

4494399

KMK Spain Limited

Report and Accounts
31 December 2008

THURSDAY



LZKICE4G
LD5 15/10/2009 190
COMPANIES HOUSE

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors	D A Giampaolo E C Jamieson
Registered Office	5 New Street Square 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 2008.

Principal activity

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.

Business review

As shown in the company's profit and loss account on page 5 the trading results during the year show a pre tax loss of £87,655. Given the nature of the business, the company's directors are of the opinion that further key performance indicators are not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The principal risk affecting the company relates to any impairment to the valuation of its investment in its subsidiary undertaking; this is however mitigated by the fact the subsidiary continues to be profitable despite a global economic downturn during the period.

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

E C Jamieson

C A Dedicik (Resigned 28 August 2009)

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 pages 8 to 9, 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.

Rees Pollock have expressed their willingness to continue as auditors.

ON BEHALF OF THE BOARD



D A Giampaolo
Director

Oct 14

2009



REES POLLOCK

Chartered Accountants

35 New Bridge Street
London EC4V 6BW
Telephone 020 7778 7200
Fax 020 7329 6408
www.reespollock.co.uk

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 2008 on pages 5 to 13 which have been prepared on the basis of the accounting policies set out on pages 8 to 9.

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 2008 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
15 October 2009

KMK Spain Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2008

	Note	2008 £	2007 £
TURNOVER	2	44,625	60,679
Administrative expenses		(40,570)	(55,163)
		<u>4,055</u>	<u>5,516</u>
Foreign exchange losses		(76,391)	(17,770)
OPERATING (LOSS)/PROFIT	3	(72,336)	(12,254)
Interest payable and similar charges	5	(15,319)	(9,968)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(87,655)	(22,222)
Tax on loss on ordinary activities	6	—	—
LOSS FOR THE FINANCIAL YEAR		<u>(87,655)</u>	<u>(22,222)</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 2008

	Note	£	2008 £	2007 £
FIXED ASSETS				
Investments	7		2,141,327	2,141,327
CURRENT ASSETS				
Debtors	8	1,127		42
Cash at bank		6,303		—
		7,430		42
CREDITORS: amounts falling due within one year	9	11,250		12,841
NET CURRENT LIABILITIES			(3,820)	(12,799)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,137,507	2,128,528
CREDITORS: amounts falling due after more than one year	10		303,097	206,463
			1,834,410	1,922,065
CAPITAL AND RESERVES				
Called-up equity share capital	13		1,000	1,000
Share premium account	14		2,100,524	2,100,524
Other reserves	15		(208,040)	(208,040)
Profit and loss account	16		(59,074)	28,581
SHAREHOLDERS' FUNDS	17		1,834,410	1,922,065

The accounts on pages 5 to 13 were approved by the board of directors on Oct 14 2009 and are signed on its behalf by:



D A Giampaolo
Director

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

CASH FLOW STATEMENT

for the year ended 31 December 2008

	Note	£	2008 £	2007 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	18		24,463	(476)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest paid		(15,319)		(9,968)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(15,319)	(9,968)
TAXATION			—	—
INCREASE/(DECREASE) IN CASH	19		<u>9,144</u>	<u>(10,444)</u>

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

NOTES TO THE ACCOUNTS

for the year ended 31 December 2008

1. ACCOUNTING POLICIES

Basis of accounting

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

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The company's income is derived from its wholly owned subsidiary, Fitness Holding Europe (Iberia) SL ("FHEI"), which meets its day-to-day working capital requirements through an overdraft facility that is due for renewal in June 2010. The current economic conditions create uncertainty particularly over (a) the level of demand for the group's products; (b) the exchange rate between sterling and euro and thus the consequence for the cost of the company's borrowing; and (c) the availability of bank finance in the foreseeable future.

FHEI's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facility. FHEI will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, FHEI has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

After making enquiries, the directors have a reasonable expectation that the company and its subsidiary have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)**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.

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)

Operating (loss) is stated after charging:

	2008	2007
	£	£
Auditor's remuneration		
– as auditor	5,600	5,600
– for other services	600	750
Net loss on foreign currency translation	<u>76,391</u>	<u>17,770</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

	2008	2007
	£	£
Interest payable on bank borrowing	319	–
Other similar charges payable	<u>15,000</u>	<u>9,968</u>
	<u>15,319</u>	<u>9,968</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2008

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 21% (2007 – 20%).

	2008 £	2007 £
Loss on ordinary activities before taxation	(87,655)	(22,222)
Loss multiplied by rate of tax	(18,408)	(4,444)
Tax losses carried forward	18,408	4,444
Total current tax	—	—

7. INVESTMENTS

	Subsidiary undertakings £
Cost	
At 1 January 2008 and 31 December 2008	2,141,327
Net book value	
At 31 December 2008	2,141,327
At 31 December 2007	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
Aggregate capital and reserves				
				2008 €
				2007 €
Fitness Holding Europe (Iberia) SL				1,842,857
				1,893,836
Results for the year				
Fitness Holding Europe (Iberia) SL				101,380
				162,952

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.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2008

8. DEBTORS

	2008	2007
	£	£
Other debtors	<u>1,127</u>	<u>42</u>

9. CREDITORS: amounts falling due within one year

	2008	2007
	£	£
Bank loans and overdrafts	—	2,841
Accruals and deferred income	<u>11,250</u>	<u>10,000</u>
	<u>11,250</u>	<u>12,841</u>

10. CREDITORS: amounts falling due after more than one year

	2008	2007
	£	£
Amounts owed to group undertakings	<u>303,097</u>	<u>206,463</u>

11. DEFERRED TAXATION

No provision has been made in the accounts and the amounts unprovided at the end of the year are as follows:

	2008	2007
	£	£
Tax losses available	<u>23,160</u>	<u>4,753</u>
	<u>23,160</u>	<u>4,753</u>

The deferred tax asset will only be available for use when the company has future taxable trading profits against which to offset previous losses. At present the directors do not feel that this is sufficiently certain to recognise the contingent asset.

12. RELATED PARTY TRANSACTIONS

During the year the company derived turnover of £44,625 (2007: £60,679) from Fitness Holding Europe (Iberia) SL, its subsidiary undertaking, 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 £15,319 (2007: £9,968) in respect of this loan. At the year end an amount of £303,097 (2007: £206,463) was due to Fitness Holding Europe (Iberia) SL.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2008

13. SHARE CAPITAL**Authorised share capital:**

	2008	2007
	£	£
1,100 Ordinary shares of £1 each	<u>1,100</u>	<u>1,100</u>

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

14. SHARE PREMIUM ACCOUNT

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

15. OTHER RESERVES

	2008	2007
	£	£
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 2008 and 2007 the trust held 75 ordinary shares in KMK Spain Limited.

16. PROFIT AND LOSS ACCOUNT

	2008	2007
	£	£
Balance brought forward	28,581	50,803
Loss for the financial year	<u>(87,655)</u>	<u>(22,222)</u>
Balance carried forward	<u>(59,074)</u>	<u>28,581</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008	2007
	£	£
Loss for the financial year	(87,655)	(22,222)
Opening shareholders' funds	<u>1,922,065</u>	<u>1,944,287</u>
Closing shareholders' funds	<u>1,834,410</u>	<u>1,922,065</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2008

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

	2008 £	2007 £
Operating (loss)	(72,336)	(12,254)
(Increase)/decrease in debtors	(1,085)	744
Increase/(decrease) in creditors	21,493	(6,736)
Foreign exchange loss on intercompany loan	76,391	17,770
Net cash inflow/(outflow) from operating activities	<u>24,463</u>	<u>(476)</u>

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

	£	2008 £	2007 £
Increase/(decrease) in cash in the period	9,144		(10,444)
Net cash (inflow) from long-term amounts owed to group undertakings	<u>(24,268)</u>		<u>(3,794)</u>
		(15,124)	(14,238)
Foreign exchange loss on intercompany loan		(72,336)	(12,254)
Change in net debt		(87,460)	(26,492)
Net debt at 1 January 2008		(209,304)	(182,812)
Net debt at 31 December 2008		<u>(296,764)</u>	<u>(209,304)</u>

20. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2008 £	Cash flows £	Other movements £	At 31 Dec 2008 £
Net cash				
Cash in hand and at bank		6,303	—	6,303
Overdrafts	(2,841)	2,841	—	—
	<u>(2,841)</u>	<u>9,144</u>	<u>—</u>	<u>6,303</u>
Debt				
Debt due after 1 year	(206,463)	(24,268)	(72,336)	(296,764)
Net debt	<u>(209,304)</u>	<u>(15,124)</u>	<u>(72,336)</u>	<u>(296,764)</u>

21. ULTIMATE CONTROLLING PARTY

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