Trainstation Limited

Directors' report and financial statements

Registered number 3381595

31 July 2008

Contents

Company information

Directors	S Gosling M Long
Secretary	S Gosling
Registered office	Sandall Stones Road Kirk Sandall Doncaster South Yorkshire DN3 1QR
Auditors	KPMG LLP 1 The Embankment Neville Street Leeds LS1 4DW
Registered number	3381595
Principal bankers	The Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB

Directors' report

The Directors present their annual report together with the audited financial statements for the year ended 31 July 2008.

Principal activities

The company is engaged in the ownership and management of three health and fitness facilities.

Business review

There were no additions or disposals made to the estate in the financial year. As at 31 July 2008 the company operated three health and fitness clubs in the UK and Ireland with plans to make further acquisitions in the sector.

Turnover of the company grew by 5% and operating profit reduced by £75,209 to £353,363 before exceptional items. The exceptional items in the year , within cost of sales relate to onerous lease provisions (see note 2).

Membership numbers rose from 7,876 as the start of the year to 7,920 as at 31 July 2008.

The results for the year are set out in the profit and loss account on page 7.

The group headed by MOP Acquisitions (LAF) Limited, which the company is a member of, is dependent on facilities provided to it by Royal Bank of Scotland and its banking syndicate. These facilities were renegotiated following the financial year end and became effective from 2 January 2009. The new facilities comprise term loans of approximately £68.5 million and a revolving credit/overdraft facility of £8 million. They also contain various covenants. The facilities extend beyond 5 years from the balance sheet date.

Principal risks and uncertainties and key performance indicators.

The directors of MOP Acquisitions (LAF) Limited manage the group's risks at a group level. For this reason the company directors believe that a discussion of the group's risks and analysis of key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company's business. The principal risks and uncertainties of the group, which include those of the company, and the development, performance and position of the group are discussed in the Directors' report in the group's annual report which does not form part of this report.

Financial risk management

The company's operations expose it to a small level of financial risk that includes the effects of liquidity risk and interest rate risk. The company is reliant on its intermediate parent company to manage effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the parent company's finance department. The parent company has policies to manage financial risk and circumstances where it would be appropriate to use financial instruments to manage these. A discussion of financial risk management is included in the annual report of the parent company, MOP Acquisitions (LAF) Limited.

Directors

The directors who held office during the year were as follows:

S Broster	(resigned on 21 November 2007)
C Storr	(resigned on 5 September 2007)
S Gosling	(appointed on 5 September 2007)
M Long	(appointed on 14 November 2007)

Directors' report *(continued)*

Disclosure of information to auditors

In accordance with the provisions of the Companies Act 1985, each of the company's directors in office as at the date of this report confirms that so far as each director is aware, there is no relevant audit information in connection with preparing their report of which the company's auditors are unaware and he has taken all steps which he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

During the year PricewaterhouseCoopers were replaced as the companies' auditors by KPMG LLP. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

S Gosling
Secretary
8 January 2009

Sandall Stones Road
Kirk Sandall
Doncaster
South Yorkshire
DN3 1QR

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

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

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 UK 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.

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors report to the members of Trainstation Limited.

We have audited the financial statements of Trainstation Limited for the year ended 31 July 2008 which comprise Profit and Loss Account, the Balance Sheet and the related notes. 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 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.

Independent auditors report to the members of Trainstation Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2008 and of its loss for the year then ended;
- 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
Leeds

8 January 2009

Profit and loss account
for the year ended 31 July 2008

	Notes	2008 £	2007 £
Turnover	*1*	**2,752,331**	2,616,336
Cost of sales			
Before exceptional items		**(2,398,968)**	(2,187,764)
Exceptional items	2	**(746,010)**	-
Cost of sales		**(3,144,978)**	(2,187,764)
Gross (loss)/profit		**(392,647)**	428,572
Administrative expenses	3	-	-
Operating (loss)/profit			
Before exceptional items		**353,363**	428,572
Exceptional items	2	**(746,010)**	-
Operating (loss)/profit		**(392,647)**	428,572
Interest payable		-	(51,260)
(Loss)/profit on ordinary activities before taxation	*3*		
Before exceptional items		**353,363**	377,312
Exceptional items	2	**(746,010)**	-
(Loss)/profit on ordinary activities before taxation		**(392,647)**	377,312
Taxation on (loss)/profit on ordinary activities	*4*	**45,636**	(9,104)
(Loss)/profit for the financial year	*12*	**(347,011)**	368,208

All results are derived wholly from continuing operations and there is no difference between the result of the year above compared to an historical cost basis.

There are no gains or losses in either period other than the result recognised above. Accordingly no statement of total recognised gains and losses has been presented.

The notes on pages 9 to 15 form part of these financial statements.

Balance sheet
As at 31 July 2008

	Notes	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	*5*		**2,257,943**		2,472,071
Current assets					
Stocks	*6*	**24,096**		4,543	
Debtors	*7*	**4,580,219**		3,933,810	
		4,604,315		3,938,353	
Creditors: amounts falling due within one year	*8*	**(4,278,045)**		(4,168,646)	
Net current assets/(liabilities)			**326,270**		(230,293)
Total assets less current liabilities			**2,584,213**		2,241,778
Creditors: amounts falling due after more than one year	*9*		**-**		(55,759)
Provisions for liabilities and charges	*10*		**(898,185)**		(152,980)
Net assets			**1,686,028**		2,033,039
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	*12*		**(1,103,088)**		(756,077)
Shareholders' funds	*13*		**1,686,028**		2,033,039

These financial statements on pages 7 to 15 were approved by the board of directors on 8 January 2009 and are signed on its behalf by:

S Gosling
Director

The notes on pages 9 to 15 form part of these financial statements

Notes to the financial statements

(Forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently with the prior year 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, under the historical cost convention and in accordance with the Financial Reporting Standards for Small Entities (effective January 2005) and with the Companies Act 1985.

Cash flow statement

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

Turnover

Turnover comprises the value of goods and services supplied by the company, exclusive of value added tax. All turnover is derived in the United Kingdom. Membership subscription income is recognised evenly over the membership year. Joining fee and administration fee income which is non refundable in the event of a member leaving is recognised when received.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and, where appropriate, provision for impairment. Depreciation is provided at rates calculated to write off the cost less impairment of fixed assets over their expected useful lives on the following bases:

Short leasehold property	-	straight line over the period of the lease
Fixtures, fittings and equipment	-	five years straight line

In accordance with Financial Reporting Standard 11, the directors consider the carrying value of fixed assets for impairment. Impairment is determined by reference to the higher of net realisable value and value in use. Value in use is determined using cash flows and discounted using an appropriate discount factor. Any reductions in value arising from the impairment of fixed assets are charged to the profit and loss account.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Leasing and hire purchase

Assets acquired under finance leases or hire purchase contracts are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the risks and benefits of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge. Finance charges and interest are taken to the profit and loss account in constant proportion to the remaining balance of the capital repayment or net obligation outstanding.

Rentals applicable to operating leases where substantially all of the risks and benefits of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the life of the lease. Benefits relating to lease incentives are allocated on a straight line basis from the point at which the landlord fulfils its obligation over the shorter of the lease term and the period ending on the date from which it is expected that prevailing market rental will be payable.

Taxation

The charge or credit for taxation is based on the profit or loss for the period and takes into account taxation deferred.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension costs

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

Provisions

Provisions are created where the company has a present obligation (legal or constructive) as a result of a past event, where it is probable that the obligation will result in a net outflow of funds from the company, and where the obligation can be measured reliably. The amounts provided are based on the company's best estimate of the net present value of future net cash flows. Specific property provisions are made as follows:

- ***Onerous contracts:*** The company recognises a provision for onerous contracts when the expected future benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations arising under the contract. These provisions are discounted at 8%.

Notes to the financial statements *(continued)*

2 Exceptional costs

	2008	2007
	£	£
Property provisions	**746,010**	-

3 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	2008	2007
	£	£
Depreciation on tangible fixed assets:		
- owned	**271,092**	153,413
- held under finance leases and hire purchase contracts	**46,623**	8,954
Operating leases rentals:		
- land and buildings	**330,385**	271,443
- plant and machinery	**5,162**	15,313
Rent Receivable	**(48,360)**	(36,565)

Audit fees and administrative expenses for the current year were borne by LA Leisure Limited.

None of the directors received any remuneration in respect to their services to the company during the year (period to 2007: £nil).

4 Taxation

Analysis of (credit)/charge in year:

	2008	2007
	£	£
UK Corporation tax		
Adjustments in respect of prior years	-	(62)
Total current tax	-	(62)
Deferred tax		
Origination/reversal of timing differences	**(17,818)**	9,180
Adjustments in respect of prior years	**(34,058)**	(14)
Effect of rate change 30% to 28%	**6,240**	-
Total deferred tax	**(45,636)**	9,166
Tax (credit)/charge on (loss)/profit on ordinary activities	**(45,636)**	9,104

Notes to the financial statements *(continued)*

4 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 28% *(2007: 30%)*. An analysis of the current year charge is given below:

	2008	2007
	£	£
(Loss)/profit on ordinary activities before tax	**(392,647)**	377,312
Current tax at 28% *(2007: 30%)*	**(109,941)**	113,194
Effects of:		
Expenses not deductible for tax purposes	**69,681**	171
Other timing differences	**(397)**	425
Capital allowances for period in excess of depreciation	**18,215**	(9,605)
Adjustment in respect of prior periods	-	(62)
Group relief	**22,442**	(104,185)
Total current tax credit (see above)	-	(62)

5 Tangible fixed assets

	Improvements to short leasehold property	**Fixtures, fittings and equipment**	**Total**
	£	**£**	**£**
Cost			
At 1 August 2007	4,290,996	1,696,713	5,987,709
Additions	-	103,587	103,587
At 31 July 2008	**4,290,996**	**1,800,300**	**6,091,296**
Depreciation			
At 1 August 2007	2,283,168	1,232,470	3,515,638
Charge in the year	172,804	144,911	317,715
At 31 July 2008	**2,455,972**	**1,377,381**	**3,833,353**
Net book value			
At 31 July 2008	**1,835,024**	**422,919**	**2,257,943**
At 31 July 2007	2,007,828	464,243	2,472,071

Fixtures and fittings at 31 July 2008 includes assets held under hire purchase and finance lease agreements which have a net book value of £124,329 (2007: £170,952).

The depreciation charged to the profit and loss account in the year in respect of such assets amounted to £46,623 (2007: £8,954).

Notes to the financial statements *(continued)*

6 Stocks

	2008 £	2007 £
Goods for resale	**24,096**	4,543

7 Debtors

	2008 £	2007 £
Prepayments and accrued income	**66,357**	60,278
Amounts due from group undertakings	**4,361,153**	3,766,459
Corporation tax asset	**47,524**	47,524
Deferred tax asset	**105,185**	59,549
	4,580,219	3,933,810

Amounts due from group undertakings have no set terms for repayment and are interest free.

8 Creditors: amounts falling due within one year

	2008 £	2007 £
Amounts due to group undertakings	**4,091,230**	4,031,373
Other creditors	**-**	798
Obligations under finance leases	**55,759**	85,788
Accruals and deferred income	**131,056**	50,687
	4,278,045	4,168,646

Obligations under finance leases are secured on the assets concerned.

Amounts due to group undertakings have no set terms for repayment and are interest free.

LA Leisure Limited, a follow group undertaking, acts as cash manager for the group and accordingly all trade creditors are accounted for in the financial statements of that company.

9 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Obligations under finance leases	**-**	55,759

Obligations under finance leases are secured on the assets concerned.

10 Provisions for liabilities and charges

	2008 £
As at 1 August 2007	**152,980**
Provision charged to profit and loss account in the year	**745,205**
As at 31 July 2008	**898,185**

The provision relates to onerous leases.

Notes to the financial statements *(continued)*

11 Share capital

	2008 £	2007 £
Authorised:		
3,495,370 Ordinary shares of 10 pence each	**349,537**	349,537
Allotted, called up and fully paid:		
3,495,370 Ordinary shares of 10 pence each	**349,537**	349,537

12 Reserves

	Share premium account £	Profit and loss account £
At 1 August 2007 as previously reported	2,439,579	(756,077)
Loss for the financial year	-	(347,011)
At 31 July 2008	2,439,579	(1,103,088)

13 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
(Loss)/Profit for the financial year	(347,011)	368,208
Opening shareholders' funds	2,033,039	1,664,831
Closing shareholders' funds	**1,686,028**	**2,033,039**

14 Commitments under operating leases

At 31 July 2008 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2008 £	2007 £	**2008 £**	2007 £
Within one year	-	-	-	3,127
In more than five years	**262,609**	200,000	-	-
	262,609	200,000	-	3,127

Notes to the financial statements *(continued)*

15 Contingent liability

The company has provided cross guarantees to its bankers in respect of the 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 £100,714,000 (2007: £103,563,000).

16 Post balance sheet events

On the 2 January 2009, the group headed by MOP Acquisitions (LAF) Limited, which the company is a member of, refinanced its debt, through additional shareholder loans of £10m, and a resetting of the financial covenants and repayment schedule for its bank debt through to July 2014. Following a repayment of £10.3m of bank debt, the remaining £68.5m debt has been consolidated into one loan with an interest rate of 3% above LIBOR. The mezzanine debt has a deferred cash pay element and an increase in margin of 4% during that period.

17 Related party transactions

Advantage has been taken of the exemptions provided by Financial Reporting Standard 8 not to disclose transactions and balances with fellow group companies as the company is a wholly owned subsidiary and consolidated accounts for the group are publicly available.

18 Parent undertakings and controlling parties

The company is controlled by Dragons Health Clubs Limited, a company registered in England and Wales.

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is MOP Acquisitions (LAF) Limited. Consolidated accounts are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

MOP Acquisitions (LAF) Limited is controlled by Mid Ocean Holdco (LAF) SARL, a company incorporated in Luxembourg. The ultimate parent company and ultimate controlling party is Ultramar Capital Limited, a company incorporated in the Cayman Islands.