

KMK Spain Limited

Report and Accounts
31 December 2007

Rees Pollock
Chartered Accountants

TUESDAY



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COMPANIES HOUSE

OFFICERS AND PROFESSIONAL ADVISERS

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

DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31 December 2007

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

Directors

The directors who served the company during the year were as follows

D A Giampaolo

C A Dedicik

Directors' responsibilities

The directors are responsible for preparing the accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

A resolution to re-appoint Rees Pollock as auditor 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



D A Giampaolo
Director

Sept, 3, 2008



REES POLLOCK

Chartered Accountants

35 New Bridge Street
London EC4V 6BW
Telephone 020 7778 7200
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KMK SPAIN LIMITED

We have audited the accounts of KMK Spain Limited for the year ended 31 December 2007 on pages 5 to 13 which have been prepared on the basis of 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 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 whether, in our opinion, the information given in the Directors' Report is consistent with the accounts. In addition we report to you if, in our opinion, 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 the information specified by law regarding directors' remuneration and other transactions 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended, the accounts have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the accounts.

Rees Pollock
Chartered Accountants & Registered Auditors
8 September 2008

KMK Spain Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2007

	Note	2007 £	2006 £
TURNOVER	2	60,679	70,384
Administrative expenses		(72,933)	(64,178)
OPERATING (LOSS)/PROFIT	3	(12,254)	6,206
Interest payable and similar charges	5	(9,968)	(6,615)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(22,222)	(409)
Tax on loss on ordinary activities	6	—	—
LOSS FOR THE FINANCIAL YEAR		<u>(22,222)</u>	<u>(409)</u>

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 2007

	Note	£	2007 £	2006 £
FIXED ASSETS				
Investments	7		2,141,327	2,141,327
CURRENT ASSETS				
Debtors	8	42		786
Cash at bank		—		7,603
		42		8,389
CREDITORS: amounts falling due within one year	9	12,841		15,014
NET CURRENT LIABILITIES			(12,799)	(6,625)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,128,528	2,134,702
CREDITORS: amounts falling due after more than one year	10		206,463	190,415
			<u>1,922,065</u>	<u>1,944,287</u>
CAPITAL AND RESERVES				
Called-up equity share capital	12		1,000	1,000
Share premium account	13		2,100,524	2,100,524
Other reserves	14		(208,040)	(208,040)
Profit and loss account	15		28,581	50,803
SHAREHOLDERS' FUNDS	16		<u>1,922,065</u>	<u>1,944,287</u>

The accounts on pages 5 to 13 were approved by the board of directors on **3 SEPTEMBER 2008** and are signed on its behalf by



D A Giampaolo
Director

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

KMK Spain Limited**CASH FLOW STATEMENT**

for the year ended 31 December 2007

	Note	£	2007 £	2006 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	17		(476)	14,447
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest paid		(9,968)		(6,615)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(9,968)	(6,615)
TAXATION			—	(1,590)
(DECREASE)/INCREASE IN CASH	18		<u>(10,444)</u>	<u>6,242</u>

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

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

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

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

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

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

2. TURNOVER

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

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging

	2007 £	2006 £
Auditor's remuneration		
– as auditor	5,600	7,500
– for other services	750	3,130
Net loss on foreign currency translation	<u>17,770</u>	<u>217</u>

4. PARTICULARS OF EMPLOYEES

No salaries or wages have been paid to employees, including the directors, during the year

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Interest payable on bank borrowing	–	25
Other similar charges payable	9,968	6,590
	<u>9,968</u>	<u>6,615</u>

6. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax for small companies in the UK of 20% (2006 – 19%)

	2007 £	2006 £
Loss on ordinary activities before taxation	<u>(22,222)</u>	<u>(409)</u>
Loss multiplied by rate of tax	(4,444)	(78)
Tax losses carried forward	<u>4,444</u>	<u>78</u>
Total current tax	<u>–</u>	<u>–</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

7. INVESTMENTS

	Subsidiary undertakings £
Cost	
At 1 January 2007 and 31 December 2007	2,141,327
Net book value	
At 31 December 2007	2,141,327
At 31 December 2006	2,141,327

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
Fundia SL	Spain	Ordinary shares	100	Provision of therapies at health clubs

The shares in Fundia SL were held by Fitness Holding Europe (Iberia) SL. In March 2007 Fundia SL was wound up and its assets were incorporated into Fitness Holding Europe (Iberia) SL.

	2007 €	2006 €
Aggregate capital and reserves		
Fitness Holding Europe (Iberia) SL	1,893,836	1,732,952
Fundia SL	—	89,369
Results for the year		
Fitness Holding Europe (Iberia) SL	162,952	68,514
Fundia SL	—	973

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.

8. DEBTORS

	2007 £	2006 £
Other debtors	42	786

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

9. CREDITORS. amounts falling due within one year

	2007	2006
	£	£
Bank loans and overdrafts	2,841	—
Trade creditors	—	5,026
Accruals and deferred income	10,000	9,988
	<u>12,841</u>	<u>15,014</u>

10. CREDITORS amounts falling due after more than one year

	2007	2006
	£	£
Amounts owed to group undertakings	<u>206,463</u>	<u>190,415</u>

11. RELATED PARTY TRANSACTIONS

During the year the company derived turnover of £60,679 (2006 £70,384) from Fitness Holding Europe (Iberia) SL, one of its subsidiary undertakings, for management services provided. In previous years, the company received a €300,000 loan from Fitness Holding Europe (Iberia) SL to facilitate the formation of the Employee Benefit Trust (note 14). This loan is repayable on 5 January 2015 and interest accrues at EURIBOR plus 0.5% from 5 January 2006. During the year the company incurred interest of £9,968 (2006 £6,590) in respect of this loan. At the year end an amount of £206,463 (2006 £190,415) was due to Fitness Holding Europe (Iberia) SL.

12. SHARE CAPITAL

Authorised share capital

	2007	2006
	£	£
1,100 Ordinary shares of £1 each	<u>1,100</u>	<u>1,100</u>

Allotted, called up and fully paid

	2007		2006	
	No	£	No	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

13. SHARE PREMIUM ACCOUNT

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

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

14. OTHER RESERVES

	2007 £	2006 £
Other reserves	(208,040)	(208,040)

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 2007 and 2006 the trust held 75 ordinary shares in KMK Spain Limited.

15. PROFIT AND LOSS ACCOUNT

	2007 £	2006 £
Balance brought forward	50,803	51,212
Loss for the financial year	(22,222)	(409)
Balance carried forward	<u>28,581</u>	<u>50,803</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Loss for the financial year	(22,222)	(409)
Opening shareholders' funds	1,944,287	1,944,696
Closing shareholders' funds	<u>1,922,065</u>	<u>1,944,287</u>

17. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating (loss)/profit	(12,254)	6,206
Decrease/(increase) in debtors	744	(630)
Increase in creditors	11,034	8,871
Net cash (outflow)/inflow from operating activities	<u>(476)</u>	<u>14,447</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		2007	2006
	£	£	£
(Decrease)/increase in cash in the period	(10,444)		6,242
Net cash (inflow) from long-term amounts owed to group undertakings	<u>(16,048)</u>		<u>(57)</u>
		(26,492)	6,185
Change in net debt		(26,492)	6,185
Net debt at 1 January 2007		<u>(182,812)</u>	<u>(188,997)</u>
Net debt at 31 December 2007		<u>(209,304)</u>	<u>(182,812)</u>

19. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2007 £	Cash flows £	At 31 Dec 2007 £
Net cash			
Cash in hand and at bank	7,603	(7,603)	-
Overdrafts	<u>-</u>	<u>(2,841)</u>	<u>(2,841)</u>
	7,603	<u>(10,444)</u>	<u>(2,841)</u>
Debt			
Debt due after 1 year	<u>(190,415)</u>	<u>(16,048)</u>	<u>(206,463)</u>
Net debt	<u>(182,812)</u>	<u>(26,492)</u>	<u>(209,304)</u>

20. ULTIMATE CONTROLLING PARTY

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

DETAILED PROFIT AND LOSS ACCOUNT
 for the year ended 31 December 2007

	£	2007 £	2006 £
TURNOVER		60,679	70,384
OVERHEADS			
Travel and subsistence	(13,607)		(39,663)
Office expenses	(30)		—
Legal and professional fees	(34,115)		(13,624)
Accountancy fees	(1,750)		(3,130)
Auditors' remuneration	(5,600)		(7,500)
Bank charges	(61)		(44)
Foreign currency gains/losses	(17,770)		(217)
		(72,933)	(64,178)
OPERATING (LOSS)/PROFIT		(12,254)	6,206
Interest payable		(9,968)	(6,615)
LOSS ON ORDINARY ACTIVITIES		(22,222)	(409)
INTEREST PAYABLE			
Bank interest payable		—	25
Interest on other loans		9,968	6,590
		9,968	6,615