

L. A. FITNESS (1998) LIMITED
(A COMPANY LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 JULY 1998



L. A. FITNESS (1998) LIMITED
(A COMPANY LIMITED BY GUARANTEE)

COMPANY INFORMATION

Directors	J. Taylor S. Wenbourne K. Gondhia
Secretary	K. Gondhia
Company Number	3502663
Registered Office	235 Old Marylebone Road London NW1 5QT
Auditors	Wilder Coe Chartered Accountants 233 - 237 Old Marylebone Road London NW1 5QT KPMG Chartered Accountants Norfolk House Silbury Boulevard Central Milton Keynes MK9 2HA
Bankers	Midland Bank Plc 69 Pall Mall London SW1Y 5EY

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L. A. FITNESS (1998) LIMITED
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DIRECTORS' REPORT FOR THE PERIOD ENDED 31 JULY 1998

The directors present their report and the audited financial statements for the period ended 31 July 1998.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

Principal activities and review of business

The company's principal activity during the period was that of the operation of health and fitness centres and related activities.

During the period the company took over the operation of seven health and fitness centres previously operated by other companies in the L. A. Leisure Group. A licence fee is payable by the company for certain property and assets which continue to be owned by other companies in the L. A. Leisure Group.

The company was incorporated as a company limited by guarantee on 28 January 1998, and commenced trading on 1 February 1998. The company was set up as a non-profit making organisation.

The results for the period are set out in the Profit and Loss Account on page 3.

Directors and their interests

The directors who served during the period were as follows :

J. Taylor (appointed - 28/1/98)
S. Wenbourne (appointed - 28/1/98)
K. Gondhia (appointed - 28/1/98)
Company Directors Limited
(appointed and resigned - 28/1/98)


The directors are the only members of the company by virtue of the company being limited by guarantee.

The interests of the directors in the share capital of the ultimate parent undertaking, L. A. Leisure Limited, are shown in the accounts of that company.

Auditors

Wilder Coe and KPMG were appointed as joint auditors for the current period. KPMG will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on17/9/98..... and signed on its behalf.


.....
K Gondhia
Secretary

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AUDITORS' REPORT TO THE MEMBERS OF L. A. FITNESS (1998) LIMITED

We have audited the financial statements on pages 3 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

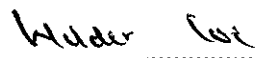
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.


Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 July 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


.....
Wilder Coe

Chartered Accountants and Registered Auditors
233 - 237 Old Marylebone Road
London
NW1 5QT

Date: 20 September 1999


.....
KPMG

Chartered Accountants and Registered Auditors
Norfolk House
Silbury Boulevard
Central Milton Keynes
MK9 2HA

Date: 20 September 1999

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PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 JULY 1998

	Note	Period ended 31 July 1998 £
TURNOVER	1,2	2,273,306
Cost of sales		(1,059,865)
GROSS PROFIT		1,213,441
Administrative expenses		(1,200,231)
OPERATING PROFIT	3	13,210
RETAINED PROFIT BROUGHT FORWARD		-
RETAINED PROFIT CARRIED FORWARD		£ 13,210

Turnover and operating profit derive wholly from continuing operations.

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

The notes on pages 5 to 7 form part of these financial statements.

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BALANCE SHEET
AS AT 31 JULY 1998

	Note	£	1998 £
CURRENT ASSETS			
Stocks	5	37,400	
Debtors	6	629,526	
Cash at bank and in hand		90,649	
		<u>757,575</u>	
CREDITORS: amounts falling due within one year	7	<u>(744,365)</u>	
NET CURRENT ASSETS			<u>13,210</u>
NET ASSETS			<u>£ 13,210</u>
RESERVES			
Profit and Loss Account			<u>£ 13,210</u>

The financial statements were approved by the board on17/9/99..... and signed on its behalf


.....
J. Taylor Director


.....
S. Wenbourne Director

The notes on pages 5 to 7 form part of these financial statements.

L. A. FITNESS (1998) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 1998

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

All of the company's voting rights are controlled within the group headed by L A Leisure Limited, the company has taken advantage of the exemption contained in FRS 8 and has not therefore disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of L A Leisure Limited within which this company is included in can be obtained from the address shown in note 10.

1.2 Turnover

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

1.3 Stocks

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

1.4 Pre-opening expenditure

Pre-opening property, sales and marketing costs associated with clubs under construction are carried forward until the opening date of the relevant club and then amortised on a straight line basis over two years from the date of opening.

2. TURNOVER

The whole of the turnover and profit before taxation is attributable to the one principal activity of the company, being that of the operation of health and fitness centres and related activities.

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

3. OPERATING PROFIT

The operating profit is stated after charging:

	Period ended 31 July 1998 £
Audit fees	11,898

No director received any emoluments.

During the period the company's turnover benefited by approximately £212,000 as a result of a VAT planning scheme which may be curtailed in the future.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 1998

4. STAFF COSTS

Staff costs were as follows:

	Period ended 31 July 1998 £
Wages and salaries	610,038
Social security costs	38,057
	<hr/> £ 648,095 <hr/>

The average monthly number of employees, including directors, during the period was as follows:

	Period ended 31 July 1998
Administration	17
Club activities	116
Marketing	3
	<hr/> 136 <hr/>

5. STOCKS

	1998 £
Finished goods for resale	£ 37,400 <hr/>

6. DEBTORS

	1998 £
Trade debtors	41,711
Amounts owed by group undertakings	314,028
Other debtors	9,005
Prepayments and accrued income	264,782
	<hr/> £ 629,526 <hr/>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 1998

7. CREDITORS:

Amounts falling due within one year

	1998 £
Bank loans and overdrafts (secured - see below)	7,048
Trade creditors	313,993
Amounts owed to group undertakings	8,927
Social security and other taxes	85,452
Accruals and deferred income	328,945
	<hr/>
	£ 744,365

The bank overdraft is secured by a fixed and floating charge over all assets and by an unlimited multilateral company guarantee given by the group undertakings to secure the liabilities of each other.

8. CONTINGENT LIABILITIES

The company has provided cross guarantees to its bankers in respect of bank borrowings of other group undertakings. A contingent liability therefore exists to the extent of the bank borrowings of the other group undertakings. At the period end this amounted to £2,223,756.

9. MEMBERS' LIABILITY

The liability of the members is limited to £1 per member in the event of a winding up.

10. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is regarded as L. A. Leisure Limited, a company incorporated in England.

A copy of the group financial statements can be obtained from the registered office, 235 Old Marylebone Road, London NW1 5QT.

11. ULTIMATE CONTROLLING PARTY

The company's controlling party is regarded as L. A. Leisure Limited. The company does not have an ultimate controlling party.