

# **MOP Acquisitions (LAF) Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 05384582**

**For the year ended 31 October 2012**

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## Company information

<b>Directors</b>	F O Turok	<i>(Chairman)</i>
	M Long	<i>(Chief Executive Officer)</i>
	R Chester	<i>(Chief Financial Officer)</i>
	G Clempson	<i>(Investor Director)</i>
	D Wiseman	<i>(Non Executive)</i>

<b>Registered office</b>	Sandall Stones Road Kirk Sandall Doncaster South Yorkshire DN3 1QR
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<b>Auditors</b>	BDO LLP 1 Bridgewater Place Water Lane Leeds LS11 5RU
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<b>Registered Number</b>	05384582
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<b>Bankers</b>	The Royal Bank of Scotland 280 Bishopsgate London EC2M 4RB
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## Directors' report

The directors present their annual report and the audited financial statements for the company and the group for the year ended 31 October 2012

### Principal activity

The principal activity of the group during the year was that of ownership and operation of health and fitness clubs and related activities. The principal activity of the company was that of a holding company.

### Business review

#### *Investment*

There were no additions to, or disposals from, the estate in the current financial year. As at 31 October 2012, the group operated 80 health and fitness clubs in the UK and Ireland.

During the year the group invested £2m in state of the art Technogym equipment. This continues our on-going investment programme with Technogym to improve the quality and currency of our equipment. In addition the group has invested £5m on its existing estate to improve the fabric and create a better gym going experience for our members.

All our clubs have touch-screen kiosk technology to ensure transparency, consistency and integrity throughout our sales processes. These processes have been significantly enhanced during the year following the launch of online joining functionality and in 2012 we invested in new IT technology including enhancements to our industry leading "myLA Memberzone" and system upgrades. This IT investment strategy will continue throughout 2013 and has already seen the re-launching of our website [www.lafitness.co.uk](http://www.lafitness.co.uk) with full online joining capability which complements our in club kiosks which offer a wide range of membership options.

During 2013 we expect to open a flagship new club to enhance our central London portfolio.

#### *Member Pledge*

In March 2012 we published the LA fitness Member Pledge ([www.lafitness.co.uk/member-pledge](http://www.lafitness.co.uk/member-pledge)) for all our members. This pledge sets out our policies openly to our members and is in line with the OFT's latest guidance for consumers which they published following their recent review of the industry. The Member Pledge clarifies our key policies in relation to membership with LA in plain English and ensures all our members are treated equitably and our membership policies are clear and transparent for all.

#### *Our People*

The LA fitness staff are central to the success of the group, and as such, time, effort and resources are channelled into structured training, coaching and development programmes. The LA fitness brand has grown in strength and recognition over the last few years and investment in the company website, newly developed affiliate partnerships, e-learning processes and proprietary "Fit2Learn" programme for our staff aims to maintain and increase this awareness.

LA's brand strength is reflected throughout our club and support centre teams and the Board would like to thank them for their continued enthusiasm for and dedication to LA.

#### *Environmental*

In December 2011 the group achieved the Gold Standard accreditation from Carbon Saver. The group's environmental policy is to use green renewable energy where available and reduce its carbon footprint each year.

The group is part of the government's Carbon Reduction Commitment (CRC) scheme. In 2012 the group reduced its Co2 emissions by 7% and the board expects further reductions in 2013.

#### *Charitable Sponsorship*

During the year the group sponsored the LA fitness Capital to Coast Cycle Challenge from London to Brighton which raised funds for Norwood and the Down's Syndrome Association. The event raised £275,000 to help many children, families and people with learning difficulties that are supported by the Down's Syndrome Association, and we plan to continue our sponsorship of this event in 2013 and 2014.

## Directors' report *(continued)*

### **Partnerships**

LA continues to be the only private operator to work in partnership with the Amateur Swimming Association ('ASA'), through Community Swimming Limited, delivering ASA accredited swim programmes to both our members and the wider community

As part of our continuing policy of improving our members' gym going experience we entered into a new contract with our national cleaning provider Anabas and they now deliver over 100,000 additional hours per annum into the business which has been well received by our members

During the year we have extended or contracted several significant supplier contracts for services ranging from national facility maintenance to personal training

We continue to work very closely with each of our supplier partners who have contributed to the success of LA and continue to be a core part of our future prosperity

### **Banking**

The group is dependent on facilities provided to it by the Royal Bank of Scotland and its banking syndicate. These facilities comprise term loans of approximately £63.2 million as at 31 October 2012, and a revolving credit/overdraft facility of £8 million, further detail is given in note 1 to the accounts. They also contain various covenants with which the group is forecast to comply for the foreseeable future. The financial statements have therefore been prepared on a going concern basis, further details of which are set out in note 1.

### **Performance highlights**

The group delivered turnover of £87m for the financial year compared to £112m for the previous 15 month financial period. Earnings before interest, tax, depreciation, amortisation ("EBITDA") and pre-exceptional items were £15.0m (2011: £15.8m on a 12 month like for like ("LFL") basis, 2010: £15.0m).

At a club EBITDA level the group has maintained its historical consistency of delivering £27.0m in each of the last 3 years. During the year the group has continued to improve cost efficiency against the backdrop of a cost inflationary economic climate delivering a credible EBITDA out-turn for 2012, slightly behind 2011 but consistent with 2010.

The results of the group are set out in detail in the profit and loss account on page 9 and show an operating profit of £2.6m in the year (2011: £1.7m). During the year the group generated a cash inflow from operating activities of £15.7m (2011: £10.9m), details of which are set out in the consolidated cashflow statement on page 12.

Membership over the year has decreased marginally however in the first quarter of 2013 which includes the peak trading period of January, membership has increased by 1.6% (2012: 0.8% increase). During its peak trading month of January joiners were 2% up on 2012.

Future contract value, the value of the unexpired minimum term of our member's contracts, was £26.7m at 31 October 2012 and at 31 January 2013 currently stands at £28.0m.

### **Key performance indicators (KPIs)**

The primary KPIs used by the group are membership, annualised retention, EBITDA, club EBITDA, LFL performance and future membership contract value.

- *Membership at 31 October 2012 was 187,879 and membership at 31 January 2013 was 190,967, a 1.6% improvement in the first quarter of 2013.*
- *Net member movement in the 3 months to 31 January 2013 was an increase of 3,088 (3 months to 31 January 2012 – 1,540 improvement).*
- *Annualised retention at 31 October 2012 was 39% (2011: 41%).*
- *EBITDA before exceptional items for the year to 31 October 2012 was £15.0m (2011: £15.8m on a 12 month LFL basis).*
- *Club EBITDA for the year to 31 October 2012 was £27.0m (2011: £27.3m on a 12 months LFL basis).*
- *Future contract value at 31 October 2012 was £26.7m and at 31 January 2013 was £28.0m.*

## **Directors' report** *(continued)*

### ***Outlook***

The group has performed credibly in the year despite significant cost inflationary pressures and the strong performance in January 2013 represents a solid start to the new financial year and augurs well for its out-turn

### ***Principal risks and uncertainties***

The management of the business and the execution of the group's strategy are subject to a number of risks

The key business risks and uncertainties affecting the group are considered to relate to competition from other operators in the sector, interest rate exposure in the UK debt market and demographic or economic factors and trends that may result in a decline in overall membership levels in the UK health club market

### ***Financial risk management***

The group's principal financial instruments comprise long-term borrowings, and cash and short-term deposits. The main purpose of these financial instruments is to finance the group's operations. The group has various other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk.

#### ***Cash flow interest rate risk***

The group's exposure to the risk of changes in market interest rates relates to its long-term borrowings, and cash and short-term deposits, all of which have floating interest rates. To mitigate this risk the company uses an interest rate swap which has the effect of fixing the interest rate at just 1.0175% on £58m of principal debt.

#### ***Credit risk***

The group extends credit only to recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade debtor balances are monitored on an on-going basis with the result that the group's exposure to bad debts is not significant.

#### ***Liquidity risk***

The group aims to maintain a balance between continuity of funding and flexibility by ensuring that sufficient borrowing facilities are in place by reference to forecast cash flows. Cashflows are monitored on a daily basis by the finance function, and monthly by management.

#### ***Dividends***

The directors have not recommended the payment of an ordinary dividend (2011: £nil).

#### ***Directors***

The directors of the company during the year to 31 October 2012 were as follows:

F O Turok  
G Clempson  
M Long  
R Chester  
D Wiseman

## **Directors' report** *(continued)*

### ***Employees***

The board recognises that the performance of the group is enhanced when employees are kept informed about the operational and financial progress of the business. Regular meetings are held with employees at all levels of seniority to discuss the key issues, as well as the publication of a weekly employee e-letter and a daily online bulletin.

All employees receive equal opportunities for career advancement, including training and other forms of education as appropriate. People with disabilities are, wherever possible, given the same opportunities for employment, training, career development and promotion taking into account their individual abilities and qualifications. Employees who become disabled during their working life will be retained in employment wherever possible and given help with rehabilitation and training.

New employees are taken through a thorough induction programme, revolving around the recently launched Fit2Learn platform.

### ***Political and charitable contributions***

The group made no political or charitable contributions during the year (2011: £nil).

### ***Supplier Payment Policy***

The group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and then to abide by these terms. Creditor days at 31 October 2012 were 41 (31 October 2011: 26).

### ***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 he ought to have taken as a director to make himself 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 BDO LLP will therefore continue in office.

By order of the board



**R Chester**  
Director

Sandall Stones Road  
Kirk Sandall  
Doncaster  
South Yorkshire  
DN3 1QR

28 February 2013

## **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 group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 group and parent company and of their profit or loss for that period.

In preparing each of the group and parent company 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent 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 its 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.





BDO LLP  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5RU  
United Kingdom

## **Independent auditors' report to the members of MOP Acquisitions (LAF) Limited**

We have audited the financial statements of MOP Acquisitions (LAF) Limited for the year ended 31 October 2012 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 auditors' 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 statement of directors' responsibilities, 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 (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/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 October 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 MOP Acquisitions (LAF) 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Ian Beaumont (Senior Statutory Auditor)  
for and on behalf of BDO LLP, Statutory Auditor  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5RU

28 February 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

**Consolidated profit and loss account**  
*for the year ended 31 October 2012*

	<i>Note</i>	<b>Before goodwill amortisation and exceptional items £'000</b>	<b>Goodwill amortisation and exceptional items £'000</b>	<b>Year Ended 31 October 2012 £'000</b>	<b>15 months Period ending 31 October 2011 £'000</b>
<b>Turnover</b>	<i>1,2</i>	<b>86,641</b>	<b>-</b>	<b>86,641</b>	<b>112,196</b>
Cost of sales	<i>4</i>	<b>(70,849)</b>	<b>-</b>	<b>(70,849)</b>	<b>(92,519)</b>
- exceptional items	<i>3</i>	<b>-</b>	<b>(618)</b>	<b>(618)</b>	<b>(4,268)</b>
<b>Gross profit</b>		<b>15,792</b>	<b>(618)</b>	<b>15,174</b>	<b>15,409</b>
Administrative expenses					
- exceptional items	<i>3</i>	<b>-</b>	<b>(979)</b>	<b>(979)</b>	<b>(227)</b>
- goodwill amortisation	<i>9</i>	<b>-</b>	<b>(834)</b>	<b>(834)</b>	<b>(1,042)</b>
- other administrative expenses		<b>(10,782)</b>	<b>-</b>	<b>(10,782)</b>	<b>(12,402)</b>
		<b>(10,782)</b>	<b>(1,813)</b>	<b>(12,595)</b>	<b>(13,671)</b>
<b>Operating profit / (loss)</b>		<b>5,010</b>	<b>(2,431)</b>	<b>2,579</b>	<b>1,738</b>
Loss on disposal of fixed assets		<b>(363)</b>	<b>-</b>	<b>(363)</b>	<b>(2,495)</b>
Finance charges	<i>7</i>	<b>(21,919)</b>	<b>-</b>	<b>(21,919)</b>	<b>(27,156)</b>
<b>Loss on ordinary activities before taxation</b>	<i>4</i>	<b>(17,272)</b>	<b>(2,431)</b>	<b>(19,703)</b>	<b>(27,913)</b>
Taxation on loss on ordinary activities	<i>8</i>	<b>231</b>	<b>-</b>	<b>231</b>	<b>795</b>
<b>Loss for the financial period</b>	<i>18,19</i>	<b>(17,041)</b>	<b>(2,431)</b>	<b>(19,472)</b>	<b>(27,118)</b>

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 above result is derived wholly from continuing operations.

The notes on pages 13 to 30 form part of these financial statements.

**Consolidated balance sheet**  
*at 31 October 2012*

	Note	31 October 2012	31 October 2011
		£'000	£'000
<b>Fixed assets</b>			
Intangible assets	9	11,624	12,458
Tangible assets	10	69,954	72,553
		<u>81,578</u>	<u>85,011</u>
<b>Current assets</b>			
Stocks	12	812	717
Debtors	13	9,584	8,285
Cash at bank and in hand		-	-
		<u>10,396</u>	<u>9,002</u>
<b>Creditors</b> amounts falling due within one year	14	(49,769)	(45,063)
<b>Net current liabilities</b>		<u>(39,373)</u>	<u>(36,061)</u>
<b>Total assets less current liabilities</b>		<u>42,205</u>	<u>48,950</u>
<b>Creditors</b> amounts falling due after more than one year	15	(278,302)	(265,405)
<b>Provisions for liabilities and charges</b>	16	(8,394)	(8,564)
<b>Net liabilities</b>		<u>(244,491)</u>	<u>(225,019)</u>
<b>Capital and reserves</b>			
Called up share capital	17	38	38
Share premium account	18	342	342
Profit and loss account - deficit	18	(244,871)	(225,399)
<b>Equity shareholders' deficit</b>	19	<u>(244,491)</u>	<u>(225,019)</u>

These financial statements were approved by the board of directors on 28 February 2013 and were signed on its behalf by



**R Chester**  
Director

The notes on pages 13 to 30 form part of these financial statements

**Company balance sheet**  
*at 31 October 2012*

	<i>Note</i>	<b>£'000</b>	<b>31 October 2012</b> <b>£'000</b>	<b>£'000</b>	<b>31 October 2011</b> <b>£'000</b>
<b>Fixed assets</b>					
Investments	11		98,279		98,279
<b>Current assets</b>					
Debtors	13	-	-	-	-
Debtors due after more than one year	13	24,243		28,476	
		<u>24,243</u>		<u>28,476</u>	
<b>Creditors</b> amounts falling due within one year	14	(28,158)		(24,600)	
<b>Net current (liabilities) / assets</b>			<u>(3,915)</u>		<u>3,876</u>
<b>Total assets less current liabilities</b>			<u>94,364</u>		<u>102,155</u>
<b>Creditors</b> amounts falling due after more than one year	15		(277,820)		(264,558)
<b>Net liabilities</b>			<u>(183,456)</u>		<u>(162,403)</u>
<b>Capital and reserves</b>					
Called up share capital	17		38		38
Share premium account	18		342		342
Profit and loss account - deficit	18		(183,836)		(162,783)
<b>Equity shareholders' deficit</b>	19		<u>(183,456)</u>		<u>(162,403)</u>

These financial statements were approved by the board of directors on 28 February 2013 and were signed on its behalf by



**R Chester**  
*Director*

The notes on pages 13 to 30 form part of these financial statements

**Consolidated cash flow statement**  
*for the year ended 31 October 2012*

	<i>Note</i>	<b>Year Ended</b> <b>31 October 2012</b>		<b>15 months</b> <b>ending</b> <b>31 October 2011</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net cash inflow from operating activities</b>	<b>20</b>		<b>15,668</b>	<b>10,894</b>
<b>Returns on investments and servicing of finance</b>				
Bank interest paid		(4,167)		(5,851)
Interest on finance lease agreements	7	(179)		(172)
			(4,346)	(6,023)
<b>Taxation</b>				
Taxation paid		-		(39)
<b>Capital expenditure</b>				
Purchase of tangible fixed assets		(6,710)		(9,743)
Sale of tangible fixed assets		34		927
			(6,676)	(8,816)
<b>Cash inflow / (outflow) before financing</b>			<b>4,646</b>	<b>(3,984)</b>
<b>Financing</b>				
<i>Debt due within one year</i>				
Repayment of loan	15	(479)		(5,331)
<i>Debt due after more than one year</i>				
Costs of acquiring loan finance	15	(41)		(1,443)
Capital element of finance lease repayments		(1,218)		(1,007)
Issue of Mezzanine finance		-		10,000
			(1,738)	(2,219)
<b>Increase / (decrease) in cash in the period</b>	<b>21,22</b>		<b>2,908</b>	<b>(1,765)</b>

The notes on pages 13 to 30 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 in dealing with items which are considered material in relation to the group and company's financial statements

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention and in accordance with the Companies Act 2006

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the company and its principal subsidiaries made up to 31 October 2012. All investments have been accounted for on an acquisition basis. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. LA Fitness (1998) Limited has been consolidated into the group financial statements as required by the quasi-subsidiary principles in FRS 5 (see note 11).

All intra-group transactions have been eliminated on consolidation.

Under s406 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements and its loss for the period amounted to £21,053,000 (2011: £26,207,000).

#### *Going concern*

The financial statements have been prepared on the assumption that the company and the group are going concerns despite the existence of net current liabilities and net liabilities at the year end.

The group is dependent on facilities provided to it by Royal Bank of Scotland and its banking syndicate. These facilities comprise term loans of approximately £63.2 million as at 31st October 2012, and a revolving credit/overdraft facility of £8 million. They also contain various covenants which the group is forecast to comply with for the foreseeable future.

The directors have reviewed the cash projections and funding requirements of the group for the next 18 months and believe that the group can operate within all the terms of these facilities. Accordingly they believe the going concern assumption to be an appropriate basis for the financial statements.

#### *Turnover*

Turnover comprises the value of goods and services supplied by the group, exclusive of value added tax. Membership subscription income is recognised evenly over the membership period. Joining fee and administration fee income, which is non-refundable in the event of a member departing, is recognised when received.

#### *Goodwill*

Goodwill arising in respect of business acquisitions is capitalised and is amortised by equal annual instalments over its estimated useful economic life, which will not exceed 20 years. On the subsequent disposal or termination of a business acquired, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill. If the carrying value of goodwill is considered to exceed its recoverable amount, an impairment charge is charged to the profit and loss account.

Impairment testing compares the recoverable amount of goodwill with the book value. Recoverable amount is calculated by discounting future cash flows based on the formal plan prepared for the recent bank financing and approved by the Board. The key factors are growth rates, membership numbers and discount rates which are based on a cost of capital of 8%.

## Notes to the financial statements (*continued*)

### 1 Accounting policies (*continued*)

#### *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 land and buildings	-	straight line over the life of the lease or useful economic life, whichever the shorter
Fixtures, fittings and equipment	-	five years straight line
Motor vehicles	-	25% reducing balance

In accordance with FRS 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 at a discount rate, which is based on a cost of capital of 8%. Any reductions in value arising from the impairment of fixed assets are charged to the profit and loss account.

#### *Stocks*

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

#### *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.

#### *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 group. 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.

#### *Pensions*

The company makes contributions to the personal pension schemes of certain employees. Contributions are charged to the profit and loss account as they become payable.

#### *Pre-opening expenditure*

Pre-opening sales and marketing costs associated with clubs under construction are charged to the profit and loss account as incurred.



## Notes to the financial statements (*continued*)

### 1 Accounting policies (*continued*)

#### *Classification of financial instruments issued by the company*

Under FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that these conditions are not met, instruments are classified as financial liabilities. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

#### *Employee share option plan*

In September 2005 the group established The LA Fitness Employee Share Ownership Trust (ESOT). The group is deemed to have control of the assets, liabilities, income and costs of the ESOT. In accordance with UITF38 'Accounting for ESOP Trusts' the shares of the company held by the ESOT are shown as a deduction from financial liabilities in the consolidated balance sheet. The shares of the company held by the ESOT are also shown at the market value of the shares at the date of acquisition less any amount written off in respect of any permanent diminution in the value of the investments.

#### *Debt instruments and issue costs*

New borrowings are stated at the fair value of consideration received less costs directly attributable to the issue of the debt instrument. Such issue costs are subsequently charged to the profit and loss account over the term of the debt.

#### *Foreign exchange*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the balance sheet date using year end rates and any exchange differences arising are taken to the profit and loss account.

#### *Investments*

Fixed asset investments are carried at cost less provisions for impairment in value.

#### *Provisions*

Provisions are created where the group 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 group, and where the obligation can be measured reliably. The amounts provided are based on the group's best estimate of the net present value of future net cash flows. Specific property provisions are made for the following:

- **Dilapidations:** As the group invests in its health and fitness operations for the long-term, it maintains its clubs to a high standard of repair and potential exposure to dilapidations is minimal. Where closures or non-renewals of leases are planned in advance which are likely to accelerate the timing of dilapidation costs, a separate provision is made in the accounts for the estimated dilapidation cost at the balance sheet date.
- **Onerous contracts:** The group 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. The provisions are discounted at 8%.

## Notes to the financial statements (continued)

### 2 Turnover

Turnover and profit before taxation is attributable to the principal activity of the group, the operation of health and fitness clubs, and arises wholly in the United Kingdom and Ireland

### 3 Exceptional items

	2012 £'000	2011 £'000
<b>Exceptional cost of sales</b>		
Property provision increase (note 16)	618	1,205
Impairment charge	-	3,063
	<u>618</u>	<u>4,268</u>
 <b>Exceptional administrative expenses</b>		
Restructuring and legal costs	979	227
	<u>1,597</u>	<u>4,495</u>

During the year the directors carried out a review of the group's portfolio and certain property provisions were made as a result of that review amounting to £618,000

Management has also carried out a group wide review of its business operations and incurred associated restructuring and reorganisation costs. In addition, provision was made for certain legal disputes that were outstanding as at 31 October 2012, which have subsequently been concluded

### 4 Loss on ordinary activities before taxation

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

	2012 £'000	2011 £'000
Depreciation - owned assets	9,046	12,082
Depreciation - assets held under finance leases and hire purchase contracts	862	665
Exceptional cost of sales (note 3)	618	4,268
Exceptional administrative expenses (note 3)	979	227
Amortisation of intangible fixed assets	834	1,043
<u>Audit fees</u>		
- Audit of these financial statements*	64	66
<u>Non-audit fees</u>		
- Fees payable for taxation services	15	14
<u>Operating lease rentals</u>		
- Plant and machinery	310	484
- Land and buildings	14,504	18,427
Rent receivable	(1,480)	(2,474)
	<u></u>	<u></u>

\*Audit costs are borne by LA Leisure Ltd on behalf of its parent company and fellow subsidiaries

## Notes to the financial statements (continued)

### 5 Staff numbers and costs

The average number of employees during the period was

	Number of Employees 2012	Number of Employees 2011
Administration and marketing	166	161
Club activities	954	1,030
	<u>1,120</u>	<u>1,191</u>

The aggregate payroll costs of these employees were as follows

	2012 £'000	2011 £'000
Wages and salaries	23,637	31,940
Social security costs	1,669	2,337
Other pension costs	42	48
	<u>25,348</u>	<u>34,325</u>

### 6 Directors' emoluments

	2012 £'000	2011 £'000
Directors' remuneration	633	836
Social Security costs	64	73
Pension contributions	38	46
	<u>735</u>	<u>955</u>

The aggregate of emoluments paid to the highest paid director was £351,290 (2011 £416,724) and company pension contributions of £24,365 (2011 £37,500) were made to a money purchase scheme on his behalf. There are 2 directors receiving retirement benefits under money purchase schemes.

### 7 Finance charges

	2012 £'000	2011 £'000
Bank loans and overdrafts	7,266	9,052
Finance lease and hire purchase contracts	179	172
Loan note interest	9,075	8,839
Amortisation of debt issue costs	420	428
Write off of debt issue costs	-	2,167
Preference share dividends	3,617	4,493
Unwind of discount	175	184
Other finance costs	1,187	1,821
	<u>21,919</u>	<u>27,156</u>

## Notes to the financial statements (*continued*)

### 8 Taxation

#### Analysis of tax credit in year

	2012 £'000	2011 £'000
<i>Current UK corporation tax</i>		
Adjustments in respect of prior periods	(77)	40
Total current tax	(77)	40
<i>Deferred tax</i>		
Origination/reversal of timing differences	(291)	(65)
Adjustments in respect of prior periods	57	(850)
Effect of rate change	80	80
Total deferred tax	(154)	(835)
Tax credit on loss on ordinary activities	(231)	(795)

#### *Factors affecting the tax credit for the current year*

The current tax credit for the year is lower than the standard rate of corporation tax in the UK of 24.83% (2011: 27%). An analysis of the current tax credit is given below

	2012 £'000	2011 £'000
Loss on ordinary activities before tax	(19,703)	(27,913)
Current tax at 24.83% (2011: 27%)	(4,892)	(7,537)
<i>Effects of</i>		
Expenses not deductible for tax purposes	3,950	5,932
Capital Allowances for year in excess of depreciation	1,069	2,661
Short term timing differences	-	(42)
Goodwill amortisation and impairment	207	282
Utilisation of tax losses	(334)	(1,296)
Adjustments in respect of prior years	(77)	40
Total current tax (credit) / charge (see above)	(77)	40

Unrecognised deferred tax in the year totalled £6,840,518

## Notes to the financial statements (*continued*)

### 9 Intangible fixed assets – Group

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 November 2011	94,615
<b>At 31 October 2012</b>	<b>94,615</b>
<b>Amortisation and impairment</b>	
At 1 November 2011	82,157
Charge for the year	834
<b>At 31 October 2012</b>	<b>82,991</b>
<b>Net book value</b>	
<b>At 31 October 2012</b>	<b>11,624</b>
At 31 October 2011	12,458

## Notes to the financial statements (*continued*)

### 10 Tangible fixed assets - Group

	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost:</b>			
At 1 November 2011	97,105	21,719	118,824
Additions	54	7,652	7,706
Disposals	(3,191)	(1,569)	(4,760)
<b>At 31 October 2012</b>	<b>93,968</b>	<b>27,802</b>	<b>121,770</b>
<b>Depreciation</b>			
At 1 November 2011	37,226	9,045	46,271
Charge for the year	3,035	6,873	9,908
Disposals	(3,209)	(1,154)	(4,363)
<b>At 31 October 2012</b>	<b>37,052</b>	<b>14,764</b>	<b>51,816</b>
<b>Net book value</b>			
<b>At 31 October 2012</b>	<b>56,916</b>	<b>13,038</b>	<b>69,954</b>
At 31 October 2011	59,879	12,674	72,553

Fixtures, fittings and equipment at 31 October 2012 include assets held under hire purchase and finance lease agreements which have a net book value of £3,280,000 (2011 £2,622,000). The depreciation charged to the profit and loss account in the year in respect of such assets amounted to £862,000 (2011 £665,000).

## Notes to the financial statements (*continued*)

### 11 Investments - Company

Shares in  
 group  
 undertaking  
 £'000

Cost and net book value of shares in group  
 undertakings at beginning and end of period

98,279

Details of operating subsidiary undertakings are as follows

Principal subsidiary undertakings	Nature of business	Percentage of shares held	Country of incorporation and operation
LA Fitness Limited *	Health and Fitness	100%	England and Wales
LA Leisure Limited	Health and Fitness	100%	England and Wales
MOP Acquisitions (CS) Limited	Holding company	100%	Cayman Islands
Crown Sports Limited	Health and Fitness	100%	England and Wales
Dragons Health Clubs Limited	Health and Fitness	100%	England and Wales
Boomsign Limited	Health and Fitness	100%	England and Wales
Axis Health & Fitness Limited	Health and Fitness	100%	England and Wales
Axis (Maidstone) Limited	Health and Fitness	100%	England and Wales
Axis (Rugby) Limited	Health and Fitness	100%	England and Wales
Trainstation Limited	Health and Fitness	100%	England and Wales

MOP Acquisitions (LAF) Limited exercises day to day control over LA Fitness (1998) Limited (limited by guarantee), a dormant company incorporated in England and Wales, as a result of the directors of LA Fitness (1998) Limited being directors of MOP Acquisitions (LAF) Limited. The quasi-subsidary principles contained in FRS 5 have been applied, therefore the results, assets and liabilities of LA Fitness (1998) Limited form part of the consolidated group. LA Fitness (1998) Limited made a profit before tax for the year of £nil (2011 profit of £nil) and had net liabilities at 31 October 2012 of £362,000 (2011 £362,000).

\* LA Fitness Limited is the only company directly owned by MOP Acquisitions (LAF) Limited

## Notes to the financial statements (continued)

### 12 Stocks

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Goods for resale	812	-	717	-

### 13 Debtors

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
<i>Due within one year</i>				
Trade debtors	413	-	822	-
Other debtors	1,904	-	333	-
Prepayments and accrued income	6,060	-	6,077	-
Deferred tax (see note below)	1,207	-	1,053	-
	9,584	-	8,285	-
<i>Due after more than one year</i>				
Amounts owed by group undertakings	-	24,243	-	28,476
	9,584	24,243	8,285	28,476

Amounts owed by group undertakings are not due within one year

<i>Deferred Tax</i>	£'000
At 1 November 2011 (transferred from provisions)	1,053
Charge in the year (note 8)	154
At 31 October 2012	1,207

### 14 Creditors: amounts falling due within one year

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Bank overdrafts	1,310	-	4,218	-
Bank loans (note 15)	-	-	-	-
Trade creditors	10,669	-	5,446	-
Corporation tax	2,140	-	2,217	-
Social security and other taxes	929	-	532	-
Net obligations under finance lease and hire purchase contracts	1,433	-	1,041	-
Amounts owed to group undertakings	-	1,940	-	1,940
Accruals and deferred income	6,834	-	8,088	59
VAT	236	-	920	-
Preference dividends accrued	26,218	26,218	22,601	22,601
	49,769	28,158	45,063	24,600

Bank loans and overdrafts are secured by a fixed and floating charge over all assets of the company and its group undertakings and an unlimited multilateral company cross guarantee given by the subsidiary undertakings to secure the liabilities of each other



## Notes to the financial statements (continued)

### 15 Creditors: amounts falling due after more than one year

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Bank loans (see below)	106,579	106,579	102,392	102,392
Deferred loan issue costs (see below)	3,100	3,100	3,100	3,100
Loan notes (see below)	144,513	144,513	135,438	135,438
Net obligations under finance lease and hire purchase contracts	808	-	1,173	-
Ordinary shares (see below)	284	284	284	284
Less Ordinary shares held by ESOT	(94)	-	(94)	-
Preference shares (see below)	23,514	23,344	23,514	23,344
Less Preference shares held by ESOT	(402)	-	(402)	-
	<u>278,302</u>	<u>277,820</u>	<u>265,405</u>	<u>264,558</u>

#### Bank loans

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Analysis of bank loan repayments				
Due within one year	-	-	-	-
Due between one year and two years	63,235	63,235	-	-
Due between two years and five years	48,024	48,024	107,451	107,451
	<u>111,259</u>	<u>111,259</u>	<u>107,451</u>	<u>107,451</u>
Debt issue costs	(4,680)	(4,680)	(5,059)	(5,059)
	<u>106,579</u>	<u>106,579</u>	<u>102,392</u>	<u>102,392</u>

As at 31 October 2012 bank loans comprise the following

Senior debt finance - £63,235,222 These facilities are repayable in full by 31 October 2014 Interest is charged at a margin of 3.5% above LIBOR

Original Mezzanine finance - £35,456,040 This facility is repayable in full by 18 July 2015 Interest is charged at a margin of 4.5% above LIBOR which rolls up into the principal debt.

New Mezzanine finance effective from 30 August 2011 - £12,567,896 This facility is repayable in full by 18 July 2015 Interest is charged at a margin of 20% above LIBOR which rolls up into the principle debt

Deferred loan issue costs of £3,100,000 associated with the January 2009 refinancing are due for payment by 31 October 2014

## Notes to the financial statements *(continued)*

### 15 Creditors. amounts falling due after more than one year *(continued)*

#### Loan notes

Loan notes are to be repurchased in full at par on a sale, listing or liquidation of the business, or if earlier, 10 years and 3 months from the draw down date of the mezzanine facility (14 July 2005)

Loan notes issued prior to 31 July 2008 accrue interest at a fixed rate of 20% per annum payable on 31 January and 31 July in arrears commencing on 31 January 2007. On each interest payment date the company is entitled, at its option, to settle the interest by issuing new loan notes to the loan note holders.

As part of the refinancing that took place in January 2009, £13,809,960 of new loan notes were issued by the company for the cash consideration of £10m and have the same rights as those issued prior to 31 July 2008 but accrue interest at a fixed rate of 25% per annum.

Interest on the original 2005 loan notes was waived with effect from 1 August 2010.

#### Non-equity ordinary share capital

	No. of Shares	2011 £'000	No. of Shares	2010 £'000
<i>Called up and fully paid</i>				
B Ordinary shares of 10p each	131,836	13	131,836	13
C Ordinary shares of 10p each	98,875	10	98,875	10
D Ordinary shares of 10p each	30,303	3	30,303	3
E Ordinary shares of 10p each	22,727	2	22,727	2
	<u>283,741</u>	<u>28</u>	<u>283,741</u>	<u>28</u>

The B, C, D and E Ordinary shares comprise share capital of £28,000 and share premium account of £256,000 and shares with a value of £94,000 are held by the Employee Share Ownership Trust.

Prior to a sale, listing or liquidation of the group, the B, C, D and E Ordinary shares have rights which rank *pari passu* with the A Ordinary shares as detailed in note 17. However, on a sale, listing or liquidation, the B, C, D and E Ordinary shares are subject to ratchet conditions such that a proportion of these ordinary shares will convert to deferred shares. The ratchet conditions are based on the amount of absolute and discounted cash-flow returns received by the A ordinary shareholders. The deferred shares do not confer any entitlement to dividends or to vote at any general meeting and can be purchased by the company for a maximum aggregate sum for all deferred shares of £1.

#### Finance leases

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2012 £'000	2011 £'000
Within one year	1,433	1,041
In the second to fifth year	808	1,173
	<u>2,241</u>	<u>2,214</u>

## Notes to the financial statements (continued)

### 15 Creditors amounts falling due after more than one year (continued)

#### Non-equity preference share capital

	No of shares	2012 £'000	No of shares	2011 £'000
Called up and fully paid				
A Preference shares of 1p each	18,754,658	188	18,754,658	188
A Preference shares of £1 each	100,000	100	100,000	100
B Preference shares of 1p each	4,624,114	46	4,624,114	46
B Preference shares of £1 each	35,612	36	35,612	36
C Preference shares of £1 each	100	-	100	-
	<b>23,514,484</b>	<b>370</b>	<b>23,514,484</b>	<b>370</b>

The A and B preference shares of 1p and £1 each comprise in aggregate share capital of £369,000 and share premium account of £23,145,000 and shares with a value of £402,000 are held by the Employee Share Ownership Trust

The A and B preference shares of 1p each are redeemable at their subscription price of £1 at the request of the majority of the preference shareholders if certain events occur and are redeemable immediately before a sale or listing of the company or its subsidiary undertakings

Holders of the A and B Preference shares of 1p each are entitled to receive notice of and to attend and speak at general meetings of the company, but may not vote at general meetings unless the resolution varies any of the rights attaching to the preference shares, is for the winding up of the company, is for approval of the giving of financial assistance or is for the return of share capital

The A preference shares of 1p each are entitled to a fixed cumulative preferential dividend at 14.2% of the subscription price and the B preference shares of 1p each are entitled to a fixed cumulative preferential dividend at 20.0% of the subscription price

Dividends associated with the A and B preference shares of 1p each rank *pari passu* and both have priority over the dividend rights of the ordinary shareholders. Dividends in respect of A and B preference shares of 1p each become payable on 31 January and 31 July of each year. Any dividends not paid at the relevant dividend date accrue interest at the annual dividend rate.

On winding up, the A and B preference shares of 1p each rank above ordinary shareholders and are entitled to receive £1 per share and any dividends accrued but unpaid (including any interest due) in respect of their shares.

Holders of the A, B and C Preference shares of £1 each are not entitled to receive notice of, attend, speak or vote at general meetings of the company.

The A, B and C preference shares of £1 each are only entitled to a dividend on the occurrence of certain events, including a sale of the ordinary shares of the company or winding up based on a ratcheted return mechanism.

Dividends associated with the A and B preference shares of £1 each, to the extent any such payment is due and payable, rank *pari passu* and both have priority over the dividend rights of the ordinary shareholders.

Dividends associated with the C preference shares, to the extent any such payment is due and payable, rank ahead of the A and B preference shares and have priority over the dividend rights of the ordinary shareholders.

#### Interest rate swap

The amount of borrowings over which interest rate swaps apply is £58,000,000. At 31 October 2012 the fixed interest rate was 1.01750%. The carrying amount of borrowings approximate to their fair value.

## Notes to the financial statements (*continued*)

### 16 Provisions - Group

	Total provisions £'000
At 1 November 2011	8,564
Profit and loss account – exceptional charge in year (note 3)	618
Profit and loss account – utilised in period	(963)
Unwind of discount (note 7)	175
<b>At 31 October 2012</b>	<b>8,394</b>

The provisions of £8,394,000 (2011 £8,564,000) comprise onerous leases of £8,394,000 (2011 £8,564,000)

### 17 Equity share capital

	No of Shares	2012 £'000	No of Shares	2011 £'000
<i>Called up and fully paid</i>				
A Ordinary shares of 10p each	380,303	38	380,303	38

Any dividends declared in respect of the A ordinary shares are distributed pro rata to the nominal value of the A, B, C, D and E ordinary shares

All A, B, C, D and E ordinary shares rank *pari passu* as to entitlement to vote at general meetings, with each A, B, C, D and E ordinary share entitling the holder to one vote (see note 15)

Subject to the rights of the preference shareholders, on winding up, the balance of assets available for distribution shall be distributed among the ordinary shareholders pro rata to the nominal value of ordinary shares held

## Notes to the financial statements (continued)

### 18 Reserves

#### Group

	Share premium £'000	Profit and loss account £'000
At 1 November 2011	342	(225,399)
Loss for the year	-	(19,472)
<b>At 31 October 2012</b>	<b>342</b>	<b>(244,871)</b>

#### Company

	Share Premium £'000	Profit and loss account £'000
At 1 November 2011	342	(162,783)
Loss for the year	-	(21,053)
<b>At 31 October 2012</b>	<b>342</b>	<b>(183,836)</b>

### 19 Reconciliation of movements in equity shareholders' deficit

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Loss for the financial period	(19,472)	(21,053)	(27,118)	(26,207)
Opening equity shareholders' deficit	(225,019)	(162,403)	(197,901)	(136,196)
<b>Closing equity shareholders' deficit</b>	<b>(244,491)</b>	<b>(183,456)</b>	<b>(225,019)</b>	<b>(162,403)</b>

## Notes to the financial statements *(continued)*

### 20 Reconciliation of operating profit to net cash inflow from operating activities - Group

	2012 £'000	2011 £'000
Operating profit	2,579	1,738
Adjustment for non-cash items		
Depreciation of tangible fixed assets	9,908	12,747
Fixed asset impairment charge	-	3,063
Movement in onerous lease provisions	(345)	(357)
Amortisation of intangible fixed assets	834	1,043
Movements in working capital		
(Increase) / decrease in debtors	(1,145)	2,629
Increase / (decrease) in creditors	3,932	(9,967)
Increase in stock	(95)	(2)
Net cash inflow from operating activities	15,668	10,894

### 21 Reconciliation of net cash outflow to movement in net debt – Group

	£'000	2012 £'000	£'000	2011 £'000
<b>Increase / (decrease) in cash in the year</b>	2,908		(1,765)	
Cash outflow / (inflow) from net decrease / (increase) in debt and lease financing	1,738		(2,219)	
Change in net debt resulting from cash flows		4,646		(3,984)
Other non-cash changes		(18,643)		(23,059)
Movement in net debt in the year		(13,997)		(27,043)
Net debt at start of year		(290,166)		(263,123)
Net debt at end of year		(304,163)		(290,166)

## Notes to the financial statements (continued)

### 22 Analysis of net debt - Group

	At 1 November 2011 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 October 2012 £'000
Bank overdrafts	(4,218)	2,908	-	(1,310)
Loans due within one year	-	-	-	-
Loans due after one year	(242,890)	479	(13,361)	(255,772)
Non-equity shares (net of ESOP)	(23,302)	-	-	(23,302)
Preference shares dividend accrued	(22,601)	-	(3,617)	(26,218)
Finance leases	(2,214)	1,218	(1,245)	(2,241)
Debt costs	5,059	41	(420)	4,680
	(285,948)	1,738	(18,643)	(302,853)
	(290,166)	4,646	(18,643)	(304,163)

### 23 Other commitments

As at 31 October 2012 there were annual commitments under non-cancellable operating leases in respect of the group as follows

	Land and buildings 2012 £'000	Other 2012 £'000	Land and buildings 2011 £'000	Other 2011 £'000
Expiry date				
Within 1 year	220	159	220	41
Between two and five years	290	172	100	310
In more than five years	14,849	-	14,665	-
	15,359	331	14,985	351

The company had no other annual commitments under operating leases at 31 October 2012 (31 October 2011 £nil)

## Notes to the financial statements *(continued)*

### 24 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 prepares publicly available consolidated accounts including all of its 100% owned subsidiaries

At 31 October 2012, MidOcean Holdco (LAF) SARL held A preference shares in the company with a nominal value of £157,815 (31 October 2011 £157,815) In relation to these shares, the company accrued a preference share dividend during the year of £3,376,809 (31 October 2011 £2,805,821) and had a balance of unpaid preference share dividends at the year end of £16,380,593 (31 October 2011 £14,133,480)

At 31 October 2012, MidOcean Finco (LAF) SARL held loan notes in the company with a value, including unpaid interest, of £126,067,030 (31 July 2011 £117,686,213) In relation to these loan notes, the company accrued interest during the year of £8,380,817 (31 October 2011 £8,158,708)

### 25 Parent undertakings and controlling parties

MOP Acquisitions (LAF) Limited is controlled by MidOcean Holdco (LAF) SARL, a company incorporated in Luxembourg MidOcean Holdco (LAF) SARL is controlled by Ultramar Capital Limited, a company incorporated in the Cayman Islands In the directors opinion this is the ultimate parent company