

HCHP (Holdings) Limited
ANNUAL FINANCIAL REPORT
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31 DECEMBER 2013

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HCHP (HOLDINGS) LIMITED
London

ANNUAL FINANCIAL REPORT

31 DECEMBER 2013

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All amounts are expressed in GBP unless stated otherwise.
Negative amounts are shown between brackets.

HCHP (HOLDINGS) LIMITED

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

Principal activity

The principal activity of the Company continues to be a holding company.

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year. The Directors do not recommend the payment of a dividend.

The Company has met the requirements of the Companies Act 1985 to obtain the exemption provided from the presentation of an enhanced business review.

Directors

The director, who served throughout the year, is listed as follows:

J.M. Fisher

HCHP (HOLDINGS) LIMITED

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company laws require the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

HCHP (HOLDINGS) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

| | Notes | 2013 GBP'000 | 2012 GBP'000 |
|---|-------|-----------------|-----------------|
| Turnover | 1 | - | - |
| Cost of sales | | - | - |
| Gross loss | | | |
| Administrative expenses | | (7) | (2) |
| Other expenses / provisions | 2 | (47) | (34) |
| Operating (loss) / profit | 3 | (54) | (36) |
| Interest receivable and similar income | 4 | - | - |
| Interest payable and similar charges | 5 | (1) | (1) |
| (Loss) / profit on ordinary activities before taxation | | (55) | (37) |
| Tax charge on loss / profit on ordinary activities | 6 | - | - |
| (Loss) / profit for the financial year | 12 | (55) | (37) |

There are no recognised gains and losses in the current year other than the loss stated above. Accordingly no statement of total recognised gains and losses is required.

HCHP (HOLDINGS) LIMITED

BALANCE SHEET AT 31 DECEMBER 2013

(after proposed appropriation of results for the year)

| | Notes | 31-12-2013 GBP'000 | 31-12-2012 GBP'000 |
|---|-------|-----------------------|-----------------------|
| Fixed assets | | | |
| Participations | 7 | - | - |
| | | <u>0</u> | <u>0</u> |
| Current assets | | | |
| Debtors – due within one year | 8 | - | - |
| Debtors – due after more than one year | 8 | - | - |
| Debtors | | <u>0</u> | <u>0</u> |
| Cash at bank | | <u>0</u> | <u>1</u> |
| | | <u>0</u> | <u>1</u> |
| Creditors: amounts falling due within one year | 9 | - | - |
| Net current assets | | <u>0</u> | <u>1</u> |
| TOTAL ASSETS | | <u><u>1</u></u> | <u><u>1</u></u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 24,845 | 24,845 |
| Share premium account | 11 | 166,863 | 166,863 |
| Other reserves | 11 | 1,600 | 1,600 |
| Profit and loss account | 11 | (193,629) | (193,574) |
| Equity shareholders' funds | | <u>(321)</u> | <u>(266)</u> |
| Current liabilities | | | |
| Creditors – due within one year | 12 | 179 | 125 |
| Creditors – due after more than one year | 12 | 142 | 142 |
| | | <u>321</u> | <u>267</u> |
| TOTAL LIABILITIES | | <u><u>0</u></u> | <u><u>1</u></u> |

For the year ended 2013 the company was entitled to exemption under section 477 of the Companies Act 2006.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

HCHP (HOLDINGS) LIMITED

The directors acknowledge their responsibility for:

- Ensuring the company keeps accounting records which comply with section 386; and
- Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its profit and loss for the financial year in accordance with section 393 and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

Signed on behalf of the Board of Directors,
J.M. Fisher

Director



HCHP (HOLDINGS) LIMITED

CASH FLOW STATEMENT

| | | 2013 GBP |
|---|----|-------------|
| Cash flow from operating activities | | |
| Operating result | | (55) |
| <i>Changes in working capital</i> | | |
| - Trade debtors | 0 | |
| - Other receivables | 0 | |
| - Current liabilities | 54 | 54 |
| Cash flow from business activities | | (1) |
| Interest received | | - |
| Balance of financial income and expense | | - |
| Cash flow from operating activities | | (1) |
| (1) | | |
| Cash flow from investment activities | | - |
| Cash flow from financing activities | | - |
| Net cash flow | | (1) |
| Exchange rate differences | | - |
| Movement in cash | | (1) |
| Balance as at January 1, 2013 | | 1 |
| | | (1) |
| Closing Balance 2013 | | 0 |

These financial statements were approved by the Board of Directors in Amsterdam on the 11th September 2014.

Signed on behalf of the Board of Directors,

J.M. Fisher

Director

HCHP (HOLDINGS) LIMITED

Notes

(forming part of the financial statements)

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents the amount derived from the provision of goods and services which falls within the Company's ordinary activities, entirely within the United Kingdom, stated net of value added tax.

Going-concern

Having made enquiries, the Director has formed a judgement, at the time of approving these financial statements, that there are factors leading to going-concern opinions and therefore the accounts have been prepared accordingly.

Basis of preparation

These accounts present information relating to HCHP (Holdings) Limited as an individual undertaking.

HCHP (HOLDINGS) LIMITED

Notes (continued)

1. Accounting policies

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Where the carrying amount of tangible fixed assets is less than the recoverable amount based on an impairment review, those assets are written down to their recoverable amount and included in the profit and loss account.

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

| | | |
|----------------------------------|---|------------------------------|
| Leasehold land and buildings | - | over the length of the lease |
| Gym equipment | - | over 4 years |
| Furniture, fixtures and fittings | - | over 8 years |

Leasehold over land and buildings is short leasehold only.

Furniture, fixtures & fittings include office equipment and computers which are depreciated over 4 years.

Stocks

Stocks are valued at the lower of cost and net realisable value. Consumable stock is written off as incurred.

Investments

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

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals paid under operating leases are charged on a straight line basis over the term of the lease.

HCHP (HOLDINGS) LIMITED

Notes (continued)

1. Accounting policies

Taxation

Current tax is provided at amounts expected to be paid or received using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax 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, at rates expected to apply when they crystallise based on current tax rates and law. 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 the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that future profit will be available to recover these assets. Deferred tax assets and liabilities are not discounted.

Derivatives

The Company uses derivative financial instruments to reduce the exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Gains and losses arising on interest rate swaps are recognised by adjusting net interest payable over the period of the contracts.

2. Other expenses

Provision for non-recoverable debt.

3. Operating loss

| | 2013 GBP | 2012 GBP |
|---|-------------|-------------|
| Operating loss is after charging | | |
| Consultancy fee for the preparation of these financial statements | - | - |
| Amounts receivable by auditors and their associates in respect of: other services relating to taxation | - | - |

HCHP (HOLDINGS) LIMITED

Notes (continued)

3. Information regarding directors and employees

There were no individuals employed by the company in the year (2012: nil).

Directors' costs

During the current year and preceding year no director of the Company received any remuneration for their services to the Company. Payments made to the Directors in their capacity as directors of Exential Corp B.V.I. are disclosed in the accounts of that company. The Company did not contribute towards the Directors' pension contributions.

4. Interest receivable and similar income

| | 2013 GBP | 2012 GBP |
|-----------------------------------|-------------|-------------|
| Bank interest receivable | - | - |
| Intercompany interest receivable | - | - |
| Foreign exchange (losses) / gains | - | - |
| | <u>-</u> | <u>-</u> |

5. Interest payable and similar charges

| | 2013 GBP | 2012 GBP |
|-----------------------------------|-------------|-------------|
| Interest payable on bank loans | - | - |
| Intercompany interest payable | (1) | (1) |
| Foreign exchange (losses) / gains | - | - |
| | <u>(1)</u> | <u>(1)</u> |

HCHP (HOLDINGS) LIMITED

Notes (continued)

6. Tax (credit) / charge on loss on ordinary activities

| Calculation of tax (credit) / charge | 2013 GBP | 2012 GBP |
|--|-------------|-------------|
| UK corporation tax at 23% (2012: 24%) | - | - |
| | - | - |
| Deferred tax | - | - |
| Origination and reversal of timing differences | | |
| Adjustments in respect of previous periods | | |
| Total tax (credit)/charge on loss on ordinary activities | - | - |

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

| Factors affecting tax credit for the year | 2013 GBP | 2012 GBP |
|---|-------------|-------------|
| (Loss)/ profit on ordinary activities before tax | (55) | (37) |
| Tax (credit)/ charge on loss / profit on ordinary activities at 20% (2012: 20%) | (11) | (7) |
| Effects of: | | |
| General expenses not deductible for tax purposes | - | - |
| Profit not taxed | - | - |
| Group relief | - | - |
| Losses not utilized in the period | - | - |
| Current tax charge for the year | - | - |

HCHP (HOLDINGS) LIMITED

Notes (continued)

7. Fixed assets

| | Subsidiary Undertakings GBP | Other group Undertakings GBP | Total GBP |
|--|-----------------------------------|------------------------------------|--------------|
| Cost | | | |
| At 1 January and 31 December 2013 | - | - | - |
| Provision for impairment: | | | |
| At 1 January and 31 December 2013 | - | - | - |
| Net book value: | | | |
| At 31 December 2013 and 31 December 2012 | - | - | - |

8. Debtors: amounts falling due within one year

| | 2013 GBP | 2012 GBP |
|---|-------------|-------------|
| Trade debtors | - | - |
| | <u>0</u> | <u>0</u> |
| Amounts falling due after more than one year: | | |
| Amounts owed by group undertakings | - | - |
| Total debtors | <u>0</u> | <u>0</u> |

A full provision has been made against the receivables of GBP (47)K .

HCHP (HOLDINGS) LIMITED

Notes (continued)

9. Creditors: amounts falling due within one year

| | 2013 GBP | 2012 GBP |
|-----------------------------------|-------------|-------------|
| Amounts due to group undertakings | - | - |
| Accruals and deferred income | - | - |
| | <u>0</u> | <u>0</u> |

10. Called up share capital

| | 2013 GBP | 2012 GBP |
|---|---------------|---------------|
| Authorised | | |
| 750,000,000 ordinary shares of 5p each | <u>37,500</u> | <u>37,500</u> |
| Allotted, called up and fully paid | | |
| 496,910,680 ordinary shares of 5p each | <u>24,845</u> | <u>24,845</u> |

11. Reconciliation of movements in shareholders' funds

| | Ordinary share capital GBP | Share premium account GBP | Other reserves GBP | Profit and loss account GBP | Total GBP |
|---------------------|-------------------------------------|------------------------------------|--------------------------|--------------------------------------|--------------|
| At 1 January 2013 | 24,845 | 166,863 | 1,600 | (193,574) | (266) |
| Loss for the year | | | | (55) | (55) |
| At 31 December 2013 | <u>24,845</u> | <u>166,863</u> | <u>1,600</u> | <u>(193,629)</u> | <u>(321)</u> |

HCHP (HOLDINGS) LIMITED

Notes (continued)

12. Current liabilities

| | 2013 GBP | 2012 GBP |
|--|-------------|-------------|
| Trade creditors | - | - |
| Amounts falling due within 1 year: | 179 | 125 |
| Amounts falling due after more than 1 year | 142 | 142 |
| Total current liabilities | 321 | 267 |

13. Post-period Events

The Company still remains a Guarantor to various Lease Agreements including the Salzburg, Innsbruck and Linz clubs in Austria.

At the end of January 2012, the Company received a lawyer's letter from the landlord of the Linz club informing the Company that the liquidation proceedings initiated against the assets of Holmes Place Health and Fitness Centres GmbH ("the Tenant"), had resulted in the Lease Agreement for the Club being terminated effective 30.11.2012 and a debt to the Landlord for alleged loss of Rent in the amount of circa € 31 M, that the Landlord was claiming from the Company as the Guarantor of the Lease Agreement.

In response to the aforementioned demand, the Company informed the Landlord that the Company was not trading and had not been doing so for some time and other than several thousand Euros of cash on hand, the Company had no realisable assets and was unable to meet the Landlord's financial demands, irrespective and regardless of whether and to what extent said demand was lawfully enforceable.

The Company further informed the Landlord that it had no intention to diminish any possible return to creditors by initiating a voluntary liquidation and under the circumstances, would not oppose nor defend any petition submitted for the compulsory winding up of the Company.

Toward the end of February, 2012, a letter of demand was received by the Company from the law firm representing the Landlords of both the Salzburg and Innsbruck Clubs ("the Landlords") in its capacity as the Guarantor of both Lease Agreements entered into in 2001 by Holmes Place Health & Fitness Centres GmbH ("the Tenant").

According to the letter of demand, the Lease Agreement in respect of the Innsbruck Lease was terminated effective 11 November, 2012 due to alleged repeated defaults in Rent payments and the Landlord claimed an amount of circa €11,4 M for Rent and interest for the period 12 November, 2012 to 31 December, 2027.

With respect to the Salzburg Club, -the Company was informed that insolvency proceeding had been initiated against the Tenant in November 2012 and that the Company was liable for unpaid Rent and interest for December 2012 in the amount of € 90 K and that demands for payment of the Rent for January 2012 would be forwarded in due course.

In total, the Company was demanded to pay the Landlords of Salzburg and Innsbruck an amount of approximately € 11.5 M and in response, a reply identical in essence to that sent to the Landlord of Linz, was sent to the law firm representing the Landlords of both Salzburg and Innsbruck.

As of the date of this report no further correspondence or actions have been taken by the respective landlords in relation to the claims mentioned above.