Company Registration No. 04699401

Fleets Lane Holdings Limited (formerly Fitness First Holdings Limited)

Annual Report and Financial Statements for the year ended

31 October 2016

Fleets Lane Holdings Limited

CONTENTS

Fleets lane Holdings Limited

OFFICERS AND PROFESSIONAL ADVISERS
For the year ended 31 October 2016

DIRECTORS
J Wartig
P Stevens
J Bickle

SECRETARY
S Cadd

REGISTERED OFFICE
58 Fleets Lane
Poole
Dorset
BH15 3BT

BANKERS
HSBC Bank PLC
165 High St
Southampton
Hampshire
SO14 2NZ

SOLICITORS
Kirkland & Ellis
30 St Mary Axe
London
EC3A 8AF

INDEPENDENT AUDITOR
Ernst & Young LLP
19 Threefield Lane
Southampton
Hampshire
SO14 3QB

Fleets Lane Holdings Limited

STRATEGIC REPORT
For the year ended 31 October 2016

Principal activities
The principal activity of the Company is that of a holding company.

With effect from 30 September 2016, the name of the Company was changed from Fitness First Holdings Limited to Fleets Lane Holdings Limited.

Business review and results for the year
The loss for the year, after tax, is £11,426,000 (2015: profit £12,012,000), due to the impairment in full of all intercompany investments.

Key performance indicators
As the Company's principal activity is that of a holding company, the directors do not consider KPIs appropriate to the management of the business.

Principal risks and uncertainties
The principal risk to the Company is considered to be credit risk attributed to exposure to trade and other receivables. Details of financial instruments and how management mitigate these risks are provided in note 13.

The principal risks and uncertainties of the Group are discussed in the consolidated financial statements of Moray Finance Limited (formerly Fitness First Finance Limited). These risks and uncertainties could have a material impact on the Company's long term performance and could cause actual results to differ materially from expected and historical results.

Approved by the Board of Directors and signed on behalf of the Board by:

P Stevens
Director
29 June 2017

DIRECTORS' REPORT
For the year ended 31 October 2016

The Directors present their annual report on the affairs of the Company, together with the audited financial statements, for the year ended 31 October 2016.

Subsequent events
There were no events subsequent to the statement of financial position date which would have a material effect on the annual report and financial statements.

Going concern
The Directors have satisfied themselves that the Company is a going concern, having adequate resources to continue in operational existence for the foreseeable future, after considering the principal risks and uncertainties of the Company including the current year loss and net asset position and despite the current uncertain economic conditions. As the principal activity of the Company is as a holding company, its operations and financial resources are therefore linked directly to, and are dependent on, the performance of the Group. The Company does not have, and does not expect to have, any liabilities in the next twelve months.

Directors
The Directors who served during the year are set out on page 1. All Directors served for the full year.

Future developments
The Directors are satisfied with the operation of the Company as a holding company during the year and expect no significant change in operations in the year ahead.

Directors' indemnity
The Company has granted indemnity to its directors against liability in respect of proceedings brought by third parties, subject to conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' report.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 October 2016

Auditor
In the case of the persons who are directors of the Company at the date when this report is approved:

- so far as each of the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office.

Approved by the Board of Directors and signed on behalf of the Board.

P Stevens
Director
29 June 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 October 2016

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 and loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

• select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
• present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
• make judgements and accounting estimates that are reasonable and prudent;
• provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
• state whether the Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLEETS LANE HOLDINGS LIMITED

For the year ended 31 October 2016

We have audited the financial statements of Fleets Lane Holdings Limited for the year ended 31 October 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditor

As explained more fully in the Directors Responsibilities Statement set out on page 5, 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 and express an opinion on 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLEETS LANE HOLDINGS LIMITED (CONTINUED)

For the year ended 31 October 2016

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.

Ernst & Young LLP

Geraint Davies (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton, United Kingdom

29 June 2017

Fleets Lane Holdings Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2016

	Note	2016 £'000	2015 £'000
Revenue		-	-
One-off operating income[1]		-	37,596
Administrative expenses			
- one-off operating costs[2]	7	(11,665)	(24,792)
Operating (loss) / profit		(11,665)	12,804
Finance costs	5	(91)	(3,798)
Finance income	5	330	3,006
(Loss) / profit before tax		(11,426)	12,012
Tax charge	6	-	-
Total comprehensive (loss) / profit for the financial year		(11,426)	12,012

There was no other comprehensive income or loss for the year. All results arise from continuing operations.

[1] The one-off operating income related to a waiver of dividends payable and cumulative interest due on cumulative preference shares, which were converted to ordinary shares during the year.

[2] The one-off operating costs related to an impairment of investments in the current year and a write-off of intercompany balances in the previous year.

Fleets Lane Holdings Limited

STATEMENT OF FINANCIAL POSITION
As at 31 October 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Investments	7	-	11,665
Trade and other receivables	8	2,930	-
		2,930	11,665
Current assets			
Trade and other receivables	8	-	20,950
Total assets		2,930	32,615
Current liabilities			
Trade and other payables	9	-	18,259
Total liabilities		-	18,259
Net assets		2,930	14,356
Equity			
Share capital	11	19,872	19,872
Accumulated deficit		(16,942)	(5,516)
Total surplus		2,930	14,356

The financial statements of Fleets Lane Holdings Limited, registered number 04699401, were approved by the Board of Directors and authorised for issue on 29 June 2017.

P Stevens
Director

Fleets Lane Holdings Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 October 2016

	Share capital £'000	Accumulated deficit £'000	Total £'000
At 31 October 2014	1,002	(17,528)	(16,526)
Conversion of preference shares to ordinary shares	18,870	-	18,870
Profit for the year	-	12,012	12,012
At 31 October 2015	19,872	(5,516)	14,356
Loss for the year	-	(11,426)	(11,426)
At 31 October 2016	19,872	(16,942)	2,930

There is no other comprehensive income or loss in 2016 (2015: £nil).

Fleets Lane Holdings Limited

STATEMENT OF CASH FLOWS
For the year ended 31 October 2016

	Note	2016 £'000	2015 £'000
Cash generated from operating activities			
Cash generated from operations	12	-	-
Tax paid		-	-
Net cash inflow from operating activities		-	-
Cash flows from investing activities			
Net cash used in investing activities		-	-
Cash flows from financing activities			
Net cash used in financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		-	-
Opening cash and cash equivalents		-	-
Effect of foreign exchange rate changes		-	-
Closing cash and cash equivalents	12	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2016

1. CORPORATE INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

Fleets Lane Holdings Limited (the "Company") is a limited liability company incorporated in England and Wales and domiciled in the United Kingdom ('UK').

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted for use in the European Union ("EU") and the Companies Act 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies set out below have been applied consistently throughout the current and preceding year to items considered material to the financial statements.

Basis of preparation
The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The financial statements are presented in pounds sterling which is the currency of the country in which the Company was incorporated and the functional currency of the Company.

Going concern
The Directors have satisfied themselves that the Company is a going concern, having adequate resources to continue in operational existence for the foreseeable future, after considering the principal risks and uncertainties of the company including the current year loss and net asset position and despite the current uncertain economic conditions. As the principal activity of the Company is as a holding company, its operations and financial resources are therefore linked directly to, and are dependent on, the performance of the Group. The Company does not have, and does not expect to have, any liabilities in the next twelve months.

Consolidated financial statements
In accordance with s400 of the Companies Act 2006 the Company is exempt from producing group financial statements since it is a wholly owned subsidiary of Moray Finance Limited (formerly Fitness First Finance Limited) which provides consolidated financial statements, in which this company is included, that are publicly available.

Investments
Investments held as fixed assets are stated at cost less provision for any impairment.

Dividend income
Dividend income from subsidiary undertakings is recognised when declared.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, and unquoted financial instruments. During the year and at year-end, the Company has only designated financial assets as loans and receivables.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 October 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. During the year and at year-end, the Company has only designated financial liabilities as loans and borrowings.

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method, unless there is a significant modification to the terms of the borrowings in which case it is re-measured at fair value.

Borrowing costs directly attributable to the acquisition of a loan, or other borrowing facility, are capitalised against the fair value. Where costs relate to a drawn down facility they will be capitalised against the loan amount, and are amortised over the life of the facility, using the effective interest rate method, where material. Any costs in relation to an undrawn facility will be disclosed as a prepayment and released over the life of the facility.

Derecognition of financial liabilities
A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 October 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax

Corporation tax payable is based on taxable profit for the year using current tax rates that have been enacted or substantively enacted.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised if it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profits.

Deferred tax is calculated on an undiscounted basis at the rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been substantively enacted at the statement of financial position date.

Deferred tax is charged or credited through profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures

The following revised standards and interpretations became effective in the current year and have been adopted where applicable in these financial statements. Their adoption has not had any significant impact on the amounts reported but may impact the accounting for future transactions and arrangements:

Disclosure Initiative – Amendment to IAS 1
Equity Method in Separate Financial Statements – Amendments to IAS 27

The amendments to IAS 1 are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. Although these amendments clarify existing requirements of IAS 1, the clarifications may facilities enhanced disclosure effectiveness.

The amendments to IAS 27 allow an entity to use the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Standards and interpretations issued but not yet applied
The IASB has issued standards and interpretations, which are relevant to the Group's operations and have an effective date that does not require application in these financial statements. These are listed below;

Effective for annual periods beginning on or after 1 January 2017:

Disclosure Initiative (Amendments to IAS 7)
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Effective for annual periods beginning on or after 1 January 2018:

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers
IFRS 16 Leases
IFRS 2 Classification and Measurement of Share-based Payment Transactions

Management is currently assessing the impact on the Group on the releases and amendments noted above.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Accounting estimates

Impairment of investments and intercompany receivables

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. In the current year, the investment in the Company's subsidiary undertaking has been fully impaired to align the carrying value with the recoverable amount. See further details in Note 7.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 October 2016

4. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS' REMUNERATION

The directors who provide qualifying services to the company and its subsidiaries are remunerated by a subsidiary undertaking, Fleets Point Limited (formerly Fitness First Limited). The total remuneration borne by Fleets Point Limited for the Directors of the Company was £1,186,000 (2015: £965,000). The amount of remuneration allocated for their services as Directors of the Company is £nil (2015: £nil). The company had no employees in the current and previous year.

All audit and non-audit fees payable to the Company's auditors are met by another Group company, Fleets Point Limited.

5. NET FINANCE COSTS

	2016 £'000	2015 £'000
Interest expense		
10% and 0.001% cumulative preference dividend and interest accrued	-	3,525
Interest on amounts owed to fellow group companies	91	273
Total finance costs	91	3,798
Interest income		
10% cumulative preference dividend	-	2,016
Interest on amounts from fellow group companies	330	990
Total finance income	330	3,006
Net finance costs	239	792

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 October 2016

6. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	2016 £'000	2015 £'000
UK corporation tax	-	-

UK corporation tax is calculated at a blended rate of 20.0% (2015: 20.4%) of the taxable profit for the year.

The charge for the year can be reconciled to the (loss) / profit for the year as follows:

	2016 £'000	2015 £'000
(Loss) / profit before tax	(11,426)	12,012
Tax (credit) / charge calculated at a blended UK standard rate of corporation tax in the UK	(2,285)	2,450
%	20.0%	20.4%
Permanent difference	2,333	(2,512)
Unprovided deferred tax movement	(48)	62
Tax (credit) / charge	-	-
Effective tax rate %	0%	0%

The 2015 Finance Act No 2 enacted a reduction of the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and 18% effective from 1 April 2020. A further reduction to the main rate of corporation tax for the year starting 1 April 2020 was introduced by Finance Act 2016, setting the rate at 17% rather than 18%. For the year ended 31 October 2016, the reduction to 17% has been enacted. Unrecognised deferred tax is calculated at 18%.

7. INVESTMENTS

	Investment in subsidiary undertaking £'000
At 1 November 2015	11,665
Impairment charge in the year	(11,665)
At 31 October 2016	-

As the Group monetisation programme has progressed, it has become apparent that the anticipated funds flow to shareholders will most likely be in the form of debt repayment in preference to the payment of dividends which would flow through this intermediate holding company. As a result of this, the investment has been fully impaired at the year end.

A list of the significant investments in subsidiaries is shown below:

Name of company	Country of incorporation or registration	% Interest held and voting rights
Fleets Lane Limited	UK	100% directly

Fleets Lane Limited is a holding company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 October 2016

8. TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
Non-current assets		
Amounts due from parent company	2,930	-
Current		
Amounts due from subsidiaries	-	20,950
Total	2,930	20,950

Further detail on the ageing of receivables and credit risk is provided in note 13.

During the year, intragroup borrowings between UK holdings companies were consolidated and terms aligned, so that with effect from 1 March 2016, interest is charged at a fixed rate of 5.6183% on all amounts due from group companies (2015: Of the amounts due from subsidiaries, £20.5m accrued interest of 10% per annum and £0.4m bore interest at 1% below LIBOR; at the prevailing LIBOR no interest was applied).

In the prior year of the amounts due from group companies, £24.8m were written off during the year.

9. TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Current		
Amounts owed to subsidiary	-	5,683
Amounts owed to parent company	-	1,548
Amounts owed to other group companies	-	11,028
	-	18,259
Non-current		
Amounts owed to group companies	-	-
Total	-	18,259

During the year, intragroup borrowings between UK holding companies were consolidated so that no trade and other payables remain.

10. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle them on a net basis. The amounts after offset are as follows:

	2016 £'000	2015 £'000
Deferred tax assets	-	-
Deferred tax liabilities	-	-
Deferred tax assets (net)	-	-

The following are the major deferred tax liabilities and assets not recognised by the Company and movements thereon during the current and prior reporting period.

	2016 £'000	2015 £'000
Unprovided deferred tax		
Tax losses	94	68
Deferred tax assets (net)	94	68

Net provided deferred tax assets and liabilities:
The Company has not recognised the above deferred tax assets as it is not probable that the assets will be recovered. Deferred taxation of £93,906 (2015: £68,034) has not been recognised in relation to tax losses carried forward as there is insufficient evidence that the asset will be recovered in the near future. The asset will be recovered if there are suitable taxable profits against which the reversal of the asset can be relieved in future periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 October 2016

11. SHARE CAPITAL

	2016	2015
	No.	No.
Authorised		
'A' Ordinary shares of £1 each	749,725	749,725
'B' Ordinary shares of £1 each	17,520,495	17,520,495
'C' Ordinary shares of £1 each	1,600,000	1,600,000
'D' Ordinary shares of AUD 0.01 each	700,000	700,000
Total	20,570,220	20,570,220

Allocated, called up and fully paid	2016	2015
	No.	No.
'A' Ordinary shares of £1 each	749,725	749,725
'B' Ordinary shares of £1 each	17,520,495	17,520,495
'C' Ordinary shares of £1 each	1,600,000	160,000,000
'D' Ordinary shares of AUD 0.01 each	168,349	168,349
Total	20,038,569	20,038,569

	2016	2015
	£'000	£'000
Authorised		
'A' Ordinary shares of £1 each	750	750
'B' Ordinary shares of £1 each	17,520	17,520
'C' Ordinary shares of £1 each	1,600	1,600
'D' Ordinary shares of AUD 0.01 each	3	3
Total	19,873	19,873

	2016	2015
	£'000	£'000
Allocated, called up and fully paid		
'A' Ordinary shares of £1 each	750	750
'B' Ordinary shares of £1 each	17,520	17,520
'C' Ordinary shares of £1 each	1,600	1,600
'D' Ordinary shares of AUD 0.01 each	2	2
Total	19,872	19,872

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 October 2016

11. SHARE CAPITAL (CONTINUED)

Rights to Income and Voting – Ordinary shares

Each 'A' ordinary share, 'B' ordinary share and 'C' ordinary share rank equally for any dividends paid thereon to be paid pro rata to the issue price of each 'A' ordinary share, 'B' ordinary share and 'C' ordinary share. The declaration of and/or payment of dividends on the 'A' ordinary shares, 'B' ordinary shares and 'C' ordinary shares is permitted notwithstanding that there may at the time be accrued but unpaid dividends outstanding on the 'B' preference shares and/or the 'C' preference shares.

Each 'A' and 'B' ordinary share carries one vote. 'C' ordinary shares carry no voting rights.

The 'D' ordinary shares confer upon the holders the right to receive a dividend equivalent to a certain percentage of:

(a) the net amount of any dividends paid by Fitness First Australia to its ordinary shareholders at any time on or after 30 June 2008; plus
(b) the net amount distributed to ordinary shareholders of Fitness First Australia on winding up of Fitness First Australia.

The 'D' ordinary shares do not otherwise confer on the holders thereof any right of participation in the profits of the Company including any right to participate in connection with any dividends paid by Fitness First Australia to its shareholders at any time before 30 June 2008. The 'D' ordinary shares carry no voting rights.

Subsequent to the year end, the Group sold its investment in Australia. This did not result in any dividend payments and does not confer any benefits to the holders of the 'D' ordinary shares.

Rights to Capital
On a return of capital on liquidation, reduction of capital or otherwise, the surplus assets of the Company remaining after payment of its liabilities shall be applied in the following order of priority:

1. in paying all unpaid dividends due on the 'D' class shares;
2. in distributing the balance amongst the holders of the 'A', 'B' and 'C' ordinary shares pro rata to the amounts paid up or credited as paid up on such shares as if they were all shares of the same class.

12. NOTES TO THE STATEMENT OF CASH FLOW

	2016 £'000	2015 £'000
(Loss)/ profit for the year	(11,426)	12,012
Non-cash / non-operating items:		
Impairment of investments	11,665	-
Write-off of intercompany balances	-	(12,804)
Finance costs	91	3,798
Finance income	(330)	(3,006)
Cash generated from operations	-	-
Cash at bank and in hand	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 October 2016

13. FINANCIAL INSTRUMENTS

Treasury policy and financial risk management
The Company's financial instruments comprise intercompany borrowings.

The Company uses financial instruments to manage financial and commercial risk wherever it is appropriate to do so. The main risks faced by the Company are liquidity and funding, interest and credit risk. It is the Company's policy not to hold financial instruments for trading purposes. There is no foreign exchange exposure. The Company's policies in respect of the management of these risks are as follows:

Liquidity and funding risk
Liquidity and funding risk is the risk that the Company could be unable to settle or meet its obligations as they fall due. The Company finances its operations through borrowings from its parent and other group companies. The Company monitors the maturity of financial liabilities to avoid the risk of a shortage of funds.

The maturity profile of financial liabilities is as follows:

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Total £'000
2015					
Intercompany payables	18,259	-	-	-	18,259
Total	18,259	-	-	-	18,259
2016					
Intercompany payables	-	-	-	-	-
Total	-	-	-	-	-

Interest rate risk
Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no exposure to interest rate risk as all interest bearing balances are at a fixed rate of interest.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. This concerns both trade and other receivables and financial assets.

The Company is exposed to credit risk attributed to trade and other receivables. The Directors do not consider the risk to be significant to the Company as the balances are entirely with related parties.

Credit risk also arises from other financial assets of the Company, through the default of a counterparty. The maximum exposure is equal to the carrying value of these instruments.

The ages of trade and other receivables at 31 October 2015 and 31 October 2016 were entirely neither past due nor impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 October 2016

13. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments.

	Loans and receivables £'000	Amortised cost £'000	Total book value £'000	Fair value £'000
Financial assets				
Intercompany receivables	20,950	-	20,950	20,950
Financial liabilities				
Intercompany payables	-	(18,259)	(18,259)	(18,259)
At 31 October 2015	20,950	(18,259)	2,691	2,691

	Loans and receivables £'000	Amortised cost £'000	Total book value £'000	Fair value £'000
Financial assets				
Intercompany receivables	2,930	-	2,930	2,930
Financial liabilities				
Intercompany payables	-	-	-	-
At 31 October 2016	2,930	2,930	2,930	2,930

The fair value of intercompany receivables and intercompany payables is equal to book value.

The Company does not have any financial instruments held at fair value through profit and loss. All financial instruments held by the Company are held at carrying value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 October 2016

14. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel
The remuneration of the Executive Group, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2016 £'000	2015 £'000
Short-term employee benefits	1,160	941
Post-employment benefits	20	18
Sums paid to third parties	6	6
	1,186	965

Related party transactions
The following transactions with related parties took place:

	Interest expense £'000	Interest income £'000
2015		
Transactions with subsidiaries	(273)	3,006
Transactions with immediate parent entity	(3,525)	-
Waiver of dividends payable and cumulative interest due	-	37,596
Write-off of intercompany balances	(24,792)	-
2016		
Transactions with subsidiaries	(91)	-
Transactions with immediate parent entity	-	330

The following balances were held with related parties:

	2016 £'000	2015 £'000
Intercompany balances – receivable	2,930	20,950
Intercompany balances – payable	-	(18,259)
	2,930	2,691

15. SUBSEQUENT EVENTS

The Directors are not aware of any events subsequent to the statement of financial position date which have a significant impact on the Company's accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 October 2016

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company and controlling party, which heads the largest group for which consolidated financial statements are produced and of which the Company is a member, is Fitness First Luxembourg SCA (which is ultimately owned and controlled by funds advised by Oaktree Capital Management which own shares representing 60% of the issued share capital of that company), a company incorporated in Luxembourg. The smallest group of which the company is a member and for which consolidated financial statements are prepared is Moray Finance Limited (formerly Fitness First Finance Limited), a company incorporated in the United Kingdom.

For the year ended 31 October 2016, the Company was included in the consolidated financial statements of Moray Finance Limited. Copies of the financial statements of Moray Finance Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.