

COMPANY NO: 2546423

Castledene Leisure Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

52 week period ended 31 December 2009

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Company Information

| | |
|--------------------------|---|
| Directors | SA Lloyd IMB Harris |
| Secretary | IMB Harris |
| Registered office | The Hangar Mosquito Way Hatfield Business Park Hatfield AL10 9AX |
| Registered number | 2546423 |
| Auditors | Deloitte LLP Chartered Accountants London |
| Bankers | Bank of Scotland plc London Chief Office PO Box 54873, London SW1Y 5WX |

Report of the Directors

The directors present their report and the audited financial statements for the 52 week period from 2 January 2009 to 31 December 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 (1 January 2009 £nil)

The Group restated its prior year results following its decision to change its policy for the calculation of the rental charge. All future minimum rent payments are now accounted for on a straight-line basis over the life of the leases, whereas it had previously not straight-lined the effect of fixed inflationary adjustments within its leases

Principal activities and review of the business

The principal activity of the company is the provision of a health and leisure facilities in the United Kingdom

The directors are pleased with the performance for the period at both a turnover and an EBITDA level. No significant changes are expected in the following years

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

| | 52 weeks to 31 December 2009 | 52 weeks to 1 January 2009 (Restated) |
|--|---------------------------------|---|
| | £'000 | £'000 |
| Turnover | 3,440 | 3,289 |
| EBITDA ¹ (including profit on disposal of £10.2m in 2008) | 602 | 11,504 |
| EBITDAR ² | 1,722 | 11,710 |
| No. of clubs | 1 | 1 |

On 31 December 2009 the trading activities, assets and liabilities of the company were transferred at book value to David Lloyd Leisure Ltd a parent company as part of a corporate simplification project. The transfer of the company's trading activities to David Lloyd Leisure Ltd will simplify the overall group and help to reduce compliance and administration costs. From 1 January 2010, this company ceased to trade.

Going Concern

As the Company has transferred its trade to another group company, there are no continuing operations at the year end and consequently the accounts have been prepared on a basis other than going concern. Further details regarding the adoption of a basis other than going concern can be found in Accounting Policies Note 1.

Directors

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

SA Lloyd
N Phillips (resigned 28 November 2009)
IMB Harris

None of the directors serving at the year end had interests in the share capital of the Company

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

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

Report of the Directors (continued)

Secretary

IMB Harris

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 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 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

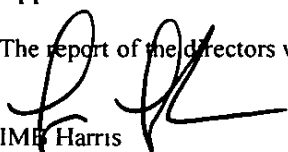
- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are 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 LLP were re-appointed by the company during the period. They have expressed their willingness to continue in office as auditors under the provision that a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 28 May 2010 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.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CASTLEDENE LEISURE LIMITED

We have audited the financial statements of Castledene Leisure Ltd for the 52 week period ending 31 December 2009 which comprise the Profit and Loss Account and Balance Sheet, and the related notes 1 to 18. 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 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, 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 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 (APB'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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's results as at 31 December 2009
- 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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

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 Auditors
London, United Kingdom
29 May 2010

Profit And Loss Account

for the period ended 31 December 2009

| | Notes | 52 weeks to 31 December 2009 £'000 | 52 weeks to 1 January 2009 (Restated) £'000 |
|--|-------|--|--|
| Turnover | | 3,440 | 3,289 |
| Cost of sales | | (1,081) | (952) |
| Gross profit | | 2,359 | 2,337 |
| Administrative expenses | | 1,991 | (1,264) |
| Operating profit | 2 | 368 | 1,073 |
| Profit on disposal of fixed assets | 3 | - | 10,205 |
| Interest receivable | 4 | 1,910 | 617 |
| Profit on ordinary activities before taxation | | 2,278 | 11,895 |
| Tax credit/(charge) on profit on ordinary activities | 7 | 31 | (19) |
| Profit for the period | 13 | 2,309 | 11,876 |

All activities relate to continuing operations, but as the trade has been transferred to David Lloyd Leisure Ltd, the results from these activities will be reported in that company in future periods

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

Note of Historical Cost Profit and Losses

for the period ended 31 December 2009

| | 52 weeks to 31 December 2009 £'000 | 52 weeks to 1 January 2009 (Restated) £'000 |
|---|--|--|
| Profit on ordinary activities before taxation | 2,278 | 11,895 |
| Difference between the historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount | - | 7 |
| Realisation of property revaluation gains of previous periods | - | 879 |
| Historical cost profit on ordinary activities before taxation | 2,278 | 12,781 |
| Historical cost profit | 2,309 | 12,762 |

Balance Sheet
at 31 December 2009

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| | Notes | 31 December 2009 £'000 | 1 January 2009 (Restated) £'000 |
|---|-------|---------------------------|---------------------------------------|
| Fixed assets | | | |
| Tangible assets | 9 | - | 2,404 |
| | | - | 2,404 |
| Current assets | | | |
| Debtors – due within one year | 10 | 22,850 | 18,424 |
| Cash at bank and in hand | | - | 2 |
| Net current assets | | 22,850 | 18,426 |
| Total assets less current liabilities | | 22,850 | 20,830 |
| Provisions for liabilities and charges | 11 | - | (289) |
| Net assets | | 22,850 | 20,541 |
| Capital and reserves | | | |
| Called up share capital | 12 | 200 | 200 |
| Profit and loss account | 13 | 22,650 | 20,341 |
| Shareholders' funds | 14 | 22,850 | 20,541 |

The financial statements were approved by the Board on 28 May 2010 and signed on its behalf by



IMB Harris
Director

Notes To The Financial Statements

at 31 December 2009

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year with the exception of the policy for leases which is explained in note 8.

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, 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 in the Directors Report. The financial position of the company is 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.

As the company has transferred its trade to another group company, there are no continuing operations at the year end and consequently the company has ceased trading and the going concern basis is not appropriate. Accordingly the accounts have been prepared on the other than going concern basis.

Turnover

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 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. When a member fails to pay their subscription, no turnover is recognised until cash is collected.

Pensions

The company operates a defined contribution 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.

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 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.

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 not provided on timing differences arising from the revaluation of fixed assets where there is no binding commitment to sell the asset.

Notes To The Financial Statements (continued)

at 31 December 2009

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Prior to the adoption of FRS 15 in the financial year ended 5 March 2000, land and buildings were regularly revalued on a cyclical basis. Since the adoption of FRS 15, the company policy has been not to revalue its land and buildings

Consequently, the transitional provision of FRS 15 has been applied and, while previous valuations have been retained, they have not been updated. Other fixed assets are stated at cost

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

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

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

In 2009 the company changed its accounting policy for minimum lease rental payments whereby future fixed inflationary rental uplifts are now spread over the lease term. This has resulted in a restatement of the prior year figures to reflect this change in policy, see note 8

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)
at 31 December 2009

2. OPERATING PROFIT

Operating profit is arrived at after charging

| | Period to 31 December 2009 £'000 | Period to 1 January 2009 (Restated) £'000 |
|--|--|--|
| Depreciation of tangible fixed assets | 234 | 226 |
| Operating lease rentals - land and buildings | 804 | 187 |
| Non-cash Rent | 297 | 19 |

Auditors' remuneration of £2,000 (2008, £2,000) was borne by another group undertaking for the period ended 31 December 2009

3. PROFIT ON DISPOSAL OF FIXED ASSETS

| | Period to 31 December 2009 £'000 | Period to 1 January 2009 £'000 |
|------------------------------------|--|--------------------------------------|
| Profit on disposal of fixed assets | - | 10,205 |

The profit on sale of fixed assets in 2008 arose from the restructuring to sell the land and buildings of the company to a related party property company under common ownership to the Group. The land and buildings were sold for a total consideration of £13,322,159 to David Lloyd Leisure Property Holdings No 3 Limited. The property is still being operated as a David Lloyd site and is being leased on a 25 year operating lease which commenced in October 2008.

4. INTEREST RECEIVABLE

| | Period to 31 December 2009 £'000 | Period to 1 January 2009 £'000 |
|----------------------------------|--|--------------------------------------|
| Intercompany interest receivable | 1,910 | 617 |
| | <u>1,910</u> | <u>617</u> |

Notes To The Financial Statements (continued)
at 31 December 2009

5. EMPLOYEES

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

| | Period to 31 December 2009 No | Period to 1 January 2009 No. |
|-------|--|---|
| Clubs | 46 | 64 |
| | <hr/> 46 | <hr/> 64 |

| | Period to 31 December 2009 £'000 | Period to 1 January 2009 £'000 |
|----------------------------------|---|---|
| Staff costs, including directors | | |
| Wages and salaries | 813 | 787 |
| Social security costs | 96 | 60 |
| Other pension costs | - | - |
| | <hr/> 909 | <hr/> 847 |

6. DIRECTORS' REMUNERATION

The directors' 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)
at 31 December 2009

7. TAXATION

Analysis of the tax charge for the period

| | Period to 31 December 2009 £'000 | Period to 1 January 2009 (Restated) £'000 |
|---|--|--|
| Current tax | | |
| Prior year adjustment | 14 | 1 |
| | <u>14</u> | <u>1</u> |
| Deferred tax (see note 11) | | |
| Current year/period movement | (45) | (36) |
| Prior year adjustment | - | 54 |
| | <u>(45)</u> | <u>18</u> |
| Total tax (credit)/charge on profits for the period | <u>(31)</u> | <u>19</u> |

Factors affecting the tax charge for the period

| | Period to 31 December 2009 £'000 | Period to 1 January 2009 (Restated) £'000 |
|--|--|--|
| Profit for the period | <u>2,278</u> | <u>11,914</u> |
| Tax at UK corporation tax rate of 28% (1 January 2009 28.5%) | 638 | 3,395 |
| Effects of | | |
| Difference between depreciation and capital allowances | 45 | 37 |
| Rollover relief on profit on disposal of property | - | (2,898) |
| Prior year adjustment | 14 | - |
| Depreciation on non-qualifying assets | 21 | 14 |
| Group tax relief received for no payment | (705) | (548) |
| Non-deductible expenses | 1 | - |
| Current tax charge for the period | <u>14</u> | <u>-</u> |

Factors that may affect future tax charges

The company has transferred all operations, assets and liabilities to another group company. Accordingly, no future tax charges will arise in this company.

Details of the company's deferred tax provision are given in note 11.

Notes To The Financial Statements (continued)
at 31 December 2009

8. PRIOR YEAR ADJUSTMENT

The Company policy for calculation of the rental charge was changed during the year to recognise all minimum lease payments, including fixed future inflationary uplifts in rent, on a straight-line basis over the lease term. The directors consider that the new policy reflects a better application of the requirements of SSAP21 to record rent on a straight line basis.

The effects of the change in policy are summarised below

| | 52 week period to £'000 | 52 week period £'000 |
|--|----------------------------|-------------------------|
| Profit and loss account | | |
| SSAP 21 non-cash rent spreading adjustment | (297) | (19) |
| Decrease in profit for the financial year | (297) | (19) |
| Balance sheet | | |
| Amounts owed by group undertakings | (316) | (19) |
| Decrease in net assets | (316) | (19) |
| Reserves brought forward | (19) | - |
| Profit and loss account for year | (297) | (19) |
| Shareholders' deficit | (316) | (19) |

9. TANGIBLE FIXED ASSETS

| | Leasehold improvement £'000 | Furniture, plant and equipment £'000 | Total £'000 |
|-------------------------------------|-----------------------------------|--|----------------|
| Cost | | | |
| At 1 January 2009 | 91 | 3,649 | 3,740 |
| Additions | 2 | - | 2 |
| Disposals | (93) | (3,649) | (3,742) |
| At 31 December 2009 | - | - | - |
| Accumulated Depreciation | | | |
| At 1 January 2009 | - | 1,336 | 1,336 |
| Charge in year | 4 | 230 | 234 |
| Disposals | (4) | (1,566) | (1,570) |
| At 31 December 2009 | - | - | - |
| Net book value | | | |
| At 31 December 2009 | - | - | - |
| At 1 January 2009 | 91 | 2,313 | 2,404 |

Notes To The Financial Statements (continued)
at 31 December 2009

9. TANGIBLE FIXED ASSETS (continued)

All of the assets disposed of were sold at net book value to David Lloyd Leisure Ltd as part of the group's corporate simplification project

The historic cost of leasehold improvements at 31 December 2009 was £Nil (1 January 2009 £91,000)

10. DEBTORS: DUE WITHIN ONE YEAR

| | 31 December 2009 £'000 | 1 January 2009 £'000 |
|------------------------------------|---------------------------|-------------------------|
| Amounts owed by group undertakings | 22,850 | 18,424 |
| | <u>22,850</u> | <u>18,424</u> |

The intercompany debtor of £22,850,000 is repayable on demand earning interest at an arms length basis calculated on the cost of debt of the group of 9.64% for the period ended 31 December 2009 (1 January 2009 9.75%)

11. PROVISIONS FOR LIABILITIES AND CHARGES

| | 31 December 2009 £'000 | 1 January 2009 £'000 |
|--|---------------------------|-------------------------|
| Deferred Tax | | |
| Accelerated capital allowances | - | 289 |
| | <u>-</u> | <u>289</u> |
| Provision at start of period | 289 | 271 |
| Prior year adjustment | - | 54 |
| Current year/period movement | (45) | (36) |
| Transfer of trade to David Lloyd Leisure Ltd | (244) | - |
| | <u>-</u> | <u>-</u> |
| Provision at end of period | <u>-</u> | <u>289</u> |

12. SHARE CAPITAL

| | 31 December 2009 £'000 | 1 January 2009 £'000 |
|---|---------------------------|-------------------------|
| Authorised | | |
| 5,000,000 ordinary shares of 10 pence each (1 January 2009 5,000,000) | <u>500</u> | <u>500</u> |
| Allotted and fully paid | | |
| 2,000,000 ordinary shares of 10 pence each (1 January 2009 2,000,000) | <u>200</u> | <u>200</u> |

Notes To The Financial Statements (continued)
at 31 December 2009

13. STATEMENT OF MOVEMENT IN SHAREHOLDERS FUNDS

| | Share Capital | Profit and loss account | Total |
|--|------------------------------|------------------------------|------------------------------|
| | 31 December 2009 £'000 | 31 December 2009 £'000 | 31 December 2009 £'000 |
| Opening balance as previously reported | 200 | 20,360 | 20,560 |
| Prior Year Adjustment | - | (19) | (19) |
| Opening Balance restated | 200 | 20,341 | 20,541 |
| Movement in the period | - | 2,309 | 2,309 |
| Closing balance restated in prior year | 200 | 22,650 | 22,850 |

14. MOVEMENT IN SHAREHOLDERS FUNDS

| | 31 December 2009 £'000 | 1 January 2009 (restated) £'000 |
|---|---------------------------|---------------------------------------|
| Opening shareholders' (deficit) / funds | 20,541 | 8,665 |
| Profit / (Loss) for the period | 2,309 | 11,876 |
| Closing shareholders' deficit | 22,850 | 20,541 |

15. RELATED PARTY DISCLOSURES

The company has relied on the exemptions under FRS 8 from disclosing transactions with other Group companies on the basis that the company is a wholly owned subsidiary

During the period the company entered into transactions, in the ordinary course of business, with David Lloyd Leisure Properties No 3 Limited, which is not a Group company. Transactions entered into and paid at 31 December 2009, are as follows

| | Rent paid to related party £000 |
|---|---------------------------------------|
| Related party | |
| David Lloyd Leisure Properties No 3 Limited | 804 |
| 52 weeks to 31 December 2009 | 804 |
| 52 weeks to 1 January 2009 | 187 |

Notes To The Financial Statements (continued)
at 31 December 2009

16 FINANCIAL COMMITMENTS AND GUARANTEES

Operating lease commitments

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

| | Land and buildings 31 December 2009 £'000 | Land and buildings 1 January 2009 £'000 |
|---|--|--|
| Leases which expire After five years | - | 852 |
| | <hr/> | <hr/> |
| | - | 852 |

As part of the group restructuring the lease previously assigned to Grasspost Limited was reassigned to David Lloyd Leisure Limited

17. CONTINGENT LIABILITY

As part of the overall group financing, the company has pledged its assets as collateral for the £138,622,000 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. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is David Lloyd Leisure Limited, a company incorporated in England and Wales. The ultimate parent undertaking is David Lloyd Leisure Operations Holdings Limited, a company incorporated 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.