

COMPANY NO: 3273728

Next Generation Clubs Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

52 week period ended 30 December 2010



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Company Information

Directors	SA Lloyd RL Ivell IMB Harris
Secretary	IMB Harris
Registered office	The Hangar Mosquito Way Hatfield Business Park Hatfield Hertfordshire AL10 9AX
Registered number	3273728
Auditor	Deloitte LLP Chartered Accountants London
Bankers	Bank of Scotland Level 3 City Mark 150 Fountainbridge Edinburgh TNT-45 EH3 9PE

Report of the Directors

The directors present their report and the audited financial statements for the period from 1 January 2010 to 30 December 2010

Results and dividends

The results for the period are set out in the profit and loss account

The directors do not recommend the payment of a dividend (31 December 2009 £nil)

Principal activities and review of the business

The principal activity of the company during the period was the operation and development of sports and leisure clubs in the United Kingdom

The company's key financial and other performance indicators were as follows

	52 weeks to 30 December 2010 £'000	52 weeks to 31 December 2009
Turnover	46,843	43,284
EBITDA ¹ pre-exceptional items	5,608	4,027
EBITDAR ² pre-exceptional items	17,520	15,572
No of clubs	15	14

1 Earnings before interest, tax, depreciation and amortisation and non cash rent

2 Earnings before interest, tax, depreciation, amortisation and net property rent

On 31 December 2009 the trading activities, assets and liabilities of Odyssey Glory Mill Ltd, a fellow group entity, were transferred across to the company

Business review and future developments

The directors are pleased with the performance for the period at both a turnover and an EBITDA level. The results are consistent with the financial projections made at the time of the David Lloyd Leisure and Next Generation combination

No significant changes are expected in the following years although the Directors continue to look for growth opportunities both organically and through acquisition

Directors

The directors, who served throughout the period, were as follows

SA Lloyd
RL Ivell
IMB Harris

None of the directors serving at the period end had direct interests in the share capital of the company

Secretary

IMB Harris

Report of the Directors (continued)

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the board of directors. The company does not use derivative financial instruments for speculative purposes.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The credit risk of the company is also minimised as customers pay by direct debit and in advance.

The company has no significant concentration of credit risk, with exposure spread over a large number of customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company is provided with sufficient funds from the group where these risks are managed centrally.

Price risk

The Group manages its exposure to electricity and gas price risk by purchasing its utility requirements in advance working with industry leading advisers.

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, and the company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group and company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Going Concern

The Directors' assessment of the Company's ability to continue as a going concern is set out in its statement of accounting policies in note 1.

Supplier Payment Policy

The company's policy is to apply terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of these and to abide by them. The Company had no trade creditors as at 30 December 2010.

Report of the Directors (continued)

Directors' indemnities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

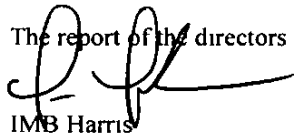
- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors is unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware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

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

Deloitte & Touche LLP renamed during the year to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as the auditor under the provision that a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 27 May 2011 and signed on its behalf by



IMB Harris
Director

Statement of directors' responsibilities for the Annual Report

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 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 NEXT GENERATION CLUBS LIMITED

We have audited the company financial statements (the "financial statements") of Next Generation Clubs Limited for the period ended 30 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30 December 2010 and of the loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Timothy Steel (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
27 May 2011

Profit And Loss Account
for the period ended 30 December 2010

	Notes	52 weeks to 30 December 2010 £'000	52 weeks to 31 December 2009 £'000
Turnover		46,843	43,284
Cost of sales		(16,099)	(14,979)
Gross profit		30,744	28,305
Administration expenses		(30,941)	(43,066)
EBITDAR^a pre-exceptional items		17,520	15,572
Rent on land and buildings	2	(11,912)	(11,545)
EBITDA^b pre-exceptional items and non cash rent		5,608	4,027
SSAP 21 non-cash rent	2	(3,955)	(4,010)
EBITDA^b pre-exceptional items		1,653	17
Depreciation and amortisation	2	(1,313)	(2,049)
Exceptional items	3	(537)	(12,729)
Operating loss		(197)	(14,761)
Profit on disposal of fixed assets	4	5	10
Net interest payable	5	(3,382)	(3,558)
Loss on ordinary activities before taxation		(3,574)	(18,309)
Tax credit on profit on ordinary activities	8	-	-
Loss for the period	14	(3,574)	(18,309)

All activities relate to continuing operations

The company has no recognised gains or losses other than those reported above, accordingly no statement of total recognised gains and losses is presented

(a) Earnings before interest, tax, depreciation, amortisation and non-cash rent

(b) Earnings before interest, tax, depreciation, amortisation and net rent

Balance Sheet
at 30 December 2010

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	Notes	30 December 2010 £'000	31 December 2009 £'000
Fixed assets			
Tangible assets	9	6,377	6,006
Investment in subsidiary undertakings	10	13,973	13,973
		<u>20,350</u>	<u>19,979</u>
Current assets			
Cash at bank and in hand		2,590	1,870
		<u>2,590</u>	<u>1,870</u>
Creditors: amounts falling due within one period	11	(37,847)	(33,878)
Net current liabilities		<u>(35,257)</u>	<u>(32,008)</u>
Total assets less current liabilities		<u>(14,907)</u>	<u>(12,029)</u>
Provisions for liabilities and charges	12	(20,164)	(19,468)
Net liabilities		<u>(35,071)</u>	<u>(31,497)</u>
Capital and reserves			
Called up share capital	13	454	454
Profit and loss account	14	(35,525)	(31,951)
Shareholders' deficit	15	<u>(35,071)</u>	<u>(31,497)</u>

The financial statements were approved by the Board on 27 May 2011 and signed on its behalf by



IMB Harris
Director

Notes To The Financial Statements

for the period ended 30 December 2010

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom law and accounting standards. The financial statements are presented on a 52 week basis, with the period end being within seven days of the accounting reference date of 31 December.

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the company, and its liquidity position are shown in the financial statements. The company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk are all described in the Directors Report.

The company has received a letter of support from the ultimate parent company that it will provide continuing support and after making enquiries, the Directors have a reasonable expectation that the ultimate parent undertaking has adequate resources to continue in operational existence and provide support for the foreseeable future despite the current uncertain economic outlook.

The Group has secured bank financing until 2015-2017 and has shareholder loans maturing in 2017. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance and mitigating actions, show that the Group and the Company should be able to operate within the level of the current facilities and compliance criteria. The current economic conditions create uncertainty including in relation to membership levels and property values, however, the Group has identified a number of possible actions to mitigate the effect of any worsening in the trading environment such as cost reductions and the deferral of capital expenditure.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. No material uncertainties that cast significant doubt over the ability of the Group to continue as a going concern have been identified by the Directors.

No material uncertainties that cast significant doubt over the ability of the company to continue as a going concern have been identified by the directors.

Basis of consolidation

The company qualifies for the exemption from preparing consolidated financial statements based on section 400 of the Companies Act 2006 as the company and all of its subsidiary undertakings are included in the consolidated financial statements of the head company, David Lloyd Leisure Operations Holdings Limited, drawn up to the same date.

Turnover

Turnover is derived from the provision of sports and leisure facilities in the UK. Turnover which arises solely in the United Kingdom, represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sale related taxes.

Turnover comprises joining fees, membership subscriptions, facilities income, and bar and restaurant income exclusive of value added tax.

Joining fees are non-refundable and are recognised in the accounting period in which they are received. Subscriptions received prior to the period to which they relate are recorded as deferred income and released in accordance with the period of membership. When a member fails to pay their subscription, no turnover is recognised until cash is collected.

Notes To The Financial Statements (continued)

for the period ended 30 December 2010

1. ACCOUNTING POLICIES (continued)

Pensions

The company operates a company personal pension plan which is a defined contribution scheme. The assets of the scheme are invested and managed independently of the finances of the company. The pension cost charge represents contributions payable in the period.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

- freehold land is not depreciated,
- freehold buildings are depreciated to their estimated residual values over a period not exceeding 50 periods,
- long leasehold properties and leasehold interests are depreciated to their estimated residual values over the shortest of 50 periods, their useful economic lives, or their remaining lease periods,
- plant and machinery is depreciated over a period of three to twenty periods, and
- residual value is calculated on prices prevailing at the date of acquisition.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down would be charged to operating profit.

Site development costs capitalised represent deposits paid and associated costs incurred in respect of the development of new sites. No depreciation is charged until the new club is brought into operation.

Interest on loans taken out specifically for the development of new clubs is capitalised during the period of construction and included in the cost of these clubs.

Notes To The Financial Statements (continued)
for the period ended 30 December 2010

1. ACCOUNTING POLICIES (continued)

Finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in-first-out basis. Net realisable value is based on the estimated sales price after allowing for all further costs of disposal.

Cash flow statement

The company has taken advantage of the exemption under Financial Reporting Standard 1 not to prepare a cash flow statement as it is a wholly owned subsidiary, and the parent company prepares a consolidated cash flow statement, whose accounts are publicly available.

Provisions

Provisions for onerous contracts are recognised when the company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Provisions are discounted to present value, where the effect is material, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as interest payable.

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

In the company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Notes To The Financial Statements (continued)
for the period ended 30 December 2010

2. OPERATING LOSS

Operating profit is arrived at after charging

	Period to 30 December 2010 £'000	Period to 31 December 2009 £'000
Depreciation of tangible fixed assets	1,313	2,049
Operating lease rentals		
- land and buildings	11,912	11,545
- land and buildings – SSAP 21 non-cash rent	3,955	4,010

Auditor's remuneration of £40,000 in respect of the audit of the company's annual accounts for the period ended 30 December 2010 (2009 - £40,000) was borne by another group undertaking

3. EXCEPTIONAL ITEMS

	Period to 30 December 2010 £'000	Period to 31 December 2009 £'000
Impairment of fixed assets	(31)	3,390
Onerous lease provision	568	9,339
	<u>537</u>	<u>12,729</u>

For the period ended 30 December 2010, impairment (losses)/gains have been recognised in the profit and loss account as an exceptional expense of £31,000 (2009 income £3,390,000)

The company considers each club, or geographical cluster of clubs where appropriate, to be an income generating unit (IGU) and assesses each IGU for signs of impairment annually. In assessing whether an IGU has been impaired, the carrying value is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and the value in use.

The company estimates value in use using a discounted cash flow model, which applies a discount rate of 11.2% (2009 11.0%). The future cash flows are based on the budgeted results then extrapolated at 2.5% p.a. (2009 2.5%) beyond the period budgeted.

Investments are reviewed for impairment based on the net assets of subsidiaries adjusted to reflect the recoverable amounts of their fixed assets.

The onerous lease provision relates to an increase in the net unavoidable cost of exiting or fulfilling a lease contract (refer to note 12).

4. PROFIT ON DISPOSAL OF FIXED ASSETS

	Period to 30 December 2010 £'000	Period to 31 December 2009 £'000
Profit on disposal of fixed assets	<u>5</u>	<u>10</u>

Notes To The Financial Statements (continued)
for the period ended 30 December 2010

5 NET INTEREST PAYABLE

	Period to 30 December 2010 £'000	Period to 31 December 2009 £'000
Interest receivable and similar income	-	7
Interest payable and similar charges	(3,382)	(3,565)
	<u>(3,382)</u>	<u>(3,558)</u>
Interest payable and similar charges comprises		
Net intercompany interest payable	(1,457)	(2,525)
Unwinding discount on provisions	(1,925)	(1,040)
	<u>(3,382)</u>	<u>(3,565)</u>

6 EMPLOYEES

The average monthly number of employees, including directors, for the period was

	Period to 30 December 2010 No.	Period to 31 December 2009 No.
Clubs	792	1,031
	<u>792</u>	<u>1,031</u>

	Period to 30 December 2010 £'000	Period to 31 December 2009 £'000
Staff costs, including directors		
Wages and salaries	11,318	10,542
Social security costs	837	902
	<u>12,155</u>	<u>11,444</u>

7. DIRECTORS' REMUNERATION

The director's remuneration for services to the company have all been paid and are disclosed in the financial statements of David Lloyd Leisure Limited

Notes To The Financial Statements (continued)
for the period ended 30 December 2010

8 TAXATION

There is no current or deferred tax charge in either period

Factors affecting the tax charge for the period

	Period to 30 December 2010 £'000	Period to 31 December 2009 £'000
(Loss) on ordinary activities before taxation	<u>(3,574)</u>	<u>(18,309)</u>
Tax at UK corporation tax rate of 28% (31 December 2009 28%)	(1,001)	(5,127)
Effects of		
Difference between depreciation and capital allowances	331	1,450
Group relief surrendered	-	917
Depreciation on non-qualifying assets	-	83
Expenses not deductible for tax purposes	42	28
Other timing differences	195	2,649
Unrelieved tax losses	433	-
Current tax charge for the period	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The company's deferred tax assets and liabilities are disclosed in note 12

The company expects to continue to claim capital allowances in excess of depreciation in future periods

Notes To The Financial Statements (continued)
for the period ended 30 December 2010

9. TANGIBLE FIXED ASSETS

	Land and buildings	Plant, machinery, fixtures and fittings	Total
Group	£'000	£'000	£'000
Cost			
At 31 December 2009	1,105	18,094	19,199
Reallocation*	(124)	(6,655)	(6,779)
Additions	-	1,802	1,802
Disposals	-	(1,129)	(1,129)
At 30 December 2010	981	12,112	13,093
Depreciation			
At 31 December 2009	(86)	(13,107)	(13,193)
Reallocation*	294	6,485	6,779
Charge for the period	(82)	(1,231)	(1,313)
Disposals	-	980	980
Impairment (charge)/reversal	(1,107)	1,138	31
At 30 December 2010	(981)	(5,735)	(6,716)
Net book value			
At 30 December 2010	-	6,377	6,377
At 31 December 2009	1,019	4,987	6,006

*In 2010 the Company undertook a review of its tangible fixed assets resulting in a reallocation within fixed assets, as disclosed above, in order to remove fully depreciated assets and to align the statutory accounts to the fixed asset register

10. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	Shares £'000
Cost at 31 December 2009 and 30 December 2010	16,107
Provision for impairment of investments	
At 31 December 2009 and 30 December 2010	(2,134)
Value of investments	
At 30 December 2010	13,973
At 31 December 2009	13,973

Notes To The Financial Statements (continued)
for the period ended 30 December 2010

10 INVESTMENT IN SUBSIDIARY UNDERTAKINGS (continued)

The company has the following subsidiaries

	Interest in ordinary shares and voting rights	Country of Incorporation	Principal activity
Nextgen Limited	100%	England and Wales	Dormant
Sports Management (Scotland) Limited	100%	Scotland	Leisure Facilities
Smilewood Limited	100%	England and Wales	Dormant
NGC Project Management Limited	100%	England and Wales	Dormant
Newhaven Restaurant Limited	100%	Scotland	Dormant
Celsius Spa Limited	100%	England and Wales	Dormant
Harbour Club Limited	100%	England and Wales	Leisure Facilities
Harbour Club Operations Limited	100%	England and Wales	Dormant
David Lloyd Leisure Nominee No 3 Ltd	100%	England and Wales	Dormant
David Lloyd Leisure Nominee No 4 Ltd	100%	England and Wales	Dormant

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE PERIOD

	30 December 2010 £'000	31 December 2009 £'000
Amounts due to group undertakings	37,847	33,878
	<u>37,847</u>	<u>33,878</u>

The intercompany creditor of £37,847,000 is repayable on demand earning interest on an arm's length basis of 9.78% for the period ended 30 December 2010 (31 December 2009 9.64%)

Notes To The Financial Statements (continued)
for the period ended 30 December 2010

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Onerous lease provisions	Total
	£'000	£'000
Provision at start of period	19,468	19,468
Created in the year	568	568
Utilised in the period	(1,797)	(1,797)
Unwinding of discount	1,925	1,925
Provision at end of period	<u>20,164</u>	<u>20,164</u>

There is an unrecognised deferred tax asset of £4,019,000 (2009 £3,574,000) in respect of depreciation in excess of capital allowances, an unrecognised deferred tax asset of £5,444,000 (2009 £5,451,000) in respect of other timing differences, and an unrecognised deferred tax asset of £4,837,000 (2009 £3,442,000) in respect of losses carried forward. These assets have not been recognised as their recoverability cannot be foreseen with any degree of certainty.

Onerous lease provisions relate to leasehold sites with onerous rental contracts. These provisions are expected to be released over the life of the leases.

13. SHARE CAPITAL

	30 December 2010	31 December 2009
	£'000	£'000
Authorised		
500,000 ordinary shares of £1 each	<u>500</u>	<u>500</u>
Allotted and fully paid		
453,843 ordinary shares of £1 each	<u>454</u>	<u>454</u>

14. PROFIT AND LOSS ACCOUNT

	Share Capital	Profit and loss account	Total
	30 December 2010	30 December 2010	30 December 2010
	£'000	£'000	£'000
Opening balance	454	(31,951)	(31,497)
Movement in the period	-	(3,574)	(3,574)
Closing balance restated in prior year	<u>454</u>	<u>(35,525)</u>	<u>(35,071)</u>

Notes To The Financial Statements (continued)
for the period ended 30 December 2010

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT) / FUNDS

	30 December 2010 £'000	31 December 2009 £'000
Opening shareholders' (deficit)	(31,497)	(13,188)
Loss for the period	(3,574)	(18,309)
Closing shareholders' deficit	<u>(35,071)</u>	<u>(31,497)</u>

16. FINANCIAL COMMITMENTS AND GUARANTEES

Operating lease commitments

The payments which the company is committed to make in the next period under operating leases are as follows

	Land and Buildings 30 December 2010 £'000	Land and Buildings 31 December 2009 £'000
Leases which expire After five years	13,947	12,932
	<u>13,947</u>	<u>12,932</u>

17. CONTINGENT LIABILITY

As part of the overall group financing, the company has pledged its assets as collateral for the £136,373,000 loan to David Lloyd Leisure Group Limited. All companies within the Group are joint and severally liable for this amount should David Lloyd Leisure Group Limited be unable to meet its obligations under this loan.

18. RELATED PARTY TRANSACTIONS

In accordance with the exemption in FRS 8, the company has not disclosed transactions with subsidiary undertakings in which its ultimate parent undertaking owns 100% of the voting rights.

A fellow Group company of London & Regional Group Investment Limited, an ultimate shareholder, owns a number of properties occupied by the Group and charged cash rent of £13,628,000 in the period (2009: £11,457,000). Trading balances outstanding as at 30 December 2010 are £Nil (2009: £Nil).

The company has taken advantage of the exemption given in FRS 8 not to disclose transactions with other group companies.

19. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Next Generation Clubs (Holdings) Limited, a company incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking is David Lloyd Leisure Operations Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

These are the smallest and largest group undertakings for which group financial statements are prepared and of which the company is a member. The financial statements of David Lloyd Leisure Operations Holdings Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.