).

Directors and their interests

The Directors who held office during the year and their interests in the company's ordinary shares of 10 pence each were as follows:

M Grealey

D Jarvis

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

No Director had any contract of significance existing during the year or at 31 December 2003, 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 has no beneficial interests in the shares of Crown Sports Plc .

D Jarvis beneficial interests in the share options of Crown Sports Plc are as follows:

DIRECTOR'S SHARE OPTIONS

	At 1 Jan 2003	Lapsed	At 31 Dec 2003	Exercise price	Earliest date of exercise	Expiry date
D Jarvis	300,000	-	300,000	16p	14 Nov 2004	14 Nov 2011

There have been no changes to Directors' interests since the end of the year.

Trainstation Limited

DIRECTORS' REPORT

Year ended 31 December 2003

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

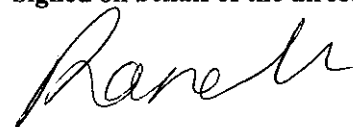
Employees are encouraged to identify with, and become involved with, the financial performance of the company and service to club members by ongoing internal and external training and by means of bonus arrangements. The company has a policy of keeping employees up to date with major developments by means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

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
Finance Director and Company Secretary

16 July..... 2004.

Trainstation Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Year ended 31 December 2003

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 as described 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.

Trainstation Limited

INDEPENDENT AUDITORS REPORT OT THE SHAREHOLDERS OF TRAINSTATION LIMITED

Year ended 31 December 2003

We have audited the financial statements on pages 6 to 16.

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 2003 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 16 July 2004

Trainstation Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	Notes	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Turnover	1	2,754,701	3,273,490
Cost of sales		(62,498)	(182,921)
Gross profit		2,692,203	3,090,569
Administrative expenses		(2,547,188)	(2,757,928)
Operating profit	4	145,015	332,641
Interest payable	5	(935)	-
Profit on ordinary activities before taxation		144,080	332,641
Taxation	6	(98,467)	(214,300)
Profit on ordinary activities after taxation		45,613	118,341
Dividends		-	-
Retained profit for the financial year		45,613	118,341

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

There are no gains or losses other than those reflected in the profit and loss account for the year.

Trainstation Limited

BALANCE SHEET

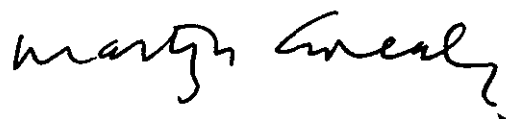
As at 31 December 2003

	Notes	31 December 2003 £	31 December 2002 £
Fixed Assets			
Tangible assets	7	3,762,437	4,181,668
Current assets			
Stocks	8	11,328	13,983
Debtors	9	344,480	354,042
Cash at bank and in hand		211,956	356,781
		<u>567,764</u>	<u>724,806</u>
Creditors: Amounts falling due within one year	10	(1,387,895)	(2,009,781)
Net current liabilities		<u>(820,131)</u>	<u>(1,284,975)</u>
Net assets		<u>2,942,306</u>	<u>2,896,693</u>
		31 December 2003 £	31 December 2002 £
Capital and reserves			
Called up share capital	11	349,537	349,537
Share premium account	12	2,439,579	2,439,579
Profit and loss account	13	153,190	107,577
Shareholders' Funds	14	<u>2,942,306</u>	<u>2,896,693</u>

These financial statements were approved by the directors on 16 July 2004, and are signed on their behalf by:



Diane Jarvis
Finance Director and Company Secretary



M Grealey
Chief Executive

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

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. All accounting policies have been consistent throughout the year.

Cash Flow Statement

The directors have taken advantage of the exemption in Financial Reporting Standard No1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

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:

Short Leasehold Property	- Over the unexpired term of the lease
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.

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

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'. 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.

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.

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

2.	Particulars of employees	Year ended 31 December 2003 No	Year ended 31 December 2002 No
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Office and management	3	3
	Administration	78	107
		<u>81</u>	<u>110</u>
		Year ended 31 December 2003 £	Year ended 31 December 2002 £
	The aggregate payroll costs of the above were:		
	Staff costs for above persons:		
	Wages and salaries	763,135	873,367
	Social security costs	56,933	61,481
	Pension costs	4,644	3,908
		<u>824,712</u>	<u>938,756</u>

3. Directors' remuneration

The Directors who served during 2002 and 2003 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 2003 £	Year ended 31 December 2002 £
	Depreciation of tangible fixed assets:		
	owned assets	459,066	451,235
	Operating leases rentals:		
	land & building	302,109	183,450
	plant & machinery	116,611	37,284
	Auditors' remuneration	-	-

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

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

5 Interest Payable

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
On bank loans and overdrafts	935	-
	<u>935</u>	<u>-</u>

6. Taxation on Profit on Ordinary Activities

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
a) Analysis of tax charges for the year		
Current Tax		
UK Corporation Tax	-	-
Total Current Tax (note 6b)	<u>-</u>	<u>-</u>
Deferred Tax		
Origination and reversal of timing difference (note 6c)	(98,467)	(214,300)
Tax on loss on ordinary activities	<u>(98,467)</u>	<u>(214,300)</u>

b) Factors affecting current tax

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% (2002 30%). The differences are reconciled below:

	Year ended 31 December 2003 £	Restated Year ended 31 December 2002 £
Profit on ordinary activities	144,080	332,641
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2002 30%)	43,224	99,792
Capital allowances (greater) / less than depreciation	(21,336)	(57,293)
Tax losses brought down and used in the current year	(94,263)	(53,259)
Group relief received	(26,232)	-
Non deductible trading expenses	<u>98,607</u>	<u>10,760</u>
Total current tax (note 6a)	<u>-</u>	<u>-</u>

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

6. Taxation on Profit on Ordinary Activities (continued)

	31 December 2003 £	31 December 2002 £
c) Deferred tax		
The deferred tax included in the balance sheet as follows:		
Shown on the balance sheet under Current Assets	<u>150,405</u>	<u>248,872</u>
Reconciliation of movements in deferred tax provision	2003	
	£	
At 1st January 2003	248,872	
Capital allowances (greater) / less than depreciation	(21,336)	
Credit in respect of prior years trading losses	17,132	
Trading losses	<u>(94,263)</u>	
Deferred tax credit/(charge) in profit and loss account	<u>(98,467)</u>	
At 31st December 2003	<u>150,405</u>	

7. Tangible Fixed Assets

	Improvements to short Leasehold Property	Fixtures & Fittings	Motor Vehicles	Total
	£	£	£	£
Cost				
At 1 January 2003	4,255,684	922,094	10,553	5,188,331
Additions	7,643	32,192	-	39,835
At 31 December 2003	<u>4,263,327</u>	<u>954,286</u>	<u>10,553</u>	<u>5,228,166</u>
Depreciation				
At 1 January 2003	669,309	334,940	2,414	1,006,663
Charged in the Year	329,097	126,950	3,019	459,066
At 31 December 2003	<u>998,406</u>	<u>461,890</u>	<u>5,433</u>	<u>1,465,729</u>
Net book value				
At 31 December 2003	<u>3,264,921</u>	<u>492,396</u>	<u>5,120</u>	<u>3,762,437</u>
At 31 December 2002	3,586,375	587,154	8,139	4,181,668

8. Stocks

	31 December 2003 £	31 December 2002 £
Goods for resale	<u>11,328</u>	<u>13,983</u>

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

9. Debtors

	31 December 2003 £	31 December 2002 £
Trade Debtors	1,508	3,716
Other Debtors	225	5,256
Prepayments and accrued income	192,342	96,198
Deferred tax asset	150,405	248,872
	<u>344,480</u>	<u>354,042</u>

10. Creditors: Amounts falling due within one year

	31 December 2003 £	31 December 2002 £
Trade creditors	213,192	11,432
Amounts due to group undertakings	846,477	1,624,264
Other taxation and social security	95,146	103,186
Other creditors	1,502	2,481
Accruals and deferred income	231,578	268,418
	<u>1,387,895</u>	<u>2,009,781</u>

11. Share capital

	31 December 2003 £	Restated 31 December 2002 £
Authorised:		
Equity interests:		
3,495,370 Ordinary shares of 10 pence each	349,537	349,537
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
Equity interests:		
3,495,370 Ordinary shares of 10 pence each	349,537	349,537
	<u> </u>	<u> </u>

Trainstation Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

12. Share premium account	31 December 2003 £	31 December 2002 £
Equity interests:		
Balance at beginning and end of year	123,609	123,609
	<hr/>	<hr/>
Non-equity interests:		
Balance at beginning and end of year	2,315,970	2,315,970
	<hr/>	<hr/>
	2,439,579	2,439,579
	<hr/>	<hr/>
13. Profit and loss account	31 December 2003 £	31 December 2002 £
Balance brought forward	107,577	(10,764)
Retained profit for the year	45,613	118,341
	<hr/>	<hr/>
Balance carried forward	153,190	107,577
	<hr/>	<hr/>
14. Reconciliation of movements in shareholders' funds	31 December 2003 £	31 December 2002 £
Profit on ordinary activities for the financial year	45,613	118,341
Opening shareholders' funds	2,896,693	2,778,352
	<hr/>	<hr/>
Closing shareholders' funds	2,942,306	2,896,693
	<hr/>	<hr/>

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

15. Commitments under operating leases

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Within one year	-	-	-	-
More than one year and less than five years	-	-	83,812	37,284
More than five years	274,626	183,450	-	-
	274,626	183,450	83,812	37,284

16. Contingent Liability

In April 2002, group bank facilities totalling £53 million were arranged with the 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 following several repayments being deducted from the original facility of £53 million, the balance outstanding at 31 December 2003 was £17.5 million. The bank loan facility is shown on the balance sheet of Crown Sports Plc and is secured against the assets of the entire group including Trainstation Ltd.

17. 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.

18. Related party transactions

The company is a wholly owned subsidiary of Crown Sports Plc, a company which at the year end was quoted on the UK Stock Exchange, but with effect from 6th May 2004 is quoted on the Alternative Investment Market. There is no ultimate controlling party for the Group at the year end.

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 hold 90% or more of the voting rights.

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

19. Capital Commitments

The company had capital expenditure contracted for but not provided for in the financial statements amounting to £10,369 (2002: zero).