

# KMK Spain Limited

Report and Accounts  
31 December 2005

4494399

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OFFICERS AND PROFESSIONAL ADVISERS

<b>The Board of Directors</b>	D A Giampaolo C A Dedicik
<b>Company Secretary</b>	K C McConnell
<b>Registered Office</b>	Carmelite 50 Victoria Embankment London EC4Y 0DX
<b>Auditors</b>	Rees Pollock 35 New Bridge Street London EC4V 6BW
<b>Bankers</b>	Barclays Bank Plc 99 Hatton Gardens London EC1N 8DN
<b>Solicitors</b>	Taylor Wessing 50 Victoria Embankment Blackfriars London EC4Y 0DX
<b>Registered Number</b>	04494399

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DIRECTORS' REPORT

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The directors present their report and the accounts of the company for the year ended 31 December 2005.

**Principal activities and business review**

The principal activity of the company during the year was the provision of management services to a group of health and fitness clubs owned by its subsidiary undertakings.

**Results and dividends**

The trading results for the year and the company's financial position at the end of the year are shown in the attached accounts.

The directors have not recommended a dividend.

**The directors and their interests in the shares of the company**

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 December 2005	At 1 January 2005
D A Giampaolo	656	732
C A Dedicik	<u>44</u>	<u>38</u>

**Directors' responsibilities**

Company law requires the directors to prepare accounts 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 year.

In preparing those accounts, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. The directors 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.

**Auditors**

A resolution to re-appoint Rees Pollock as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



C A Dedicik  
Director

21 May 2006



# REES POLLOCK

Chartered Accountants

35 New Bridge Street

London EC4V 6BW

Telephone 020 7778 7200

Fax 020 7329 6408

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KMK SPAIN LIMITED**

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described on page 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts 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 accounts 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 accounts, 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Rees Pollock  
Chartered Accountants  
Registered Auditors

23 May 2006

**PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 2005

	<b>Note</b>	<b>2005 £</b>	<b>2004 £</b>
<b>TURNOVER</b>	<b>2</b>	103,310	289,761
Administrative expenses		(94,116)	(272,888)
<b>OPERATING PROFIT</b>	<b>3</b>	9,194	16,873
Interest payable and similar charges	<b>6</b>	—	(211)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		9,194	16,662
Tax on profit on ordinary activities	<b>7</b>	(1,590)	(3,307)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		7,604	13,355
Balance brought forward		43,608	30,253
Balance carried forward		51,212	43,608

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 notes on pages 8 to 13 form part of these accounts.

KMK Spain Limited

**BALANCE SHEET**  
at 31 December 2005

	Note	£	2005 £	2004 £
<b>FIXED ASSETS</b>				
Investments	8		2,141,327	2,141,327
<b>CURRENT ASSETS</b>				
Debtors	9	156		1,713
Cash at bank		1,361		7,768
		1,517		9,481
<b>CREDITORS: amounts falling due within one year</b>	10	198,148		213,716
<b>NET CURRENT LIABILITIES</b>			(196,631)	(204,235)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,944,696</u>	<u>1,937,092</u>
<b>CAPITAL AND RESERVES</b>				
Called-up equity share capital	11		1,000	1,000
Share premium account	12		2,100,524	2,100,524
Other reserves	13		(208,040)	(208,040)
Profit and loss account			51,212	43,608
<b>SHAREHOLDERS' FUNDS</b>	14		<u>1,944,696</u>	<u>1,937,092</u>

The financial statements on pages 5 to 13 were approved by the board of directors on 21 May and are signed on its behalf by:



D A Giampaolo  
Director



C A Dedicik  
Director

The notes on pages 8 to 13 form part of these accounts.

**CASH FLOW STATEMENT**

for the year ended 31 December 2005

	<b>Note</b>	<b>£</b>	<b>2005 £</b>	<b>2004 £</b>
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	<b>15</b>		<b>(3,241)</b>	<b>230,897</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
Interest paid		—		(211)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			<b>—</b>	<b>(211)</b>
<b>TAXATION</b>			<b>(3,166)</b>	<b>(6,991)</b>
<b>CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>			<b>(6,407)</b>	<b>223,695</b>
<b>FINANCING</b>				
Payment to EBT to purchase own shares		—		(208,040)
<b>NET CASH OUTFLOW FROM FINANCING</b>			<b>—</b>	<b>(208,040)</b>
<b>(DECREASE)/INCREASE IN CASH</b>	<b>16</b>		<b>(6,407)</b>	<b>15,655</b>

The notes on pages 8 to 13 form part of these accounts.



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NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

**Consolidation**

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

**Turnover**

The turnover shown in the profit and loss account represents the value of services provided during the year, stated net of value added tax.

**Deferred taxation**

Deferred taxation is provided on all timing differences, without discounting, calculated at the rate at which it is estimated that tax will be payable, except where otherwise required by accounting standards.

**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. All exchange differences are taken to the profit and loss account.

**Fixed asset investments**

Fixed asset investments are recorded at cost. Provision for diminution in value is made where such diminution is considered by the directors to be permanent.

**Employee benefit trust**

The costs incurred by the company in the setting up and maintenance of the employee benefit trust are charged to the profit and loss account in the period in which they are incurred. Assets and liabilities of the trust are identified within the company according to the class of asset they represent.

The costs of acquiring and the proceeds from the disposal of shares held by the trust are recognised within the profit and loss account in the period to which they relate.

**2. TURNOVER**

The turnover and operating profit for the year was derived from the company's principal continuing activity which was carried out wholly in the EU.

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

**3. OPERATING PROFIT**

Operating profit is stated after charging:

	2005	2004
	£	£
Auditors' remuneration		
- as auditors	5,250	5,000
- for other services	3,500	3,750
Net loss on foreign currency translation	<u>197</u>	<u>9,469</u>

**4. PARTICULARS OF EMPLOYEES**

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

	2005	2004
	No	No
Number of management staff	<u>2</u>	<u>2</u>

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	14,500	56,917
Social security costs	<u>1,525</u>	<u>6,047</u>
	<u>16,025</u>	<u>62,964</u>

**5. DIRECTORS' EMOLUMENTS**

	2005	2004
	£	£
Emoluments	<u>14,500</u>	<u>56,917</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2005	2004
	£	£
Interest payable on bank borrowing	<u>-</u>	<u>211</u>

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

## 7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2005 £	2004 £
<b>Current tax</b>		
UK Corporation tax based on the results for the year at 19% (2004 - 19%)	1,590	3,166
Under provision in prior year	—	141
Total current tax	<u>1,590</u>	<u>3,307</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK for small entities of 19% (2004 - 19%).

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>9,194</u>	<u>16,662</u>
Profit multiplied by rate of tax	1,747	3,166
Effects of:		
Underprovision in prior year	—	141
Marginal relief	(157)	—
Total current tax (note 7(a))	<u>1,590</u>	<u>3,307</u>

## 8. INVESTMENTS

	Subsidiary undertakings £
Cost	
At 1 January 2005 and 31 December 2005	<u>2,141,327</u>
Net book value	
At 31 December 2005	<u>2,141,327</u>
At 31 December 2004	<u>2,141,327</u>

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

**8. INVESTMENTS** *(continued)*

Details of investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Subsidiary undertakings	Country of incorporation	Holding	Proportion held	Nature of business
Fitness Holding Europe (Iberia) SL	Spain	Ordinary shares	100	Operator of a health club
Planco SA <sup>1</sup>	Spain	Ordinary shares	100	Operator of a health club
Fundia SL <sup>2</sup>	Spain	Ordinary shares	100	Provision of therapies at health clubs

<sup>1</sup> The shares in Planco SA are held by Fitness Holding Europe (Iberia) SL.

<sup>2</sup> The shares in Fundia SL are held by Planco SA.

	2005 €	2004 €
<b>Aggregate capital and reserves</b>		
Fitness Holding Europe (Iberia) SL	1,696,070	2,251,206
Planco SA	1,236,811	661,771
Fundia SL	88,395	90,028
<b>Results for the year</b>		
Fitness Holding Europe (Iberia) SL	(555,136)	(311,383)
Planco SA	575,369	15,595
Fundia SL	(1,633)	(3,225)

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so. Therefore the accounts show information about the company as an individual entity.

**9. DEBTORS**

	2005 £	2004 £
Other debtors	156	1,713

**10. CREDITORS: amounts falling due within one year**

	2005 £	2004 £
Amounts owed to group undertakings	190,358	203,765
Corporation tax	1,590	3,166
Accruals and deferred income	6,200	6,785
	<u>198,148</u>	<u>213,716</u>

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

**11. SHARE CAPITAL**

Authorised share capital:

	2005	2004
	£	£
1,100 Ordinary shares of £1 each	<u>1,100</u>	<u>1,100</u>

Allotted, called up and fully paid:

	2005		2004
	No	£	No
			£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
			<u>1,000</u>

**12. SHARE PREMIUM ACCOUNT**

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

**13. OTHER RESERVES**

	2005	2004
	£	£
Other reserves	<u>(208,040)</u>	<u>(208,040)</u>

Other reserves include payments made by the KMK Spain Employee Benefit Trust ('the trust') to acquire shares in KMK Spain Limited. The trust makes such payments to facilitate ownership and transfer of shares by employees of the group. At 31 December 2005 the trust held 75 ordinary shares in KMK Spain Limited.

**14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2005	2004
	£	£
Profit for the financial year	7,604	13,355
Payment to EBT to purchase own shares	—	(208,040)
Net addition/(reduction) to funds	7,604	(194,685)
Opening equity shareholders' funds	1,937,092	2,131,777
Closing equity shareholders' funds	<u>1,944,696</u>	<u>1,937,092</u>

**15. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	2005	2004
	£	£
Operating profit	9,194	16,873
Decrease in debtors	1,557	9,674
(Decrease)/increase in creditors	(13,992)	204,350
Net cash (outflow)/inflow from operating activities	<u>(3,241)</u>	<u>230,897</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

**16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
(Decrease)/increase in cash in the period	(6,407)	15,655
Movement in net funds in the period	(6,407)	15,655
Net funds at 1 January 2005	7,768	(7,887)
Net funds at 31 December 2005	1,361	7,768

**17. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At</b>		<b>At</b>
	<b>1 Jan 2005</b>	<b>Cash flows</b>	<b>31 Dec 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Net cash:			
Cash in hand and at bank	7,768	(6,407)	1,361
Net funds	7,768	(6,407)	1,361

**18. ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is D A Giampaolo, a director of the company.