Crunch (Propco) Limited

FINANCIAL STATEMENTS

for the period ended

31 May 2007

Company Registration No 05703579

Crunch (Propco) Limited
DIRECTORS AND OFFICERS

DIRECTORS

A M Brown
M Grunnell
T J Smalley
R Tchenguiz

SECRETARY

M H P Ingham

COMPANY NUMBER

05703579 (England and Wales)

REGISTERED OFFICE

4th Floor
Leconfield House
Curzon Street
London
W1J 5JA

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

SOLICITORS

Olswang
90 High Holborn
London
WC1V 6XX

Crunch (Propco) Limited
DIRECTORS' REPORT

The directors present their report and financial statements of Crunch (Propco) Limited for the period ended 31 May 2007

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company was incorporated on 9 February 2006

The principal activity of the company is the letting of investment property The company acquired a portfolio of health clubs on 21 June 2006 at a cost of £48,564,726

The investment properties held at 31 May 2007 were valued as at that date at £49,794,600 by the directors The increase in value during the period amounted to £1,229,874 as set out in note 6

No rent reviews have been undertaken since the purchase of the properties Rent reviews are every 5 years The next review is due to occur on 21 June 2011

In the opinion of the directors the result for the period and the financial position of the company at 31 May 2007 were satisfactory

KEY PERFORMANCE INDICATORS

The directors use the following key indicators to measure performance

	2007
Ratio of loan to property value	87%
Interest rental cover	112%

RISKS AND UNCERTAINTIES

It is the company's policy that no trading in financial instruments shall be undertaken The company only enters into derivative contracts as part of its risk mitigation strategy

The company is exposed to interest rate risks, tenant credit risk, cashflow risks and market value risks and details of these and its mitigation approaches are as follows

Interest rate risk

The risk has been mitigated by the company only being party to fixed interest rate loans

Tenant credit risk

The risk has been mitigated by the company only taking on appropriate tenants with credit checks undertaken by Prime Estates Management Limited, a related company

Cashflow risk

The company minimises its cashflow risk of non performance on its loan agreements by minimising its tenant credit risk and by arranging for its rentals to be paid by direct transfer

Crunch (Propco) Limited
DIRECTORS' REPORT (CONTINUED)

Market value risk

The company's investment property values are determined by market forces outside of the company's control

A reduction in the market value of the investment property could give rise to a risk of default as the loan funding includes loan to value covenants The company minimises its exposure to loan defaults resulting from falls in property market values by spreading its property portfolio over a diverse geographical area

DIRECTORS

The following directors have held office since 9 February 2006

A M Brown	(Appointed 21 June 2006)
M Grunnell	(Appointed 21 June 2006)
T J Smalley	(Appointed 21 June 2006)
R Tchenguiz	(Appointed 21 June 2006)
Pailex Nominees Limited	(Appointed 9 February 2006 and resigned 9 February 2006)
C M C Purslow	(Appointed 9 February 2006 and resigned 21 June 2006)
R Taylor	(Appointed 9 February 2006 and resigned 21 June 2006)
F O Turok	(Appointed 9 February 2006 and resigned 21 June 2006)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware Each of the directors have confirmed that 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 it has been communicated to the auditor

AUDITORS

Baker Tilly UK Audit LLP, Chartered Accountants, were appointed first auditors to the company The auditor has indicated its willingness to continue in office

On behalf of the board

R Tchenguiz
Director

3 September 2008

Crunch (Propco) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 those financial statements, the directors are required to

a select suitable accounting policies and then apply them consistently,

b make judgements and estimates that are reasonable and prudent,

c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,

d 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRUNCH (PROPCO) LIMITED

We have audited the financial statements on pages 6 to 18

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 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 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

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 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 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

Opinion

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 at 31 May 2007 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

3 September 2008

Crunch (Propco) Limited

PROFIT AND LOSS ACCOUNT
for the period ended 31 May 2007

	Notes	Period ended 31 May 2007 £
RENT RECEIVABLE		2,849,736
Other operating expenses	1	(22,040)
OPERATING PROFIT		2,827 696
Investment income	2	416
		2,828,112
Interest payable and similar charges	3	(2,619,571)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	208 541
Taxation	6	(27,061)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	181,480

All amounts derive from continuing activities which commenced in the period

Crunch (Propco) Limited
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the period ended 31 May 2007

	Period ended 31 May 2007 £
Profit for the financial period	181,480
Unrealised surplus on revaluation of properties	1,229,874
Total recognised gains and losses relating to the period	1,411,354

Crunch (Propco) Limited

BALANCE SHEET

31 May 2007

	Notes	2007 £
FIXED ASSETS		
Tangible assets	7	49,794,600
Investments	8	2
		49,794,602
CURRENT ASSETS		
Debtors	9	800,467
CREDITORS Amounts falling due within one year	10	(775,703)
NET CURRENT ASSETS		24 764
TOTAL ASSETS LESS CURRENT LIABILITIES		49,819,366
CREDITORS Amounts falling due after more than one year	11	(48,380,950)
PROVISIONS FOR LIABILITIES AND CHARGES	12	(27,061)
NET ASSETS		1,411,355
CAPITAL AND RESERVES		
Called up share capital	13	1
Revaluation reserve	14	1,229,874
Profit and loss account	14	181,480
SHAREHOLDERS' FUNDS	15	1,411,355

The financial statements on pages 6 to 18 were approved by the board of directors and authorised for issue on 3 September 2008 and are signed on its behalf by

R Tchenguiz — Director

Crunch (Propco) Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable accounting standards

The financial statements have been prepared under the historical cost convention with the exception of land and buildings which are stated at revalued amounts

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements

INVESTMENT PROPERTIES

In accordance with Statement of Standard Accounting Practice No 19, investment properties are revalued annually on an open market basis and the aggregate surplus or deficit is transferred to a revaluation reserve No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run

This treatment is a departure from the requirements of the Companies Act concerning the depreciation of fixed assets However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be seperately identified or quantified

INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements

No provision is made for deferred tax on unrealised gains recognised on revaluing property to its market value

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

GROUP ACCOUNTS

The company and its subsidiary undertakings comprise a small-sized group The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts

CASH FLOW

The company is exempt from the requirement to prepare a cash flow statement as it is entitled to the exemptions for small companies' accounts set out in section 246 to 249 of the Companies Act 1985

RENT RECEIVABLE

Rental income from investment properties leased out under operating leases is recognised in the profit and loss account on a straight line basis over the term of the lease Contingent rents such as turnover rents and indexed rents are recognised as income in the periods in which they are earned Rent reviews are recognised when such reviews have been agreed with tenants

Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date

Crunch (Propco) Limited

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 May 2007

1 OTHER OPERATING EXPENSES

	2007
	£
Administrative expenses	22,040

2 INVESTMENT INCOME

	2007
	£
Other interest	416

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2007
	£
Loan interest payable to group undertakings	2,549,346
Amortisation of finance costs	70,225
	2 619,571

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2007
	£
Profit on ordinary activities before taxation is stated after charging	
Auditor's remuneration	2,000

5 EMPLOYEES

There were no employees during the period apart from the directors, who received no emoluments

6 TAXATION

	2007
	£
U K corporation tax	
Current tax charge	-
Deferred tax	
Deferred tax charge current period	27,061
	27,061

Factors affecting the tax charge for the period	
Profit on ordinary activities before taxation	208,541
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30 00%	62,562
Effects of	
Non deductible expenses	3
Capital allowances in excess of depreciation	(27,061)
UK transfer pricing	224
Group relief	(35,728)
	(62,562)
Current tax charge	-

7 TANGIBLE FIXED ASSETS

	Investment property £
Valuation	
Additions	48,564,726
Revaluation surplus	1,229,874
31 May 2007	49,794,600

Investment property at net book value comprises	2007 £
Freehold	27,850,600
Long leasehold	21,944,000
	49,794,600

The Freehold property was valued as at 31 May 2007 at £27,850,600 by the directors The Freehold property's original cost was £26,004,470

The Long Leasehold property was valued as at 31 May 2007 at £21,944,000 by the directors The Long Leasehold property's original cost was £22,560,256

8 FIXED ASSET INVESTMENTS

	Shares in group undertakings
	£
9 February 2006	-
Additions	2
Additions	2
At 31 May 2007	2

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

Holdings of more than 20%
The company holds more than 20% of the share capital of the following companies

Company	*Country of registration or incorporation*	*Shares held*	
		Class	*%*
Subsidiary undertakings			
Bracemanor Limited	United Kingdom	ordinary	100
Artvalley Limited	United Kingdom	ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Capital and reserves	*Profit/(loss) for the year*
	£	£
Bracemanor Limited	1	-
Artvalley Limited	1	-

9 DEBTORS

	2007
	£
Trade debtors	40,381
Amounts owed by group undertakings	1
Other debtors	74,851
Prepayments and accrued income	685,234
	800,467

Amounts falling due after more than one year and included in the debtors above are

	2007
	£
Prepayments	609,750

10 CREDITORS Amounts falling due within one year

	2007
	£
Loan from group undertaking (note 11)	275,913
Amounts owed to group undertakings	2
Other creditors	29,526
Accruals and deferred income	470,262
	775,703

11 CREDITORS Amounts falling due after more than one year

	2007
	£
Loan from group undertaking	43,176,247
Amounts owed to group undertakings	5,204 703
	48,380,950

Group loan maturity analysis	
In more than one year but not more than two years	292,856
In more than two years but not more than five years	1,460,457
In more than five years	41,422,934
	43,176,247

The group undertaking loan is financed by a loan from a third party to that group undertaking and comprises separate facilities, senior loan A and senior loan B

Senior loan A is repayable by instalments by June 2016 and bears interest at a fixed rate of 6 09% per annum The amount outstanding as at 31 May 2007 is £39,502,160

Senior loan B is repayable by instalments by June 2016 and bears interest at a fixed rate of 7 34% per annum The amount outstanding as at 31 May 2007 is £3,950,000

The loans are secured by a fixed and floating charge over the investment properties of the company by way of cross-guarantees and cross-collateralisation with that group undertaking The total value of the group loans subject to this cross-collateralisation as at 31 May 2007, including the company's loan, is £43,452,160

The amounts owed to group undertakings represents long term funding which is not intended to be repaid in the short term but which has no fixed repayment date and is interest free

12 DEFERRED TAXATION

	Deferred taxation
	£
Transfer from profit and loss account	27,061
Balance at 31 May 2007	27,061

	2007
	£
Excess of tax allowances over depreciation	27,061

No provision for deferred taxation has been made in respect of the property held as an investment which is included in these financial statements at a valuation of £49,794,600 It is estimated that if this property were to be sold at that valuation the tax liability would amount to £nil

13 SHARE CAPITAL

	2007
	£
Authorised	
100 ordinary shares of £1 each	100
Allotted, issued and fully paid	
1 ordinary shares of £1 each	1

14 STATEMENT OF MOVEMENT ON RESERVES

	Revaluation reserve	*Profit and loss account*
	£	£
Retained profit for the period	-	181,480
Revaluation during the period	1,229,874	-
31 May 2007	1,229,874	181,480

15 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2007
	£
Profit for the financial period	181,480
Other recognised gains and losses	1 229,874
Proceeds from issue of shares	1
Net addition to shareholders' funds	1,411,355
Opening shareholders' funds	-
Closing shareholders' funds	1,411,355

16 CONTROL

The company's immediate holding company is Crunch (Cayman) Limited, a company incorporated in the Cayman Islands The ultimate United Kingdom holding company is Alumdawn Limited

The directors regard the ultimate holding company to be Admirella Limited, a company incorporated in the British Virgin Islands

At 31 May 2007 the ultimate controlling party was the Tchenguiz Family Trust Subsequent to the year end the Tchenguiz Discretionary Trust became the ultimate controlling party

17 RELATED PARTY TRANSACTIONS

The company is related to Rotch Property Group Limited and its subsidiaries ("Rotch") with whom it has directors in common and whose ultimate controlling party is the Tchenguiz Family Trust

During the period Rotch charged £20,000 for management services At the balance sheet date £23,500 was due to Rotch

At the balance sheet date £48,656,863 was owed to Arkmist Limited, a fellow group company, in respect of loan and working capital funding on which interest of £2,549,346 was paid during the period

At the balance sheet date £1 was owed to each of Bracemanor Limited and Artvalley Limited, the company's subsidiary undertakings

Included in debtors is £1 due from Crunch (Cayman) Limited, the company's immediate holding company

The company is related to other companies controlled by the Tchenguiz Discretionary Trust At the balance sheet date, and included within other debtors, £49,875 was due from one such company, R20 Limited