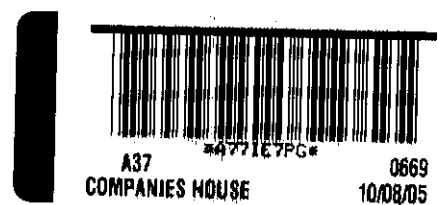


158466

GRASSPOST LIMITED
Report and Financial Statements
Year ended 3 March 2005



Grasspost Limited

Registered Number 1584666

DIRECTORS

E Dodd	(appointed 1 June 2004 and resigned 30 June 2005)
MRC Fearn	(resigned 1 June 2004)
S Miller	

SECRETARY

RW Fairhurst
DC Lowry

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

REGISTERED OFFICE

Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire
LU5 5XE

Grasspost Limited

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 3 March 2005.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is the provision of sport and leisure facilities. There has been no change in this activity during the period.

RESULTS AND DIVIDENDS

The profit for the year after tax amounted to £479,000 (2004 – £526,000). The directors do not recommend the payment of a dividend (2004 - £nil).

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors are satisfied with the results for the year and expect profitability to be sustained for the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 3 March 2005 are listed on page 1. None of the directors had any beneficial interest in the shares of the Company.

The beneficial interests of the directors in shares and options over the ordinary shares in the holding company, Whitbread PLC including shares under the Whitbread PLC Share Ownership Scheme are disclosed in the accounts of Whitbread PLC (S Miller) and David Lloyd Leisure Limited (ES Dodd).

AUDITORS

A resolution to re-appoint Ernst & Young LLP will be put to the members at the Annual General Meeting.

The report of the directors was approved by the board on . . . 21 JULY 2005 . . . and signed on its behalf by:



Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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.

Grasspost Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRASSPOST LIMITED

We have audited the Company's financial statements for the year ended 3 March 2005, which comprise the Profit and Loss Account, Note of Historical Cost Profits and Losses, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of 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 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 described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the Company 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 United Kingdom Auditing Standards 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 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 3 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

21 July 2005

Grasspost Limited

PROFIT AND LOSS ACCOUNT for the year ended 3 March 2005

		2005	2004
	note	£000	£000
TURNOVER	(2)	2,993	2,696
Cost of sales		(100)	(102)
GROSS PROFIT		2,893	2,594
Distribution costs		(1,945)	(1,602)
OPERATING PROFIT	(3)	948	992
Interest payable and similar charges	(6)	(242)	(1)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		706	991
Tax on profit on ordinary activities	(7)	(227)	(465)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR		479	526

There are no recognised gains or losses or movements in shareholders' funds other than those reported above.

Grasspost Limited

NOTE OF HISTORICAL COST PROFITS AND LOSSES for the year ended 3 March 2005

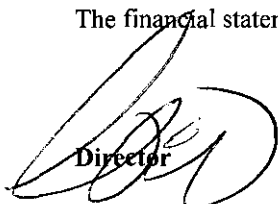
	2005	2004
	£000	£000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	706	991
Difference between the historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	77	77
	<hr/>	<hr/>
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	783	1,068
	<hr/>	<hr/>
HISTORICAL COST RETAINED PROFIT	555	603
	<hr/>	<hr/>

Grasspost Limited

BALANCE SHEET as at 3 March 2005

	note	2005 £000	2004 £000
FIXED ASSETS			
Tangible assets	(8)	10,759	10,964
CURRENT ASSETS			
Cash		2	79
		2	79
CREDITORS: amounts falling due within one year	(9)	(5,576)	(6,283)
NET CURRENT LIABILITIES		(5,574)	(6,204)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,185	4,760
CREDITORS: amounts falling due after more than one year	(10)	(20)	(23)
PROVISIONS FOR LIABILITIES AND CHARGES	(12)	(362)	(413)
NET ASSETS		4,803	4,324
CAPITAL AND RESERVES			
Called up share capital	(13)	21	21
Share premium account	(14)	198	198
Revaluation reserve	(14)	3,919	3,996
Profit and loss account	(14)	665	109
EQUITY SHAREHOLDERS' FUNDS	(15)	4,803	4,324

The financial statements were approved by the board on ... 21 JUL 7 2005 and signed by:


Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 3 March 2005

1) ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of property, and in accordance with applicable Accounting Standards.

Turnover

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 are released to the profit and loss account over the period to which they relate. Subscriptions received prior to the period to which they relate are recorded as deferred income. Life membership subscriptions are released to the profit and loss account evenly over five years.

Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term. Leasing arrangements which substantially transfer to the Company all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright.

The assets are included within fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is charged to the profit and loss account so as to give a constant periodic rate of charge on the remaining balance at each period.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful economic lives of equivalent owned assets.

Tangible fixed assets and depreciation

The costs or valuation of fixed assets is written off on a straight line basis over their expected useful economic lives as follows:

- freehold land is not depreciated;
- freehold buildings are depreciated to their estimated residual values over a period not exceeding 50 years;
- long leasehold properties are depreciated to their estimated residual values over the shortest of: 50 years; their useful economic lives; or their remaining lease periods;
- fixtures, furniture and equipment are depreciated over a period of three to 20 years.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 3 March 2005

1) ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date. Deferred taxation is not recognised where an asset is sold if it is more likely than not that the taxable gain will be rolled over. Deferred taxation assets are recognised to the extent that they are regarded as recoverable. Provisions for deferred taxation are not discounted. Deferred tax assets and liabilities are calculated using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Pensions

The Company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are invested and managed independently of the finances of the Company.

Cash flow statement

Under the provision of FRS 1 (revised), the Company is exempt from preparing a cash flow statement as it is a wholly owned subsidiary of an EC parent company.

2) TURNOVER

The Company's turnover is solely derived from continuing health and leisure activities in the United Kingdom.

3) OPERATING PROFIT

Operating profit is stated after charging:

	2005	2004
	£000	£000
Depreciation of owned fixed assets	329	201
Depreciation of assets held under finance leases	29	29
Loss on the disposal of fixed assets	71	36
Rentals under operating leases:		
Hire of plant and machinery & other	63	58
Property	16	20
	<u> </u>	<u> </u>

In 2005, audit fees were borne by the parent company, David Lloyd Leisure Limited.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 3 March 2005

4) DIRECTORS' REMUNERATION

In 2005, none of the directors received any remuneration from the Company in respect of their services as directors.

5) STAFF COSTS AND NUMBERS

	2005	2004
	£000	£000
Wages and salaries	657	715
Social security costs	37	54
Pension costs	4	6
	<u>698</u>	<u>775</u>

The average number of persons employed by the Company during the period was as follows:

	2005	2004
	Number	Number
Full-time	17	31
Part-time	44	39
	<u>61</u>	<u>70</u>

Grasspost Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 3 March 2005

6) INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£000	£000
Intercompany interest	242	-
Finance lease interest	-	1
	<u>242</u>	<u>1</u>
	<u><u>242</u></u>	<u><u>1</u></u>

7) TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge for the year	2005	2004
	£000	£000
UK Corporation Tax based on profit for the period	170	158
Deferred tax	57	307
	<u>227</u>	<u>465</u>
	<u><u>227</u></u>	<u><u>465</u></u>

Factors affecting the tax charge for the period	2005	2004
	£000	£000
Profit/(loss) before tax	706	991
Tax at current UK Corporation Tax rate of 30% (2004- 30%)	212	297
<i>Effect of:</i>		
Accelerated capital allowances	(57)	(123)
Depreciation on land and buildings	9	15
Other	6	(31)
	<u>170</u>	<u>158</u>
	<u><u>170</u></u>	<u><u>158</u></u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 3 March 2005

8) TANGIBLE FIXED ASSETS

	Long leasehold land and buildings £000	Fixtures and fittings £000	Total £000
<i>Cost or valuation</i>			
As at 4 March 2004	9,308	3,623	12,931
Additions	1	223	224
Disposals	-	(131)	(131)
Reclassified	(21)	21	-
As at 3 March 2005	9,288	3,736	13,024
<i>Depreciation</i>			
As at 4 March 2004	(672)	(1,295)	(1,967)
Depreciation for the period	(88)	(270)	(358)
Disposals	-	60	60
As at 3 March 2005	(760)	(1,505)	(2,265)
<i>Net book value</i>			
As at 3 March 2005	8,528	2,231	10,759
As at 4 March 2004	8,636	2,328	10,964

The historic cost of leasehold land and buildings at 3 March 2005 was £5,234,235 (4 March 2004 - £5,234,235).

The net book value of plant and machinery includes £26,436 (2004 - £53,758) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 3 March 2005

9) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£000	£000
Amounts owed to group undertakings	5,382	6,097
Obligations under finance leases	23	28
Corporation tax	171	158
	<u>5,576</u>	<u>6,283</u>

Finance lease creditors are secured on the assets concerned.

10) CREDITORS: AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	2005	2004
	£000	£000
Obligations under finance leases	20	23
	<u>20</u>	<u>23</u>

Finance lease creditors are secured on the assets concerned.

Grasspost Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 3 March 2005

11) OBLIGATIONS UNDER FINANCE LEASES

	2005	2004
	£000	£000
<i>Amounts payable:</i>		
Within one years	23	28
In two to five years	20	23
	<u>43</u>	<u>51</u>

12) PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation	Contract dispute	Total
	£000	£000	£000
As at 4 March 2004	305	108	413
Arising during the year	57	-	57
Released during the year	-	(108)	(108)
As at 3 March 2005	<u>362</u>	<u>-</u>	<u>362</u>

The contract dispute provision was released during the year due to settlement of the claim.

13) SHARE CAPITAL

	2005	2004
	£	£
<i>Authorised</i>		
4,408,000 ordinary shares of 1 pence each	44,080	44,080
<i>Called up, allotted and fully paid</i>		
2,100,000 ordinary shares of 1 pence each	21,000	21,000

Grasspost Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 3 March 2005

14) STATEMENT OF MOVEMENTS ON RESERVES

	Share premium £000	Revaluation reserve £000	Profit and loss account £000	Total £000
As at 4 March 2004	198	3,996	109	4,303
Realised revaluation surplus transferred to the profit and loss account	-	(77)	77	-
Profit for the period	-	-	479	479
As at 3 March 2005	<u>198</u>	<u>3,919</u>	<u>665</u>	<u>4,782</u>

15) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £000	2004 £000
Opening shareholders' funds	4,324	3,798
Profit attributable to ordinary shareholders	479	526
Closing shareholders' funds	<u>4,803</u>	<u>4,324</u>

16) OPERATING LEASE COMMITMENTS

	Land and buildings		Other	
	2005 £000	2004 £000	2005 £000	2004 £000
<i>Leases which expire:</i>				
Within one year	-	-	-	14
In two to five years	-	-	-	2
In over five years	17	17	-	-
	<u>17</u>	<u>17</u>	<u>-</u>	<u>16</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 3 March 2005

17) RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Whitbread PLC and has taken advantage of the exemption given in FRS 8 not to disclose transactions with other group companies.

18) ULTIMATE PARENT UNDERTAKING

As at 3 March 2005, the ultimate parent company was Whitbread PLC, a company incorporated in the United Kingdom which is parent of both the smallest and largest groups of which the Company is a member.

Copies of the group accounts are available from the Company Secretary of Whitbread PLC at Whitbread House, Park Street West, Luton, Bedfordshire, LU1 3BG.