COMPANY NO: 3895092

# Harbour Club Operations Limited

## ANNUAL REPORT AND FINANCIAL STATEMENTS

**52 week period ended 1 January 2009**

# Company Information

| | |
|---|---|
| Directors | I Harris<br>S Lloyd |
| Secretary | I Harris |
| Registered office | Quadrant House, Floor 6<br>17 Thomas More Street<br>Thomas More Square<br>London<br>E1W 1YW |
| Registered number | 3895092 |
| Auditors | Deloitte LLP<br>Chartered Accountants<br>London |
| Bankers | Bank of Scotland plc<br>London Chief Office<br>PO Box 54873, London<br>SW1Y 5WX |

# Report of the Directors

The directors present their report and the audited financial statements of the Company for the 52 week period from 4 January 2008 to 1 January 2009.

**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 (3 January 2008: £9,000,000).

**Principal activities and review of the business**

The principal activity of the Company during the period was the operation of The Harbour Club, a health and leisure facility in London.

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

| | 52 weeks to 1 January 2009 £'000 | 12 months to 3 January 2008 £'000 |
|---|---|---|
| Turnover | 11,310 | 10,116 |
| EBITDA[1] pre-exceptional items | 3,715 | 2,789 |
| EBITDAR[2] pre-exceptional items | 6,551 | 4,882 |
| No of clubs | 1 | 1 |

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 and Next Generation combination.

During the process of the production of the statutory accounts a number of working capital balances have been swept from Harbour Club Operations Limited to David Lloyd Leisure Limited. This incorporates all stock, trade debtors and prepayments, creditor, accruals and deferred income owned by Harbour Club Operations Limited.

These balances have been swept and replaced with an intercompany receivable/payable at the original book value of the item swept.

**Future Prospects**

The directors intend for the company to continue its principal activity.

**Directors**

S Lloyd
I Harris

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

**Secretary**

I Harris

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

# 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, and other receivables.

The credit risk on liquid funds 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 company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit considerations.

**Auditors**

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that s/he ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP renamed during the year to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors and 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 29 May 2009 and signed on its behalf by:

I Harris
Director

# Statement of directors' responsibilities for the Annual Report

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed; 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 AUDITORS' REPORT TO THE MEMBERS OF HARBOUR CLUB OPERATIONS LIMITED

We have audited the company financial statements (the "financial statements") of Harbour Club Operations Limited for the period ended 1 January 2009 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Accounting Policies and the related notes 1 to 19. 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 s235 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 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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 whether it is consistent with the audited financial statements. We 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, 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.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 1 January 2009 and of the company's profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered accountants and registered auditors
London, United Kingdom

29 May 2009

# Profit And Loss Account
**for the period ended 1 January 2009**

| | Notes | Period ended 1 January 2009 £'000 | Period ended 3 January 2008 £'000 |
|---|---|---|---|
| **Turnover** | | 11,310 | 10,116 |
| Cost of sales | | (2,905) | (3,251) |
| **Gross profit** | | 8,405 | 6,865 |
| Administrative expenses | | (5,255) | (4,821) |
| **Operating profit** | 2 | 3,150 | 2,044 |
| Profit on disposal of fixed assets | 2 | - | 12,988 |
| Interest receivable and similar income | 4 | 1,326 | 630 |
| **Profit on ordinary activities before taxation** | | 4,476 | 15,662 |
| Tax credit on profit on ordinary activities | 5 | - | 1,296 |
| **Profit for the period** | 15 | 4,476 | 16,958 |

All activities relate to continuing operations.

There are no recognised gains and losses other than those reported above, accordingly no statement of total recognised gains and losses is presented.

# Balance Sheet
**at 1 January 2009**

| | Note | 1 January 2009 £'000 | 3 January 2008 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 6 | 2,825 | 3,081 |
| Tangible assets | 7 | 935 | 986 |
| | | 3,760 | 4,067 |
| **Current assets** | | | |
| Stocks | 8 | - | 29 |
| Debtors | 9 | 14,744 | 13,510 |
| Cash at bank and in hand | | 102 | 489 |
| | | 14,846 | 14,028 |
| **Creditors:** amounts falling due within one year | 10 | - | (2,322) |
| **Net current assets** | | 14,846 | 11,706 |
| **Total assets less current liabilities** | | 18,606 | 15,773 |
| **Creditors:** amounts falling due after more than one year | 11 | - | (1,643) |
| **Provision for liabilities and charges** | 12 | - | - |
| **Net assets** | | 18,606 | 14,130 |
| **Capital and reserves** | | | |
| Called up share capital | 13 | - | - |
| Share premium | 14 | 9,500 | 9,500 |
| Profit and loss account | 14 | 9,106 | 4,630 |
| **Shareholders' funds** | 15 | 18,606 | 14,130 |

These financial statements were approved by the Board of Directors on 29 May 2009 and signed on its behalf by:

I Harris
Director

# Notes To The Financial Statements
**for the period ended 1 January 2009**

## 1. ACCOUNTING POLICIES

**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 year 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, its liquidity position and borrowing facilities are shown in the financial statements. The company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk are all described in the Directors Report.

After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

**Turnover**
Turnover is derived from the provision of sport and leisure facilities in the United Kingdom. Turnover represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales 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. Life membership subscriptions are released to the profit and loss account evenly over five years. When a member fails to pay their subscription, no turnover is recognised until cash is collected.

**Intangible fixed assets**
Goodwill represents the difference between the cost of acquired assets and the fair value of the identifiable assets. Amortisation is provided so as to write off goodwill on a straight-line basis over its estimated useful economic life, not exceeding a period of twenty years.

**Taxation**
Current tax, including UK corporation tax and foreign 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 Group'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.

# Notes To The Financial Statements (continued)

**for the period ended 1 January 2009**

1. **ACCOUNTING POLICIES (Continued)**

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 or valuation, 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:

- long leasehold properties and leasehold interests are depreciated to their estimated residual values over the shortest of: 50 years; their useful economic lives; or their remaining lease periods;
- furniture, plant and machinery is depreciated over a period of three to twenty years; 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.

**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, allowing for inflation increases. 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.

**Pensions**

On behalf of the employees the company contributed to a defined contribution scheme operated by the company's parent Next Generation Clubs Limited. 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 year.

# Notes To The Financial Statements (continued)
**for the period ended 1 January 2009**

## 1. ACCOUNTING POLICIES (Continued)

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

**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.

# Notes To The Financial Statements (continued)
**for the period ended 1 January 2009**

## 2. OPERATING PROFIT

| | Period ended 1 January 2009 £'000 | Period ended 3 January 2008 £'000 |
|---|---|---|
| Operating profit is stated after charging: | | |
| Depreciation of tangible fixed assets | | |
| - owned assets | 309 | 488 |
| Amortisation of goodwill | 256 | 257 |
| Operating lease rentals: | | |
| - land and buildings | 2,836 | 2,093 |
| - plant and equipment | 34 | 34 |

The analysis of auditors' remuneration is as follows:

| | £'000 | £'000 |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | - | 5 |

Auditors' remuneration of £5,000 for the period ended 1 January 2009 was borne by another group undertaking.

**PROFIT ON DISPOSAL OF FIXED ASSETS**

| | Period ended 1 January 2009 £'000 | Period ended 3 January 2008 £'000 |
|---|---|---|
| Profit on disposal of fixed assets | - | 12,988 |

The profit on disposal of fixed assets in the prior period has arisen following the Group reorganisation to split operating and property interests and the sale of the company's leasehold interest to Yorkmeadow Limited, a related party, followed by an operating lease back. The interest was sold for £21,489,000 which was an arms-length value determined by a firm of chartered surveyors.

## 3. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including Directors) during the period was 159 (3 January 2008: 156). Aggregate payroll costs were as follows:

| | Period ended 1 January 2009 £'000 | Period ended 3 January 2008 £'000 |
|---|---|---|
| Wages and salaries | 2,579 | 2,538 |
| Social security costs | 193 | 201 |
| Other pension costs | 4 | 6 |
| | 2,776 | 2,745 |

The director's remuneration for services to the company has all been paid by and is disclosed in the financial statements of David Lloyd Leisure Limited.

# Notes To The Financial Statements (continued)
**for the period ended 1 January 2009**

## 4. INTEREST RECEIVABLE AND SIMILAR INCOME

| | Period ended 1 January 2009 £ '000 | Period ended 3 January 2008 £'000 |
|---|---|---|
| Interest receivable on intercompany loans | 1,326 | 630 |

## 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | Period ended 1 January 2009 £'000 | Period ended 3 January 2008 £'000 |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax on profits for the period | - | - |
| Current tax charge for the period | - | - |
| **Deferred tax** | | |
| Origination and reversal of timing differences | - | (1,296) |
| | - | (1,296) |
| Tax credit on profit for the period | - | (1,296) |

**Factors affecting the tax charge for the period**

The current tax charge for the period differs to the standard rate of tax in the UK, as explained below:

| | Period ended 1 January 2009 £'000 | Period ended 3 January 2008 £'000 |
|---|---|---|
| Profit on ordinary activities before taxation | 4,476 | 15,662 |
| Tax charge on profit on ordinary activities at UK corporation tax rate of 28.5% (3 January 2008: 30%) | 1,276 | 4,699 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 73 | 77 |
| Difference between depreciation and capital allowances | 81 | 34 |
| Non-taxable profit on disposal of fixed assets | - | (3,896) |
| Group relief received for no payment | (1,430) | (914) |
| Current tax charge for the period | - | - |

# Notes To The Financial Statements (continued)
**for the period ended 1 January 2009**

## 6. INTANGIBLE ASSETS

| | Goodwill £'000 |
|---|---|
| **Cost** | |
| At 3 January 2008 and 1 January 2009 | 5,134 |
| **Amortisation** | |
| At 3 January 2008 | 2,053 |
| Charge for the period | 256 |
| At 1 January 2009 | 2,309 |
| **Net book value** | |
| At 1 January 2009 | 2,825 |
| At 3 January 2008 | 3,081 |

## 7. TANGIBLE FIXED ASSETS

| | Furniture, plant and equipment £'000 |
|---|---|
| **Cost** | |
| At 3 January 2008 | 1,971 |
| Additions | 260 |
| Disposals | (386) |
| At 1 January 2009 | 1,845 |
| **Accumulated Depreciation** | |
| At 3 January 2008 | 985 |
| Charge in period | 309 |
| Disposals | (384) |
| At 1 January 2009 | 910 |
| **Net book value** | |
| At 1 January 2009 | 935 |
| At 3 January 2008 | 986 |

## 8. STOCKS

| | 1 January 2009 £'000 | 3 January 2008 £'000 |
|---|---|---|
| Finished goods and goods for resale | - | 29 |

There is no material difference between the balance sheet value of stocks and their replacement cost.

# Notes To The Financial Statements (continued)
**for the period ended 1 January 2009**

## 9. DEBTORS

| | 1 January 2009 £'000 | 3 January 2008 £'000 |
|---|---|---|
| Trade debtors | - | 765 |
| Amounts owed by group undertakings | 14,588 | 12,501 |
| Corporation tax debtor | 156 | 156 |
| Prepayments and accrued income | - | 88 |
| | 14,744 | 13,510 |

The intercompany debtor of £14,588,000 is repayable on demand earning interest at an arms length basis calculated on the cost of debt of the group of 9.75% for the period ended 1 January 2009 (3 January 2008: 8.5%).

## 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 1 January 2009 £'000 | 3 January 2008 £'000 |
|---|---|---|
| Overdrafts | - | 36 |
| Trade creditors | - | 23 |
| Other taxation and social security | - | 551 |
| Other creditors | - | 82 |
| Accruals | - | 1,106 |
| Deferred income | - | 524 |
| | - | 2,322 |

## 11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 1 January 2009 £'000 | 3 January 2008 £'000 |
|---|---|---|
| Deferred income | - | 1,643 |
| | - | 1,643 |

# Notes To The Financial Statements (continued)
**for the period ended 1 January 2009**

## 12. PROVISION FOR LIABILITIES AND CHARGES

| | 1 January 2009 £'000 | 3 January 2008 £'000 |
|---|---|---|
| Deferred tax | | |
| Accelerated capital allowances | - | - |
| Provision at start of period | - | 1,296 |
| Deferred tax charge for the period | - | (1,296) |
| Provision at end of period | - | - |

There is an unrecognised deferred tax asset of £502,000 (3 January 2008: £271,000) in respect of depreciation in excess of capital allowances. This asset has not been recognised as its recoverability cannot be foreseen with any degree of certainty.

## 13. SHARE CAPITAL

| | 1 January 2009 £'000 | 3 January 2008 £'000 |
|---|---|---|
| **Authorised** | | |
| 2 Ordinary shares of £1 each (2006: 2 ordinary shares of £1 each) | - | - |
| 98 Redeemable preference shares of £1 each (2006: 98 redeemable preference shares of £1 each) | - | - |
| **Allotted, issued and fully paid:** | | |
| 2 Ordinary equity shares of £1 each | - | - |
| 98 Redeemable preference shares of £1 each | - | - |

The terms of the preference shares were amended in July 2006 and are such that they are now classed as equity. The preference shares are redeemable at the option of the company at par plus the share premium paid on subscription.

The Articles of Association were amended by special resolution on 1 August 2007. As a result all ordinary shares and redeemable preference shares issued by the company now share the same rights and rank pari passu with each other in relation to the payment of dividends, to the extent that there are profits available for distribution. The preference shares no longer have a fixed entitlement to dividends.

## 14. RESERVES

| | Share Premium Account £'000 | Profit and Loss Account £'000 |
|---|---|---|
| At 3 January 2008 | 9,500 | 4,630 |
| Profit for the period | - | 4,476 |
| At 1 January 2009 | 9,500 | 9,106 |

# Notes To The Financial Statements (continued)

**for the period ended 1 January 2009**

## 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | **1 January 2009 £'000** | **3 January 2008 £'000** |
|---|---|---|
| Opening shareholders' funds | 14,130 | 6,172 |
| Profit for the period | 4,476 | 16,958 |
| Dividend paid | - | (9,000) |
| Closing shareholders' funds | 18,606 | 14,130 |

## 16. COMMITMENTS

The company has annual commitments in respect of operating leases as follows:

| | **Land and buildings 1 January 2009 £'000** | **Other 1 January 2009 £'000** | **Land and buildings 3 January 2008 £'000** | **Other 3 January 2008 £'000** |
|---|---|---|---|---|
| Operating leases which expire: | | | | |
| Less than one year | - | - | - | - |
| Between two and five years | - | 77 | - | 34 |
| After five years | 2,942 | - | 2,870 | - |
| | 2,942 | 77 | 2,870 | 34 |

# Notes To The Financial Statements (continued)
**for the period ended 1 January 2009**

## 17. RELATED PARTIES

During the period the Company entered into transactions, in the ordinary course of business, with a subsidiary of London & Regional (Health Clubs No. 2) Ltd, which under FRS8 does not fall into the Group. Transactions entered into and paid at 1 January 2009, are as follows:

| Related party | Rent charges paid to related party £000 |
|---|---|
| Yorkmeadow Limited<br>Period to 1 January 2009 | 2,836 |
| Yorkmeadow Limited<br>Period to 3 January 2008 | 2,093 |

## 18. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Next Generation Clubs 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.

## 19. CONTINGENT LIABILITY

As part of the overall group financing, the company has pledged its assets as collateral for the £234,964,000 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.