Grant Thornton

Financial Statements
The Gym Limited

For the year ended 31 December 2011

Registered number: 05659669

Company Information

Directors	J Phillips A-M Harris J Treharne P W Newborough A J Mathews P Gilbert (appointed 1 February 2012)
Company secretary	A J Mathews
Company number	05659669
Registered office	Blenheim Centre Prince Regent Road Hounslow TW3 1NL
Auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton House Euston Square London NW1 2EP
Bankers	HSBC Bank plc 431 Oxford Street London W1C 2DA

Contents

Directors' report
For the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year Under that law 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 judgments and estimates that are reasonable and prudent,
- 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

Principal activities

The principal activity of the company during the year was the provision and operation of gym facilities

Business review

The Gym Group is the longest established national operator of low cost gyms currently operating 23 sites (16 sites - 31 December 2011, 10 sites - 31 December 2010) with an accelerating opening programme that will take us to around 35 sites open or in fit-out by the end of December 2012 The low-cost sector continues to offer significant growth opportunities despite an overall flat health and fitness market The Gym Group benefits from attracting new gym users as well as existing users from other facilities, especially the mid-market clubs

Our sites offer state of the art gym equipment, including free weights, resistance and spinning machines in purpose-built facilities which are open 24 hours a day, 7 days a week Our transparent pricing means that a new member knows what the membership price is without the need to visit or tour a gym before the price is revealed Membership is administered online at www thegymgroup com and a new member can gain access to a gym within minutes of signing up Membership also includes access to free services such as virtual studios and fitness tips All gyms have an experienced team of personal trainers available to offer advice and coaching

Our offer attracts a broad demographic but primarily the 24-35 age group For this reason we have embraced modern marketing media such as Facebook and twitter to engage with our members We have already gained 14k followers on Facebook

We also focus on optimising the social and environmental impacts of our gyms While our affordable, round-the-clock product offering creates greater accessibility (on average over 35% of our members are first-time gym users and in some sites in excess of 50%), we also pro-actively encourage wellness via our portal In addition, each of our

Directors' report
For the year ended 31 December 2011

sites fosters strong community links by engaging with a local charity (in 2011 our customers donated £31k total) To improve our environmental footprint, over 70% of our equipment is energy efficient, our cleaning products are chemical free and sensor controls minimise water usage Through these and other initiatives, we are building a sustainable brand of which our customers can be proud

Financial review

We have completed an outstanding year, outperforming the industry significantly in a flat market place and growing the number of sites operated from 10 to 16 Turnover grew by 88% from £7 2m to £13 5m Membership numbers grew by 66% from 58k to 96k and gym visits increased from 2 0 to 4 1 million Group EBITDA grew by 82% from £1 7m to £3 1m The Directors are confident that Group EBITDA will grow significantly in the coming year from increased profitability at existing gyms as these sites mature as well as from new sites The headline figures demonstrating the significant growth of the business are set out below

	2011	2010	Growth
Turnover	£13 5m	£7 2m	88%
Gym EBITDAR*	£5 1m	£2 6m	96%
Gym EBITDA**	£4 2m	£2 4m	75%
Group EBITDA	£3 1m	£1 7m	82%
Sites	16	10	60%
Members	96k	58k	67%
Visits	4 1m	2 0m	105%

* Gym EBITDAR is defined as earnings before interest, taxation, depreciation and amortisation, head office costs and gym equipment rental costs.

** Gym EBITDA is defined as earnings before interest, taxation, depreciation and amortisation and head office costs

*** Group EBITDA is defined as earnings before interest, taxation, depreciation and amortisation

Revenue performance was largely driven by accelerating the site opening programme and continued underlying like for like growth In a number of sites waiting lists were introduced to manage usage density and preserve the membership experience Revenue growth has continued into 2012 In March 2012 our annualised turnover was £19 7m (March 2011 £12 6m) and annualised Gym EBITDA was £7 2m (March 2011 £3 7m), primarily driven through membership growth to around 120k members

As anticipated, as we continue to build our estate, cash balances reduced year on year However, underlying cash generation from sites that were open was very strong reflecting the strength of our efficient operating model

Our growth has been and will continue to be funded by a combination of cash generated by sites already open, new funds from our principal shareholder (loan stock, accruing but non-cash paid interest) and through drawing on our committed senior bank debt facility which was increased from £12m to £17 5m after the year end

Future Expectations

Looking forward, our expansion plans are supported by a strong pipeline of new sites, the cash generative nature of our model and a robust capital structure The Directors are confident that the business is well placed to deliver accelerated growth in 2012 The current year has got off to a very strong start with strong like for like growth in membership of 14 1% at the end of March and we expect to end the year with around 35 sites open or in fit-out and a strong pipeline for 2013

Directors' report
For the year ended 31 December 2011

The credit for delivering these results must go to our experienced and committed management led by John Treharne and supported by his able team John continues to lead the Gym Industry in terms of strategic thinking, innovation and generating profitable growth opportunities

The Gym Group's strategy has deviated little from its inception in 2008 with a focus on providing low cost excellent clean and well maintained gym facilities We were delighted to be awarded Best Budget Gym Operator 2011 in the National Fitness Awards This was a significant award because it reflected the votes of a panel of Industry experts From this award winning position we look forward to the future with confidence

Results

The loss for the year, after taxation, amounted to £365,111 (2010 - loss £173,122)

Directors

The directors who served during the year were

J Phillips
A-M Harris
J Treharne
P W Newborough
A J Mathews

P Gilbert was appointed as a director on 1 February 2012

Financial risk management objectives and policies

Financial risk management objectives and policies
The company uses various financial instruments which include cash, debtors, trade creditors, private equity loans and bank loans The main purpose of these financial instruments is to raise finance for the company's operations (working capital) and to facilitate the growth of the company by funding more club openings The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below

The main risks arising from the company's financial instruments are interest risk and credit risk The Directors review and agree policies for managing each of these risks which are summarised below

The credit risk policy remains unchanged from the year before

Interest risk
The HSBC facility attracts interest at Libor +4 5% The facility imposes a minimum hedging requirement of 50% of the drawn debt Due to the uncertainty of interest rate increases, the Management agreed to an interest rate cap of 2 5% on at least 50% of the forecasted borrowing until the end of 2013, which was arranged in January 2011

Credit risk
The company's principal financial asset is cash which is managed very closely The risk associated with cash is mainly with new members and current members that have their Direct Debits rejected

New members fees are collected within 14 days by Direct Debit of joining for the first month's dues and no monies are taken at the point of joining New member's bank account details are validated at the point of joining however the risk is that the new members Direct Debits are rejected on the first collection due to lack of funds A new member can use The Gym facilities from the date of joining

Directors' report

For the year ended 31 December 2011

The management's view is to minimise the barrier to join and to take this risk, however the member will be liable to pay an admin fee to The Gym's collection partners as set out in the membership terms and conditions

Direct Debit cancellations are processed daily via a notification from BACs, this means if a current member cancels their Direct Debit with their bank before the Direct Debit is processed, their membership is cancelled immediately and the member will not be able to use The Gym facilities

If a current member has their Direct Debit rejected due to lack of funds they will be contacted and the Direct Debit will be represented for collection If the Direct Debit rejects again, the membership will be cancelled The risk is that a member could have use of The Gym's facilities for 10 days, however they will be liable to pay an admin fee to The Gym's collection partners as set out in the membership terms and conditions

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any 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

Auditors

The auditors, Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 478(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Companies Act 2006

This report was approved by the board on 23 05 12 and signed on its behalf

A J Mathews
Secretary

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Independent auditors' report to the members of The Gym Limited

We have audited the financial statements of The Gym Limited for the year ended 31 December 2011, which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and the related notes 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 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
A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year 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

Grant Thornton

Independent auditors' report to the members of The Gym Limited

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Peter Smithson (Senior statutory auditor)

for and on behalf of Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Date 30 May 2012

Profit and loss account

For the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover		**13,464,109**	7,161,513
Cost of sales		**(291,755)**	(207,789)
Gross profit		**13,172,354**	6,953,724
Administrative expenses		**(11,723,709)**	(6,201,274)
Operating profit	3	**1,448,645**	752,450
Analysed as			
EBITDA*		**3,051,859**	1,701,930
Depreciation		**(1,603,214)**	(949,480)
Operating profit		**1,448,645**	752,450
Interest payable and similar charges	6	**(1,714,449)**	(897,890)
Loss on ordinary activities before taxation		**(265,804)**	(145,440)
Tax on loss on ordinary activities	7	**(99,307)**	(27,682)
Loss for the financial year	15	**(365,111)**	(173,122)

*EBITDA is defined as earnings before charging Interest, Taxation, Depreciation and Amortisation

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 10 to 20 form part of these financial statements

Balance sheet
As at 31 December 2011

	Note	£	2011 £	£	2010 £
Fixed assets					
Tangible assets	8		**20,758,156**		14,489,327
Current assets					
Stocks	9	**48,559**		42,729	
Debtors	10	**2,960,214**		1,715,432	
Cash at bank		**619,298**		896,838	
		3,628,071		2,654,999	
Creditors: amounts falling due within one year	11	**(6,127,369)**		(4,137,821)	
Net current liabilities			**(2,499,298)**		(1,482,822)
Total assets less current liabilities			**18,258,858**		13,006,505
Creditors: amounts falling due after more than one year	12		**(18,669,887)**		(13,152,055)
Provisions for liabilities					
Deferred tax	13		**(126,990)**		(27,358)
Net liabilities			**(538,019)**		(172,908)
Capital and reserves					
Called up share capital	14		**49,312**		49,312
Share premium account	15		**410,240**		410,240
Profit and loss account	15		**(997,571)**		(632,460)
Shareholders' deficit	16		**(538,019)**		(172,908)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

J Treharne
Director

Cash flow statement

For the year ended 31 December 2011

	Note	2011 £	2010 £
Net cash flow from operating activities	17	**3,043,619**	2,086,146
Returns on investments and servicing of finance	18	**(471,946)**	(271,055)
Taxation		**325**	(441)
Capital expenditure and financial investment	18	**(7,872,043)**	(8,224,351)
Cash outflow before financing		**(5,300,045)**	(6,409,701)
Financing	18	**5,022,505**	7,084,016
(Decrease)/increase in cash in the year		**(277,540)**	674,315

Reconciliation of net cash flow to movement in net funds/debt

For the year ended 31 December 2011

	2011 £	2010 £
(Decrease)/Increase in cash in the year	**(277,540)**	674,315
Cash inflow from increase in debt and lease financing	**(5,022,505)**	(6,671,964)
Change in net debt resulting from cash flows	**(5,300,045)**	(5,997,649)
Finance lease interest	**(195,353)**	-
Other non-cash changes	**(276,698)**	(422,441)
Movement in net debt in the year	**(5,772,096)**	(6,420,090)
Net debt at 1 January 2011	**(12,820,116)**	(6,400,026)
Net debt at 31 December 2011	**(18,592,212)**	(12,820,116)

The notes on pages 10 to 20 form part of these financial statements

Notes to the financial statements
For the year ended 31 December 2011

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1 2 Going concern

At the year end, the company has net liabilities of £538,019 and incurred a loss for the year of £365,111 The company is therefore reliant upon the continued financial support of the shareholders, who have confirmed this support will be made available Accordingly these financial statements have been prepared on a going concern basis

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied and non-refundable joining fees received during the year, exclusive of Value Added Tax and trade discounts

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold improvements	-	Straight line over life of the lease
Fixtures & fittings	-	20% per annum straight line
Gym equipment	-	20% per annum straight line
Computer equipment	-	33% per annum straight line
Website design	-	20% per annum straight line

1.5 Leasing and hire purchase

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies Future instalments under such leases, net of finance charges are included within creditors Rentals payable are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element which reduces the outstanding obligation for further instalments

1.6 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Rent free periods in respect of property leases are charged evenly over the period from the opening of the facility to the first rent review

Notes to the financial statements

For the year ended 31 December 2011

1. Accounting policies (continued)

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if 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 assets and liabilities are calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date

1.9 Pensions

The company operates a defined contribution pension scheme for employees The assets of the scheme are held separately from those of the company The annual contributions payable are charged to the profit and loss account

1.10 Financial 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 entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

1.11 Finance Costs

Finance costs directly incurred on the loan instrument are capitalised and amortised over the life of the loan in accordance with FRS15

Finance costs which are directly attributable to the development of a specific gym site are capitalised and depreciated over the life of the asset Capitalisation commences when finance costs are incurred and expenditure on the site begins Capitalisation ceases when the development of the site is complete

Notes to the financial statements
For the year ended 31 December 2011

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the company

All turnover arose within the United Kingdom

	2011	2010
	£	£
United Kingdom	**13,464,109**	7,161,513

3. Operating profit

The operating profit is stated after charging

	2011	2010
	£	£
Depreciation of tangible fixed assets		
- owned by the company	**1,104,604**	464,179
- held under finance leases	**498,610**	485,301
Auditors' remuneration	**17,500**	14,250
Operating lease rentals		
- other operating leases	**2,019,538**	1,206,646

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2011	2010
	£	£
Wages and salaries	**1,362,408**	840,208
Social security costs	**142,738**	80,679
Other pension costs	**17,666**	14,500
	1,522,812	935,387

The average monthly number of employees, including the directors, during the year was as follows

	2011	2010
	No.	No
Number of operational staff	**35**	22
Number of management staff	**6**	4
	41	26

Notes to the financial statements

For the year ended 31 December 2011

5. Directors' remuneration

	2011	2010
	£	£
Emoluments	**387,132**	340,530
Company pension contributions to defined contribution pension schemes	**17,666**	14,500

During the year retirement benefits were accruing to 3 directors (2010 - 3) in respect of defined contribution pension schemes

Emoluments, including pension contributions, in respect of the highest paid director amounted to £136,500

6. Interest payable

	2011	2010
	£	£
On bank loans and overdrafts	**353,188**	22,508
On shareholder loan notes	**914,532**	555,255
On finance leases and hire purchase contracts	**195,353**	269,899
Amortisation of capitalised finance costs	**251,376**	50,228
	1,714,449	897,890

7. Taxation

	2011	2010
	£	£
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	-	324
Adjustments in respect of prior periods	**(325)**	-
Total current tax	**(325)**	324
Deferred tax (see note 13)		
Origination and reversal of timing differences	**99,632**	27,358
Tax on loss on ordinary activities	**99,307**	27,682

Notes to the financial statements
For the year ended 31 December 2011

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 26 5% (2010 - 28%) The differences are explained below

	2011	2010
	£	£
Loss on ordinary activities before tax	**(265,804)**	(145,440)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (2010 - 28%)	**(70,438)**	(40,723)
Effects of.		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**204,467**	145,038
Capital allowances for year in excess of depreciation	**(283,705)**	(220,446)
Utilisation of tax losses	**89,461**	74,240
Adjustments to tax charge in respect of prior periods	**(325)**	-
Other timing differences leading to an increase (decrease) in taxation	**60,215**	41,891
Changes in provisions leading to an increase (decrease) in the tax charge	**-**	324
Current tax (credit)/charge for the year (see note above)	**(325)**	324

Factors that may affect future tax charges

There were no factors that may affect future tax charges

Notes to the financial statements

For the year ended 31 December 2011

8. Tangible fixed assets

	Leasehold Improvements £	Fixtures & fittings £	Gym Equipment £	Computer equipment £	Website design £	Total £
Cost						
At 1 January 2011	11,877,041	450,963	3,275,031	112,019	130,703	15,845,757
Additions	6,152,383	588,730	925,692	51,991	153,247	7,872,043
At 31 December 2011	18,029,424	1,039,693	4,200,723	164,010	283,950	23,717,800
Depreciation						
At 1 January 2011	444,999	60,036	789,175	29,840	32,380	1,356,430
Charge for the year	645,472	142,871	728,993	43,927	41,951	1,603,214
At 31 December 2011	1,090,471	202,907	1,518,168	73,767	74,331	2,959,644
Net book value						
At 31 December 2011	16,938,953	836,786	2,682,555	90,243	209,619	20,758,156
At 31 December 2010	11,432,042	390,927	2,485,856	82,179	98,323	14,489,327

Included within the net book value of £20,758,156 is £1,252,375 (2010 - £1,751,250) relating to assets held under hire purchase agreements The depreciation charged to the financial statements in the year in respect of such assets amounted to £498,610 (2010 - £485,301) In addition, included within leasehold improvements additions is £40,553 (2010 £127,422) in respect of capitalised finance costs The depreciation charged to the financial statements in the year in respect of finance costs amounted to £8,411 (2010 £4,901)

9. Stocks

	2011 £	2010 £
Goods for resale	48,559	42,729

Notes to the financial statements

For the year ended 31 December 2011

10. Debtors

	2011	2010
	£	£
Other debtors	685,278	400,157
Prepayments and accrued income	2,274,936	1,315,275
	2,960,214	1,715,432

11. Creditors: Amounts falling due within one year

	2011	2010
	£	£
Net obligations under finance leases and hire purchase contracts	541,623	564,899
Trade creditors	1,989,364	1,289,325
Social security and other taxes	46,015	34,536
Other creditors	33,383	17,600
Accruals and deferred income	3,516,984	2,231,461
	6,127,369	4,137,821

12. Creditors: Amounts falling due after more than one year

	2011	2010
	£	£
Bank loans	6,213,571	1,193,632
Shareholder loan notes	11,890,958	10,848,533
Net obligations under finance leases and hire purchase contracts	565,358	1,109,890
	18,669,887	13,152,055

The company's bank loan facility is secured by means of a fixed and floating charge over the company's assets

Included within the Shareholder and Bank loans is £126,989 (2010 £169,414) and £280,185 (2010 £426,368) respectively relating to capitalised finance costs The amortisation charged to the financial statements in the year in respect of capitalised loan finance costs amounted to £251,376 (2010 £ 50,228)

The company entered into an arrangement to fix the interest rate on the bank loan at 2 5% per annum from January 2011 to November 2013 The fair value of this instrument at the balance sheet date was £85,173

Notes to the financial statements

For the year ended 31 December 2011

12. Creditors: Amounts falling due after more than one year (continued)

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2011	2010
	£	£
Between one and five years	565,358	1,109,890

13. Deferred taxation

	2011	2010
	£	£
At beginning of year	27,358	27,358
Charge for year	99,632	-
At end of year	126,990	27,358

The provision for deferred taxation is made up as follows

	2011	2010
	£	£
Accelerated capital allowances	616,958	27,358
Tax losses carried forward	(384,190)	-
Other timing differences	(105,778)	-
	126,990	27,358

14. Share capital

	2011	2010
	£	£
Allotted, called up and fully paid		
750,000 Ordinary A shares of £0 01 each	7,500	7,500
4,181,200 Ordinary B shares of £0 01 each	41,812	41,812
	49,312	49,312

Notes to the financial statements

For the year ended 31 December 2011

15. Reserves

	Share premium account £	Profit and loss account £
At 1 January 2011	410,240	(632,460)
Loss for the year	-	(365,111)
At 31 December 2011	410,240	(997,571)

16. Reconciliation of movement in shareholders' deficit

	2011 £	2010 £
Opening shareholders' deficit	(172,908)	(411,838)
Loss for the year	(365,111)	(173,122)
Shares issued during the year	-	1,812
	-	-
Share premium on shares issued (net of expenses)	-	410,240
Closing shareholders' deficit	(538,019)	(172,908)

17. Net cash flow from operating activities

	2011 £	2010 £
Operating profit	1,448,645	752,450
Depreciation of tangible fixed assets	1,603,214	949,480
Increase in stocks	(5,829)	(21,214)
Increase in debtors	(1,244,782)	(1,323,302)
Increase in creditors	1,242,371	1,728,732
Net cash inflow from operating activities	3,043,619	2,086,146

18. Analysis of cash flows for headings netted in cash flow statement

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest paid	(276,593)	(1,156)
Finance lease interest	(195,353)	(269,899)
Net cash outflow from returns on investments and servicing of finance	(471,946)	(271,055)

Notes to the financial statements

For the year ended 31 December 2011

18. Analysis of cash flows for headings netted in cash flow statement (continued)

	2011	2010
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(7,872,043)	(8,224,351)

	2011	2010
	£	£
Financing		
Issue of ordinary shares	-	1,812
Bank loans	4,785,666	7,160,225
Shareholder loan notes	1,000,000	-
Repayment of finance leases	(763,161)	(488,261)
Share premium on issue of equity share capital	-	410,240
Net cash inflow from financing	5,022,505	7,084,016

19. Analysis of changes in net debt

	1 January 2011	Cash flow	Other non-cash changes	31 December 2011
	£	£	£	£
Cash at bank and in hand	896,838	(277,540)	-	619,298
Debt:				
Finance leases	(1,674,789)	763,161	(195,353)	(1,106,981)
Debts falling due after more than one year	(12,042,165)	(5,785,666)	(276,698)	(18,104,529)
Net debt	(12,820,116)	(5,300,045)	(472,051)	(18,592,212)

Notes to the financial statements

For the year ended 31 December 2011

20. Related party transactions

Bridges Ventures, the ultimate controlling party by virtue of its majority shareholding, charged the company £15,000 (2010 - £15,000) in respect of monitoring fees in the year, of which £3,750 (2010 - £3,750) was outstanding at year end

Bridges Ventures subscribed for £1,000,000 (2010 - £4,547,948) of loan stock issued by the company in the year and charged the company £923,737 (2010 - £682,677) of interest on this in the year At the year end, the company owed capital of £12,017,947 (2010 - £11,017,947) and interest of £1,995,533 (2010 - £1,071,797) to Bridges Ventures Interest accrued is included within accruals due in less than one year

During the year the company was charged £883,053 (2010 £2,053,258) for services from Closewall Limited, a company under the control of a family member of a director, J Treharne At the year end, £16,186 (2010 £nil) was owed to Closewall Limited

During the year the company was charged £3,920 (2010 £nil) for goods purchased from C Treharne who is a family member of a director, J Treharne At the year end, there was £nil (2010 - £nil) owed to C Treharne

21. Capital commitments

At 31 December 2011 the company had capital commitments as follows

	2011	2010
	£	£
Contracted for but not provided in these financial statements	**3,759,771**	-

22. Operating lease commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			**Other**
	2011	2010	**2011**	2010
	£	£	**£**	£
Expiry date·				
Between 2 and 5 years	**2,252,476**	-	**1,075,455**	462,809
After more than 5 years	-	1,854,438	-	-