Company Registration No. 05509273

FITNESS PREFERRED LIMITED

Report and Financial Statements

Year ended 31 October 2011

REPORT AND FINANCIAL STATEMENTS 31 OCTOBER 2011

CONTENTS

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

C D Waggett (resigned 10 February 2012)
D E Tatton-Brown (resigned 15 February 2012)
J D Williams (resigned 1 April 2011)
J Kengelbach (appointed 15 February 2012)

SECRETARY

S A Cadd

REGISTERED OFFICE

58 Fleets Lane
Poole
Dorset
BH15 3BT

BANKERS

National Westminster Bank plc
5 Old Christchurch Road
Bournemouth
BH1 1DU

Mizuho Corporate Bank Ltd
Bracken House
One Friday Street
London
EC4M 9JA

SOLICITORS

Dickson Minto W S
Broadgate Tower
20 Primrose Street
London
EC2A 2EW

Kirkland & Ellis
30 St Mary Axe
London
EC3A 8AF

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 October 2011

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the Company is as holder of external Preference shares

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Directors are satisfied with the results of the Company and anticipate similar results in the year ahead

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 6 The Directors do not propose the payment of a dividend (2010 £nil)

POST BALANCE SHEET EVENTS

The Company is a wholly owned subsidiary of Fitness First Group Limited which prepares consolidated financial statements (the Group) Subsequent to the year end the Group has undertaken a significant restructuring of the Group s financial arrangements On 5 September 2012 in exchange for the release of the Group from its obligations to the senior lenders the Group has disposed of Fitness First Finance Ltd and its operating subsidiaries

The remaining companies within the Group including the Company compose solely of holding companies which will retain the debt owed to the ultimate shareholder and intercompany debt Furthermore as part of the restructuring, a subsidiary, Fitness First Plc, was issued with warrants in the divested Fitness First trading group which allow it to benefit from a future transaction Due to the restructuring investments have been impaired to nil and intercompany debtors fully provided against

GOING CONCERN

The Directors have satisfied themselves that the Company is a going concern having adequate resources to continue in operational existence for the foreseeable future after considering the principal risks and uncertainties of the company including the current year loss and net liability position and despite the current uncertain economic conditions The Directors have considered the terms of the debt owed to the ultimate shareholder and Intercompany debt and are satisfied the debt is not repayable until 6 November 2015 There is no call option on the debt and no conditions which would require it to be settled within 12 months from the signing of these financial statements In addition, there are no third party liabilities which would require settlement Finally, the group companies will continue to trade for a period not less than twelve months from the signing date of these financial statements as Fitness First plc has been issued with warrants in the divested structure The Company will continue to perform its principal activity as a holding company Accordingly the Directors continue to adopt the going concern basis in preparing the annual report and financial statements

KEY PERFORMANCE INDICATORS

As the Company's principal activity is holding preference shares for the Group the Directors do not consider KPIs appropriate to the management of the business

RISKS AND UNCERTAINTIES

The management of the business is subject to a number of potential risks and uncertainties These could have a material impact on the Company s long term performance and could cause actual results to differ materially from expected and historical results The key areas of risk to the business are liquidity risks principally the ability to repay debt

DIRECTORS

The membership of the Board during the year, as well as changes since the balance sheet date, is set out on page 1

DIRECTORS' REPORT (CONTINUED)

AUDITOR

Each of the persons who is a Director of the Company at the date when this report is approved confirms that

- so far as the Director is aware there is no relevant audit information of which the Company s auditor is unaware, and
- the Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company s auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term

Approved by the Board of Directors and signed on behalf of the Board by

J Kengelbach
Director
17 October 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual 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, and
- 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FITNESS PREFERRED LIMITED

We have audited the financial statements of Fitness Preferred Limited for the year ended 31 October 2011 which comprise the profit and loss account the balance sheet and the related notes 1 to 15 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 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 auditor

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

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 the Directors and the overall presentation of the financial statements In addition, we read all the financial and non-financial information to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 October 2011 and of the 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

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

Darren Longley FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom

19 October 2012

PROFIT AND LOSS ACCOUNT
For the year ended 31 October 2011

	Note	2011 £000	2010 £000
Administrative expenses - exceptional		(522 655)	-
Operating loss		(522 655)	-
Interest payable	3	(73,388)	(63,816)
Interest receivable	3	32,815	58,467
Net interest payable	3	(40,573)	(5,349)
Loss on ordinary activities before tax		(563,228)	(5,349)
Tax on ordinary activities	4	-	-
Loss for the financial year		(563,228)	(5,349)

All results arise from continuing operations The exceptional administrative expenses derive from the impairment of investments (£271 2m) and the recognition of a provision for intercompany debtors (£251 4m)

There are no recognised gains and losses for the year ended 31 October 2011 or the preceding year other than as stated in the profit and loss account Accordingly, a statement of total recognised gains and losses has not been presented

BALANCE SHEET
As at 31 October 2011

	Note	2011 £000	2010 £000
Fixed assets			
Investments	5	-	271 235
Current Assets			
Other debtors	6	-	265
Net current assets		-	265
Intercompany debtors due after more than one year	7	-	218,339
Total assets less current liabilities		-	489,839
Creditors amounts falling due after more than one year	8	(562,643)	(489,254)
Net (liabilities) / assets		(562 643)	585
Capital and reserves			
Called up share capital	9	-	-
Share premium account	10	5 934	5,934
Profit and loss account	10	(568 577)	(5 349)
Total shareholder's (deficit) / funds		(562,643)	585

These financial statements of Fitness Preferred Limited registration number 05509273 were approved by the Board of Directors and authorised for issue on 17 October 2012

Signed on behalf of the Board of Directors

J Kengelbach
Director

NOTES TO THE ACCOUNTS
For the year ended 31 October 2011

1 ACCOUNTING POLICIES

The principal accounting policies adopted are described below They have all been applied consistently throughout the current and prior year

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

The financial statements are prepared on the basis that the company is a going concern This is discussed in the Directors Report on page 2

Going concern

The Directors have satisfied themselves that the Company is a going concern having adequate resources to continue in operational existence for the foreseeable future, after considering the principal risks and uncertainties of the company including the current year loss and net liability position and despite the current uncertain economic conditions The Directors have considered the terms of the debt owed to the ultimate shareholder and Intercompany debt and are satisfied the debt is not repayable until 6 November 2015 There is no call option on the debt and no conditions which would require it to be settled within 12 months from the signing of the financial statements In addition there are no third party liabilities which would require settlement Finally, the group companies will continue to trade for a period not less than twelve months from the signing date of these financial statements as Fitness First plc has been issued with warrants in the divested structure The Company will continue to perform its principal activity as a holding company Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements

Consolidated financial statements

In accordance with s400 of the Companies Act 2006 the Company is exempt from producing group financial statements since it was a wholly owned subsidiary of Fitness First Group Limited during the financial year Fitness First Group Limited provided consolidated financial statements that are publicly available

Investments

Investments held as fixed assets are stated at cost less provision for any impairment

Taxation

Current corporation tax represents the profit or loss for the year as adjusted for items that are not taxable or not tax deductible Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Finance costs and debt

Finance costs of debt are recognised in the profit and loss account over the term of such investments at a constant rate on the carrying amount Debt is initially stated at the amount of the net proceeds after the deduction of issue costs The carrying amount is increased by the finance cost in respect of the accounting period and reduced by repayments made in the year

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 October 2011

1 ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity

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 group after deducting all of its liabilities

Cumulative redeemable preference shares are included in the balance sheet as liabilities in accordance with FRS 25

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs

2 INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS' REMUNERATION

The Directors are remunerated by a subsidiary undertaking Fitness First Limited in respect of their services to various companies The total remuneration borne by Fitness First Limited for the Directors of the Company was £969 600 (2010 £812 000) The amount of remuneration allocated for their services as Directors of the Company is £nil (2010 £nil) With the exception of the Directors and the Company Secretary there were no other persons employed by the Company during the year (2010 nil) An audit fee of £134 180 (2010 £122,000) has been borne by another Group company in respect of the Group audit

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 October 2011

3 NET INTEREST RECEIVABLE/(PAYABLE)

	2011 £000	2010 £000
Interest payable and similar charges		
Cumulative preference share dividend	(73 388)	(63 816)
Interest receivable and similar income		
Due from subsidiary on loans	32 815	5 339
Due from fellow subsidiary undertakings on loans	-	49 981
Due from fellow subsidiary undertakings on 15% preference shares	-	3 147
	32 815	58 467
Total	(40 573)	(5,349)

4 TAX ON LOSS ON ORDINARY ACTIVITIES

Current tax	2011 £000	2010 £000
UK tax charge	-	-

The tax credit for both years is lower than that resulting from applying the UK corporation tax rate of 26 8% (2010 rate of 28 0%) for the reasons set out in the following reconciliation

	2011 £000	2010 £000
Loss on ordinary activities before tax	(563 228)	(5 349)
Tax credit at 26 8% (2010 28 0%) thereon	150 945	1 497
Effects of		
Losses (received from)/given away to other group companies for nil consideration	8 794	(996)
Non allowable dividends	(159 739)	(17 850)
Group income	-	863
Difference between accrued and paid interest	-	16 486
Current tax charge	-	-

Finance (No 2) Act 2011 provided for a reduction in the main rate of corporation tax from 26% to 25%, effective from 1 April 2012 The 2012 Budget has proposed reducing the main rate of corporation tax further to 24% effective from 1 April 2012 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014 and are expected to be enacted separately each year For the year ended 31 October 2011, as the 1% reduction to 25% has been enacted deferred tax is calculated at 25%

NOTES TO THE ACCOUNTS
For the year ended 31 October 2011

5 FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings £
At 1 November	271,235
Impairment	(271 235)
At 31 October 2011	-

Name of Company	Country of incorporation or registration	Proportion of ordinary shares held
Principal subsidiaries		
Fitness First Securities Limited	UK	100% directly

Subsequent to the year end the Group has undertaken a significant restructuring of the Group s financial arrangements as disclosed in note 15 This has resulted in the impairment of investments held to nil

6 DEBTORS

	2011 £000	2010 £000
Other debtors	-	265

7 DEBTORS – DUE AFTER ONE YEAR

	2011 £000	2010 £000
Amounts owed by subsidiary undertakings	-	218 339

Subsequent to the year end the Group has undertaken a significant restructuring of the Group s financial arrangements as disclosed in note 15 As a result intercompany receivables have been fully provided against

NOTES TO THE ACCOUNTS
For the year ended 31 October 2011

8 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £000	2010 £000
Cumulative redeemable preference dividends accrued	316 072	242 758
Cumulative redeemable preference shares	246 246	246 246
Amounts owed to ultimate parent company *	325	250
	562 643	489 254

* The amounts owed to the ultimate parent company relate to accrued dividends in respect of the C preference shares

Cumulative A B and C redeemable preference shares carry an entitlement to dividend at the rate of 15p per share per annum. payable on redemption They may be redeemed at £1 00 per share at any time after 8 May 2006 at the option of the Company and in any event will be redeemed at £1 00 per share on 6 November 2015 together with the accrued dividend Holders of the redeemable preference shares have the right on a winding-up to receive in priority to any other classes of shares. the sum of £1 00 per share together with any arrears of dividend As at 31 October 2011 accrued dividends in respect of A and B preference shares amounts to £316 072 000 (2010 £242 758 000) and accrued dividends in respect of C preference shares amounts to £325,000 (2010 £250 000) The A and 'B dividend accrued during the year amounted to £73 314 000 (2010 £63 751 000) the C dividend accrued during the year amounted to £75,000 (2010 £64 500)

9 CALLED UP SHARE CAPITAL

	Number of shares 2011 No	Nominal value 2011 £000	Number of shares 2010 No	Nominal value 2010 £000
Authorised, Allotted, called up and fully paid				
Ordinary shares of £1 each	100	-	100	-
A preference shares of £1 each	231 568,666	231,569	231,568 666	231 569
B preference shares of £1 each	14 428 956	14 429	14 428 956	14 429
C preference shares of £1 each	248 206	248	248 206	248
	246 245 828	246 246	246 245,828	246 246

The preference shares are presented as a liability (see note 8) and accordingly are excluded from called-up share capital in the balance sheet

10 RESERVES

	Share premium account £000	Profit and loss account £000
At 1 November 2010	5 934	(5 349)
Loss for the year	-	(563,228)
At 31 October 2011	5,934	(568,577)

NOTES TO THE ACCOUNTS
For the year ended 31 October 2011

11 DIRECTORS' INTERESTS IN TRANSACTIONS

There were no contracts with any Director during the current or previous year

12 CASH FLOW STATEMENT

The Company has taken advantage of the exemption contained in FRS 1 not to prepare a cash flow statement since it is a wholly owned subsidiary of Fitness First Group Limited, which provides consolidated financial statements which are publicly available

13 RELATED PARTY TRANSACTIONS

The Company is taking advantage of an exemption conferred by FRS 8 which provides exemption for disclosure of transactions between two or more members of a group, provided that all subsidiaries which are party to the transaction are wholly owned by the same group

14 SUBSEQUENT EVENTS

The Company is a wholly owned subsidiary of Fitness First Group Limited which prepares consolidated financial statements ('the Group) Subsequent to the year end the Group has undertaken a significant restructuring of the Group s financial arrangements On 5 September 2012, in exchange for the release of the Group from its obligations to the senior lenders the Group has disposed of Fitness First Finance Ltd and its operating subsidiaries

The remaining companies within the Group, including the Company compose solely of holding companies Correspondingly investments have been impaired to nil and intercompany debtors fully provided against

15 ULTIMATE PARENT COMPANY

The ultimate parent Company and controlling party which heads the largest and smallest group for which consolidated accounts are produced and of which the Company is a member, is Fitness First Group Limited (which is ultimately owned and controlled by funds advised by BC Partners Limited which own shares representing 80% of the issued share capital of that Company) a Company incorporated in England Copies of the accounts of Fitness First Group Limited can be obtained from Companies House Crown Way Cardiff CF14 3UZ