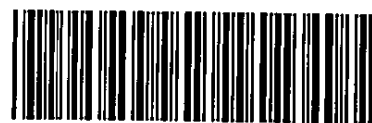


FITNESS PREFERRED LIMITED

Report and Financial Statements

Year ended 31 October 2009

THURSDAY



A23 *A2YL1LP6* 449
15/07/2010
COMPANIES HOUSE

REPORT AND FINANCIAL STATEMENTS 2009

CONTENTS	PAGE
Officers and professional advisers	1
Directors' report	2
Statement of Directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Reconciliation of movements in shareholders' funds	8
Notes to the accounts	9

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C D Waggett
J D Williams

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
Royal London House
22/25 Finsbury Square
London
EC2A 1DX

Freshfields
65 Fleet Street
London
EC4Y 1HS

AUDITORS

Deloitte LLP
Southampton, United Kingdom

DIRECTORS' REPORT

The Directors are pleased to present their annual report and the audited financial statements for the year ended 31 October 2009

PRINCIPAL ACTIVITY

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. A dividend of £55,433,000 (2008 £48,204,000) has been accrued in respect of the external 'A and B' Preference shares, and £56,500 (2008 £49,135) has been accrued relating to inter-company 'C' dividends, consistent with the rights of those shares, as disclosed in note 8 to the accounts.

Exemption has been taken from preparing an enhanced business review in accordance with provisions relating to small companies under Section 417 (1) of the Companies Act 2006.

GOING CONCERN

The financial statements have been prepared on the going concern basis and the Directors have satisfied themselves that the company is a going concern, having adequate resources to continue in operational existence for the foreseeable future, despite the current uncertain economic conditions. As the company was formed to hold external preference shares on behalf of the Group, its operations and financial resources are therefore linked directly to, and are dependent on, the performance and support of the Group. Financial support is evidenced by a letter of support from the parent company covering 12 months from the date of these financial statements.

The Directors have made enquiries as to the financial position of the Group, and its ability therefore to provide support to the entity should it be required. The Directors are satisfied that the support provided by the Group allows them to prepare the accounts of Fitness Preferred Limited as a going concern. The financial statements of Fitness First Group Limited, which are publicly available, include full disclosure of the Group's going concern position.

DIRECTORS

The present membership of the Board is set out on page 1. All Directors served throughout the year, along with Zillah Byng-Maddick who resigned as Director on 13th November 2009.

PROVISION OF INFORMATION TO AUDITORS

In the case of each of the persons who are Directors of the company at the date when this report is approved

- so far as each of the Directors is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each of the Directors 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 auditors are aware of that information.

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

DIRECTORS' REPORT (CONTINUED)

AUDITORS

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting

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

A handwritten signature in black ink, appearing to read 'J D Williams', is written over the printed name.

J D Williams
Director
4 March 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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,
- state whether applicable UK Accounting Standards have been followed, 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.

By order of the Board



J D Williams
Director
4 March 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FITNESS PREFERRED LIMITED

We have audited the financial statements of Fitness Preferred Limited for the year ended 31 October 2009 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein. 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 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 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 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 the 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 October 2009 and of its result 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



Andrew Gordon (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants
Southampton, United Kingdom
4 March 2010

PROFIT AND LOSS ACCOUNT
For the year ended 31 October 2009

		2009	2008
	Note	£000	£000
Operating profit		-	-
Interest payable		(55,490)	(48,253)
Interest receivable		55,490	48,253
Net interest payable	3	<u>-</u>	<u>-</u>
Profit on ordinary activities before taxation		-	-
Tax on profit on ordinary activities	4	<u>-</u>	<u>-</u>
Profit for the financial year		<u><u>-</u></u>	<u><u>-</u></u>

All results arise from continuing operations

There are no recognised gains and losses for the year ended 31 October 2009 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.

FITNESS PREFERRED LIMITED

BALANCE SHEET 31 October 2009

	Note	2009 £000	2008 £000
Fixed assets			
Investments	5	9,788	9,788
Current Assets			
Other debtors	6	265	-
Net current assets		265	-
Intercompany debtors due after more than one year	7	421,319	366,095
Total assets less current liabilities		431,372	375,883
Creditors: amounts falling due after more than one year	8	(425,438)	(369,949)
Net assets		5,934	5,934
Capital and reserves			
Called up share capital	9	-	-
Share premium account	10	5,934	5,934
Profit and loss account	10	-	-
Total shareholders' funds		5,934	5,934

These financial statements of Fitness Preferred Limited, registration number 05509273, were approved by the Board of Directors and authorised for issue on 4 March 2010

Signed on behalf of the Board of Directors



J D Williams
Director

FITNESS PREFERRED LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 October 2009

	2009	2008
	£000	£000
Profit for the financial year	-	-
Net increase in shareholders' funds	-	-
Opening shareholders' funds	5,934	5,934
Closing shareholders' funds	5,934	5,934

NOTES TO THE ACCOUNTS
For the year ended 31 October 2009

1. ACCOUNTING POLICIES

The principal accounting policies adopted are described below. They have all been applied consistently throughout the 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.

Investments

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

Taxation

Current tax is provided at amounts expected to be paid (or recovered) based on the tax rates and laws applicable at 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 and non-equity shares 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 period.

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 £881,000 (2008: £748,000). The amount of remuneration allocated for their services as Directors of the Company is £nil (2008: £nil). With the exception of the Directors and the Company Secretary, there were no other persons employed by the Company during the period (2008: nil). An audit fee of £96,000 (2008: £132,000) has been borne by another Group company in respect of the Group audit. Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of Fitness First Group Limited include disclosure of such fees on a consolidated basis. The consolidated financial statements of Fitness First Group Limited are publicly available.

NOTES TO THE ACCOUNTS
For the year ended 31 October 2009

3. NET INTEREST PAYABLE

	2009	2008
	£000	£000
Interest payable and similar charges		
Cumulative preference share dividend	55,490	48,253
Interest receivable and similar income		
Due from fellow subsidiary undertakings on loans	(52,203)	(45,398)
Due from fellow subsidiary undertakings on 15% preference shares	(3,287)	(2,855)
	(55,490)	(48,253)
Total	-	-

4. TAX ON LOSS ON ORDINARY ACTIVITIES

	2009	2008
	£000	£000
Current taxation		
UK taxation charge	-	-

The tax charge for the year is as expected (2008 as expected) from applying the UK corporation tax rate of 28.0% (2008 blended rate of 28.8%) for the reasons set out in the following reconciliation

	2009	2008
	£000	£000
Profit on ordinary activities before taxation	-	-
Tax credit at 28.0% (2008 28.8%) thereon	-	-
Effects of		
Losses received from other group companies for nil consideration	1,807	3,067
Non allowable dividends	(15,521)	(13,883)
Group income	230	206
Non taxable income	13,484	10,610
Current tax charge	-	-

There are no amounts of provided or unprovided deferred tax at the balance sheet date (2008 none)

NOTES TO THE ACCOUNTS
For the year ended 31 October 2009

5. FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings £
At 1 November 2008 and 31 October 2009	9,788

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

6. DEBTORS – DUE WITHIN ONE YEAR

	2009 £000	2008 £000
Other debtors	265	-

7. DEBTORS – DUE AFTER ONE YEAR

	2009 £000	2008 £000
Amounts owed by subsidiary undertakings	421,319	366,095

The loans of £406 1m (2008 £351 8m) and loan notes of £15 2m (2008 £14 3m) owed by the subsidiary bear interest at 15% per annum and the Company has confirmed that they will not seek repayment within 12 months from the date of signing the accounts

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009 £000	2008 £000
Cumulative redeemable preference dividends accrued	179,007	123,574
Cumulative redeemable preference shares	246,246	246,246
Amounts owed to ultimate parent company	185	129
	425,438	369,949

NOTES TO THE ACCOUNTS

For the year ended 31 October 2009

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

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 2009 accrued dividends in respect of 'A' and 'B' preference shares amounts to £179,007,000 (2008: £123,574,000) and accrued dividends in respect of 'C' preference shares amounts to £185,500 (2008: £129,000). The 'A' and 'B' dividend accrued during the year amounted to £55,433,000 (2008: £48,204,000), the 'C' dividend accrued during the year amounted to £56,500 (2008: £49,135).

9. CALLED UP SHARE CAPITAL

	Number of shares 2009 No.	Nominal value 2009 £000	Number of shares 2008 No.	Nominal value 2008 £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
	<u>246,245,828</u>	<u>246,246</u>	<u>246,245,828</u>	<u>246,246</u>

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 2008 and 31 October 2009	<u>5,934</u>	<u>-</u>

11 DIRECTORS' INTERESTS IN TRANSACTIONS

There were no contracts of significance with any Director during the year (2008: none).

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.

NOTES TO THE ACCOUNTS

For the year ended 31 October 2009

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. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party at the year end, which headed the largest and smallest group for which consolidated accounts are produced and of which the Company is a member, was Fitness First Group Limited (which was ultimately owned and controlled by funds advised by BC Partners Limited which own shares representing 81% 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