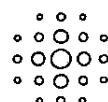

financial statements

Canada Square Health & Fitness Limited

For the year ended 31 December 2009

Company registration number 04968342



MacIntyre Hudson
THE FUTURE IS WHAT YOU MAKE IT •

Canada Square Health & Fitness Limited, Company number 04968342

Officers and Professional Advisers

The Board of Directors

Mr I Mahoney
Mr S Gandhi

Company Secretary

Ms J Barter

Registered Office

16-19 Canada Square
Canary Wharf
London
E145ER

Auditor

MacIntyre Hudson LLP
Chartered Accountants
& Statutory Auditor
31 Castle Street
High Wycombe
Buckinghamshire
HP13 6RU

Canada Square Health & Fitness Limited, Company number 04968342

The Directors' Report

Year ended 31 December 2009

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2009

Principal activities and business review

The principal activity of the company in the period was a health, fitness and recreational club

The result for 2009 was strong, coming in ahead of forecast, with turnover only decreasing 6%, despite challenging trading conditions especially in the first quarter

Secondary spending was impressive particularly in the restaurant/bar and the Spa, whilst effective cost control also contributed to the encouraging overall performance

The main risk the company faces, is that of membership numbers, however the market began to stabilise from the second quarter of 2009 onwards with membership attrition returning to pre-downturn levels. Whilst trading conditions are expected to remain challenging the market has recently stabilised and normal growth is returning. Since the year end membership levels have risen by 7.6%, as the market begins to recover.

The outlook is improved further with new entrants to the Canary Wharf corporate market starting to occupy their completed offices in earnest towards the latter half of 2010, which would be expected to further increase membership numbers.

Qualifying indemnity provisions for the benefit of the directors were in force during the year and since the year end.

Results and dividends

The profit for the year, after taxation, amounted to £1,723,545. The directors did not recommend a dividend during the year but per note 23 have recommended a dividend of £5,968,200 subsequent to the balance sheet date.

Directors

The directors who served the company during the year were as follows

Mr I Mahoney

Mr S Gandhi

Mr C T Edge

(Retired 27 February 2009)

Directors' responsibilities

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

Canada Square Health & Fitness Limited, Company number 04968342

The Directors' Report

Year ended 31 December 2009

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 those financial statements, the directors are 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.

Canada Square Health & Fitness Limited, Company number 04968342

The Directors' Report *(continued)*

Year ended 31 December 2009

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.

In so far as the directors are aware

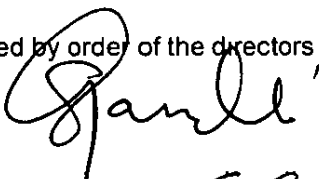
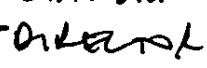
- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

MacIntyre Hudson LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006

Registered office
16-19 Canada Square
Canary Wharf
London
E14 5ER

Signed by order of the directors


~~Ms J Barter~~ S. GANDHI
~~Company Secretary~~ 

Approved by the directors on 18 June 2010

Canada Square Health & Fitness Limited, Company number 04968342

Independent Auditor's Report to the Shareholders of Canada Square Health & Fitness Limited

Year ended 31 December 2009

We have audited the financial statements of Canada Square Health & Fitness Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Accounting Policies 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 shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 to 4, 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 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 affairs as at 31 December 2009 and of its profit 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 matters 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.

Canada Square Health & Fitness Limited, Company number 04968342

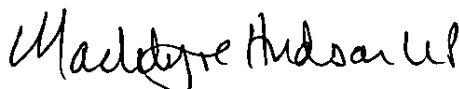
Independent Auditor's Report to the Shareholders of Canada Square Health & Fitness Limited (continued)

Year ended 31 December 2009

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



ANDREW CAMERON COOK ACA
(Senior Statutory Auditor)
For and on behalf of
MACINTYRE HUDSON LLP
Statutory Auditor and Chartered Accountants

31 Castle Street
High Wycombe
Buckinghamshire
HP13 6RU

18 June 2010

Canada Square Health & Fitness Limited, Company number 04968342

Profit and Loss Account

Year ended 31 December 2009

	Note	2009 £	2008 (restated) £
Turnover	1	9,691,308	10,305,219
Cost of sales		<u>2,607,461</u>	<u>2,713,919</u>
Gross profit		7,083,847	7,591,300
Administrative expenses		<u>(4,724,510)</u>	(4,843,538)
Other operating income	2	<u>33,361</u>	-
Operating profit	3	2,392,698	2,747,762
Interest receivable		<u>10,086</u>	51,288
Interest payable and similar charges	6	<u>(12,090)</u>	(20,831)
Profit on ordinary activities before taxation		2,390,694	2,778,219
Tax on profit on ordinary activities	7	<u>667,149</u>	790,470
Profit on ordinary activities after taxation, being profit for the financial year		<u>£1,723,545</u>	<u>£1,987,749</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The directors have decided to reclassify certain expenses as it is felt this gives a more accurate reflection of their allocation in the profit and loss account. There has been no net effect on profits for the year.

The accounting policies and notes on pages 10 to 21 form part of these financial statements.

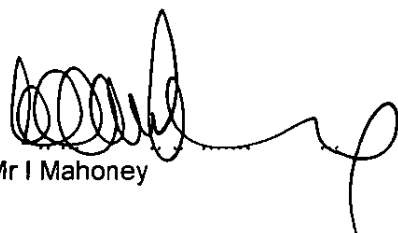
Canada Square Health & Fitness Limited, Company number 04968342

Balance Sheet

31 December 2009

	Note	2009 £	2008 £
Fixed assets			
Intangible assets	8	6	6
Tangible assets	9	2,064,899	2,616,389
		<u>2,064,905</u>	<u>2,616,395</u>
Current assets			
Stocks	10	67,242	104,480
Debtors	11	3,544,065	3,319,614
Cash at bank and in hand		2,844,565	1,873,264
		<u>6,455,872</u>	<u>5,297,358</u>
Creditors' amounts falling due within one year	12	<u>2,125,192</u>	<u>3,062,482</u>
Net current assets		4,330,680	2,234,876
Total assets less current liabilities		6,395,585	4,851,271
Creditors: amounts falling due after more than one year	13	1,965,461	2,062,852
Provisions for liabilities			
Deferred taxation	15	144,160	226,000
		<u>£4,285,964</u>	<u>£2,562,419</u>
Capital and reserves			
Called-up equity share capital	18	734	734
Share premium account	19	46,566	46,566
Profit and loss account	20	4,238,664	2,515,119
Shareholders' funds	21	<u>£4,285,964</u>	<u>£2,562,419</u>

These financial statements were approved by the directors and authorised for issue on 18 June 2010, and are signed on their behalf by


Mr I Mahoney

The accounting policies and notes on pages 10 to 21 form part of these financial statements.

Canada Square Health & Fitness Limited, Company number 04968342

Cash Flow Statement

Year ended 31 December 2009

	Note	2009 £	2008 £
Net cash inflow from operating activities	22	2,361,897	1,960,966
Returns on investments and servicing of finance			
Interest received		10,086	51,288
Interest element of hire purchase		(12,090)	(20,831)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(2,004)	30,457
Taxation		(1,170,783)	(218,603)
Capital expenditure			
Payments to acquire tangible fixed assets		(87,579)	(585,768)
Net cash outflow from capital expenditure		(87,579)	(585,768)
Cash inflow before financing		1,101,531	1,187,052
Financing			
Capital element of hire purchase		(130,230)	140,587
Net cash (outflow)/inflow from financing		(130,230)	140,587
Increase in cash		£971,301	£1,327,639

The accounting policies and notes on pages 10 to 21 form part of these financial statements.

Canada Square Health & Fitness Limited, Company number 04968342

Cash Flow Statement

Year ended 31 December 2009

Reconciliation of net cash flow to movement in net funds

	2009	2008
	£	£
Increase in cash in the period	971,301	1,327,639
Cash outflow in respect of hire purchase	130,230	(140,587)
	<u>1,101,531</u>	<u>1,187,052</u>
Change in net funds	1,101,531	1,187,052
Net debt at 1 January 2009	(319,812)	(1,506,864)
Net funds at 31 December 2009	<u>£781,719</u>	<u>£(319,812)</u>

Analysis of changes in net funds

	At 1 Jan 2009 £	Cash flow £	At 31 Dec 2009 £
Net cash			
Cash in hand and at bank	<u>1,873,264</u>	<u>971,301</u>	<u>2,844,565</u>
Debt			
Debt due after 1 year	(1,957,500)	-	(1,957,500)
Hire purchase agreements	<u>(235,576)</u>	<u>130,230</u>	<u>(105,346)</u>
	<u>(2,193,076)</u>	<u>130,230</u>	<u>(2,062,846)</u>
Net funds	<u>£(319,812)</u>	<u>£1,101,531</u>	<u>£781,719</u>

The accounting policies and notes on pages 10 to 21 form part of these financial statements.

Canada Square Health & Fitness Limited, Company number 04968342

Accounting Policies

Year ended 31 December 2009

Basis of accounting

The financial statements have been prepared under the historical cost convention

Turnover

The turnover shown in the profit and loss account represents the fair value of consideration receivable during the year, exclusive of Value Added Tax

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Plant and machinery	- 10 years straight line
Fixtures and fittings	- 3-10 years straight line
Equipment	- 3 years straight line
Website	- 3 years straight line

Stocks

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

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent an equal charge in each period over the term of the agreement.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

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.

Canada Square Health & Fitness Limited, Company number 04968342

Accounting Policies *(continued)*

Year ended 31 December 2009

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Canada Square Health & Fitness Limited, Company number 04968342

Notes to the Financial Statements

Year ended 31 December 2009

1. Turnover

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

An analysis of turnover is given below

	2009 £	2008 £
United Kingdom	<u>9,691,308</u>	<u>10,305,219</u>

2. Other operating income

	2009 £	2008 £
Other operating income	<u>33,361</u>	<u>—</u>

3. Operating profit

Operating profit is stated after charging

	2009 £	2008 £
Depreciation of owned fixed assets	519,611	487,690
Depreciation of assets held under hire purchase agreements	119,458	113,555
Auditor's remuneration		
- as auditor	9,000	9,000
- for other services	2,500	3,156
Operating lease costs		
- Other	641,100	525,306
Net loss on foreign currency translation	<u>9</u>	<u>—</u>

Auditor's fees

The fees charged by the auditor can be further analysed under the following headings for services rendered

	2009 £	2008 £
Audit	9,000	9,000
Accountancy	—	656
Taxation	2,500	2,500
	<u>£11,500</u>	<u>£12,156</u>

Canada Square Health & Fitness Limited, Company number 04968342

Notes to the Financial Statements

Year ended 31 December 2009

4. Particulars of employees

The average number of staff employed by the company during the financial year amounted to

	2009 No	2008 No
Number of administrative staff	69	72
Number of management staff	1	1
	<u>70</u>	<u>73</u>

The aggregate payroll costs of the above were

	2009 £	2008 £
Wages and salaries	1,643,052	1,774,996
Social security costs	166,017	161,909
Other pension costs	28,168	47,620
	<u>£1,837,237</u>	<u>£1,984,525</u>

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2009 £	2008 £
Remuneration receivable	107,286	168,626
Value of company pension contributions to money purchase schemes	8,747	8,747
	<u>£116,033</u>	<u>£177,373</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2009 No	2008 No
Money purchase schemes	<u>1</u>	<u>1</u>

6. Interest payable and similar charges

	2009 £	2008 £
Finance charges	<u>12,090</u>	<u>20,831</u>

Canada Square Health & Fitness Limited, Company number 04968342

Notes to the Financial Statements

Year ended 31 December 2009

7. Taxation on ordinary activities (a) Analysis of charge in the year

	2009 £	2008 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 28% (2008 - 28%)	769,833	848,470
Over provision in prior year	(20,844)	-
Total current tax	748,989	848,470
Deferred tax		
Origination and reversal of timing differences (note 15)		
Capital allowances	(81,840)	(58,000)
Tax on profit on ordinary activities	£667,149	£790,470

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2008 - 28%)

	2009 £	2008 £
Profit on ordinary activities before taxation	2,390,694	2,778,219
Profit on ordinary activities by rate of tax	669,394	777,901
Expenses not deductible for tax purposes	2,223	4,912
Capital allowances for period in excess of depreciation	104,553	58,255
Tax chargeable at other rates	-	14,806
Adjustments to tax charge in respect of previous periods	(20,844)	-
Rounding on tax charge	-	(1)
Tax adjustment for provisions	-	8,400
Income offset against loan relationship deficit	(2,824)	(14,361)
Group relief	(3,513)	(1,442)
Total current tax (note 7(a))	£748,989	£848,470

Canada Square Health & Fitness Limited, Company number 04968342

Notes to the Financial Statements

Year ended 31 December 2009

8. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2009 and 31 December 2009	<u>6</u>
Net book value	
At 31 December 2009	<u>£6</u>
At 31 December 2008	<u>£6</u>

9. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Equipment £	Website £	Total £
Cost					
At 1 January 2009	33,391	4,730,835	238,697	7,100	5,010,023
Additions	8,184	65,889	6,580	6,926	87,579
At 31 December 2009	<u>41,575</u>	<u>4,796,724</u>	<u>245,277</u>	<u>14,026</u>	<u>5,097,602</u>
Depreciation					
At 1 January 2009	10,244	2,180,315	195,975	7,100	2,393,634
Charge for the year	3,862	604,629	28,509	2,069	639,069
At 31 December 2009	<u>14,106</u>	<u>2,784,944</u>	<u>224,484</u>	<u>9,169</u>	<u>3,032,703</u>
Net book value					
At 31 December 2009	<u>£27,469</u>	<u>£2,011,780</u>	<u>£20,793</u>	<u>£4,857</u>	<u>£2,064,899</u>
At 31 December 2008	<u>£23,147</u>	<u>£2,550,520</u>	<u>£42,722</u>	<u>—</u>	<u>£2,616,389</u>

Hire purchase agreements

Included within the net book value of £2,064,899 is £101,977 (2008 - £221,435) 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 £119,458 (2008 - £113,555).

10. Stocks

	2009 £	2008 £
Finished goods	<u>67,242</u>	<u>104,480</u>

Canada Square Health & Fitness Limited, Company number 04968342

Notes to the Financial Statements

Year ended 31 December 2009

11. Debtors

	2009 £	2008 £
Trade debtors	12,037	15,625
Amounts owed by group undertakings	3,366,099	3,081,825
Other debtors	16,716	35,600
Prepayments and accrued income	149,213	186,564
	<u>£3,544,065</u>	<u>£3,319,614</u>

12. Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	335,831	483,937
Corporation tax	428,773	850,567
PAYE and social security	46,022	44,912
VAT	264,611	326,591
Hire purchase agreements	97,385	130,224
Other creditors	6,374	24,839
Rent provision	634,824	668,724
Accruals and deferred income	311,372	532,688
	<u>£2,125,192</u>	<u>£3,062,482</u>

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

	2009 £	2008 £
Hire purchase agreements	7,961	105,352
Shares classed as financial liabilities	1,957,500	1,957,500
	<u>£1,965,461</u>	<u>£2,062,852</u>

Canada Square Health & Fitness Limited, Company number 04968342

Notes to the Financial Statements

Year ended 31 December 2009

14. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows

	2009 £	2008 £
Amounts payable within 1 year	97,385	130,224
Amounts payable between 1 and 2 years	7,961	105,352
	<u>£105,346</u>	<u>£235,576</u>

Obligations falling due under hire purchase agreements are secured on the assets to which they relate

15. Deferred taxation

The movement in the deferred taxation provision during the year was

	2009 £	2008 £
Provision brought forward	226,000	284,000
Profit and loss account movement arising during the year	(81,840)	(58,000)
Provision carried forward	<u>£144,160</u>	<u>£226,000</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2009 £	2008 £
Excess of taxation allowances over depreciation on fixed assets	144,160	226,000
	<u>£144,160</u>	<u>£226,000</u>

16. Commitments under operating leases

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	2009 £	2008 £
Operating leases which expire After more than 5 years	<u>675,000</u>	<u>559,206</u>

Canada Square Health & Fitness Limited, Company number 04968342

Notes to the Financial Statements

Year ended 31 December 2009

17. Related party transactions

In the year to 31 December 2009 the company was charged £410,000 (2008 £660,000) by the parent company, Canada Square Health & Fitness Holdings Limited for management services. At 31 December 2009 the company was owed £3,366,099 (2008 (£3,081,825)) by Canada Square Health & Fitness Holdings Limited.

The bank loans and overdrafts of £3,824,620 in the parent company are secured by National Westminster Bank by way of a debenture, an unlimited intercompany composite guarantee with accession made between the parent and the company supported by a debenture by the company and a first legal charge over the Canada Square property and its associated assets.

18 Share capital

Allotted and called up:

	No	2009 £	No	2008 £
Ordinary A shares shares fully paid of £1 each	500	500	500	500
Ordinary B shares shares fully paid of £1 each	234	234	234	234
Preference shares - £1 paid of £0.95 each	1,957,500	1,957,500	1,957,500	1,957,500
	<u>1,958,234</u>	<u>£1,958,234</u>	<u>1,958,234</u>	<u>£1,958,234</u>
Amounts presented in equity:		2009 £		2008 £
Ordinary A shares shares fully paid of £1 each		500		500
Ordinary B shares shares fully paid of £1 each		234		234
		<u>734</u>		<u>734</u>
Amounts presented in liabilities:				
Preference shares - £1 paid of £0.95 each		<u>1,957,500</u>		<u>1,957,500</u>

Canada Square Health & Fitness Limited, Company number 04968342

Notes to the Financial Statements

Year ended 31 December 2009

18. Share capital (continued)

Voting rights

So long as the holders of Ordinary A shares would by virtue of their holdings of Ordinary A shares on a poll be entitled to exercise over 49% of the total number of votes capable of being exercised in respect of all the issued Equity shares, then the number of votes capable of being cast on a poll in respect of the Ordinary A shares shall be reduced to that number (rounding down any fraction) which is equal to 49% of the total number of votes capable of being exercised in respect of all the issued equity shares

Preference shareholders will have the right to receive notice of, and to attend and speak at all general meetings of the company but preference shareholders shall not be entitled by virtue of their holdings of preference shares to vote by way of show of hands or on a poll at such meeting

Rights to dividend

Preference shares are entitled to a cumulative dividend of an aggregate sum equal to 6.9 per cent of the amount credited as paid up on the Preference shares

Ordinary A shares are entitled to a cumulative dividend of such sum as shall equal 15 per cent of the profits of the company which are available for lawful distribution in respect of each accounting period will be applied in the following order and priority

First, in paying the holders of the preference shares as a class a cumulative cash dividend (Preference dividend) of such sum as shall equal 6.9% of the amount credited as paid up on the Preference shares and second, in paying to the holders of the Ordinary A shares as a class a cumulative cash dividend (Participating dividend) of such sum as shall equal 25% of the adjusted profits in respect of the accounting period

The maximum participating dividend in any accounting period shall be limited to 50% of the company's profit for the relevant accounting period available for distribution to members (available profits) provided always that such excess of participating dividend as would have been payable to the holders of the Ordinary A shares had the participating dividend not been limited to 50% of the available profits shall be paid to the holders of the Ordinary A shares in the next accounting period(s) in which the participating dividend is less than 50% of the available profits (and provided always that the enlarged participating dividend in such subsequent accounting period(s) does not exceed 50% of the available profits for that accounting period) and all such excess(es) shall be carried forward as aforesaid until paid in full

The following will apply in respect of the preference dividend and the participating dividend

The dividends will be paid in cash,

The dividends will accrue on a daily basis,

The preference dividend will be fixed and will be paid by quarterly instalments on 31 March, 30 June, 30 September and 31 December in each year in respect of the period ending on those dates

The dividends will all be cumulative

Rights on winding up

On a return of capital of the company on a liquidation or otherwise (other than a redemption of shares or the purchase by the company of its own shares), the surplus assets and retained profits of the company after payment of all liabilities (including any arrears and accruals of unpaid dividends payable to the holders of Ordinary A shares and any declared but unpaid dividends on the Ordinary A shares and the Ordinary B shares) and available for distribution among the members will be applied in the following

Canada Square Health & Fitness Limited, Company number 04968342

Notes to the Financial Statements

Year ended 31 December 2009

18. Share capital *(continued)* order and priority

Priority	Class of share	Amount to be paid:
1	Preference shares	Amounts credited as paid up on all issued preference shares
2	Ordinary A shares	Amounts credited as paid up on all issued Ordinary A shares
3	Ordinary B shares	Amounts credited as paid up on all issued Ordinary B shares
4	Ordinary A shares and Ordinary B shares	Any balance of such surplus assets and retained profits (as if one class)

Any return on some but not all of any shares of a particular class will be made amongst their holders pro rata as nearly as possible to their respective holdings of shares of that class

The redemption of, and any dividends relating to, the preference shares has been waived by the preference share holders until after the year ended 31 December 2009

19. Share premium account

There was no movement on the share premium account during the financial year

20 Profit and loss account

	2009 £	2008 £
Balance brought forward	2,515,119	527,370
Profit for the financial year	1,723,545	1,987,749
Balance carried forward	<u>£4,238,664</u>	<u>£2,515,119</u>

21. Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Profit for the financial year	1,723,545	1,987,749
Opening shareholders' funds	2,562,419	574,670
Closing shareholders' funds	<u>£4,285,964</u>	<u>£2,562,419</u>

Canada Square Health & Fitness Limited, Company number 04968342

Notes to the Financial Statements

Year ended 31 December 2009

22. Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2009 £	2008 £
Operating profit	2,392,698	2,747,762
Depreciation	639,069	601,245
Decrease in stocks	37,238	34,074
Increase in debtors	(224,451)	(1,781,912)
(Decrease)/increase in creditors	(482,657)	359,797
Net cash inflow from operating activities	<u>£2,361,897</u>	<u>£1,960,966</u>

23. Post balance sheet events

On 30 March 2010 a special resolution was passed to allow the company to reduce its share capital by £1,957,500 by the repayment of the amounts paid up on the 1,957,500 £0 95 Preference Shares

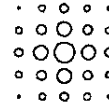
A resolution was passed to amend the articles of association of the company with regards to dividend rights associated with each class of share

At the same time it was proposed that a dividend of £5,968,200 would be paid to the shareholders. The dividend has been financed through increased borrowings in the parent company through National Westminster Bank

24. Ultimate parent company

Canada Square Health and Fitness Holdings Limited is the immediate parent company

The ultimate controlling party is Gordons96 Limited as a result of its majority shareholding in Canada Square Health and Fitness Holdings Limited



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