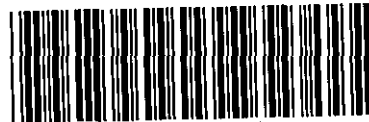


Company Registration Number: 3998892

B@1 PLC

Financial Statements
for the year ended
30 June 2006

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B@1 PLC
Directors' Report
for the year ended 30 June 2006

The directors present their report and the audited financial statements of the company for the year ended 30 June 2006.

Principal activities

The principal activity of the company is to act as an investment holding company and to provide leisure consultancy services.

Review of the business and future developments

The directors intend to continue the above activities for the foreseeable future.

In the opinion of the directors both the level of business and the year end financial position were satisfactory.

The profit and loss account for the year is set out on page 6.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the Pacific Investments II group, which include those of the company, are discussed within the "Principal risks and uncertainties" paragraph in the directors' report in the consolidated financial statements of Pacific Investments II Limited, which do not form part of this report

Key performance indicators ("KPIs")

Given the straight forward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Dividends

The directors do not recommend the payment of a dividend (2005: nil). The preference shareholder has waived its right to a dividend in respect of the year.

Liquidity and interest rate risk

The company has access to funding from its parent company which constitutes long term funding and in respect of which, repayment will not be demanded in the foreseeable future. This is sufficient for current and planned future operations. Interest rate exposure is not considered a risk given the size of the company's operations and the nature of its interest bearing assets and liabilities. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Directors and their interests

The directors of the company at 30 June 2006, all of whom have been directors for the whole of the year ended on that date, unless stated otherwise, are listed below:

JL Beckwith

CX Castelino

PR Hutchins

MC Johnson

CX Castelino is Company Secretary.

JL Beckwith and PR Hutchins do not have any direct interest in the share capital of the company.

B@1 PLC
Directors' Report
for the year ended 30 June 2006 (continued)

The interests of JL Beckwith in Pacific Investments II Limited and its other subsidiaries and associates are disclosed in the financial statements of that company.

At 30 June 2006 and 30 June 2005, MC Johnson was the beneficial holder of 800 Ordinary B Shares in the company. The interests of MC Johnson in fellow subsidiaries of Pacific Investment II Limited are disclosed in the financial statements of those subsidiaries.

At 30 June 2006 and 30 June 2005, CX Castelino was the beneficial holder of 400 Ordinary B Shares in the company. CX Castelino's interests in Beckwith Nominees Limited, a fellow subsidiary, are disclosed in the financial statements of that company.

Creditors payment policy

The Company recognises the benefits to be derived from maintaining good relations with its suppliers. The Company follows a policy of paying its suppliers on time, provided the suppliers perform in accordance with agreed terms.

The number of creditor days outstanding at the period end was 26 (2005: nil).

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which 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 judgements and estimates that are reasonable and prudent;
- *state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;*
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In so far as the directors are aware:

- *there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.*

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 the financial statements comply with the Companies Act 1985. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

B@1 PLC
Directors' Report
for the year ended 30 June 2006 (continued)

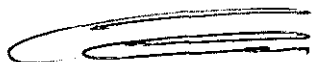
Statement of directors' responsibilities (continued)

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors of the company will be proposed at the next Annual General Meeting.

By Order of the Board



CX Castelino
Company Secretary
124 Sloane Street
London SW1X 9BW

31.1.2007

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF

B@1 PLC

We have audited the financial statements of B@1 PLC for the year ended 30 June 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF

B@1 PLC (continued)

Qualified opinion arising from disagreement about accounting treatment

Included in the called up share capital are £1 preference shares, £1 B Ordinary shares, £1 C Ordinary Shares and £1 Deferred shares to the amount of £50,280. In our opinion the company should classify this as a long term compound instrument rather than share capital.

Accordingly, for the current year share capital should be reduced by £47,239, and a creditor due after more than one year should be recognised to the value of £47,239.

Except for the financial effect of not making the adjustment referred to in the preceding paragraph, in our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
London

31 January 2007

B@1 PLC**Profit and Loss Account
for the year ended 30 June 2006**

	Note	2006 £	2005 £
Other Income		115,829	75,500
Administrative expenses		(1,031,811)	(151,974)
Operating loss	2	(915,982)	(76,474)
Interest receivable and similar income	4	198	20,693
Interest payable and similar charges	5	(146,000)	(150,000)
Loss on ordinary activities before taxation		(1,061,784)	(205,781)
Taxation	6	44,952	59,204
Loss for the year		<u>(1,016,832)</u>	<u>(146,577)</u>

The operating loss derives wholly from continuing operations.

There are no recognised gains or losses other than the loss for the year shown above.

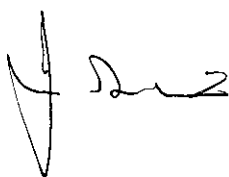
The notes on pages 8 to 13 form an integral part of these financial statements.

Balance Sheet
at 30 June 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Investments	7	2,389,573	2,389,573
CURRENT ASSETS			
Debtors (amounts falling due after more than one year)	8	1,056,495	1,790,229
Debtors (amounts falling due within one year)	9	87,701	480,197
Cash		5,384	1,130
		1,149,580	2,271,556
CREDITORS (amounts falling due within one year)	10	(71,832)	(544,720)
NET CURRENT ASSETS		1,077,748	1,726,836
TOTAL ASSETS LESS CURRENT LIABILITIES		3,467,321	4,116,409
CREDITORS (amounts falling due after more than one year)	11	(6,206,778)	(5,839,034)
NET LIABILITIES		(2,739,457)	(1,722,625)
CAPITAL AND RESERVES			
Called up share capital	12	62,280	62,280
Profit and loss account	13	(2,801,737)	(1,784,905)
SHAREHOLDERS' DEFICIT	14	(2,739,457)	(1,722,625)
Analysis of Equity and Non-Equity Interests			
Equity interests		(2,786,377)	(1,769,545)
Non-equity interests		46,920	46,920
		(2,739,457)	(1,722,625)

The accounts were approved by the Board of Directors on 31 January 2007
and signed on its behalf by

JL Beckwith
Director



The notes on pages 8 to 13 form an integral part of these financial statements.

**Notes to the Financial Statements
for the year ended 30 June 2006**

1 Principal accounting policies

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

The company is a subsidiary of the Pacific Investments II Limited group of companies and is included in the consolidated financial statements of Pacific Investments II Limited, which are publicly available. The company is therefore exempt from preparing its own consolidated financial statements. Over 90% of the voting rights are controlled within the group and consequently the company is exempt under the terms of FRS1 from preparing a cash flow statement. The company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Pacific Investments II Limited group of companies or investees of that group.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year apart from the adoption of FRS 25 '(IAS 32) Financial Instruments: Disclosure and Presentation'. The directors consider that the adoption of FRS 25 has had no impact on the financial statements and thus no adjustment has been processed accordingly.

Going concern - These financial statements have been prepared on the going concern basis which assumes the continued support of the parent company. The directors have received a letter from Pacific Leisure, Entertainment & Media Limited, confirming its support for a period of at least 12 months from the date of approval of these financial statements.

Turnover - Turnover represents the invoiced value of goods and services sold, net of value added tax. Turnover relates to consultancy fees in respect of running and managing health and fitness clubs.

Investments - Investments are included in the balance sheet at cost less any provision for permanent diminution in value.

Foreign currencies - Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Deferred taxation - Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date that may give rise to an obligation 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. Deferred tax assets are recognised only 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.

2 Operating loss

The operating loss is stated after charging/(crediting):

	2006 £	2005 £
Auditors' remuneration - Audit fee	3,850	3,850
Foreign exchange loss	(13,011)	(12,308)
Amounts provided against intergroup loan	911,793	-

Notes to the Financial Statements
for the year ended 30 June 2006 (continued)

3 Staff costs

	2006 £	2005 £
Wages and salaries	100,000	115,944
Social security costs	12,169	14,332
	<u>112,169</u>	<u>130,276</u>

The average monthly number of employees during the year was 1 (2005: 1).

Directors' emoluments (included within staff costs above) amounted to:

	2006 £	2005 £
Directors' emoluments	<u>100,000</u>	<u>97,194</u>

The emoluments of the highest paid director were £100,000 (2005: £97,194).

4 Interest receivable and similar income

	2006 £	2005 £
Bank interest receivable	198	180
Interest receivable from subsidiary undertakings	-	20,513
	<u>198</u>	<u>20,693</u>

5 Interest payable and similar charges

	2006 £	2005 £
Interest payable to parent company	<u>146,000</u>	<u>150,000</u>

6 Taxation

	2006 £	2005 £
UK Corporation tax at 30%	<u>44,952</u>	<u>59,204</u>

Notes to the Financial Statements
for the year ended 30 June 2006 (continued)

6.1 Reconciliation of tax credit

	2006 £	2005 £
Loss on ordinary activities before taxation	(1,061,784)	(205,781)
Tax on loss on ordinary activities at 30%	(318,535)	(61,734)
Expenses disallowed for tax purposes	68	375
Capital allowances	(23)	(31)
Movement in provisions	273,538	-
Tax losses carried forward	-	2,186
	<u>(44,952)</u>	<u>(59,204)</u>

6.2 Deferred tax asset

	2006 £	2005 £
Unrelieved trading losses carried forward	<u>347,949</u>	<u>365,537</u>

No deferred tax asset has been recognised on the provisions against fixed asset investments. Such tax would only become recoverable in the event that any capital losses which arise on the sale of the assets would be fully relieviable against capital gains either in the period in which they arise or in future years. This can not be foreseen with certainty. The company has not disclosed any deferred taxation liability on accelerated capital allowances as these balances are not material. No significant new factors affecting future tax charges are expected.

7 Investments

	£
Cost	
At 30 June 2005	2,646,402
Disposals	(56,829)
At 30 June 2006	<u>2,589,573</u>
Provision for diminution in value	
At 30 June 2005	(256,829)
Reductions due to disposal of the underlying asset	56,829
At 30 June 2006	<u>(200,000)</u>
Net book value at 30 June 2005	<u>2,389,573</u>
Net book value at 30 June 2006	<u>2,389,573</u>

Notes to the Financial Statements
for the year ended 30 June 2006 (continued)

7 Investments (continued)

Subsidiary undertaking	Principal activities	Class of shares held	Percentage holding	Place of incorporation
Pacific Clubs BV	Holding Company	Ordinary	100%	Netherlands
Pacific Club Holding Sarl	Holding Company	Ordinary	100%	France
Subsidiaries of Pacific Clubs BV				
Pacific Sports & Leisure BV	Holding Company	Ordinary	100%	Netherlands
Subsidiaries of Pacific Sports & Leisure BV				
Unitenis-Empreendimentos de Tennis SA	Leisure club developer	Ordinary	98.9%	Portugal
Clube VII -Exploraco de Health Clubs, Lda	Leisure club developer	Ordinary	100%	Portugal
Subsidiaries of Pacific Club Holding Sarl				
Tennis Club de Chantecoq Sarl	Leisure club developer	Ordinary	100%	France

8 Debtors (amounts falling due after more than one year)

	2006 £	2005 £
Amounts owed by group undertakings	1,056,495	1,790,229

9 Debtors (amounts falling due within one year)

	2006 £	2005 £
Amounts owed from subsidiary undertaking	41,494	-
Amounts due from related parties	-	420,993
Corporation tax	44,952	59,204
Other debtors	1,255	-
	87,701	480,197

10 Creditors (amounts falling due within one year)

	2006 £	2005 £
Amounts owed to subsidiary undertaking	17,007	485,995
Other creditors	-	8,725
Accruals and deferred income	54,825	50,000
	71,832	544,720

**Notes to the Financial Statements
for the year ended 30 June 2006 (continued)**

11 Creditors (amounts falling due after more than one year)

	2006 £	2005 £
Amounts owed to immediate parent company	6,206,778	5,839,034

12 Called up share capital

Authorised:

	Number	2006 £	Number	2005 £
A Ordinary Shares of £1 each	24,000	24,000	24,000	24,000
B Ordinary Shares of £1 each	4,000	4,000	4,000	4,000
C Ordinary Shares of £1 each	4,000	4,000	4,000	4,000
Deferred Shares of £1 each	8,000	8,000	8,000	8,000
Preference Shares of £1 each	14,000,000	14,000,000	14,000,000	14,000,000
	14,040,000	14,040,000	14,040,000	14,040,000

Allotted, called up and fully paid:

	Number	2006 £	Number	2005 £
A Ordinary Shares of £1 each	12,000	12,000	12,000	12,000
B Ordinary Shares of £1 each	2,800	2,800	2,800	2,800
C Ordinary Shares of £1 each	400	400	400	400
Deferred Shares of £1 each	160	160	160	160
Preference Shares of £1 each	46,920	46,920	46,920	46,920
	62,280	62,280	62,280	62,280

Rights of each class of share

Income

The Preference Shares carry the right to a fixed cumulative preferential dividend of 7%.

The A Ordinary Shares rank pari passu for any dividend or other distribution by the company.

The B Ordinary shares and the C Ordinary Shares cannot receive any dividend and no dividend can be declared until such time as a take-over, listing or winding up of the company has occurred.

The deferred shares are not entitled to any participation in the profits or the assets of the company.

Capital

In the event of liquidation, reduction of capital or otherwise, the surplus assets of the company remaining after payment of its liabilities shall be applied such that the preference shares shall be paid first, followed by the ordinary shares, followed by the deferred shares.

Notes to the Financial Statements
for the year ended 30 June 2006 (continued)

12 Called up share capital (continued)

Voting

The A Ordinary Shares shall confer upon each shareholder the right to attend, speak and vote at all general meetings of the company.

The B Ordinary Shares and C Ordinary Shares shall confer upon each shareholder the right to attend and speak at all general meetings of the company. There is no right to vote until a take-over, listing or winding up of the company has occurred. The deferred shares shall not entitle the holders thereof (in that capacity) to receive notice of or to attend or vote at any general meeting of the company at any time.

The Preference Shares do not carry any voting rights.

Preference shares

The Preference Shares do not entitle the holders to any further rights or other participation in the profits or assets of the company. The holders of the Preference Shares have waived their right to a dividend in respect of the current year.

13 Reserves

The reserves are analysed as follows:

	£
	Profit & loss
Balance at 1 July 2005	(1,784,905)
Loss for the year	(1,016,832)
Balance at 30 June 2006	<u>(2,801,737)</u>

14 Reconciliation of movement in shareholders' funds

	£
Shareholders' deficit at 1 July 2005	(1,722,625)
Loss for the year	(1,016,832)
Shareholders' deficit at 30 June 2006	<u>(2,739,457)</u>

15 Parent company, ultimate parent company and ultimate controlling party

The company's immediate parent company is Pacific Leisure, Entertainment & Media Limited, a company registered in England and Wales.

The company's ultimate parent company is Pacific Investments II Limited, a company registered in England & Wales, which was the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Pacific Investments II Limited's consolidated financial statements can be obtained from Companies House.

In the opinion of the directors the ultimate controlling party of the company is JL Beckwith, a director and majority shareholder of the ultimate holding company.