

Company No: 02727984

PACIFIC HEALTH & FITNESS LIMITED
REPORT AND FINANCIAL STATEMENTS
30th SEPTEMBER 2005



Pacific Health and Fitness Limited

Director

J.M. Lyras

Secretary and Registered Office

Cornhill Secretaries Limited
24-26 Baltic Street, London, EC1Y 0RP

Auditors

Moore Stephens LLP
Chartered Accountants
St. Paul's House, Warwick Lane, London, EC4M 7BP

Report of the Director

The director presents his report and audited financial statements for the year ended 30th September 2005.

Review of Activities

The company is engaged in the ownership and operation of a high quality private health and fitness club.

Results and Dividends

The profit for the financial year amounted to £664,108 (2004: £571,843). No dividend is recommended for the year.

Director and his Interests

The director did not have any interest, as defined by the Companies Act 1985, in the share capital of the company either at the beginning or end of the year.

Small Company Exemptions

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By Order of the Board


CORNHILL SECRETARIES LIMITED

Secretary

Pacific Health and Fitness Limited

Statement of Director's Responsibilities

Company law requires the director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- *make judgements 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 director is responsible for keeping proper records which disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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 Shareholders of
Pacific Health and Fitness Limited**

We have audited the financial statements of Pacific Health and Fitness Limited for the year ended 30th September 2005 set out on pages 4 to 9. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on page 6.

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 Director's Responsibilities the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom 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 Director's 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 Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

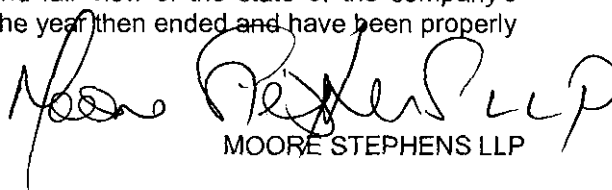
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director 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 the company's affairs as at 30th September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

St. Paul's House,
London, EC4M 7BP


MOORE STEPHENS LLP

Chartered Accountants
Registered Auditor

23 March 2006

Pacific Health and Fitness Limited

Profit and Loss Account
For the year ended 30th September 2005

	<u>Note</u>	<u>2005</u>	<u>2004</u>
Turnover		2,684,402	2,530,859
Administrative expenses		(1,574,743)	(1,585,870)
Operating Profit	2	1,109,659	944,989
Interest receivable		2,371	14,145
Interest payable and similar charges	4	(78,869)	(108,741)
Profit on Ordinary Activities before Taxation		1,033,161	850,393
Taxation	5	(369,053)	(278,550)
Profit for the year		£ 664,108	£ 571,843
Summary of Retained Profits			
At 1st October 2004		1,860,197	1,288,354
Retained profit for the year		664,108	571,843
At 30th September 2005		£ 2,524,305	£ 1,860,197

There are no recognised gains or losses other than those included in the profit and loss account.

Pacific Health and Fitness Limited

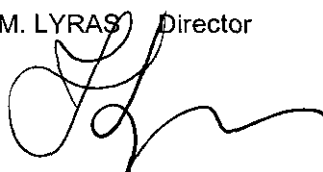
Balance Sheet - 30th September 2005

	<u>Note</u>	<u>2005</u>	<u>2004</u>
Fixed Assets	6	3,906,076	3,913,230
Current Assets			
Stock		11,727	9,137
Debtors	7	1,004,312	796,599
Cash at bank		54,829	-
		<u>1,070,868</u>	<u>805,736</u>
Creditors, amounts falling due within one year	8	<u>(582,389)</u>	<u>(2,630,469)</u>
Net Current Assets/ (Liabilities)		<u>488,479</u>	<u>(1,824,733)</u>
Total Assets		<u>4,394,555</u>	<u>2,088,497</u>
Creditors, amount falling due after more than one year	9	(1,606,250)	-
Provision for Liabilities and Charges	10	<u>(263,000)</u>	<u>(227,300)</u>
		<u>£ 2,525,305</u>	<u>£ 1,861,197</u>
Capital and Reserves			
Called up share capital	11	1,000	1,000
Profit and loss account		<u>2,524,305</u>	<u>1,860,197</u>
Equity Shareholders' Funds		<u>£ 2,525,305</u>	<u>£ 1,861,197</u>

These accounts have been prepared in accordance with the special provisions relating to small companies within part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (Effective June 2002).

Approved by the Sole Director on

J.M. LYRAS Director



21/3/06

Pacific Health and Fitness Limited

Financial Statements
For the Year Ended 30th September 2005

Notes

1. Principal Accounting Policies**(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

(b) Turnover

Turnover represents joining fees, subscriptions and goods and services sold excluding value added tax. Income from joining fees is recognised when received and subscriptions are accounted for on an accruals basis.

(c) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis over the anticipated useful economic lives of the assets concerned at the following rates:

Freehold land	Nil	
Buildings	2%	per annum
Fixtures and fittings	20%	per annum
Catering/office equipment	20%	per annum
Fitness equipment	20%	per annum
Weights equipment	12.5%	per annum
Computer equipment	25%	per annum

(d) Deferred taxation

Deferred taxation is provided on timing differences that have originated but not reversed by the balance sheet date on a non-discounted basis. Deferred taxation assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which future reversals of the underlying timing differences can be deducted.

(e) Stock

Stock is stated at the lower of cost and net realisable value.

2. Operating Profit

	<u>2005</u>	<u>2004</u>
Operating profit is stated after charging:		
Directors' emoluments	13,102	12,600
Auditors' remuneration	14,500	14,908
Depreciation	<u>123,069</u>	<u>132,505</u>

Pacific Health and Fitness Limited

Financial Statements
For the Year Ended 30th September 2005

Notes (Continued)

3. Directors Emoluments

	<u>2005</u>	<u>2004</u>
Staff costs include the following emoluments in respect of directors of the company:		
Other emoluments	£ 13,102	£ 12,600

4. Interest Payable

	<u>2005</u>	<u>2004</u>
Bank loan	78,869	108,741
	£ 78,869	£ 108,741

5. Taxation

	<u>2005</u>	<u>2004</u>
Corporation tax	296,000	276,550
Group relief	36,000	-
Underprovision in prior years	1,353	-
Deferred taxation	35,700	2,000
	£ 369,053	£ 278,550

Pacific Health and Fitness Limited

Financial Statements
For the Year Ended 30th September 2005

Notes (Continued)

6. Tangible Fixed Assets

	<u>Land and Buildings</u>	<u>Fixtures, Fittings and Equipment</u>	<u>Fitness Equipment</u>	<u>Total</u>
Cost				
At 1st October 2004	4,406,162	459,650	294,199	5,160,011
Additions	56,960	48,349	10,606	115,915
Disposals	-	-	-	-
At 30th September 2005	<u>4,463,122</u>	<u>507,999</u>	<u>304,805</u>	<u>5,275,926</u>
Depreciation				
At 1st October 2004	597,723	389,282	259,776	1,246,781
Charge for the year	76,286	33,814	12,969	123,069
Disposals	-	-	-	-
At 30th September 2005	<u>£ 674,009</u>	<u>£ 423,096</u>	<u>£ 272,745</u>	<u>£ 1,369,850</u>
Net book value				
At 30th September 2005	<u>£ 3,789,113</u>	<u>£ 84,903</u>	<u>£ 32,060</u>	<u>£ 3,906,076</u>
At 30th September 2004	<u>£ 3,808,439</u>	<u>£ 70,368</u>	<u>£ 34,423</u>	<u>£ 3,913,230</u>

7. Debtors

	<u>2005</u>	<u>2004</u>
Due by group undertaking	997,869	789,041
Other debtors	1,500	2,500
Prepayments and accrued income	4,943	5,058
	<u>£ 1,004,312</u>	<u>£ 796,599</u>

8. Creditors: amounts falling due within one year

	<u>2005</u>	<u>2004</u>
Bank overdraft (unsecured)	61,970	138,475
Bank loans (secured)	90,000	1,930,000
Trade creditors	60,715	42,501
Corporation tax	131,353	141,550
Other taxes and social security	144,921	85,388
Accruals and deferred income	93,430	292,555
	<u>£ 582,389</u>	<u>£ 2,630,469</u>

Pacific Health and Fitness Limited

**Financial Statements
For the Year Ended 30th September 2005**

Notes (Continued)

9. Creditors: amounts falling due after more than one year

	<u>2005</u>	<u>2004</u>
Bank loan	£ 1,606,250	£ -

The company transferred its existing bank loan to another bank on 5th October 2005. The bank loan is payable by 5th October 2015 by half yearly instalments of £90,000 commencing in April 2006 and carries a variable commercial rate of interest. The bank loan is secured by a first legal charge over freehold land and buildings and associated assets and a fixed charge over company's other assets. A guarantee and a similar security is also given by the fellow subsidiary, Baltic Health and Fitness Limited in respect of the above bank loan. The company has entered into interest rate swap agreements so as to partially hedge the exposure to variable interest rates.

10. Provision for Liabilities and Charges

The movements on provision accounts are as follows:

	<u>Deferred Taxation</u>
At 1st October 2004	227,300
Profit and loss account charge	35,700
At 30th September 2005	£ 263,000

Deferred taxation is provided in respect of accelerated capital allowances.

11. Called Up Equity Share Capital

	<u>2005</u>	<u>2004</u>
Authorised		
10,000 shares of £1 each	£ 10,000	£ 10,000
Allotted, called up and fully paid		
1,000 equity shares of £1 each	£ 1,000	£ 1,000

12. Ultimate Holding Company

The directors regard Ocean Spirit Limited which is incorporated in British Virgin Islands as the ultimate holding company.

13. Related Party Transactions

During the year the company recharged £675,330 in respect of staff costs to Baltic Health and Fitness Limited, which is a wholly owned subsidiary of Ocean Spirit Limited. At the year end, Baltic Health & fitness Limited owed £997,869 (2004: £789,041) to the company.