

Company No 02727984

PACIFIC HEALTH AND FITNESS LIMITED

REPORT AND FINANCIAL STATEMENTS

30th SEPTEMBER 2007

TUESDAY



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03/06/2008
COMPANIES HOUSE

Pacific Health and Fitness Limited**Director**

J M Lyras

Secretary and Registered OfficeCornhill 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 2007

Business Review

The company is engaged in the ownership and operation of a high quality private health and fitness club. There have been no significant changes to trading activity during the year.

The director is satisfied with the progress made during the year and anticipates the company will achieve a reasonable level of profitability in the forthcoming year.

The director considers the key financial performance indicators for activities to the gross profit on turnover and operating profit for the year:

| | <u>2007</u> | <u>2006</u> |
|-------------------------|-------------|-------------|
| Sales growth | 3.4% | 5.1% |
| Operating profit margin | 3.5% | 3.6% |

The principal risks and uncertainties faced by the company for its operations are the general economic climate of the country and the change of the trend in lifestyle.

Results and Dividends

The profit for the financial year amounted to £607,382 (2006: £652,419).

A dividend of £400 per share was paid on 28th February 2007.

Director's Confirmation

- (a) so far as I am aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) I have taken all the steps that I ought to have taken as a director 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.

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,
- state whether applicable 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 director is responsible for keeping proper accounting 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 2007 which are set out on pages 4 to 10. These financial statements have been prepared under the accounting policies set out therein and the requirements of the United Kingdom Generally Accepted Accounting Practice.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30th September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

St Paul's House
London, EC4M 7BP


MOORE STEPHENS LLP

Registered Auditors
Chartered Accountants

6 May 2008.

Pacific Health and Fitness Limited

Profit and Loss Account
For the year ended 30th September 2007

| | <u>Note</u> | <u>2007</u> | <u>2006</u> |
|--|-------------|--------------------|--------------------|
| Turnover | 1(b) | 2,919,027 | 2,821,954 |
| Operating expenses | | <u>(1,907,186)</u> | <u>(1,804,011)</u> |
| Operating Profit | 2 | 1,011,841 | 1,017,943 |
| Interest receivable and similar income | 3 | 14,614 | 9,587 |
| Interest payable and similar charges | 5 | <u>(99,196)</u> | <u>(85,951)</u> |
| Profit on Ordinary Activities before Taxation | | 927,259 | 941,579 |
| Taxation | 6 | <u>(319,877)</u> | <u>(289,160)</u> |
| Profit for the Year | 13 | £ <u>607,382</u> | £ <u>652,419</u> |

Pacific Health and Fitness Limited

Balance Sheet at 30th September 2007

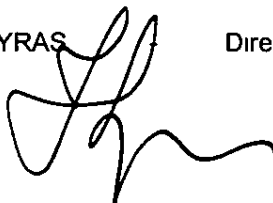
| | Note | 2007 | | 2006 | |
|--|------|------------------|--------------------|------------------|--------------------|
| | | £ | £ | £ | £ |
| Fixed Assets | 7 | | 3,930,140 | | 3,894,461 |
| Current Assets | | | | | |
| Stock | | 14,964 | | 15,745 | |
| Debtors | 8 | 1,306,315 | | 1,059,562 | |
| Cash at bank | | 474,622 | | 716,520 | |
| | | <u>1,795,901</u> | | <u>1,791,827</u> | |
| Creditors, amounts falling due within one year | 9 | (709,415) | | (702,564) | |
| Net Current Assets | | | <u>1,086,486</u> | | <u>1,089,263</u> |
| Total Assets Less Current Liabilities | | | <u>5,016,626</u> | | <u>4,983,724</u> |
| Creditors, amounts falling due after more than one year | 10 | | (1,350,000) | | (1,530,000) |
| Deferred tax | 11 | | (281,520) | | (276,000) |
| | | | <u>£ 3,385,106</u> | | <u>£ 3,177,724</u> |
| Capital and Reserves | | | | | |
| Called up share capital | 12 | | 1,000 | | 1,000 |
| Profit and loss account | 13 | | 3,384,106 | | 3,176,724 |
| | | | <u>£ 3,385,106</u> | | <u>£ 3,177,724</u> |

Approved by the Sole Director on

1/3/08

J M LYRAS

Director



Pacific Health and Fitness Limited

Financial Statements for the year ended 30th September 2007

Notes

1 Principal Accounting Policies

(a) Basis of accounting

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised) to produce a cashflow statement as its ultimate holding company prepares consolidated financial statements

(b) Turnover

Turnover represents joining fees, subscriptions and goods and services earned 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 & fittings | 20% per annum |
| Catering/office equipment | 20% per annum |
| Fitness equipment | 20% per annum |
| Weights equipment | 12½% per annum |
| Computer equipment | 25% per annum |

(d) Deferred taxation

Deferred taxation is provided on timing differences that have originated but have not been 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>2007</u> £ | <u>2006</u> £ |
|---|------------------|------------------|
| Operating profit is stated after charging | | |
| Directors' emoluments | 14,963 | 15,000 |
| Auditors' remuneration | 15,964 | 14,500 |
| Depreciation | <u>153,117</u> | <u>130,059</u> |

Pacific Health and Fitness Limited

Financial Statements for the year ended 30th September 2007

Notes (Continued)

3 Interest Receivable

| | <u>2007</u> | <u>2006</u> |
|---------------------|-------------|-------------|
| Interest receivable | £ 14,614 | £ 9,587 |

4 Directors and Employees

Directors' emoluments

| | <u>2007</u> | <u>2006</u> |
|---|-------------|-------------|
| Staff costs include the following emoluments in respect of directors of the company | | |
| Other emoluments | £ 14,963 | £ 15,000 |

Staff costs including directors during the year were as follows

| | | |
|-----------------------|-----------|-----------|
| Wages and salaries | 793,122 | 782,920 |
| Social security costs | 56,662 | 57,851 |
| | £ 849,784 | £ 840,771 |

The average monthly number of persons employed by the company during the year was

| | <u>Number</u> | <u>Number</u> |
|-------------------------------|---------------|---------------|
| Administration and management | 53 | 52 |

5 Interest Payable

| | <u>2007</u> | <u>2006</u> |
|-----------|-------------|-------------|
| Bank loan | £ 99,196 | £ 85,951 |

6 Taxation on Ordinary Activities

| | <u>2007</u> | <u>2006</u> |
|-------------------------------------|-------------|-------------|
| Analysis of tax charge for the year | | |
| United Kingdom corporation tax | 249,632 | 219,000 |
| Prior year under provision | (3,575) | (34,840) |
| Group relief | 68,300 | 92,000 |
| Current tax charges | 314,357 | 276,160 |
| Deferred taxation (note 11) | 5,520 | 13,000 |
| | £ 319,877 | £ 289,160 |

Pacific Health and Fitness Limited

Financial Statements for the year ended 30th September 2007

Notes (Continued)

6 Taxation on Ordinary Activities (Continued)

| | <u>2007</u> | <u>2006</u> |
|---|-------------|-------------|
| Result on ordinary activities before tax at 30% | 278,178 | 282,474 |
| Effects of | | |
| Expenses not deductible for tax purposes | 47,228 | 42,005 |
| Transfer pricing adjustment | 26,611 | 21,039 |
| Short term timing differences | (34,085) | (34,518) |
| Prior year over provision | (3,575) | (34,840) |
| Tax charge | £ 314,357 | £ 276,160 |

7 Fixed Assets

| | <u>Land and Buildings</u> | <u>Fitness Equipment</u> | <u>Fixtures, Fittings and Equipment</u> | <u>Total</u> |
|------------------------|-------------------------------|------------------------------|---|--------------|
| Cost | | | | |
| At 1st October 2006 | 4,545,588 | 538,099 | 306,602 | 5,390,289 |
| Additions | 68,583 | 111,814 | 8,400 | 188,797 |
| At 30th September 2007 | £ 4,614,171 | £ 649,913 | £ 315,002 | £ 5,579,086 |
| Depreciation | | | | |
| At 1st October 2006 | 751,944 | 461,076 | 282,809 | 1,495,829 |
| Charge for the year | 79,307 | 59,111 | 14,699 | 153,117 |
| At 30th September 2007 | £ 831,251 | £ 520,187 | £ 297,508 | £ 1,648,946 |
| Net book value | | | | |
| At 30th September 2007 | £ 3,782,920 | £ 129,726 | £ 17,494 | £ 3,930,140 |
| At 30th September 2006 | £ 3,793,644 | £ 77,024 | £ 23,793 | £ 3,894,461 |

8 Debtors

| | <u>2007</u> | <u>2006</u> |
|---|-------------|-------------|
| Amount due from fellow subsidiary (note 15) | 1,303,324 | 1,054,612 |
| Other debtors | - | 500 |
| Prepayments and accrued income | 2,991 | 4,450 |
| | £ 1,306,315 | £ 1,059,562 |

Pacific Health and Fitness Limited

Financial Statements for the year ended 30th September 2007

Notes (Continued)

9 Creditors amounts falling due within one year

| | <u>2007</u> | <u>2006</u> |
|---------------------------------|------------------|------------------|
| Bank overdraft | 18,245 | - |
| Bank loans (secured) | 180,000 | 180,000 |
| Trade creditors | 66,474 | 90,998 |
| Corporation tax | 48,307 | 71,000 |
| Other taxes and social security | 167,929 | 156,074 |
| Accruals and deferred income | 228,460 | 204,492 |
| | <u>£ 709,415</u> | <u>£ 702,564</u> |

10 Creditors amounts falling due after more than one year

| | <u>2007</u> | <u>2006</u> |
|-----------|--------------------|--------------------|
| Bank loan | <u>£ 1,350,000</u> | <u>£ 1,530,000</u> |

The bank loan is payable by 5th October 2015 by half yearly instalments of £90,000 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 similar security is also given by the fellow subsidiary, Baltic Health and Fitness Limited.

11 Deferred Tax

The movements on provision accounts are as follows

| | <u>Deferred Taxation</u> |
|--------------------------------|------------------------------|
| At 1st October 2006 | 276,000 |
| Profit and loss account charge | 5,520 |
| At 30th September 2007 | <u>£ 281,520</u> |

Deferred taxation is provided in respect of accelerated capital allowances

12 Called Up Share Capital

| | <u>2007</u> | <u>2006</u> |
|------------------------------------|-----------------|-----------------|
| Authorised | | |
| 10,000 shares of £1 each | <u>£ 10,000</u> | <u>£ 10,000</u> |
| Allotted, called up and fully paid | | |
| 1,000 shares of £1 each | <u>£ 1,000</u> | <u>£ 1,000</u> |

Pacific Health and Fitness Limited**Financial Statements for the year ended 30th September 2007****Notes (Continued)****13 Statement of movement on Profit and Loss Account**

| | <u>2007</u> | <u>2006</u> |
|-------------------------------|--------------------|--------------------|
| At 1st October 2006 | 3,176,724 | 2,524,305 |
| Profit for the financial year | 607,382 | 652,419 |
| Dividends paid | (400,000) | - |
| At 30th September 2007 | £ <u>3,384,106</u> | £ <u>3,176,724</u> |

14 Ultimate Holding Company

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

15 Related Party Transactions

During the year the company recharged £661,230 (2006 £660,276) 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 was due £1,303,324 (2006 owed £1,054,612) to the company

The company has entered into a commitment to fund an expected cash shortfall in Baltic Health & Fitness Limited