

Trainstation Limited

REPORT AND FINANCIAL STATEMENTS

**for the year ended
31 December 2005**

Company Registration No. 03381595



Trainstation Limited

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Trainstation Limited
DIRECTORS AND OFFICERS
Year ended 31 December 2005

Directors

M Grealey	(resigned 28 th February 2006 – post year end)
D Jarvis	(resigned 28 th January 2005)
C J Storr	(appointed 28 th January 2005)
C J Storr	(resigned 28 th February 2006 – post year end)
F Turok	(appointed 28 th February 2006 – post year end)
R Taylor	(appointed 28 th February 2006 – post year end)

Secretary

D Jarvis	(resigned 28 th January 2005)
C J Storr	(appointed 28 th January 2005)
C J Storr	(resigned 28 th February 2006 – post year end)
R Taylor	(appointed 28 th February 2006 – post year end)

Registered Office *

101 Commercial Road
London
E1 1RD

* Changed 28th February 2006 (post year end)

Head Office **

Dragons Health Club
Carrington Street
Castle Ward
Derby
DE1 2ND
Tel: 01332 525825
Fax: 01332 525826

** Relocated on 8th April 2005

Auditors

KPMG Audit Plc
1 Puddle Dock
London
EC4V 3PD

Bankers

Barclays Bank plc
Liverpool City Business Centre
4 Water Street
Liverpool
L69 2DU

Solicitors

Ashurst
Broadwalk House
5 Appold Street
London
EC2A 2HA

Website www.crownsportspc.com
Company Number 03381595

Trainstation Limited

DIRECTORS' REPORT

Year ended 31 December 2005

The Directors present their annual report together with the audited financial statements for the year ended 31st December 2005.

Principal activities

The company is engaged in the ownership and management of three health and fitness facilities.

Results and Dividends

The company's loss on ordinary activities before taxation was £795,426 (2004: profit £251,605). The directors do not recommend the payment of a dividend (2004: nil).

Post balance sheet events

On 17th February 2006, the directors of the ultimate parent company (Crown Sports Plc) announced that they had reached agreement on the terms of a cash offer of £38.4million to acquire the whole of the issued and to be issued share capital of Crown Sports Plc by MOP Acquisitions (CS) Limited, a subsidiary of MOP Acquisitions (LAF) Limited on behalf of Mid Ocean Partners.

This offer was recommended to shareholders and became wholly unconditional on 28th February 2006.

As a consequence of this transaction, the directors and secretary resigned on 28th February 2006 to be replaced by officers representing the new shareholders.

The acquiring company are owners of the LA Fitness brand of Health and Fitness Clubs. The new directors intend to continue to trade all clubs within the Crown Sports portfolio and to integrate the Crown Sports and LA Fitness head offices. A letter of comfort has been signed by the new directors *confirming the continued financial support of all subsidiaries within the group.*

Directors and their interests

The Directors who held office during the year were as follows:

M Grealey (resigned on 28th February 2006 – post year end)

D Jarvis (resigned on 28th January 2005)

C Storr (appointed on 28th January 2005) (resigned on 28th February 2006 – post year end)

F Turok (appointed on 28th February 2006 – post year end)

R Taylor (appointed on 28th February 2006 – post year end)

None of the Directors had any interest in the shares of the company during the year.

No Director had any contract of significance existing during the year or at 31 December 2005, or was materially interested in such a contract with the company or any of its subsidiary companies.

Payments to suppliers

The company does not follow any formal payment code but agrees terms of payment with suppliers when opening an account, to ensure each supplier is made aware of these terms and to comply with payment terms agreed for existing and new accounts. The company makes payment to the majority of its suppliers, tax authorities and employees electronically via the BACS payments system in order to facilitate a fast, effective and secure transmission of payment.

Trainstation Limited

DIRECTORS' REPORT

Year ended 31 December 2005

Health and Safety at Work

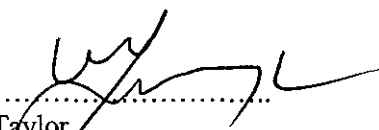
The company has a positive approach to health and safety at work and copies of health and safety policy statements are available at the clubs.

Employment policies

Employees are encouraged to identify with, and become involved with, the financial performance of the company and service to club members by ongoing internal and external training and by means of bonus arrangements. The company has a policy of keeping employees up to date with major developments by means of regular staff meetings.

It is the policy of the company to give full and fair consideration to applications for employment by people with disabilities. For the purposes of training, career development and promotion, all employees are treated equally.

Signed on behalf of the directors


.....
R Taylor
Director and Company Secretary


.....2006

Trainstation Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Year ended 31 December 2005

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Trainstation Limited

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF TRAINSTATION LIMITED

For the year ended 31 December 2005

We have audited the financial statements of Trainstation Limited for the year ended 31 December 2005 which includes the primary statements such as the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Trainstation Limited

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF TRAINSTATION LIMITED

For the year ended 31 December 2005

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered

20 March 2006

Auditor

Trainstation Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Turnover	1	2,604,602	2,707,085
Cost of sales		<u>(38,932)</u>	<u>(41,065)</u>
Gross profit		2,565,670	2,666,020
Administrative expenses excluding impairment		(2,730,224)	(2,413,923)
Impairment		<u>(788,000)</u>	
Total administrative expenses		(3,518,224)	(2,413,923)
Operating (loss) / profit before exceptional items	4	(164,554)	252,097
Impairment		<u>(788,000)</u>	<u>-</u>
Total operating (loss) / profit		(952,554)	252,097
Interest receivable/(payable)	5	<u>157,128</u>	<u>(492)</u>
(Loss)/profit on ordinary activities before taxation		(795,426)	251,605
Taxation	6	<u>(38,490)</u>	<u>(276,079)</u>
Loss for the financial year		<u>(833,916)</u>	<u>(24,474)</u>

All the results are derived from continuing operations and there is no difference between results of the financial year as reported compared to a historical cost basis.

There are no gains and losses other than those reflected in the profit and loss account for the year.

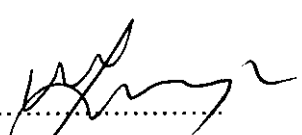
Trainstation Limited

BALANCE SHEET

As at 31 December 2005

	Notes	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Fixed Assets			
Tangible assets	7	2,531,049	3,392,250
Current assets			
Stocks	8	19,678	12,983
Debtors	9	260,377	202,188
Cash at bank and in hand		<u>115,052</u>	-
		395,107	215,171
Creditors: Amounts falling due within one year	10	<u>(833,489)</u>	<u>(672,198)</u>
Net current liabilities		<u>(438,382)</u>	<u>(457,027)</u>
Total assets less current liabilities		2,092,667	2,935,223
Creditors amounts falling due after more than one year	11	<u>(8,751)</u>	<u>(17,391)</u>
Net assets		<u>2,083,916</u>	<u>2,917,832</u>
Capital and reserves			
Called up share capital	13	349,537	349,537
Share premium account	14	2,439,579	2,439,579
Profit and loss account	15	<u>(705,200)</u>	<u>128,716</u>
Shareholders' Funds	16	<u>2,083,916</u>	<u>2,917,832</u>

These financial statements were approved by the directors on 26 March 2006, and are signed on their behalf by:



 R Taylor
 Director and Company Secretary

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with the provision of the Company's Act 1985 and applicable accounting standards. All accounting policies have been consistent throughout the year.

Cash Flow Statement

The directors have taken advantage of the exemption in Financial Reporting Standard No1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life as follows:

The principal annual rates used for this purpose are:

Short Leasehold Property	- Over the unexpired term of the lease
Surface finishes	- 15 years
Fixtures, Fittings & Equipment	- 3 – 10 years
Motor Vehicles	- 4 years

Land is not depreciated.

The Directors carry out regular impairment reviews of the leasehold buildings in accordance with Financial Reporting Standard No 11. Provisions for impairments in value are taken to the profit and loss account.

Turnover

Turnover is derived from the provision of health club facilities in the United Kingdom and represents membership entrance fees and subscription income receivable in respect of the year together with sales of leisure and catering services at invoice value excluding value added tax. Membership fees are time apportioned over the period that they apply. Joining fees are recognised on receipt.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire Purchase and Finance Lease Agreements

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 with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

1. **Accounting Policies (continued)**

Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

Taxation

The charge for tax is based on the profit and loss account for the year and takes into account tax deferred because of timing differences between the different treatment of certain items for tax and accounting purposes. Provision is made for deferred tax without discounting in accordance with the requirements of Financial Reporting Standard 19 'Deferred Taxation' which was adopted in 2002. Except where required by FRS 19, this standard requires full provision to be made for taxation in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets arising from unrelieved losses are only recognised to the extent that they are regarded as recoverable.

Going Concern

The financial statements have been prepared on the going concern basis as the ultimate parent company, MOP Acquisitions (LAF) Limited, has agreed to continue to provide the financial support necessary to allow the company to trade as a going concern, and meet its liabilities as they fall due.

If the company were unable to trade, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for any further liabilities as they might arise and to reclassify fixed assets as current assets.

Pension Costs

Pension costs relate to defined contribution schemes and are charged to the profit and loss account as incurred.

Interest and other debt related costs

Interest on the company's bank borrowings is written off to profit and loss as incurred including all interest charged during the redesign of clubs prior to opening.

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

2. Particulars of employees

	2005 Number	2004 Number
The average monthly number of persons (including directors) employed by the company during the year was:		
Office and management	3	3
Administration	<u>38</u>	<u>38</u>
	<u>41</u>	<u>41</u>

	2005 £	2004 £
The aggregate payroll costs of the above were:		
Staff costs for above persons:		

Wages and salaries	708,332	737,002
Social security costs	45,237	44,510
Pension costs	<u>4,316</u>	<u>1,200</u>
	<u>757,885</u>	<u>782,712</u>

3. Directors' remuneration

The Directors who served during 2005 and 2004 were employees of Dragons Health Clubs plc and received their remuneration from that company.

4. Operating Profit is Stated After Charging

	2005 £	2004 £
Depreciation:		
Tangible owned fixed assets	333,248	456,158
Tangible assets held under finance leases and hire purchase contracts	4,669	4,672
Impairment	788,000	-
Operating leases rentals:		
land & building	299,970	283,407
plant & machinery	<u>15,082</u>	<u>12,067</u>

Auditors remuneration and other fees were paid by the parent company Crown Sports plc and are disclosed in the group consolidated financial statements.

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

5. Interest (Receivable)/Payable

	2005 £	2004 £
On bank loans and overdrafts	1,699	148
On inter company loans	(159,889)	-
Finance Lease and Hire Purchase contracts	<u>1,062</u>	<u>344</u>
	<u>(157,128)</u>	<u>492</u>

6. Taxation on Profit on Ordinary Activities

	2005 £	2004 £
a) Analysis of tax charges for the year		
Current Tax		
UK Corporation Tax charge (note 6b)	<u>14,514</u>	<u>167,381</u>
Deferred Tax (note 6c)		
Current year	23,480	15,438
Adjustments to prior years	<u>496</u>	<u>93,260</u>
Tax charge on loss on ordinary activities	<u>38,490</u>	<u>276,079</u>

b) Factors affecting current tax

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation in the UK of 30% (2004: 30%). The differences are reconciled below:

	2005 £	2004 £
(Loss)/profit on ordinary activities	<u>(795,426)</u>	<u>251,605</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	<u>(238,628)</u>	75,482
fixed assets impairment	236,400	-
Capital allowances (greater) / less than depreciation	(23,480)	(10,718)
Tax losses brought forward and used in the current year	-	-
Group relief received	(35,562)	-
Non deductible trading expenses	<u>75,784</u>	<u>102,617</u>
Total current tax charge (note 6a)	<u>14,514</u>	<u>167,381</u>

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

6. Taxation on Profit on Ordinary Activities (continued)

2005
£

c) Deferred Tax

The deferred tax included in the balance sheet as follows:

Shown on the balance sheet as current asset/(provisions) for liabilities and charges

As at 1 January 2005	41,707
Capital allowances (greater)/less than depreciation	(23,480)
Adjustments to brought forward capital allowances available	<u>(496)</u>
At 31 December 2005	<u>17,731</u>

d) Factors that may affect future tax changes

It is anticipated that the current effective tax rate will prevail in future years.

7. Tangible Fixed Assets

	Improvements to short Leasehold Property	Fixtures & Fittings	Total
	£	£	£
Cost			
At 1 January 2005	4,267,346	1,046,030	5,313,376
Additions	23,650	241,066	264,716
Disposals	-	-	-
At 31 December 2005	<u>4,290,996</u>	<u>1,287,096</u>	<u>5,578,092</u>
Depreciation			
At 1 January 2005	1,327,959	593,167	1,921,126
Charged in the Year	221,115	116,802	337,917
Disposals	-	-	-
Impairment	<u>788,000</u>	-	<u>788,000</u>
At 31 December 2005	<u>2,337,074</u>	<u>709,969</u>	<u>3,047,043</u>
Net book value			
At 31 December 2005	<u>1,953,922</u>	<u>577,127</u>	<u>2,531,049</u>
At 31 December 2004	<u>2,939,387</u>	<u>452,863</u>	<u>3,392,250</u>

Fixtures and fittings at 31 December 2005 includes assets held under hire purchase and finance lease agreements which have a net book value of £17,387 (31 December 2004: £22,046).

The depreciation charged to the account in the year in respect of such assets amounted to £4,669 (31 December 2004: £4,672).

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

8.	<u>Stocks</u>	31 December	31 December
		2005	2004
		£	£
	Stock	<u>19,678</u>	<u>12,983</u>
9.	<u>Debtors</u>	31 December	31 December
		2005	2004
		£	£
	Trade Debtors	123	483
	Other Debtors	52,866	70,248
	Prepayments and accrued income	189,657	89,750
	Deferred tax asset	<u>17,731</u>	<u>41,707</u>
		<u>260,377</u>	<u>202,188</u>
10.	<u>Creditors: Amounts falling due within one year</u>	31 December	31 December
		2005	2004
		£	£
	Bank Overdraft	-	150,315
	Trade creditors	174,517	81,281
	Amounts due to group undertakings	442,191	37,239
	Other taxation and social security	13,701	86,582
	Corporation Tax	14,514	167,381
	Other creditors	3,560	2,284
	Obligations under finance leases	6,960	6,833
	Accruals and deferred income	<u>178,046</u>	<u>140,283</u>
		<u>833,489</u>	<u>672,198</u>
11.	<u>Creditors: Amounts falling due after more than one year</u>	31 December	31 December
		2005	2004
		£	£
	Obligations under finance leases	<u>8,751</u>	<u>17,391</u>

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

12. Commitments under hire purchase and finance lease agreements

Future commitments under hire purchase and finance lease agreements are as follows:

	31 December 2005 £	31 December 2004 £
Amounts payable within one year	6,960	6,833
Amounts payable between two and five years	8,751	17,391
	<u>15,711</u>	<u>24,224</u>

13. Share capital

	31 December 2005 £	31 December 2004 £
Authorised:		
Equity interests:		
3,495,370 Ordinary shares of 10 pence each	<u>349,537</u>	<u>349,537</u>
Allotted, called up and fully paid:		
Equity interests:		
3,495,370 Ordinary shares of 10 pence each	<u>349,537</u>	<u>349,537</u>

14. Share premium account

	31 December 2005 £	31 December 2004 £
Equity interests:		
Balance at beginning and end of year	123,609	123,609
Non-equity interests:		
Balance at beginning and end of year	<u>2,315,970</u>	<u>2,315,970</u>
	<u>2,439,579</u>	<u>2,439,579</u>

15. Profit and Loss account

	31 December 2005 £	31 December 2004 £
Balance brought forward as at 1 January 2005	128,716	153,190
Loss for the year	<u>(833,916)</u>	<u>(24,474)</u>
Balance carried forward as at 31 December 2005	<u>(705,200)</u>	<u>128,716</u>

16. Reconciliation of movements in shareholders' funds

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

	31 December 2005 £	31 December 2004 £
Loss on ordinary activities for the financial year	(833,916)	(24,474)
Opening shareholders' funds	<u>2,917,832</u>	<u>2,942,306</u>
Closing shareholders' funds	<u>2,083,916</u>	<u>2,917,832</u>

17. Commitments under operating leases

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2005 £	2004 £	2005 £	2004 £
Within one year	-	-	1,100	4,691
More than two year and less than five years	-	-	13,982	9,066
More than five years	<u>299,970</u>	<u>283,407</u>	<u>-</u>	<u>-</u>
	<u>299,970</u>	<u>283,407</u>	<u>15,082</u>	<u>13,757</u>

18. Contingent Liability

In April 2002, group bank facilities totalling £53 million were arranged with the parent company Crown Sports plc's bankers HSBC Bank Plc and Barclays Bank plc. These replace a range of facilities which had existed within the businesses and following several repayments being deducted from the original facility of £53 million, the balance outstanding at 31 December 2005 was £12.8 million (2004: £13.6m). The bank loan facility is shown on the balance sheet of Crown Sports plc and is secured against the assets of the entire group including Trainstation Ltd. Post year end and consequent upon the post balance sheet event described in note 22, the facilities are expected to be refinanced by loans made available to MOP Acquisitions (LAF) Ltd.

19. Ultimate parent company

The company is a wholly owned subsidiary of Dragons Health Clubs plc, registered in England and Wales. Dragons Health Clubs plc is a wholly owned subsidiary of Crown Sports plc, registered in England and Wales.

The ultimate parent company is MOP Acquisitions (LAF) Limited, registered in England and Wales.

20. Related party transactions

In accordance with the exemption stated in Financial Reporting Standard No.8 no details are shown of related party transactions with the company's parent and fellow subsidiaries in which the parent company hold 90% or more of the voting rights.

Trainstation Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

21. Capital Commitments

The company had capital expenditure contracted for but not provided for in the financial statements amounting to £46,014 (2004: £5,822).

22. Post balance sheet events

On 17th February 2006, the directors of the ultimate parent company (Crown Sports Plc) announced that they had reached agreement on the terms of a cash offer of £38.4million to acquire the whole of the issued and to be issued share capital of Crown Sports Plc by MOP Acquisitions (CS) Limited, a subsidiary of MOP Acquisitions (LAF) Limited on behalf of Mid Ocean Partners.

This offer was recommended to shareholders and became wholly unconditional on 28th February 2006.

As a consequence of this transaction, the directors and secretary resigned on 28th February 2006 to be replaced by officers representing the new shareholders.

The acquiring company is the owner of the LA Fitness brand of Health and Fitness Clubs. The new directors intend to continue to trade all clubs within the Crown Sports portfolio and to integrate the Crown Sports and LA Fitness head offices. MOP Acquisitions (LAF) Limited has provided Crown Sports Plc with a letter confirming its intention to provide financial and other support to the Company and its subsidiaries for at least the next twelve months.