

Company No: 02727984

PACIFIC HEALTH & FITNESS LIMITED

REPORT AND FINANCIAL STATEMENTS

30th SEPTEMBER 2003



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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
Chartered Accountants
St. Paul's House, Warwick Lane, London, EC4P 4BN**Report of the Director**

The director presents his report and audited financial statements for the year ended 30th September 2003.

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 £587,292 (2002: £489,908).

Dividend payments were made as follows:

	<u>2003</u>	<u>2002</u>
£	-	£ 200,000

Directors' and their Interests

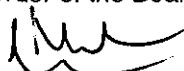
Mr. A.R. Barker resigned as a director on 30th September 2003.

None of the directors had 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 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 2003 set out on pages 4 to 10. 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

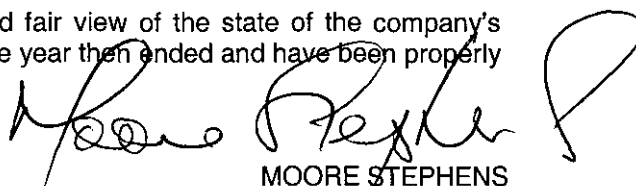
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2003 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, EC4P 4BN


MOORE STEPHENS

22 January 2004

Chartered Accountants
Registered Auditor

Pacific Health and Fitness Limited

Profit and Loss Account
For the year ended 30th September 2003

	<u>Note</u>	<u>2003</u>	<u>2002</u>
Turnover		2,595,930	2,650,940
Administrative expenses		(1,609,596)	(1,750,369)
Operating Profit	2	986,334	900,571
Interest receivable		14,491	10,194
Interest payable and similar charges	4	(136,137)	(198,857)
Profit on Ordinary Activities before Taxation		864,688	711,908
Taxation	5	(277,396)	(222,000)
Profit for the year		587,292	489,908
Dividends	6	-	(200,000)
Retained Profit for the Year		£ 587,292	£ 289,908
Summary of Retained Profits			
At 1st October 2002		701,062	411,154
Retained profit for the year		587,292	289,908
At 30th September 2003		£ 1,288,354	£ 701,062

Pacific Health and Fitness Limited

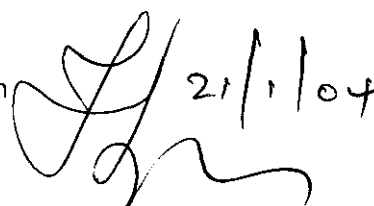
Balance Sheet - 30th September 2003

	Note	2003	2002
Fixed Assets	7	3,519,782	3,555,547
Current Assets			
Stock		12,028	14,774
Debtors	8	263,312	231,715
Cash at bank		653,385	281,368
		928,725	527,857
Creditors, amounts falling due within one year	9	(703,853)	(699,992)
Net Current Assets/ (Liabilities)		224,872	(172,135)
Total Assets Less Current Liabilities		3,744,654	3,383,412
Creditors, amount falling due after more than one year	10	(2,230,000)	(2,463,750)
Provision for Liabilities and Charges	11	(225,300)	(217,600)
		£ 1,289,354	£ 702,062
Capital and Reserves			
Called up share capital	12	1,000	1,000
Profit and loss account		1,288,354	701,062
Equity Shareholders' Funds		£ 1,289,354	£ 702,062

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

 21/1/04

Pacific Health and Fitness Limited

**Financial Statements
For the Year Ended 30th September 2003**

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) 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.

(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) 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.

(e) Stock

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

2. Operating Profit

	<u>2003</u>	<u>2002</u>
Operating profit is stated after charging:		
Directors' emoluments	44,100	88,634
Auditors' remuneration	14,996	16,913
Depreciation	118,987	117,748
	<u>178,083</u>	<u>223,295</u>

Pacific Health and Fitness Limited

Financial Statements
For the Year Ended 30th September 2003

Notes (Continued)

3. Directors Emoluments

	<u>2003</u>	<u>2002</u>
Staff costs include the following emoluments in respect of directors of the company:		
Other emoluments	£ 44,100	£ 88,634

4. Interest Payable

	<u>2003</u>	<u>2002</u>
Bank loan	136,137	198,857
	£ 136,137	£ 198,857

5. Taxation

	<u>2003</u>	<u>2002</u>
United Kingdom corporation tax	269,800	194,500
Group relief	-	25,200
(Over) provision in prior years	(104)	(11,800)
Deferred taxation	7,700	14,100
	£ 277,396	£ 222,000

6. Dividends

	<u>2003</u>	<u>2002</u>
£200 per share	£ -	£ 200,000

Pacific Health and Fitness Limited

**Financial Statements
For the Year Ended 30th September 2003**

Notes (Continued)

7. 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 2002	3,934,631	503,760	319,055	4,757,446
Additions	20,128	19,516	46,332	85,976
Disposals	-	-	(69,038)	(69,038)
At 30th September 2003	<u>3,954,759</u>	<u>523,276</u>	<u>296,349</u>	<u>4,774,384</u>
Depreciation				
At 1st October 2002	456,457	451,304	294,138	1,201,899
Charge for the year	66,119	29,925	22,943	118,987
Disposals	-	-	(66,284)	(66,284)
At 30th September 2003	<u>£ 522,576</u>	<u>£ 481,229</u>	<u>£ 250,797</u>	<u>£ 1,254,602</u>
Net book value				
At 30th September 2003	<u>£ 3,432,183</u>	<u>£ 42,047</u>	<u>£ 45,552</u>	<u>£ 3,519,782</u>
At 30th September 2002	<u>£ 3,478,174</u>	<u>£ 52,456</u>	<u>£ 24,917</u>	<u>£ 3,555,547</u>

8. Debtors

	<u>2003</u>	<u>2002</u>
Due by group undertaking	254,788	213,296
Other debtors	3,500	4,500
Prepayments and accrued income	5,024	13,919
	<u>£ 263,312</u>	<u>£ 231,715</u>

9. Creditors: amounts falling due within one year

	<u>2003</u>	<u>2002</u>
Bank loans (secured)	233,750	233,750
Trade creditors	41,121	25,680
Corporation tax	173,118	102,500
Other taxes and social security	142,842	119,707
Accruals and deferred income	111,122	216,345
Other creditors	1,900	2,010
	<u>£ 703,853</u>	<u>£ 699,992</u>

Pacific Health and Fitness Limited

Financial Statements
For the Year Ended 30th September 2003

Notes (Continued)

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

	<u>2003</u>	<u>2002</u>
Bank loan	£ 2,230,000	£ 2,463,750

The bank loan is secured on freehold property and is repayable by 2nd August 2004, by instalments and carries a variable commercial rate of interest. The loan is to be renewed for a further term of up to five years on similar terms. The company has entered into interest rate swap agreements so as to partially hedge the exposure to variable interest rates.

11. Provision for Liabilities and Charges

The movements on provision accounts are as follows:

	<u>Deferred Taxation</u>
At 1st October 2002	217,600
Profit and loss account charge	7,700
At 30th September 2003	£ 225,300

The total potential liability for deferred taxation is £225,300 (2002: £217,600). Deferred taxation is provided in respect of accelerated capital allowances.

12. Called Up Equity Share Capital

	<u>2003</u>	<u>2002</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

13. Ultimate Holding Company

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

Pacific Health and Fitness Limited

**Financial Statements
For the Year Ended 30th September 2003**

Notes (Continued)

14. Related Party Transactions

During the year the company recharged £641,772 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 £254,788 (2002: £213,296) to the company.