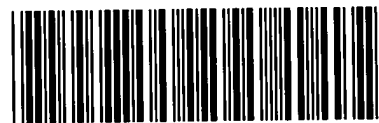


Company Registration No. 03075946

Fleets Point Limited
Report and Financial Statements for the 8 month period
1 November 2017 to 30 June 2018

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Fleets Point Limited

OFFICERS AND PROFESSIONAL ADVISERS

For the 8 month period ended 30 June 2018

DIRECTORS

J Wartig (resigned 30 April 2018)

P Stevens

B Broomberg

SECRETARY

S Cadd

REGISTERED OFFICE

Verde, 10 Bressenden Place

London

SW1E 5DH

BANKERS

HSBC Bank PLC

165 High St

Southampton

Hampshire

SO14 2NZ

SOLICITORS

Kirkland & Ellis

30 St Mary Axe

London

EC3A 8AF

INDEPENDENT AUDITOR

Ernst & Young LLP

19 Threefield Lane

Southampton

Hampshire

SO14 3QB

DIRECTORS' REPORT

For the 8 month period ended 30 June 2018

The Directors present their report on the affairs of the Company, together with the audited financial statements For the 8 month period ended 30 June 2018. On 26 June 2018 the Company was sold by Moray Ltd to Fitness First Luxembourg SCA (FF Lux), the ultimate parent company of the Moray Group. The Company has therefore changed its year end date from 31 October to 30 June to align with the new parent company. The current period results only reflect an 8 month period whereas the prior period reflects 12 months. Therefore the two periods presented are not entirely comparable.

Principal activities

During the period the Company has not traded and has no revenue generation or expenditure, with the only transactions that have taken place being described below.

Business review

During the period the Company returned cash of £73.6m which, at the previous balance sheet date, was held on deposit on behalf of a fellow group company, Moray Overseas Holdings Ltd.

Exceptional income of £0.1m has been received for the sale of IP. This related to the sale by the new parent company of a fellow subsidiary, Fitness First India, during the period.

As at the period end the Company was guarantor for a short-term lease of head office space held by its previous parent. On 31 July 2018 this lease was surrendered back to the landlord, releasing the Company and the previous parent from any future obligations in relation to the lease.

On 26 June 2018 the Company made a £1 loan to FF Lux. The Company then paid a dividend of £3.2m to its previous parent company (Moray Ltd), reflecting the remaining cash and a £0.01m debtor balance owed by Fitness First India. The total cash was distributed as the directors believe that there are no longer any future financial obligations on the Company. Following this, on the same date, the Company was sold to FF Lux.

All that remains on the closing balance sheet is a £1 debt owed by FF Lux, £0.87 accumulated reserves and £0.13 share capital. The Company will remain in existence for the foreseeable future due to its responsibilities as landlord guarantor discussed in the principal risks and uncertainties section below.

Dividends

During the period the Company has made total distributions of £3.2m, as described above.

Directors

The directors who served during the period are set out on page 1.

Future developments

The Company is now expected to remain dormant for the foreseeable future.

Principal risks and uncertainties

The main risk to the Company could be from its responsibilities as landlord guarantor in respect of certain UK clubs sold to Dave Whelan Sports and Australian clubs sold to Fitness Lifestyle Group, which are in the process of being transferred to the buyers. However, the directors consider any financial impact to the Company from these responsibilities as being very unlikely as, under the sale purchase agreements, the buyers have agreed to reimburse the Company for any claims made. This is discussed in note 18 to the Financial Statements.

DIRECTORS' REPORT (CONTINUED)

For the 8 month period ended 30 June 2018

Going concern

As part of the Moray Group exit strategy, on 30 October 2017, the directors of the company distributed all responsibilities, remaining trade and net assets of the business to Moray Limited and the business ceased to trade. In these circumstances it is not appropriate to prepare the financial statements on a going concern basis and these financial statements have therefore been prepared on a basis other than going concern. However, as a result of management's intention to maintain the entity for at least 12 months due to the guarantees referred to in the business review above, the directors have not prepared the accounts on a break up basis but rather continued to apply International Financial Reporting Standards as adopted by the European Union.

Directors' indemnity

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

Subsequent events

On 31 July 2018 a surrender was completed for the Head Office lease held by the previous parent, of which the Company was guarantor. The surrender had the impact of releasing the Company and the previous parent from any future obligations in relation to the lease.

Auditor

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

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

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

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

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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



P Stevens

Director

12th September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the 8 month period ended 30 June 2018

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period.

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

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently; and
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- make judgements and accounting estimates that are reasonable and prudent; and
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state whether the Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLEETS POINT LIMITED

Opinion

We have audited the financial statements of Fleets Point Limited (the 'company') for the period ended 30 June 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of cash flows, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. As set out in note 2, the financial statements are prepared on a basis other than going concern.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2018 and of its profit for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in note 2 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The other information comprises the information included in the report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLEETS POINT LIMITED (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLEETS POINT LIMITED (continued)


Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', is positioned above the printed name of the auditor.

David Hales (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton, United Kingdom
14th September 2018

STATEMENT OF COMPREHENSIVE INCOME

For the 8 month period ended 30 June 2018

	Note	8 months to 30 June 2018 £'000	12 months to 31 October 2017 £'000
Revenue	4	-	8,828
Administrative expenses			
- one-off operating costs	5	-	(41,024)
- other	5	-	(11,958)
Operating profit / (loss)	5	-	(44,154)
Other one-off income	7	94	22,374
Finance costs	8	-	(12,581)
Finance income	8	-	20,024
Profit / (loss) before tax		94	(14,337)
Tax charge	9	-	(695)
Total comprehensive income / (loss) for the period		94	(15,032)

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

STATEMENT OF FINANCIAL POSITION

For the 8 month period ended 30 June 2018

	Note	30 June 2018 £'000	31 October 2017 £'000
Non-current assets			
Intangible assets	10	-	-
Property, plant and equipment	11	-	-
Intercompany receivables	12	-	-
		<hr/>	<hr/>
Current assets			
Cash and cash equivalents	13	-	3,072
Cash held on behalf of fellow group companies	13	-	73,606
		<hr/>	<hr/>
		-	76,678
		<hr/>	<hr/>
Total assets		-	76,678
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	14	-	73,606
		<hr/>	<hr/>
		-	73,606
		<hr/>	<hr/>
Non-current liabilities			
Provisions	15	-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
Total liabilities		-	73,606
		<hr/>	<hr/>
Net assets		-	3,072
		<hr/>	<hr/>
Equity			
Share capital	16	-	-
Share premium		-	-
Accumulated surplus		-	3,072
		<hr/>	<hr/>
Total surplus		-	3,072
		<hr/>	<hr/>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements of Fleets Point Limited, registered number 03075946, were approved by the Board of Directors and authorised for issue on 12th September 2018.



P Stevens
Director

STATEMENT OF CHANGES IN EQUITY

For the 8 month period ended 30 June 2018

	Share capital £'000	Share Premium £'000	Accumulated surplus £'000	Total £'000
At 31 October 2016	14,470	201,361	152,485	368,316
Total comprehensive loss for the year	-	-	(15,032)	(15,032)
Capital reduction	(14,470)	(201,361)	215,831	-
Capital contribution	-	-	21,397	21,397
Waiver of loan due from fellow subsidiary	-	-	(7,726)	(7,723)
Dividends	-	-	(363,883)	(363,886)
At 31 October 2017	-	-	3,072	3,072
Total comprehensive income for the period	-	-	94	94
Dividends	-	-	(3,166)	(3,166)
As at 30 June 2018	-	-	-	-

There is no other comprehensive income in 2018 (2017: £nil).

Details of the dividend payments are disclosed in note 22.

STATEMENT OF CASH FLOWS

For the 8 month period ended 30 June 2018

	Note	2018 £'000	2017 £'000
Cash (used by)/generated from operating activities			
Cash (used by)/generated from operations	17	(73,606)	63,908
Net cash (outflow)/inflow from operating activities		<u>(73,606)</u>	<u>63,908</u>
Cash flows from investing activities			
Payments to acquire intangible assets		-	(191)
Proceeds from sale of intangible assets		-	2
Proceeds from sale of IP		83	15,391
Interest received		-	666
Net cash inflow from investing activities		<u>83</u>	<u>15,868</u>
Cash flows from financing activities			
Repayment of shareholder loan		-	(20,940)
Dividends paid		(3,155)	-
Net cash outflow from financing activities		<u>(3,155)</u>	<u>(20,940)</u>
Net (decrease)/increase in cash and cash equivalents		(76,678)	58,836
Opening cash and cash equivalents		76,678	17,842
Effect of foreign exchange rate changes		-	-
Closing cash and cash equivalents	13,17	<u>-</u>	<u>76,678</u>

NOTES TO THE FINANCIAL STATEMENTS

For the 8 month period ended 30 June 2018

1. CORPORATE INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

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

Statement of compliance

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared on the historical cost basis as described in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

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

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Going concern

As part of the Moray Group exit strategy, on 30 October 2017, the directors of the company distributed all responsibilities, remaining trade and net assets of the business to the previous parent company, Moray Limited, and the business ceased to trade.

In these circumstances it is not appropriate to prepare the financial statements on a going concern basis and these financial statements have therefore been prepared on a basis other than going concern. However, as a result of management's intention to maintain the entity for at least 12 months due to the guarantees referred to in the business review above, the directors have not prepared the accounts on a break up basis but rather continued to apply International Financial Reporting Standards as adopted by the European Union.

Consolidated financial statements

In accordance with s400 of the Companies Act 2006 the Company is exempt from producing group financial statements since it is a wholly owned subsidiary of Fitness First Luxembourg SCA which prepares consolidated financial statements that are publicly available.

Investments

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Foreign currency differences arising on retranslation are recognised in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Revenue

The Company derives its revenue principally from management fees based on centrally incurred costs recharged to territories within the Moray Group, royalty fees to countries within the Moray Group based on their revenue and the provision of IT and Finance support to the disposed UK and Australian operations. All income is recognised on an accruals basis over the period to which the income relates.

Intangible assets

Other software assets

Costs to acquire computer software licences and bring them into use by the Company are capitalised and amortised on a straight-line basis over their estimated useful lives (3 to 10 years).

Internally-generated intangible assets

Information technology development costs which can be measured reliably are capitalised to the extent that an identifiable asset is created which will generate future economic benefits for the Company. Internally-generated assets are amortised on a straight-line basis over their useful lives (3 to 10 years). Where no internally-generated asset can be capitalised, information technology development costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is charged on all assets, except for freehold land, based on cost less estimated residual value in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Land and buildings	over the term of the lease
Furniture, fittings and equipment	6.67% to 20% per annum
Computer equipment	10% to 33.3% per annum

The appropriateness of depreciation rates is reviewed on an annual basis. Any change in the estimated useful life, or residual value, is adjusted through the depreciation rates on a prospective basis.

Impairment of property, plant and equipment and intangible assets, excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognised immediately in the profit or loss for the period. No reversals of impairment losses were made in the period ended 30 June 2018.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present, legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect is material, the obligation is discounted to present value using a pre-tax rate that reflects current market assessments of the time value of money. A risk-free rate is used as cash flows are already adjusted for risk. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)

Onerous contract provisions

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract; usually where a property is vacant or sublet. The provision is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Long-term employee benefits

An enhanced redundancy scheme was in place in the previous period whereby individuals accrued a % of salary if they continued in employment, payable when they were a good leaver.

The MIP scheme was based on regional cash generation, payable in the event of an exit which resulted in a charge of £2.6m in the prior period. This scheme did not meet the criteria of IFRS 2 Share based payments but was considered an employee benefit.

Financial instruments

Financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Objective evidence of impairment could include:

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

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

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities (continued)

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss for the period immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Pensions

Pension costs represent the amounts payable into personal pension schemes on behalf of certain Directors and employees, together with amounts payable under defined contribution schemes for certain employees of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax

The tax expense represents the sum of the corporation tax currently payable and deferred tax.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

Changes in accounting policies and disclosures

The Company is assessing the impact of accounting standards, interpretations and amendments that are not yet effective. Where already endorsed by the EU, these changes will be adopted on the effective dates noted. Where not yet endorsed by the EU, the adoption date is less certain. Management is currently assessing the impact on the Group on the releases and amendments noted. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

However, the closing balance sheet contains only £1 intercompany debt, £0.87 accumulated surplus and £0.13 share capital and therefore is not subject to any estimates or judgements which could materially impact future results.

4. REVENUE

No revenue was generated in the current period. In the prior period the Company's revenue included royalty fees, fees for the provision of management services to group companies, and fees for IT and Finance support to the disposed UK and Australian operations under transitional services agreements.

Revenue by territory is as follows:

	2018	2017
	£'000	£'000
Asia	-	3,199
Australia	-	470
Germany	-	3,789
UK	-	1,085
Other	-	285
Total revenue	-	8,828

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

5. OPERATING (LOSS)

	2018	2017
	£'000	£'000
Operating profit/(loss) is stated after charging:		
Loss on disposal of:		
Property, plant and equipment	-	680
Intangibles	-	47
Depreciation of property, plant and equipment (Note 11)	-	782
Amortisation of intangible assets (Note 10)	-	2,287
Staff costs (see note 6)	-	5,365
Auditors' remuneration	-	136
One-off operating costs:		
Restructuring, reorganisation and strategy costs	-	2,727
Other one-off operating costs*	-	38,297
 The analysis of auditors' remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's accounts	-	7
Tax Advisory services	-	107
Corporate Finance services	-	22

In the current period, all audit and non-audit fees due to the Company's auditors are met by another Group company, Moray Ltd.

* Other charges and credits which are considered to be outside of underlying trading activity by virtue of their one-off incidence, size or nature and accordingly are not allocated to individual segments. In the prior period an addition of £3.7m to the enhanced redundancy and MIP provision, impairment of intercompany receivables of £31.5m and impairment of intangible assets of £3.2m were included within this classification.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

6. STAFF COSTS AND DIRECTORS' EMOLUMENTS

Average number of persons (including Directors) employed by the Company in the period:	2018 No.	2017 No.
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Office and management	-	47
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Staff costs (including Directors) incurred during the period in respect of these employees were:	2018 £'000	2017 £'000
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Wages and salaries	-	2,328
MIP costs	-	2,784
Social security costs	-	145
Other pension costs	-	108
	-	5,365

	2018 £'000	2017 £'000
Directors' emoluments		
Wages and salaries	-	604
MIP costs	-	1,840
Pension costs	-	19
Sums paid to third parties in respect of Directors' services	-	6
	-	2,469

	2018 £'000	2017 £'000
Highest paid Director		
Wages and salaries	-	408
MIP costs	-	1,473
Sum paid to third parties in respect of Director's services	-	5
	-	1,886

In the current period, all Directors' emoluments are met by another Group company, Moray Ltd.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

7. OTHER ONE-OFF INCOME

	2018	2017
	£'000	£'000
Proceeds for the sale of IP	94	15,392
Reversal of impairment of intercompany receivable	-	6,982
Total other one-off income	94	22,374

Proceeds for the sale of IP in the current period relate to the sale by the new parent company of a fellow subsidiary, Fitness First India. The prior period proceeds relate to the sale by a fellow subsidiary of Fitness First in Asia.

8. NET FINANCE INCOME

	2018	2017
	£'000	£'000
Finance costs consist of:		
Interest expense		
Interest on amounts owed to Fitness First Luxembourg SCA	-	1,020
Other intercompany interest expense	-	1,527
Total interest expense	-	2,547
Other finance costs		
Net exchange losses on foreign currency intercompany balances	-	10,034
Total other finance costs		10,034
Total finance costs	-	12,581

	2018	2017
	£'000	£'000
Finance income consists of:		
Bank interest receivable	-	243
Intercompany interest received	-	18,426
Vendor loan note interest received	-	424
Total interest income	-	19,093
Other finance income		
Change in fair value of derivative	-	931
Total other finance income	-	931
Total finance income	-	20,024
Net finance income	-	7,443

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

9. TAX ON PROFIT/(LOSS) BEFORE TAX

	2018	2017
	£'000	£'000
Current tax		
Overseas tax charge for the period	-	695

UK corporation tax is calculated at 19.0% (2017: 19.0%) of the estimated taxable profit/(loss) for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Withholding tax is incurred in Asia and Australia on intercompany charges.

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

	2018	2017
	£'000	£'000
Profit/(loss) before tax	94	(14,337)
Tax charge/(credit) calculated at UK standard rate of corporation tax	19	(2,724)
%	19.0%	19.0%
Expenses not deductible for tax purposes	-	5,885
Losses claimed from other group companies for nil consideration	(19)	(3,161)
Withholding tax	-	695
Tax charge	-	695
Effective tax rate %	0.0%	(4.8%)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

10. INTANGIBLE ASSETS

	Internally developed software £'000	Other software £'000	Total £'000
Cost			
At 1 November 2016	27,750	3,260	31,010
Additions	196	3	199
Disposals	-	(943)	(943)
Transferred to previous parent	(27,946)	(2,320)	(30,266)
At 31 October 2017	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 30 June 2018	-	-	-
Amortisation			
At 1 November 2016	(22,625)	(2,980)	(25,605)
Amortisation charge for the year	(2,124)	(163)	(2,287)
Impairment charge in the year	(3,197)	(71)	(3,268)
Disposals	-	896	896
Transferred to previous parent	27,946	2,318	30,264
At 31 October 2017	-	-	-
Amortisation charge for the period	-	-	-
Disposals	-	-	-
At 30 June 2018	-	-	-
Total at 30 June 2018	-	-	-
Total at 31 October 2017	-	-	-

On 31 October 2017 the company distributed its' remaining trade and assets to the previous parent company except for a £3.1m cash holding and £73.6m cash held on deposit on behalf of a fellow group company. There have been no additions to intangible assets since that date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

11. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings £'000	Computer Equipment £'000	Total £'000
Cost			
At 1 November 2016	162	5,187	5,349
Additions	-	-	-
Disposals	-	(2,288)	(2,288)
Transferred to previous parent	(162)	(2,899)	(3,061)
At 31 October 2017	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 30 June 2018	-	-	-
Accumulated depreciation			
At 1 November 2016	(85)	(3,490)	(3,575)
Depreciation charge for the year	(37)	(745)	(782)
Impairment charge for the year	-	(119)	(119)
Disposals	(1)	(1,600)	1,599
Transferred to previous parent	123	2,754	2,877
At 31 October 2017	-	-	-
Depreciation charge for the period	-	-	-
Impairment charge for the period	-	-	-
Disposals	-	-	-
Transferred to previous parent	-	-	-
At 30 June 2018	-	-	-
Total at 30 June 2018	-	-	-
Total at 31 October 2017	-	-	-

On 31 October 2017 the company distributed its' remaining trade and assets to the previous parent company except for a £3.1m cash holding and £73.6m cash held on deposit for a fellow group company. There have been no additions to property, plant and equipment since that date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

12. INTERCOMPANY RECEIVABLES

	2018	2017
	£'000	£'000
Non-current		
Intercompany loans receivable*	-	-
Total	<u>-</u>	<u>-</u>

* Intercompany receivables includes £1 which is owed to the company by Fitness First Luxembourg SCA, the new parent company.

13. CASH AND CASH EQUIVALENTS

	2018	2017
	£'000	£'000
Cash and cash equivalents	-	3,072
Cash held on behalf of fellow group companies	-	73,606
	<u>-</u>	<u>76,678</u>

The prior period cash and cash equivalents comprised cash and demand deposits. The carrying amount of these assets was approximately equal to their fair value.

In addition, there was £73.6m of cash on the balance sheet at 31 October 2017 which was held in a deposit account on behalf of a fellow group company, Moray Overseas Holdings Limited (MOSH). MOSH did not have a deposit account in its' own name at that time. The directors of both companies agreed that the money was held in escrow on behalf of MOSH and Fleets Point had no rights over its use. The balance was only shown in Fleets Point Limited statutory accounts as for expediency and operational efficiency, the directors believed that it was better for the Group to have the money held on deposit rather than in the current account of MOSH. During the current period MOSH opened a deposit account in its' own name and the money was transferred to this deposit account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

14. INTERCOMPANY PAYABLES

	2018	2017
	£'000	£'000
Current		
Intercompany payables	-	73,606
Total	<u>-</u>	<u>73,606</u>

On 31 October 2017 the company distributed its' remaining trade and assets to the previous parent company except for a £3.1m cash holding and £73.6m cash held on deposit on behalf of a fellow group company. The corresponding liability of £73.6m for the cash held on behalf of a fellow group company was in Intercompany payables.

15. PROVISIONS

	Onerous leases provision £'000	Other provision £'000	Total £'000
At 1 November 2016	256	2,062	2,318
Additions	-	3,663	3,663
Utilisation for the year	(256)	(5,259)	(5,515)
Transferred to previous parent	-	(466)	(466)
At 31 October 2017	<u>-</u>	<u>-</u>	<u>-</u>
Additions	-	-	-
Utilisation for the period	-	-	-
At 30 June 2018	<u>-</u>	<u>-</u>	<u>-</u>

The onerous lease provision represented amounts recognised in connection with property commitments which were considered onerous in line with Group policy. The onerous lease was settled during the prior period.

The other provision related to the enhanced redundancy and MIP schemes. The enhanced redundancy was accrued by individuals as a % of salary, payable when they became a good leaver. The MIP provision was based on regional cash generation, payable in the event of an exit. The provisions were transferred to the previous parent company on 31 October 2017 as part of the distribution of remaining trade and assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

16. SHARE CAPITAL

	2018	2017
	No. '000	No. '000
Authorised		
Ordinary shares of 12.5p each	<u>159,040</u>	<u>159,040</u>
Allocated, called up and fully paid		
Ordinary shares of 12.5p each	<u>-</u>	<u>-</u>
	Nominal value	Nominal value
	2018	2017
	£'000	£'000
Authorised		
Ordinary shares of 12.5p each	<u>19,880</u>	<u>19,880</u>
Allocated, called up and fully paid		
Ordinary shares of 12.5p each	<u>-</u>	<u>-</u>

During the prior period the Company undertook a special resolution to reduce its' share capital and share premium. 115,761,609 allocated shares were cancelled and share premium was reduced to £nil. The resulting reserves were treated as a realised profit and can be seen in the accumulated surplus in the SOCIE. As at October 2017 and June 18 there was 1 issued ordinary share of 12.5p.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

17. NOTES TO CASHFLOW STATEMENT

	2018	2017
	£'000	£'000
Total comprehensive income/(loss) for the period	94	(15,032)
<i>Non-cash and non-operating items:</i>		
Depreciation of tangible fixed assets	-	782
Amortisation of intangible assets	-	2,288
Impairment of property, plant and equipment	-	119
Impairment of intangible assets	-	3,266
Profit on disposal of property, plant and equipment and intangibles	-	725
Other one-off income	-	(15,392)
Finance costs	-	12,582
Finance income	-	(20,025)
Tax charge	-	695
Income from sale of IP	(94)	-
Operating profit/(loss) before changes in working capital and provisions	-	(29,992)
<i>Change in operating assets and liabilities:</i>		
Decrease in receivables	-	6,787
(Decrease) in payables	-	(3,613)
(Decrease) in provisions	-	(2,318)
(Decrease) in intercompany payables	(73,606)	-
Decrease in intercompany receivables	-	112,151
Provision for intercompany receivables	-	(19,107)
Cash (used in)/ generated from operations	(73,606)	63,908
Cash and cash equivalents	-	76,678

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

18. CONTINGENT LIABILITIES

The Group has retained certain landlord guarantees in respect of UK clubs sold to Dave Whelan Sports Limited and Australian clubs sold to Fitness Lifestyle Group, which are in the process of being transferred to the buyer. There are no known or anticipated circumstances in which we expect a liability to materialise to the Group as, under the sale purchase agreements, the buyers have agreed to reimburse the Company for any claims made.

As at the prior period end the Company was guarantor for a short-term lease of head office space held by its previous parent. On 31 July 2018 a surrender was completed for this lease. The surrender had the impact of releasing the Company and the previous parent from any future obligations in relation to the lease.

19. FINANCIAL INSTRUMENTS

Treasury policy and financial risk management

As at 30 June 2018 the Company's only financial instrument is a £1 intercompany debt owed by the new parent company. As the Company has no future financial obligations it is not subject to any liquidity or funding risk. The intercompany loan is held in sterling and therefore there is no foreign exchange risk. The £1 intercompany loan is owed by the new parent company and therefore there is no perceived credit risk.

20. EMPLOYEE BENEFITS

There were no employees during the current period.

In the prior period there was no defined benefit company pension scheme. The Company did make contributions on behalf of certain Directors and employees in respect of personal pension arrangements, together with contributions under defined contribution schemes relating to the employees. These are disclosed in note 6.

Also in the prior period a MIP scheme was in place which was based on regional cash generation, payable in the event of an exit; and resulted in a charge in the prior period of £2.8m. This scheme did not meet the criteria of IFRS 2 Share based payments but was considered an employee benefit. This scheme was transferred to the previous parent company as part of the distribution of trade and assets at the end of the prior period.

In addition, an enhanced redundancy scheme was in place during the prior period whereby individuals accrued a % of salary if they continued in employment, payable when they were a good leaver, resulting in a charge of £0.4m in that period. The liability for this scheme was also distributed to the previous parent Company in October 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

21. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of the Directors and other employees who are the key management personnel of the Group, paid through the Company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	2018 £'000	2017 £'000
Short-term employee benefits	-	1,062
MIP payments	-	3,329
Post-employment benefits	-	19
Sums paid to third parties	-	8
	<u>-</u>	<u>4,418</u>

During the prior period an individual within the Company's key management personnel provided £0.4m of advisory services to the Group and was paid £1.5m in MIP payments.

The following transactions with related parties took place:

	Interest expense £'000	Interest income £'000	Royalty fees £'000	Management fees £'000
2017				
Transactions with fellow group subsidiaries	(1,277)	18,426	6,237	1,035
Transactions with new parent company	(250)	-	-	-
2018				
Transactions with fellow group subsidiaries	-	-	-	-
Transactions with new parent company	-	-	-	-

The Company was charged £nil (2017: £0.1m) for consultancy services, and £nil (2017: £0.0m) for re-imbursement of expenses by Oaktree Capital Management.

The following balances were held with related parties:

	2018 £'000	2017 £'000
Intercompany loans – receivable *	-	-
Other intercompany payables	-	(73,606)
	<u>-</u>	<u>(73,606)</u>

* There is an intercompany receivable of £1 which is owed to the Company by Fitness First Luxembourg SCA, the new parent company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 8 month period ended 30 June 2018

22. DIVIDEND

On 26 June 2018 the Company paid a dividend of £3.2m to its previous parent company (Moray Ltd), reflecting the remaining cash and a £0.01m debtor due from Fitness First India relating to the sale of the IP. The total cash has been distributed as the Directors believe that there are no longer any future financial obligations on the Company.

23. SUBSEQUENT EVENTS

On 31 July 2018 a surrender was completed for the Head Office lease held by the previous parent, of which the Company was guarantor. The surrender had the impact of releasing the Company and the previous parent from any future obligations in relation to the lease.

24. ULTIMATE CONTROLLING PARTY

The ultimate parent company and controlling party, which heads the largest and smallest group for which consolidated accounts are produced and of which the Company is a member, is Fitness First Luxembourg SCA (which is ultimately owned and controlled by funds advised by Oaktree Capital Management which own shares representing 90.14% of the issued share capital of that company), a company incorporated in Luxembourg.

For the 8 month period ended 30 June 2018, the Company was included in the consolidated financial statements of Fitness First Luxembourg SCA which are published in accordance with Luxembourg legal requirements.