Grant Thornton

Financial Statements
The Gym Limited

For the year ended 31 December 2012

Registered number: 05659669

Company Information

Directors	P Gilbert A Mathews J Phillips J Treharne
Company secretary	A Mathews
Registered number	05659669
Registered office	Blenheim Centre Prince Regent Road Hounslow TW3 1NL
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton House Euston Square London NW1 2EP
Bankers	HSBC Bank plc 431 Oxford Street London W1C 2DA

The Gym Limited

Contents

Directors' report
For the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activities

The principal activity of the company during the year was the provision and operation of gym facilities

Business review

During 2012 The Gym Group has further established itself as one of the UK's leading operators of low cost gyms As at 31 December 2012 The Gym Group operated 32 sites, having opened a further 16 sites during 2012 (2011 - 6 sites) With 5 sites currently in fit out at the year end, and a strong pipeline of prospective sites, the business is on track to open at least a further 16 sites in 2013 Our sites are increasingly found throughout the UK having opened sites in Edinburgh, Glasgow, Swansea, Norwich and Ashford to complement the portfolio that existed at the beginning of the year However, our portfolio is predominantly concentrated in the South-East and Greater London area

Because of our ability to fit out a variety of buildings from offices, leisure facilities (e g night clubs, ice rinks, bingo halls and former gyms) to retail locations, we continue to see a large numbers of opportunities to expand through site acquisition To help manage this expansion in a controlled and measured way, the business has invested in strengthening the property team to prioritise and evaluate prospective sites Governance remains very strong so that only those sites that meet our demanding investment and property criteria are selected

Our Vision is "to drive industry change and provide consumers with the most affordable, flexible and compelling gym membership available" This is clearly resonating with gym users as our total membership has grown from 96,000 members at December 2011 to 166,000 members at December 2012, a 73% increase, thanks in part to continuing growth in membership at clubs open for over one year, as well as that from newer clubs

Our proposition offers members state of the art gym equipment in purpose built facilities that are open 24 hours a day, seven days a week We are transparent with our pricing, allowing members to join online using our website, which was enhanced during the year to allow members to sign up and administer their accounts from mobile devices Membership also includes access to free services such as fitness and nutrition tips, virtual studios, induction and training sessions with our team of highly qualified and experienced personal trainers We also have an effective presence on social media sites such as Facebook (>50,000 followers) and Twitter (>10,000 followers) with growing usage on both platforms

The low cost sector continues to offer significant growth opportunities despite a largely flat health and fitness market Our offering continues to attract a broad demographic, although primarily the 24-35 age group As well as attracting existing gym users 33 9% of our members have never been a member of a gym before, evidence that our model is not only taking market share, but is also growing the health and fitness market Since 2008, when the Group was established, our sites have had over 13 8 million member visits, a total membership base of over 623,000 members and a current membership base as at the date of this report that has grown since the year end to over 200,000

Financial review

The Group has again delivered exceptional performance, outperforming a largely flat Health and Fitness market, growing the number of sites from 16 to 32 during the year Turnover grew by £9 1m (68%) from £13 5m to £22 6m Revenue growth was driven by a combination of continued growth in membership at our existing gyms as they continue to mature and from the 16 new sites opened in the year Membership numbers grew by 70,000 (73%) from 96,000 to 166,000 while member visits grew by 2 8m (68%) from 4 1m to 6 9m

As a result of our strong revenue growth EBITDA grew by £2 8m (90%) from £3 1m to £5 9m The Directors are

Directors' report
For the year ended 31 December 2012

confident that EBITDA will continue to grow significantly in the coming year from both continued growth in the profitability of existing sites and from new sites

These results are summarised in the table below

	2012	2011	Growth
Turnover	£22 6m	£13 5m	68%
Gym EBITDAR*	£9 9m	£5 1m	94%
Gym EBITDA**	£8 0m	£4 2m	90%
Group EBITDA***	£5 9m	£3 1m	90%
Sites	32	16	100%
Members	166k	96k	73%
Visits	6 9m	4 1m	68%

*Gym EBITDAR is defined as earnings before interest, taxation, depreciation and amortisation, head office costs and gym equipment rental costs

**Gym EBITDA is defined as earnings before interest, taxation, depreciation and amortisation and head office costs

***Group EBITDA is defined as earnings before interest, taxation, depreciation and amortisation

Growth has been financed through a mixture of cash, bank and shareholder debt Bridges Ventures remains a very supportive shareholder and has invested a further £5 1m taking the total invested to over £17 5m During the year our facilities with HSBC were extended by £5 5m from £12m to £17 5m, of which £15 7m was drawn as at 31 December 2012

Despite investing in new sites cash balances grew by £2 7m (550%) from £0 6m to £3 3m Our business model, pre-fit out costs, is very cash generative, and this is reflected in the above result

Our growth has been, and will continue to be, funded by a combination of cash generated by sites already open, new funds from our principal shareholders and committed bank facilities

Included within the profit and loss account are £191,967 (2011 £nil) of exceptional costs of which £102,823 relate to an on-going legal dispute at one of the company's gym sites and £89,144 relate to refinancing to fund expansion The directors do not expect to incur significant further costs in respect of the legal claim or for there to be a significant impact on future years' financial statements

Future developments

The new financial year has started very strongly with membership numbers growing by 48,000 (29%) from 166,000 to 214,000 as at the 31st May This represents like for like membership growth of 69%, and annualised Revenue and EBITDA of £36 2m and £12 7m respectively This sets a very solid platform for the year ahead

On 13th June 2013 the Company was acquired by The Gym Group Ltd, ultimately controlled by Phoenix Equity Partners Ltd, following which The Gym Group Ltd subscribed for 37.6m ordinary shares for a total consideration of £37 6m The proceeds were used to repay in full all outstanding Bank and Shareholder Loans The pro-forma, unaudited balance sheet summarised below, shows the effect of these events had they occurred on 31 December 2012

Directors' report
For the year ended 31 December 2012

BALANCE SHEET	2012(Audited)	Pro-forma adjustments	Pro-forma 2012
Fixed assets	36,106,236		36,106,236
Current assets			
Stock	102,516		102,516
Debtors	3,418,569		3,418,569
Cash at Bank	3,292,780	1,501,729	4,794,509
Total current assets	6,813,865	1,501,729	8,315,594
Creditors: amounts due < 1year	(22,237,366)	15,539,076	(6,698,289)
Net current liabilities	(15,423,500)	17,040,805	1,617,305
Total assets less current liabilties	20,682,736	17,040,805	37,723,541
Creditors: amounts due > 1year	(20,371,357)	20,149,952	(221,405)
Provisions for liabilities			
Deferred tax	(611,550)		(611,550)
	(300,171)	37,190,757	36,890,586
Capital and reserves			
Share Capital & Share Premium	459,552	37,598,342	38,057,894
Profit & Loss	(759,723)	(407,585)	(1,167,308)
Shareholders (deficit)/gain	(300,171)	37,190,757	36,890,586

Pro-forma illustrates the Balance Sheet position as if the re-financing had taken place at 31.12 2012

The Directors believe that this transaction further strengthens the capital base of the Company and also that we now offer Landlords a much improved and very strong covenant, which makes us a favourable choice in many instances

The Gym Group's success is largely due to the expertise and endeavour of our management team, which stands out as one of the most able in the Health and Leisure market This team, led by our Chief Executive John Treharne, has responded admirably to the challenges of growing both existing and new sites The talent and commitment of our team has been recognised with Investors in People accreditation (awarded in August 2012) and a 3 star award in the Sunday Times best small companies to work for in February 2013, coming 15th out of a total of 100 companies shortlisted We were also proud to have been recognised as one of the fastest growing companies in the UK in the Sunday Times Fast Track 100, published in December 2012 With a compound average growth rate of approximately 140% since 2009, The Gym Group was ranked 13th

The Board wishes to express its gratitude for the hard work and commitment of all its employees in delivering our success Recognition of our Chief Executive's, John Treharne, status within the Health and Fitness industry was received with his appointment to the Board of the UK governing body, UK Active, in December 2012 We would like to congratulate John on this recognition

Looking forward, the combination of our attractive membership proposition, the strength of our management team, capital base, and the market opportunity for low cost gyms means we are well placed to continue our explosive growth

Our objective will remain the same, namely, to drive industry change and provide consumers with the most affordable, flexible and compelling gym membership available

The Board is confident of significant progress and profitable growth in 2013

Directors' report

For the year ended 31 December 2012

Results

The profit for the year, after taxation, amounted to £237,850 (2011 loss £365,111)

Directors

The directors who served during the year were

P Gilbert (appointed 1 February 2012)
A-M Harris (resigned 13 June 2013)
A Mathews
P Newborough (resigned 13 June 2013)
J Phillips
J Treharne

Directors' responsibilities statement

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 the directors have elected to prepare the 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 company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- 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

Directors' report
For the year ended 31 December 2012

Financial risk management objectives and policies

The company uses various financial instruments which include cash, debtors and trade creditors The main purpose of these financial instruments is to raise finance for the company's operations (working capital) and to facilitate the growth of the company by funding more club openings The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below

The main risk arising from the company's financial instruments is credit risk The Directors review and agree policies for managing this risk which is summarised below

The credit risk policy remains unchanged from the year before

Credit risk

The company's principal financial asset is cash which is managed very closely The risk associated with cash is mainly with new members and current members that have their direct debits rejected

New members fees are collected within 10 days by direct debit of joining for the first month's dues and no monies are taken at the point of joining New member's bank account details are validated at the point of joining however the risk is that the new members direct debits are rejected on the first collection due to lack of funds A new member can use The Gym facilities from the date of joining The management's view is to minimise the barrier to join and to take this risk, however the member will be liable to pay an admin fee to The Gym's collection partners as set out in the membership terms and conditions

Direct debit cancellations are processed daily via a notification from BACs, this means if a current member cancels their direct debit with their bank before the direct debit is processed, their membership is cancelled immediately and the member will not be able to use The Gym facilities

If a current member has their direct debit rejected due to lack of funds they will be contacted and the direct debit will be represented for collection If the direct debit rejects again, the membership will be cancelled The risk is that a member could have use of The Gym's facilities for 10 days, however they will be liable to pay an admin fee to The Gym's collection partners as set out in the membership terms and conditions

Directors' report

For the year ended 31 December 2012

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 10th July 2013 and signed on its behalf

A Mathews
Director

Grant Thornton

Independent auditors' report to the members of The Gym Limited

We have audited the financial statements of The Gym Limited for the year ended 31 December 2012, which comprise the Profit and loss account, the Balance sheet, the 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 Directors' responsibilities statement, 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 Auditing Practices Board's website at 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 company's affairs as at 31 December 2012 and of its profit 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 matter 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

Grant Thornton

Independent auditors' report to the members of The Gym Limited

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

Grant Thornton UK LLP

Peter Smithson (Senior statutory auditor)
for and on behalf of Grant Thornton UK LLP
Grant Thornton UK LLP
Statutory Auditor
Date 11 July 2013

Profit and loss account

For the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	1,2	**22,631,844**	13,464,109
Cost of sales		**(394,592)**	(291,755)
Gross profit		**22,237,252**	13,172,354
Administrative expenses		**(18,968,437)**	(11,723,709)
Exceptional administrative expenses	6	**(191,967)**	-
Operating profit	3	**3,076,848**	1,448,645
Analysed as			
EBITDA*		**5,896,327**	3,051,859
Exceptional administrative expenses		**(191,967)**	-
Depreciation		**(2,627,512)**	(1,603,214)
Operating profit		**3,076,848**	1,448,645
Interest payable and similar charges	7	**(2,354,438)**	(1,714,449)
Profit/(loss) on ordinary activities before taxation		**722,410**	(265,804)
Tax on profit/(loss) on ordinary activities	8	**(484,560)**	(99,307)
Profit/(loss) for the financial year	16	**237,850**	(365,111)

*EBITDA is defined as earnings before charging Interest, Taxation, Depreciation, Amortisation and Exceptional items

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 11 to 23 form part of these financial statements

Balance sheet
As at 31 December 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	9		**36,106,236**		20,758,155
Current assets					
Stocks	10	**102,516**		48,559	
Debtors	11	**3,418,569**		2,960,215	
Cash at bank		**3,292,780**		619,298	
		6,813,865		3,628,072	
Creditors: amounts falling due within one year	12	**(22,237,364)**		(4,131,835)	
Net current liabilities			**(15,423,499)**		(503,763)
Total assets less current liabilities			**20,682,737**		20,254,392
Creditors: amounts falling due after more than one year	13		**(20,371,357)**		(20,665,422)
Provisions for liabilities					
Deferred tax	14		**(611,550)**		(126,990)
Net liabilities			**(300,170)**		(538,020)
Capital and reserves					
Called up share capital	15		**49,312**		49,312
Share premium account	16		**410,240**		410,240
Profit and loss account	16		**(759,722)**		(997,572)
Shareholders' deficit	17		**(300,170)**		(538,020)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10/7/13

A Mathews
Director

Cash flow statement

For the year ended 31 December 2012

	Note	2012 £	2011 £
Net cash flow from operating activities	18	**7,623,277**	3,043,619
Returns on investments and servicing of finance	19	**(698,029)**	(471,946)
Taxation		**-**	325
Capital expenditure and financial investment	19	**(17,975,593)**	(7,872,043)
Cash outflow before financing		**(11,050,345)**	(5,300,045)
Financing	19	**13,723,827**	5,022,505
Increase/(decrease) in cash in the year		**2,673,482**	(277,540)

Reconciliation of net cash flow to movement in net funds/debt

For the year ended 31 December 2012

	2012 £	2011 £
Increase/(decrease) in cash in the year	**2,673,482**	(277,540)
Cash inflow from increase in debt and lease financing	**(13,723,827)**	(5,022,505)
Change in net debt resulting from cash flows	**(11,050,345)**	(5,300,045)
Finance lease interest	**(1,208,572)**	-
Movement in net debt in the year	**(12,258,917)**	(5,300,045)
Net debt at 1 January 2012	**(20,587,747)**	(15,287,702)
Net debt at 31 December 2012	**(32,846,664)**	(20,587,747)

The notes on pages 12 to 24 form part of these financial statements

Notes to the financial statements
For the year ended 31 December 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Going concern

On 13 June 2013 the company was acquired by The Gym Group Ltd, ultimately controlled by Phoenix Equity Partners Ltd, following which The Gym Group Ltd subscribed for 37 6m ordinary shares of £0 01 each for a total consideration of £37 6m The proceeds were used to repay in full all outstanding Bank and Shareholder Loans, including accrued interest

Accordingly, the directors are satisfied that the company will have sufficient resources to continue for the foreseeable future and these accounts have therefore been prepared on a going concern basis

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied in the principal activities of the company and non-refundable joining fees received during the year, exclusive of Value Added Tax and trade discounts

Vending machine & tanning bed income comprises revenue recognised by the company in respect of goods and services supplied at the gym sites The income is recognised when received exclusive of Value Added Tax and trade discounts

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold improvements	-	Straight line over life of the lease
Fixtures & fittings	-	20% per annum straight line
Gym equipment	-	20% per annum straight line
Computer equipment	-	33% per annum straight line
Website design	-	20% per annum straight line

1.5 Leasing and hire purchase

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies Future instalments under such leases, net of finance charges, are included within creditors Rentals payable are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element which reduces the outstanding obligation for further instalments

Notes to the financial statements
For the year ended 31 December 2012

1. Accounting policies (continued)

1.6 Operatıng leases

Rentals applıcable to operatıng leases where substantıally all of the benefits and rısks of ownershıp remaın wıth the lessor are charged agaınst profits on a straıght lıne basıs over the perıod of the lease

Rent free perıods ın respect of property leases are charged evenly over the perıod from the openıng of the facılıty to the first rent revıew

Benefits receıved and receıvable from a landlord as an ıncentıve to sıgn an operatıng lease and deemed to benefit the company are recognısed as an asset and amortısed on a straıght lıne basıs over the perıod untıl the date the rent ıs expected to be adjusted to the prevaılıng market rate

1 7 Stocks

Stocks are valued at the lower of cost and net realısable value after makıng due allowance for obsolete and slow-movıng stocks

1.8 Deferred taxatıon

Full provısıon ıs made for deferred tax assets and lıabılıtıes arısıng from all tımıng dıfferences between the recognıtıon of gaıns and losses ın the financıal statements and recognıtıon ın the tax computatıon

A net deferred tax asset ıs recognısed only ıf ıt can be regarded as more lıkely than not that there wıll be suıtable taxable profits from whıch the future reversal of the underlyıng tımıng dıfferences can be deducted

Deferred tax assets and lıabılıtıes are calculated at the tax rates that have been enacted or substantıvely enacted by the balance sheet date

1.9 Pensıons

The company operates a defined contrıbutıon pensıon scheme for dırectors The assets of the scheme are held separately from those of the company The annual contrıbutıons payable are charged to the profit and loss account

Notes to the financial statements
For the year ended 31 December 2012

1. Accounting policies (continued)

1.10 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

1 11 Finance costs

Finance costs directly incurred on loan instruments are capitalised and amortised over the life of the loan in accordance with Financial Reporting Standard 15

Finance costs which are directly attributable to the development of a specific gym site are capitalised and depreciated over the life of the asset Capitalisation commences when finance costs are incurred and expenditure on the site begins Capitalisation ceases when the development of the site is complete

2. Turnover

An analysis of turnover by class of business is as follows

	2012	2011
	£	£
Membership income	**22,281,301**	13,259,375
Vending income	**285,181**	190,819
Tanning bed income	**65,362**	13,915
	22,631,844	13,464,109

Notes to the financial statements

For the year ended 31 December 2012

3. Operating profit

The operating profit is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the company	**2,131,191**	1,104,604
- held under finance leases	**496,321**	498,610
Auditor's remuneration	**26,000**	17,500
Operating lease rentals		
- operating lease rentals	**2,893,924**	2,019,538

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	**2,536,073**	1,362,408
Social security costs	**249,326**	142,738
Other pension costs	**17,750**	17,666
	2,803,149	1,522,812

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

	2012 No.	2011 No
Number of operational staff	**62**	35
Number of management staff	**10**	6
	72	41

Notes to the financial statements

For the year ended 31 December 2012

5. Directors' remuneration

	2012	2011
	£	£
Emoluments	**419,482**	387,132
Company pension contributions to defined contribution pension schemes	**17,750**	17,666

During the year retirement benefits were accruing to 3 directors (2011 3) in respect of defined contribution pension schemes

The highest paid director received remuneration of £167,500 (2011 £136,500)

6. Exceptional items

Included within the profit and loss account are £191,967 (2011 £nil) of exceptional costs of which £102,823 relate to an ongoing legal dispute at one of the company's gym sites and £89,144 relates to refinancing to fund expansion The directors do not expect to incur significant further costs in respect of the legal claim or for there to be a significant impact on future years' financial statements

7. Interest payable

	2012	2011
	£	£
On bank loans and overdrafts	**687,011**	353,188
On secured loan notes	**1,134,404**	914,532
On finance leases and hire purchase contracts	**121,802**	195,353
Amortisation of capitalised finance costs	**411,221**	251,376
	2,354,438	1,714,449

8. Taxation

	2012	2011
	£	£
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
Adjustments in respect of prior periods	-	(325)
Deferred tax (see note 14)		
Origination and reversal of timing differences	**484,560**	99,632
Tax on profit on ordinary activities	**484,560**	99,307

Notes to the financial statements
For the year ended 31 December 2012

8. Taxation (continued)

Factors affectıng tax charge for the year

The tax assessed for the year ıs lower than (2011 lower than) the standard rate of corporatıon tax ın the UK of 24 5% (2011 26 5%) The dıfferences are explaıned below

	2012	2011
	£	£
Profit/(loss) on ordınary actıvıtıes before tax	**722,410**	(265,804)
Loss on ordınary actıvıtıes multıplıed by standard rate of corporatıon tax ın the UK of 24 5% (2011 26 5%)	**176,990**	(70,438)
Effects of:		
Expenses not deductıble for tax purposes, other than goodwıll amortısatıon and ımpaırment	**346,712**	204,467
Capıtal allowances for year ın excess of deprecıatıon	**(423,953)**	(283,705)
Utılısatıon of tax losses	**(137,311)**	89,461
Adjustments to tax charge ın respect of prıor perıods	**-**	(325)
Other tımıng dıfferences leadıng to an ıncrease ın taxatıon	**37,562**	60,215
Current tax charge/(credit) for the year (see note above)	**-**	(325)

Factors that may affect future tax charges

There were no factors that may affect future tax charges

Notes to the financial statements

For the year ended 31 December 2012

9. Tangible fixed assets

	Leasehold improve-ments £	Fixtures & fittings £	Gym equipment £	Computer equipment £	Website design £	Total £
Cost						
At 1 January 2012	**18,029,424**	**1,039,693**	**4,200,723**	**164,010**	**283,950**	**23,717,800**
Additions	**14,710,680**	**1,225,545**	**1,719,761**	**108,051**	**211,556**	**17,975,593**
At 31 December 2012	**32,740,104**	**2,265,238**	**5,920,484**	**272,061**	**495,506**	**41,693,393**
Depreciation						
At 1 January 2012	**1,090,471**	**202,907**	**1,518,168**	**73,767**	**74,332**	**2,959,645**
Charge for the year	**1,186,169**	**320,465**	**976,646**	**62,537**	**81,695**	**2,627,512**
At 31 December 2012	**2,276,640**	**523,372**	**2,494,814**	**136,304**	**156,027**	**5,587,157**
Net book value						
At 31 December 2012	**30,463,464**	**1,741,866**	**3,425,670**	**135,757**	**339,479**	**36,106,236**
At 31 December 2011	16,938,953	836,786	2,682,555	90,243	209,618	20,758,155

Included within the net book value of £36,106,236 is £756,054 (2011 £1,252,375) relating to assets held under hire purchase agreements The depreciation charged to the financial statements in the year in respect of such assets amounted to £496,321 (2011 £498,610) In addition, included within leasehold improvements additions is £74,169 (2011 £40,553) in respect of capitalised finance costs The depreciation charged to the financial statements in the year in respect of finance costs amounted to £12,987 (2011 £8,411)

10. Stocks

	2012 £	2011 £
Finished goods and goods for resale	**102,516**	48,559

Notes to the financial statements

For the year ended 31 December 2012

11. Debtors

	2012	2011
	£	£
Other debtors	390,036	685,278
Prepayments and accrued income	3,028,533	2,274,937
	3,418,569	2,960,215

12. Creditors:
Amounts falling due within one year

	2012	2011
	£	£
Bank loans and overdrafts	15,424,135	-
Net obligations under finance leases and hire purchase contracts	343,953	541,623
Trade creditors	2,398,163	1,989,364
Social security and other taxes	96,203	46,015
Other creditors	58,097	33,383
Accruals and deferred income	3,916,813	1,521,450
	22,237,364	4,131,835

On 13 June 2013 the Company was acquired by The Gym Group Ltd, ultimately controlled by Phoenix Equity Partners Ltd, following which The Gym Group Ltd subscribed for 37 6m ordinary shares of £0 01 each for a total consideration of £37 6m The proceeds were used to repay in full all outstanding Bank and Shareholder Loans, including accrued interest

Notes to the financial statements

For the year ended 31 December 2012

13. Creditors: Amounts falling due after more than one year

	2012	2011
	£	£
Bank loans	-	6,213,571
Shareholder loans	**20,149,952**	13,886,493
Net obligations under finance leases and hire purchase contracts	**221,405**	565,358
	20,371,357	20,665,422

On 13 June 2013 the Company was acquired by The Gym Group Ltd, ultimately controlled by Phoenix Equity Partners Ltd, following which The Gym Group Ltd subscribed for 37 6m ordinary shares for a total consideration of £37 6m The proceeds were used to repay in full all outstanding Bank and Shareholder Loans, including accrued interest

The company's bank loan facility is secured by means of a fixed and floating charge over the company's assets

Included within the Shareholder and Bank loans is £122,102 (2011 £126,989) and £285,483 (2011 £280,185) respectively relating to capitalised finance costs The amortisation charged to the financial statements in the year in respect of capitalised loan finance costs amounted to £411,221 (2011 £251,376)

The company entered into an arrangement to fix the interest rate on the bank loan at 2 5% per annum from January 2011 to November 2013 The fair value of this instrument at the balance sheet date was £41,042 (2011 £85,173)

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2012	2011
	£	£
Between one and five years	**221,405**	565,358

14. Deferred taxation

	2012	2011
	£	£
At beginning of year	**126,990**	27,358
Charge for year	**484,560**	99,632
At end of year	**611,550**	126,990

Notes to the financial statements
For the year ended 31 December 2012

14. Deferred taxation (continued)

The provision for deferred taxation is made up as follows

	2012	2011
	£	£
Accelerated capital allowances	**1,385,699**	616,958
Tax losses carried forward	**(649,058)**	(384,190)
Other timing differences	**(125,091)**	(105,778)
	611,550	126,990

15. Share capital

	2012	2011
	£	£
Allotted, called up and fully paid		
750,000 Ordinary A shares of £0 01 each	**7,500**	7,500
4,181,200 Ordinary B shares of £0 01 each	**41,812**	41,812
	49,312	49,312

16. Reserves

	Share premium account	Profit and loss account
	£	£
At 1 January 2012	**410,240**	**(997,572)**
Profit for the year	-	**237,850**
At 31 December 2012	**410,240**	**(759,722)**

17. Reconciliation of movement in shareholders' deficit

	2012	2011
	£	£
Opening shareholders' deficit	**(538,020)**	(172,909)
Profit/(loss) for the year	**237,850**	(365,111)
Closing shareholders' deficit	**(300,170)**	(538,020)

Notes to the financial statements

For the year ended 31 December 2012

18. Net cash flow from operating activities

	2012	2011
	£	£
Operating profit	**3,076,848**	1,448,645
Depreciation of tangible fixed assets	**2,627,512**	1,603,214
Increase in stocks	**(53,958)**	(5,829)
Increase in debtors	**(458,355)**	(1,244,782)
Increase in creditors	**2,431,230**	1,242,371
Net cash inflow from operating activities	**7,623,277**	3,043,619

19. Analysis of cash flows for headings netted in cash flow statement

	2012	2011
	£	£
Returns on investments and servicing of finance		
Interest paid	**(576,227)**	(276,593)
Hire purchase interest	**(121,802)**	(195,353)
Net cash outflow from returns on investments and servicing of finance	**(698,029)**	(471,946)

	2012	2011
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(17,975,593)**	(7,872,043)

	2012	2011
	£	£
Financing		
Bank loans	**9,215,450**	6,078,819
Shareholder loan notes	**5,050,000**	1,000,000
Repayment of finance leases	**(541,623)**	(763,161)
Net cash inflow from financing	**13,723,827**	5,022,505

Notes to the financial statements
For the year ended 31 December 2012

20. Analysis of changes in net debt

	1 January 2012	Cash flow	Other non-cash changes	31 December 2012
	£	£	£	£
Cash at bank and in hand	**619,298**	**2,673,482**	**-**	**3,292,780**
Debt:				
Debts due within one year	**(541,623)**	**197,671**	**(15,424,135)**	**(15,768,087)**
Debts falling due after more than one year	**(20,665,422)**	**(13,921,498)**	**14,215,563**	**(20,371,357)**
Net debt	**(20,587,747)**	**(11,050,345)**	**(1,208,572)**	**(32,846,664)**

21. Related party transactions

Bridges Ventures, the company's ultimate controlling party until 13 June 2013 by virtue of its majority shareholding, charged the company £15,042 (2011 £15,000) in respect of monitoring fees in the year, of which £nil (2011 £3,750) was outstanding at year end

Bridges Ventures subscribed for £5,050,000 (2011 £1,000,000) of loan stock issued by the company in the year and charged the company £1,134,404 (2011 £914,532) of interest in the year At the year end, the company owed capital of £17,067,947 (2011 £12,017,947) and interest of £3,204,107 (2011 £1,995,533) to Bridges Ventures Interest accrued is included within accruals due in less than one year

During the year the company was charged £4,774,484 (2011 £883,053) for services from Closewall Limited, a company under the control of a family member of a director, J Treharne At the year end, £102,520 (2011 £16,186) was owed to Closewall Limited

During the year the company was charged £9,277 (2011 £3,920) for goods purchased from C Treharne who is a family member of a director, J Treharne At the year end, there was £1,000 (2011 £nil) owed to C Treharne

22. Capital commitments

At 31 December 2012 the company had capital commitments as follows

	2012	2011
	£	£
Contracted for but not provided within these financial statements	**3,340,644**	3,759,771

Notes to the financial statements

For the year ended 31 December 2012

23. Operating lease commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			Other
	2012	2011	**2012**	2011
	£	£	**£**	£
Expiry date:				
Within 1 year	**112,875**	-	-	-
Between 2 and 5 years	**3,391,833**	2,252,476	**1,873,820**	1,075,455
After more than 5 years	**105,380**	-	-	-

24. Post balance sheet events

On 13 June 2013 the Company was acquired by The Gym Group Ltd, ultimately controlled by Phoenix Equity Partners Ltd, following which The Gym Group Ltd subscribed for 37 6m ordinary shares of £0 01 each for a total consideration of £37 6m The proceeds were used to repay in full all outstanding bank and shareholder loans, including accrued interest Phoenix Equity Partners Ltd is now the company's ultimate controlling party