

# **Trainstation Limited**

## **REPORT AND FINANCIAL STATEMENTS**

**for the year ended  
31 December 2002**

**Company Registration No. 03381595**



# Trainstation Limited

## TABLE OF CONTENTS

---

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

**Trainstation Limited**  
**DIRECTORS AND OFFICERS**  
Year ended 31 December 2002

---

<b>Directors</b>	J Treharne (Resigned 25 March 2002) M Grealey (Appointed 25 March 2002) D Jarvis RA Davies (Resigned 6 September 2002)
<b>Secretary</b>	D Jarvis (Appointed 6 September 2002) RA Davies (Resigned 6 September 2002)
<b>Registered Office</b>	33 Imperial Way Purley Way Croydon, Surrey CR0 4RR
<b>Auditors</b>	KMPG Audit 1 Puddle Dock London EC4V 3PD
<b>Bankers</b>	Barclays Bank plc Liverpool City Business Centre 4, Water Street Liverpool L69 2DU
<b>Solicitors</b>	Ashurst Morris Crisp Broadwalk House 5 Appold Street London EC2A 2HA
<b>Website</b>	<a href="http://www.crownsportsplc.com">www.crownsportsplc.com</a>
<b>Company Number</b>	03381595

# Trainstation Limited

## DIRECTORS' REPORT

Year ended 31 December 2002

---

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2002.

### 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 £332,641 (2001 profit - £531,297). The Directors do not recommend the payment of a dividend. (2001: nil) The increase to net profit of £29,250 the year ended 31 December 2001 represents the reversal of a provision for dividend made during year ended 31 December 2000, that was not required).

### Directors and their interests

The Directors who held office during the year and their interests in the company's ordinary shares of 25 pence each were as follows:

J R Treharne (resigned 25 March 2002)  
R A Davies (resigned 6 September 2002)  
M Grealey (appointed 25 March 2002)  
D Jarvis

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

No Director had any contract of significance subsisting during the year or at 31 December 2002, 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, R A Davies and J R Treharne's beneficial interests in the shares and options of Crown Sports Plc are as follows:

	Number shares held 31 December 2001	Number shares held 31 December 2002
D Jarvis	None	None
R A Davies	828,881	None
J R Treharne	1,709,645	900,000

### DIRECTOR'S SHARE OPTIONS

	At 1 Jan 2002	Lapsed	At 31 Dec 2002	Exercise price	Earliest date of exercise	Expiry date
D Jarvis	300,000	-	300,000	16p	14 Nov 2004	14 Nov 2011
R A Davies	500,000	500,000	-	30p	26 Jan 2004	26 Jan 2011
J R Treharne	1,000,000	1,000,000	-	30p	26 Jan 2004	26 Jan 2011

# Trainstation Limited

## DIRECTORS' REPORT

Year ended 31 December 2002

---

Following J R Treharne's resignation from the Board on 25 March 2002 and R A Davies resignation from the Board on 6 September 2002, options granted for 1,500,000 shares of Crown Sports plc have lapsed. No further options were awarded to the above directors during the year and no options were exercised by the above named directors during the year.

There have been no changes to Directors' interests since the end of the year, except that J R Treharne has sold the 900,000 shares he held in Crown Sports plc at 31 December 2002.

### **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**

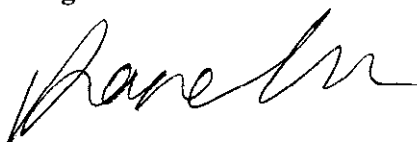
Employees are encouraged to identify with, and become involved with, the financial performance of the company and service to club members by ongoing internal and external training and by means of bonus arrangements. The company has a policy of keeping employees up to date with major developments by means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

During the year CLB resigned as the company auditors and the Directors appointed KPMG Audit Plc to fill the casual vacancy. 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

23 October 2003.

# Trainstation Limited

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Year ended 31 December 2002

---

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

for the year ended 31 December 2002

---

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 31<sup>st</sup> December 2002 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*

*24 October*.....2003

**Trainstation Limited**  
**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2002**

	Notes	Year ended 31 December 2002 £	Restated Year ended 31 December 2001 £
<b>Turnover</b>	1	<b>3,273,490</b>	3,831,143
Cost of sales		(182,921)	(258,282)
<b>Gross profit</b>		<b>3,090,569</b>	3,572,861
Administrative expenses		(2,757,928)	(2,997,589)
<b>Operating profit</b>	2	<b>332,641</b>	575,272
Interest payable	5	-	(43,975)
<b>Profit on ordinary activities before taxation</b>		<b>332,641</b>	531,297
Taxation	6	(214,300)	(274,765)
<b>Profit on ordinary activities after taxation</b>		<b>118,341</b>	256,532
Dividends	7	-	29,250
<b>Retained profit for the financial year</b>		<b>118,341</b>	285,782

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

**STATEMENT OF TOTAL RECOGNISED GAINS**

	Year ended 31 December 2002 £	Restated Year ended 31 December 2001 £
Profit for the year	118,341	285,782
Prior year adjustment Deferred Tax (FRS 19)	463,172	-
<b>Total recognised gains and losses relating to the year/period</b>	<b>581,513</b>	285,782



**Trainstation Limited**  
**BALANCE SHEET**  
Year ended 31 December 2002

	Note	31 December 2002 £	Restated 31 December 2001 £
<b>Fixed Assets</b>			
Tangible assets	8	4,181,668	3,979,691
<b>Current assets</b>			
Stocks	9	13,983	32,738
Debtors	10	354,042	532,274
Cash at bank and in hand		356,781	109,233
		<u>724,806</u>	<u>674,245</u>
<b>Creditors: Amounts falling due within one year</b>	11	(2,009,781)	(1,875,584)
<b>Net current liabilities</b>		<u>(1,284,975)</u>	<u>(1,201,339)</u>
<b>Net assets</b>		<u>2,896,693</u>	<u>2,778,352</u>
<b>Capital and reserves</b>			
Called up share capital	12	349,537	349,537
Share premium account	13	2,439,579	2,439,579
Profit and loss account	14	107,577	(10,764)
<b>Shareholders' Funds</b>	15	<u>2,896,693</u>	<u>2,778,352</u>

These financial statements were approved by the directors on 23 October 2003, 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 2002

---

### 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. Except as noted below regarding the adoption of FRS 19 and FRS 18 all accounting policies have been consistent throughout the period.

#### **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.

#### **Changes in Accounting Policy and Prior Year Adjustments**

The company has adopted Financial Reporting Standard 19 'Deferred taxation' during 2002. This standard requires full provision to be made for deferred taxation on most types of timing differences. Adoption has produced a prior year adjustment, resulting in a increase in opening reserves at 1 January 2002 of £463,172 and a reduction in the profit for 2002 by £214,300 (2001: £274,765).

Financial Reporting Standard 18 'Accounting policies' has been adopted in 2002. No material effect on the company has occurred owing to this new accounting standard.

#### **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 2002

---

### 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' which has been adopted in 2002. 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 2002

### 2. Particulars of employees

	Year ended 31 December 2002 No	Year ended 31 December 2001 No
The average monthly number of persons (including directors) employed by the company during the year was:		
Office and management	3	10
Administration	107	116
	<u>110</u>	<u>126</u>

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
The aggregate payroll costs of the above were:		
Staff costs for above persons:		
Wages and salaries	873,367	1,184,593
Social security costs	61,481	85,356
Pension costs	3,908	-
	<u>938,756</u>	<u>1,269,949</u>

### 3. Directors' remuneration

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Emoluments	-	118,939

During 2002 the Director's 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 2002 £	Year ended 31 December 2001 £
Depreciation of tangible fixed assets:		
owned assets	451,235	211,856
Operating leases rentals:		
land & building	183,450	187,080
plant & machinery	37,284	-
Auditors' remuneration	-	7,500

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 2002

### 5 Interest Payable

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
On bank loans and overdrafts	-	23,640
Other interest	-	5,590
Finance leases	-	14,745
	<u>-</u>	<u>43,975</u>

### 6. Taxation on Profit on Ordinary Activities

	Year ended 31 December 2002 £	Restated Year ended 31 December 2001 £
<b>a) Analysis of tax charges for the year</b>		
<b>Current Tax</b>		
UK Corporation Tax	-	-
Total Current Tax (note 6b)	-	-
<b>Deferred Tax</b>		
Origination and reversal of timing difference (note 6c)	<u>(214,300)</u>	<u>(274,765)</u>
<b>Tax on loss on ordinary activities</b>	<u>(214,300)</u>	<u>(274,765)</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% (2001 30%). The differences are reconciled below:

	Year ended 31 December 2002 £	Restated Year ended 31 December 2001 £
Profit on ordinary activities	332,641	531,297
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2001 30%)	99,792	159,389
Accelerated capital allowances	57,293	37,295
Tax losses brought down and used in the current year	<u>(157,085)</u>	<u>(196,684)</u>
Total current tax (note 6a)	<u>-</u>	<u>-</u>

# Trainstation Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

### 6. Taxation on Profit on Ordinary Activities (continued)

	31 December 2002 £	Restated 31 December 2001 £
<b>c) Deferred tax</b>		
<b>The deferred tax included in the balance sheet as follows:</b>		
Shown on the balance sheet as a deferred tax asset	<u>248,872</u>	<u>463,172</u>
At 1st January 2002 (as previously stated)	-	
Prior year adjustment (FRS 19)	<u>463,172</u>	
At 1st January 2002 (as restated)	463,172	
Deferred tax credit/(charge) in profit and loss account	<u>(214,300)</u>	
At 31st December 2002	<u><u>248,872</u></u>	

### 7. Dividends

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Reversal of a provision for an ordinary dividend made during year ended 31 December 2000, that was not required	-	29,250

### 8. Tangible Fixed Assets

	Improvements to short Leasehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
<b>Cost</b>				
At 1 January 2002	3,908,457	626,687	-	4,535,144
Additions	347,227	295,407	10,553	653,187
<b>At 31 December 2002</b>	<u>4,255,684</u>	<u>922,094</u>	<u>10,553</u>	<u>5,188,331</u>
<b>Depreciation</b>				
At 1 January 2002	329,294	226,159	-	555,453
Charged in the Year	340,015	108,781	2,414	451,210
<b>At 31 December 2002</b>	<u>669,309</u>	<u>334,940</u>	<u>2,414</u>	<u>1,006,663</u>
<b>Net book value</b>				
<b>At 31 December 2002</b>	<u>3,586,375</u>	<u>587,154</u>	<u>8,139</u>	<u>4,181,668</u>
At 31 December 2001	3,579,163	400,528	400,528	3,979,691

# Trainstation Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

### 9. Stocks

	31 December 2002 £	31 December 2001 £
Goods for resale	13,983	32,738

### 10. Debtors

	31 December 2002 £	31 December 2001 £
Trade Debtors	3,716	-
Other Debtors	5,256	19,077
Prepayments and accrued income	96,198	50,025
Deferred tax asset	248,872	463,172
	<u>354,042</u>	<u>532,274</u>

### 11. Creditors: Amounts falling due within one year

	31 December 2002 £	31 December 2001 £
Trade creditors	11,432	61,995
Amounts due to group undertakings	1,624,264	1,407,794
Other taxation and social security	103,186	146,340
Other creditors	2,481	875
Accruals and deferred income	268,418	258,580
	<u>2,009,781</u>	<u>1,875,584</u>

### 12. Share capital

	31 December 2002 £	31 December 2001 £
<b>Authorised:</b>		
<b>Equity interests:</b>		
188,725 Ordinary shares of £1 each	188,725	188,725
154,412 'A' Ordinary shares of £1 each	154,412	154,412
	<u>343,137</u>	<u>343,137</u>
<b>Non-equity interests:</b>		
450,000 Preference shares of 1 pence each	4,500	4,500
1,900,000 'A' Preference shares of 1 pence each	1,900	1,900
	<u>349,537</u>	<u>349,537</u>

**Trainstation Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 December 2002

**12. Share capital (continued)**

	<b>31 December 2002 £</b>	<b>31 December 2001 £</b>
<b>Allotted, called up and fully paid:</b>		
<b>Equity interests:</b>		
188,725 Ordinary shares of £1 each	<b>188,725</b>	188,725
154,412 'A' Ordinary shares of £1 each	<b>154,412</b>	154,412
	<b>343,137</b>	343,137
<b>Non-equity interests:</b>		
450,000 Preference shares of 1 pence each	<b>4,500</b>	4,500
1,900,000 'A' Preference shares of 1 pence each	<b>1,900</b>	1,900
	<b>349,537</b>	349,537

**13. Share premium account**

	<b>31 December 2002 £</b>	<b>31 December 2001 £</b>
<b>Equity interests:</b>		
Balance at beginning and end of year	<b>123,609</b>	123,609
<b>Non-equity interests:</b>		
Balance at beginning of year	<b>2,315,970</b>	2,316,350
Legal costs (3i)	-	(380)
Balance at year end	<b>2,315,970</b>	2,315,970
<b>Total interests at year end</b>	<b>2,439,579</b>	2,439,579

**14. Profit and loss account**

	<b>31 December 2002 £</b>
Opening balance (As previously stated)	<b>(473,936)</b>
Prior year adjustment – Deferred tax	<b>463,172</b>
Balance brought forward	<b>(10,764)</b>
Retained profit for the year	<b>118,341</b>
Balance carried forward	<b>107,577</b>



# Trainstation Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

### 15. Reconciliation of movements in shareholders' funds

	31 December 2002 £	Restated 31 December 2001 £
Profit on ordinary activities for the financial year	118,341	256,532
Dividends	-	29,250
Net addition to shareholders' funds	118,341	285,792
Opening shareholders' funds (Reserves 01/01/02 originally £2,315,180 before prior year adjustment)	2,778,352	2,492,570
<b>Closing shareholders' funds</b>	<b>2,896,693</b>	<b>2,778,352</b>

### 16. Commitments under operating leases

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2002	2001	2002	2001
	£	£	£	£
Within one year	-	-	-	94,820
More than one year and less than five years	-	-	37,284	71,034
More than five years	183,450	167,500	-	-
	<b>183,450</b>	<b>167,500</b>	<b>37,284</b>	<b>165,854</b>

### 17. Contingent Liability

In April 2002, group bank facilities totalling £53 million were arranged with the ultimate 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 consist of an aggregate £50 million of term loan and revolving facility and £3 million of overdraft facility. 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.

### 18. 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.

# Trainstation Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

---

### **19. Related party transactions**

The company is a wholly owned subsidiary of Dragons Health Clubs plc and ultimately of Crown Sports Plc, a company which is quoted on the UK Stock Exchange. There is no ultimate controlling party for the Group at the yearend.

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.

### **20. Capital Commitments**

The company had no capital expenditure contracted for but not provided for in the financial statements (2001: zero).