

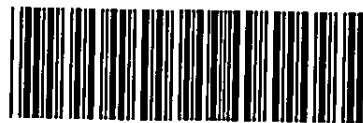
Virgin Active Group Limited

**Directors' report and
financial statements**

Registered number 2664542

31 December 2012

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Directors' report

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

Principal activities

The Company principally acts as a holding company for subsidiary undertakings that provide health and fitness facilities to club members in the United Kingdom, Italy, Spain and Portugal

Business review

During the year the Company received interest from its group loans and serviced amounts owed to group companies. The directors expect this to continue for the foreseeable future.

The Directors' report for Virgin Active Health Fitness & Racquets Limited, the smallest and largest group in which the results are consolidated, contains a fair review of the business of the Virgin Active Health Fitness & Racquets Limited group (the Group) including this company, and an indication of future developments as required by section 417 of the Companies Act 2006, using key performance indicators and risk analysis.

Financial review

The results for the year ended 31 December 2012 are set out on page 5.

Dividend

No dividends were proposed or paid during the year (2011 £423,888,000)

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year (2011 £nil)

Directors

The directors who held office during the period were as follows:

MW Bucknall

NM Field (resigned 27 February 2013)

PA Woolf (appointed 27 February 2013)

Employees

Employee involvement is recognised as being essential in order to maintain good employee relations, achieve improved performance and productivity and enhance the quality of working life. Regular meetings are held with both staff and works employees to discuss all aspects of the Company's business.

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and it is the Company's policy to provide training, career development and promotion to disabled employees wherever appropriate.

Directors' report (*continued*)

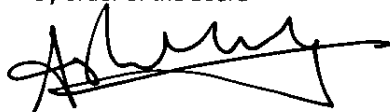
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



A Aylmer
Secretary

Active House
21 North Fourth Street
Central Milton Keynes
MK9 1HL
2012

5 September 2013

Statement of directors' responsibilities in respect of the Directors' report and the financial statements.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Independent auditor's report to the members of Virgin Active Group Limited

We have audited the financial statements of Virgin Active Group Limited for the year ended 31 December 2012 set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 set out on page 3, 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 of Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board'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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 UK 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 period for which the financial statements are prepared is consistent with the financial statements.

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.

Mark Matthewman (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
1 North Fourth Street
Central Milton Keynes
MK9 1NE

5/9/2013

Profit and loss account
for the year ended 31 December 2012

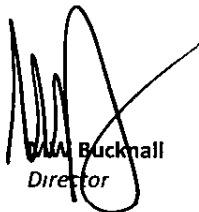
	<i>Note</i>	2012	2011
		£000	£000
Turnover		-	-
Administrative expenses		(22)	-
Other operating costs	8	(16)	(4,924)
Operating profit		(38)	(4,924)
Income from shares in group undertakings		-	495,873
Impairment of fixed asset investment	8	(18,416)	-
Interest receivable and similar income	4	29,548	698
Interest payable and similar charges	5	(2,189)	(22,662)
Profit on ordinary activities before taxation	2-3	8,905	468,985
Tax charge on profit on ordinary activities	6	-	-
Profit for the financial year	14	8,905	468,985


The notes on pages 8 – 16 form part of these financial statements

Balance sheet
as at 31 December 2012

	Note	2012 £000	2011 £000
Fixed assets			
Investments	8	-	20,000
Current assets			
Debtors amounts falling due within one year	9	20	20
Debtors amounts falling due after one year	10	550,605	462,819
Cash at bank and in hand		6,316	33
Total current assets		556,941	462,872
Total assets		556,941	482,872
Capital and reserves			
Called up share capital	13	17	17
Share premium account	14	5,480	5,480
Profit and loss account	14	409,667	400,762
Shareholders' funds		415,164	406,259
Creditors amounts falling due within one year	11	141,777	76,613
Total liabilities and shareholders' funds		556,941	482,872

These financial statements were approved by the board of directors on **5 September** 2013 and were signed on its behalf by


PA Woolf
Director


PA Woolf
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2012

		2012	2011
		£000	£000
Profit for the financial year		8,905	468,985
Dividends on shares classified in shareholders' fund	7	-	(423,888)
Charge in relation to share based payments		-	(1,423)
Capital contribution		-	306,806
Net increase in shareholders' funds		8,905	350,480
Opening shareholders' funds		406,259	55,779
Closing shareholders' funds		415,164	406,259

Notes

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain assets

Under Financial Reporting Standard 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company and its cash flows in its own published consolidated financial statements

As the Company is a wholly owned subsidiary within the group headed by Virgin Active Health Fitness & Racquets Limited, the Company has taken advantage of the exemption contained in FRS 8 and therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group (or investees of the group qualifying as related parties) The consolidated financial statements of Virgin Active Health Fitness & Racquets Limited, within which this Company is included, can be obtained from the address given in note 15

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts These financial statements present information about the Company as an individual undertaking and not about its group

Going concern

The Company's business activities, together with the factors likely to affect future development and position, are set out in the Business Review section of the Directors' Report on pages 1 to 2

The Company is a holding company and does not generate trading cash flows However, the Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors, having assessed the responses of the directors of the Company's parent Virgin Active Health Club Holdings Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Virgin Active Group to continue as a going concern or its ability to continue with the current banking arrangements

The Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at historic cost, less any provision for diminution in value

Other equity investments are held at their fair value at the time of acquisition

Notes (continued)

1 Accounting policies

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

The company and its fellow group undertakings are able to relieve their tax losses by surrendering them to other group companies, within the UK corporation tax group, where capacity to utilise these losses exists. There is an agreement between members of the group that losses will not be paid for by the recipient company. Where there is reasonable certainty that tax losses can be relieved, the group relief receivable or payable is included in the taxation charge or credit in the year.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Profit / loss on ordinary activities before taxation

Audit fees of £3,000 (2011 £3,000) are borne by a subsidiary undertaking.

3 Staff numbers and costs

The Company had no employees other than the directors, who did not receive any remuneration from the Company during the year (2011 £nil).

4 Interest receivable and similar income

	2012	2011
	£000	£000
Interest receivable from group undertakings	29,512	665
Other interest receivable	36	33
	29,548	698

5 Interest payable and similar charges

	2012	2011
	£000	£000
Interest payable to group undertakings	1,888	4,430
Finance cost on shares classified as liabilities	-	18,082
Exchange losses	301	150
	2,189	22,662

Notes (continued)

6. Taxation

	2012	2011
	£000	£000
UK Corporation tax		
Current period	-	-
Adjustment in respect to prior periods	-	-
Total current tax	-	-
Deferred tax (see note 12)	-	-
Tax charge on profit/ loss on ordinary activities	-	-

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2011 lower) than the standard rate of corporation tax in the UK of 24.5% (2011 26%). The differences are explained below

	2012	2011
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	8,905	468,985
Current tax at 24.5% (2011 26%)	2,181	121,936
<i>Effects of</i>		
Expenses not taxable	4,432	85,895
Income not taxable	-	(213,951)
Reclassification of preference share dividend under FRS 25	-	(173)
UK tax losses not utilised	-	7,090
Utilisation of tax losses brought forward	-	(797)
Group relief surrendered	(6,613)	-
Total current tax charge (see above)	-	-

Prior to the year ended 31 December 2012 the Company did not recognise group relief surrendered until the time limit for HMRC to dispute group relief had passed. For the year ended 31 December 2012 and subsequent periods the Company will recognise group relief where it can be surrendered. The current year tax charge reflects adjustments made to the balance sheet as a result of this policy change.

Notes (continued)

7 Dividends and appropriations

The aggregate amount of ordinary dividends comprises

	2012	2011
	£000	£000
Aggregate amount of dividends paid in the financial year	-	423,888
	-	423,888

The aggregate amount of ordinary dividends proposed and recognised as liabilities at the end of the year is *Nil* (2011 *£nil*)

8. Fixed asset investments

	Shares in subsidiary undertakings £000
<i>Cost or valuation</i>	
At beginning of the period	20,000
Disposal	(1,584)
Impairment	(18,416)
At end of the year	-
Net book value	
As at 31 December 2012	-
As at 31 December 2011	20,000

Company fixed asset investments represent shares in and loans to subsidiary undertakings. In accordance with FRS 11 "impairment of fixed assets and goodwill" the carrying value of the Company's investment in Virgin Active Group Investments Limited was compared to its recoverable amount. As a result its investment has been impaired as set out in the table above.

On 31 December 2012 the Company disposed of its investment in Virgin Lifecare (Proprietary) Limited to Virgin Active South Africa Holdings Limited in consideration for cash of £1,568,000, and made a loss on disposal of £16,000.

The following table lists the Group's principal subsidiary undertakings. All subsidiaries are held through an intermediate holding company except for the first two companies listed in the table.

Subsidiary undertakings	Country of incorporation and registration	Principal activity	Class and percentage of shares held
Virgin Active Group Investments Limited	England and Wales	Holding company	100% Ordinary £0.01 shares 60% Preference £1 shares
Virgin Active Investment Holdings Limited	England and Wales	Holding company	100% Ordinary £1 shares

Notes (continued)

8. Fixed asset investments (continued)

Subsidiary undertakings	Country of incorporation and registration	Principal activity	Class and percentage of shares held
Virgin Active Holdings Limited	England and Wales	Holding company	100% Ordinary £0.01 shares 100% Preference & 'A' Preference £1 shares
Virgin Active Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £0.001 shares
Virgin Active Italia SpA	Italy	Provider of sports and leisure facilities	100% Ordinary €1 shares
Virgin Active Espaná S A U	Spain	Provider of sports and leisure facilities	100% Ordinary €10 shares
Holmes Place Health Clubs Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares 100% 'B' £0.5 shares
Esporta Racquets And Non Racquets Holdings Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Holmes Place Management Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Esporta Management Services Limited	England and Wales	Provision of shared administration services	100% Ordinary £1 shares
Esporta Racquets Limited	England and Wales	Holding company	100% Ordinary £1 shares
Esporta Non Racquets Limited	England and Wales	Holding company	100% Ordinary £1 shares
Esporta Tennis Clubs Limited	England and Wales	Holding company	100% Ordinary £0.0001 shares
Esporta Health & Fitness Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Invicta (Club Indigo) Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Esporta Chislehurst Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Humberston Country Club Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
The Royal County of Berkshire Health & racquets Club Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Esporta Health Club Peterborough Limited	England and Wales	Holding company	100% Ordinary £1 shares

Notes (continued)

8. Fixed asset investments (continued)

Subsidiary undertakings	Country of incorporation and registration	Principal activity	Class and percentage of shares held
Invicta Leisure (Brentwood) Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Invicta Leisure (Brighton) Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Invicta Leisure (Manchester) Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Invicta Leisure (Plymouth) Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Invicta Leisure (Sunderland) Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Invicta Leisure (Swansea) Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Ocean Park Leisure Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Invicta Leisure (Tennis) Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
The Riverside Health & Racquets Club Northwood Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Esporta Health & Racquets Club Gloucester Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Esporta Health Club Hamilton Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Riverside Racquet Centre Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Riverside Croydon Limited	England and Wales	Provider of sports and leisure facilities	100% Ordinary £1 shares
Brescia Studios S r l	Italy	Provider of sports and leisure facilities	100% Ordinary €20,000 shares
Club Milano Corso Como S r l	Italy	Provider of sports and leisure facilities	100% Ordinary shares
Virgin Active Portugal, Sociedade Unipessoal, Lda	Portugal	Provider of sports and leisure facilities	100% Ordinary €1 shares

Principal subsidiaries are those entities that have a significant impact on the revenue, profit or net assets of the Group. A full list of subsidiaries will be annexed to the Company's next annual return filed with the Registrar of Companies.

Notes (continued)

9 Debtors amounts falling due within one year

	2012	2011
	£000	£000
Other debtors	20	20
	20	20

10 Debtors amounts falling due after one year

	2012	2011
	£000	£000
Amounts owed by group undertakings	550,605	462,819
	550,605	462,819

11. Creditors amounts falling due within one year

	2012	2011
	£000	£000
Accruals and deferred income	248	367
Amounts owed to group undertakings	141,529	76,246
	141,777	76,613

Notes (continued)

12. Deferred taxation

The elements of deferred taxation are set out below

	2012		2011	
	Recognised	Unrecognised	Recognised	Unrecognised
	£000	£000	£000	£000
UK tax losses	-	-	-	34,934
Short term timing differences	-	-	-	74
	-	-	-	35,008

Deferred tax has only been recognised to the extent that there is a reasonable expectation that the asset can be utilised in the immediately foreseeable future. Management have prepared 5 year profit forecasts to support the recoverability of the deferred tax asset provided.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

13 Share Capital

		2012	2011
		£000	£000
Allotted, called up and fully paid			
Equity	12,433,210 'A' Ordinary shares of 0.1p each	12	12
	1,773,784 'C' Ordinary shares of 0.1p each	2	2
	1,961,408 'D' Ordinary shares of 0.1p each	2	2
	1,184,123 Deferred Ordinary shares of 0.1p each	1	1
	Shares classified as liabilities	17	17

With the exception of Deferred Ordinary shares, all ordinary shares rank equally with regard to dividend entitlement, and on winding up. 'A', 'C' and 'D' Ordinary shares have equal voting rights. Deferred Ordinary shares have no voting rights and no rights to dividends.

Notes (continued)

14 Share premium and reserves

	Share premium account	Revaluation reserve	Profit and loss account
	£000	£000	£000
At beginning of the year	5,480	-	400,762
Profit for the year	-	-	8,905
At end of the period	5,480	-	409,667

The capital redemption reserve was equal to £158 at the beginning and end of the year

15. Ultimate parent company

The Company is a subsidiary undertaking of Virgin Active Health Fitness & Racquets Limited, a company registered in the United Kingdom. The ultimate parent company is Darwin Holdings SARL, which is registered in Luxembourg.

The smallest and largest group in which the results of the Company are consolidated is that headed by Virgin Active Health Fitness & Racquets Limited, a company incorporated in England and Wales. The first set of consolidated accounts of the group is for the period ending 31 December 2012 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.