

Trainstation Limited

Directors' report and financial statements

Registered number 3381595
for the year ended 31 July 2010



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Company information

Directors	M Long R Chester A McColl
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 2010

Principal activities

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

Business review

During the year the company disposed of one loss making club on 5th May 2010 for a reverse premium of £0.4m including associated costs. As at 31 July 2010 the company operated two health and fitness clubs in the UK and Ireland.

Turnover of the company fell by 10.1% and operating profit reduced by £106,547 to £313,296 before exceptional items. The exceptional item within cost of sales relates to onerous lease provisions (see note 2).

Membership numbers fell from 7,776 at the start of the year to 5,477 as at 31 July 2010.

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 during last year and became effective from 2 January 2009. These facilities comprise term loans of approximately £68.8 million as at 31st July 2010, and a revolving credit/overdraft facility of £8 million. They also contain various covenants, which were amended in December 2009, with which the group is forecast to comply for the foreseeable future. The facilities extend beyond 3 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. 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.

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:

M Long
R Chester
A McColl

Directors' report *(continued)*


Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board


R Chester
Director

Sandall Stones Road
Kirk Sandall
Doncaster
South Yorkshire
DN3 1QR

17 December 2010

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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 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 adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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
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Neville Street
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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 2010 set out on pages 7 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

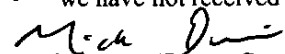
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Mick Davies (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Leeds



December 2010

Profit and loss account
for the year ended 31 July 2010

	Notes	2010 £	2009 £
Turnover	1	2,430,536	2,705,963
Cost of sales			
Before exceptional items		(2,117,240)	(2,286,120)
Exceptional items	2	765,386	-
Cost of sales		(1,351,854)	(2,286,120)
Gross profit		1,078,682	419,843
Administrative expenses	3	-	-
Operating profit			
Before exceptional items		313,296	419,843
Exceptional items	2	765,386	-
Operating profit		1,078,682	419,843
Loss on sale of club		(432,021)	-
Interest payable	5	-	(71,262)
Profit on ordinary activities before taxation	3		
Before exceptional items		(118,725)	348,581
Exceptional items	2	765,386	-
Profit on ordinary activities before taxation		646,661	348,581
Taxation on profit on ordinary activities	6	6,489	39,645
Profit for the financial year	13,14	653,150	388,226

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 2010

	Notes	£	2010 £	£	2009 £
Fixed assets					
Tangible assets	7		1,794,241		1,996,838
Current assets					
Stocks	8	8,455		14,174	
Debtors	9	5,161,153		5,085,719	
		<u>5,169,608</u>		<u>5,099,893</u>	
Creditors: amounts falling due within one year	10	<u>(4,236,445)</u>		<u>(4,206,009)</u>	
Net current assets			<u>933,163</u>		<u>893,884</u>
Total assets less current liabilities			<u>2,727,404</u>		<u>2,890,722</u>
Provisions for liabilities and charges	11		-		(816,468)
Net assets			<u>2,727,404</u>		<u>2,074,254</u>
Capital and reserves					
Called up share capital	12		349,537		349,537
Share premium account	13		2,439,579		2,439,579
Profit and loss account	13		(61,712)		(714,862)
Shareholders' funds	14		<u>2,727,404</u>		<u>2,074,254</u>

These financial statements were approved by the board of directors on 17 December 2010 and are signed on its behalf by


R Chester
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 Companies Act 2006

Going concern

The financial statements have been prepared on the going concern basis. The company is dependent on funds provided to it by MOP Acquisitions (LAF) Limited, its ultimate UK parent company which itself depends on its banking facilities. These were re-negotiated last year. As noted in the Directors' report the directors of MOP Acquisitions (LAF) Limited believe that the group can operate within the terms of those facilities.

The ultimate UK parent company has provided confirmation of support for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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 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 charged to the profit and loss account in a constant proportion to the remaining balance of the capital repayments or net obligations outstanding.

Operating lease rentals 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. Certain leases contain inflation-driven rental uplifts with pre-determined minimums; the amount payable in respect of these uplifts is charged to the profit and loss account as it arises.

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

	2010 £	2009 £
Property provisions – onerous lease	(765,386)	-

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting)

	2010 £	2009 £
Depreciation on tangible fixed assets	303,068	325,113
Operating leases rentals		
- land and buildings	325,640	317,594
Rent receivable	(63,291)	(40,190)

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

4 Staff numbers and costs

	2010	2009
The average number of employees during the year was as follows		
Service	30	36

	2010 £	2009 £
The aggregate payroll costs of these employees were as follows		
Wages and salaries	633,162	694,414
Social security costs	33,275	57,557
Other pension costs	-	1,399
	666,437	753,370

None of the directors received any remuneration in respect to their services to the company during the year (period to 2009 £nil)

5 Interest payable

	2010 £	2009 £
Other Interest Costs	-	71,262

Notes to the financial statements (*continued*)

6 Taxation

Analysis of credit in year

	2010 £	2009 £
<i>UK Corporation tax</i>		
Adjustments in respect of prior years	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination/reversal of timing differences	(11,661)	(40,219)
Adjustments in respect of prior years	-	574
Effect of rate change 28% to 27%	5,172	-
Total deferred tax	(6,489)	(39,645)
Tax credit on profit on ordinary activities	(6,489)	(39,645)

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% (2009 28%). An analysis of the current year charge is given below

	2010 £	2009 £
Profit on ordinary activities before tax	646,661	348,581
Current tax at 28% (2009 28%)	181,065	97,603
<i>Effects of</i>		
Expenses not deductible for tax purposes	181,731	48,381
Capital allowances for period in excess of depreciation	12,094	40,219
Group relief	(374,890)	(186,203)
Total current tax credit (see above)	-	-

Notes to the financial statements (continued)

7 Tangible fixed assets

	Improvements to short leasehold property £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 August 2009	4,290,996	1,864,308	6,155,304
Additions	-	100,471	100,471
Disposals	(1,315,476)	(412,057)	(1,727,533)
At 31 July 2010	2,975,520	1,552,722	4,528,242
Depreciation			
At 1 August 2009	2,628,760	1,529,706	4,158,466
Charge in the year	172,022	131,046	303,068
Disposals	(1,315,476)	(412,057)	(1,727,533)
At 31 July 2010	1,485,306	1,248,695	2,734,001
Net book value			
At 31 July 2010	1,490,214	304,027	1,794,241
At 31 July 2009	1,662,236	334,602	1,996,838

During the year the company disposed of one club for a reverse premium including costs of £0.4m

8	Stocks	2010 £	2009 £
	Goods for resale	8,455	14,174
9	Debtors	2010 £	2009 £
	Prepayments and accrued income	159,623	190,077
	Amounts due from group undertakings	4,850,213	4,750,814
	Deferred tax asset	151,317	144,828
		5,161,153	5,085,719

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

Notes to the financial statements (*continued*)

10 Creditors: amounts falling due within one year	2010 £	2009 £
Amounts due to group undertakings	4,043,832	4,089,406
Accruals and deferred income	192,613	116,603
	<u>4,236,445</u>	<u>4,206,009</u>

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

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

11 Provisions for liabilities and charges

	2010 £
As at 1 August 2009	816,468
Profit and loss account - utilised in year	(51,082)
Profit and loss account - exceptional release on sale of club (note 2)	<u>(765,386)</u>

As at 31 July 2010

-

The provision relates to onerous leases. In May 2010 the loss making club to which this provision related was disposed and accordingly the unutilised proportion of the provision at that time was credited to profit and loss account as an exceptional item

12 Share capital	2010 £	2009 £
Authorised:		
3,495,370 Ordinary shares of 10 pence each	349,537	349,537
	<u>349,537</u>	<u>349,537</u>
Allotted, called up and fully paid:		
3,495,370 Ordinary shares of 10 pence each	349,537	349,537
	<u>349,537</u>	<u>349,537</u>

13 Reserves

	Share premium account £	Profit and loss account £
At 1 August 2009 as previously reported	2,439,579	(714,862)
Profit for the financial year	-	653,150
At 31 July 2010	<u>2,439,579</u>	<u>(61,712)</u>

Notes to the financial statements (*continued*)

14 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit for the financial year	653,150	388,226
Opening shareholders' funds	2,074,254	1,686,028
Closing shareholders' funds	<u>2,727,404</u>	<u>2,074,254</u>

15 Commitments under operating leases

At 31 July 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2010 £	2009 £
In more than five years	<u>186,016</u>	<u>381,890</u>

16 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 £97,762,197 (2009 £95,097,362).

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 a subsidiary undertaking of 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.