



Fitness Australia
Annual Report
2008-2009

Trust Connect Lead Innovate

Our Vision

Fitness Australia's vision is a fitter, healthier Australia

Board of Directors

Michael Vincent | Chairman

Susan Kingsmill

Kerry Chikarovski

Mark Forrest

Julie Johnson

Associate Professor Kevin Norton

Dr Robbie Parker

Ben Ritchie

Tim Woodman

Who we are

Fitness Australia is the national health and fitness industry association working for a fitter, healthier Australia. Our mission is to raise standards within the industry and support, promote and represent the interests of the fitness industry.

Our membership comprises 950 registered business members and 18,500 registered exercise professionals across Australia. Business members include fitness centre owners and managers, from small to medium sized business and personal training studios through to large, multi-national businesses and franchises.

Registered exercise professionals are those who have successfully attained the recognised qualifications, have registered with Fitness Australia and are generally employed or contracted by fitness businesses or are self-employed within the fitness industry.



Highlights

Strategic

- Completed governance and organisational restructure
- Protected the industry through response to PPCA claim in Copyright Tribunal Proceedings
- Engaged in federal government preventative health strategy
- Launched industry research program
- Launched new brand image nationally
- Developed and launched consumer awareness TV campaign
- Developed 2009-2011 strategic plan
- Developed strategic relationship with Baker IDI, Heart and Diabetes Research Institute
- Planned for enhancements to the professional registration platform

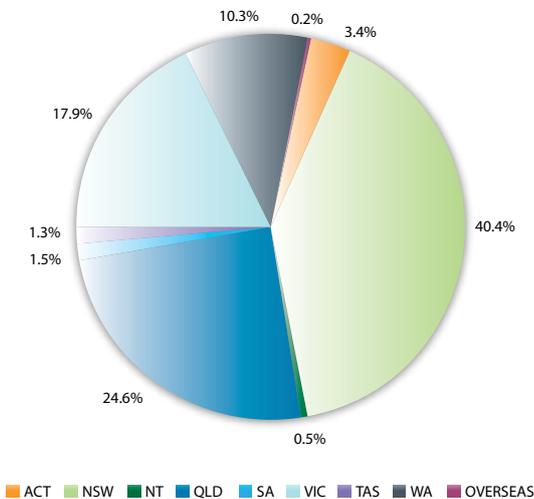
Operational

- Business registrations reached 899
- Professional registrations reached 9,524 (12 month period)
- Seven (7) Regional Industry Councils established
- REPs Council established
- Online groupsites for Members operational
- New communications materials and publications released
- National team operational with new, functional organisational structure
- Relationship Management team deployed across Australia
- New offices established in Sydney, Melbourne, Brisbane, Adelaide, Perth

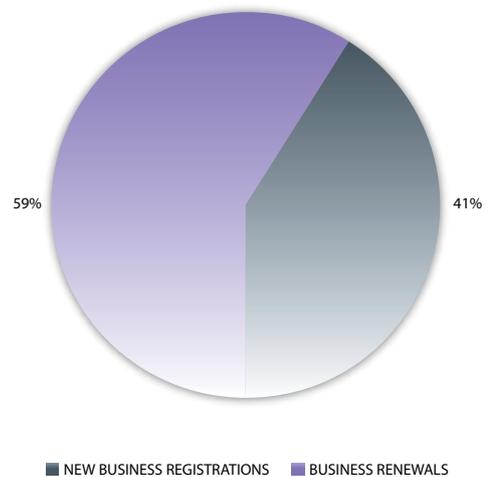
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Geographical breakdown of Registered Exercise Professionals



Percentage of Business Registrations Processed



Report of the Chairman and CEO

This year has been an exhilarating one for Fitness Australia. In its first year of operation as a unified, national industry association, Fitness Australia has achieved some remarkable outcomes for the fitness industry and has set a solid foundation for its future growth and prosperity. This strong foundation will enhance Fitness Australia's capacity to continue to raise the profile of the fitness industry and have the industry become more widely recognised for the professionalism of its services and the valuable contribution that it makes to the health of the nation.

At the strategic level, major external factors such as the global obesity epidemic and the Australian Government's preventative health agenda have had a significant impact on Fitness Australia's focus and priorities. Added to the mix has been the most challenging attack on the financial viability of the fitness industry that has ever been experienced, with a claim by the Phonographic Performance Company of Australia (PPCA) to massively increase the cost of music copyright licenses in exercise classes.

The major governance and structural changes that Fitness Australia has undertaken this year have ensured that the organisation has the capacity to embrace major opportunities and to represent, protect and support its industry members against serious threats and challenges such as the PPCA litigation. We extend our thanks to all those involved in the organisational change program who had the vision and determination to make it a reality.

This annual report will provide a snapshot of the many remarkable outcomes achieved by Fitness Australia in its first year of operation as a unified national association. Our organisational values of lead, trust, innovate, and connect are encapsulated by our fresh, new brand image that reflects a confident and dynamic industry and association.

This year has seen the launch of our industry research program with the development of a comprehensive industry profile report and a study on the economic contribution of the fitness industry. The data and information collected from these studies will now be used to raise the profile of the fitness industry in the media and at all levels of government and to underpin Fitness Australia's role as



Michael Vincent
Chairman



Laretta Stace
Chief Executive Officer

an advocate for the industry, particularly within the national preventative health agenda. One interesting statistic is that an increase in fitness centre participation by just 3% of the adult population has the potential to deliver additional health care savings in the order of \$204.8 million and lead to around 2609 extra full time employees in the workforce. The results provide a wealth of valuable economic and statistical data that provides quantifiable evidence about the positive impact that the fitness industry has on the economic and social fabric of Australia.

Throughout all of 2008-09, Fitness Australia was engaged in a complex and costly legal battle with the PPCA with closing submissions being heard in the Copyright Tribunal in late June. The outcome of the case will not be known until early 2010. Fitness Australia tackled this enormous challenge to protect the fitness industry from unfair and unreasonable cost increases for the right to use recorded music in fitness classes. The \$2.5 million investment in expert advice and legal action has been made to save the industry from a potential cost of over \$200 million per annum for the right to use recorded music into the future. We are extremely grateful to those who gave evidence in the case and to members of the industry who contributed financially to the campaign, particularly Fitness First, Les Mills and IHRSA who made substantial financial contributions. Fitness Australia will continue to seek a fair and equitable contribution to Operation M.U.S.I.C from every industry business throughout 2009-2010.

Another exciting innovation launched this year was the development of Fitness Australia's first consumer awareness campaign which highlights Fitness Australia's commitment to industry businesses and professionals to educate the consumer about what the Fitness Australia brand means. The awareness messages were run on the Southern Cross/ Ten Television network in parts of regional Australia and the ACT. The television messages are designed specifically to link every day activities with a commitment to exercise, through the "Exercise. Your Life Needs It" campaign. The messages make it clear to the consumer that exercising with a registered exercise professional in a registered fitness business is the most effective way to reach their health and fitness goals.

Throughout the year, Fitness Australia also increased its level of personal engagement with the industry through the newly formed Relationship Management Team and a series of industry events. Industry leaders met on several occasions across the nation to discuss industry issues and to help inform Fitness Australia's strategic direction. The governance structure of Fitness Australia was also consolidated with the establishment of seven Regional Industry Councils and the Council of the Register of Exercise Professionals (REPs) Australia, formed to represent all sectors of the industry and advise the Board on strategic direction. Communication with the industry was enhanced through the development of a new website and regular electronic newsletters to various stakeholder groups plus the launch of bpm and reps magazines.

A special mention needs to go to long-serving Chairman and President of Fitness Australia, Susan Kingsmill, owner of Hiscoes Fitness Centre in Surry Hills, NSW, who stepped down from the position of Chairman in early July 2009. Fitness Australia wishes to thank Susan for her outstanding contribution to the industry over many years. Throughout 2008-09, Susan was instrumental in leading the industry fight and litigation against the Phonographic Performance Company of Australia (PPCA) as well as overseeing the major structural and governance reforms within Fitness Australia.

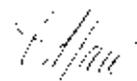
Susan will continue to serve on the Board as a Director.

We also wish to acknowledge the contribution and efforts of Julie Johnson, owner of Warwick Personal Training & Pilates Studio, QLD. Julie has been involved at a governance and committee level with Fitness Australia for many years and has decided to retire from the Board. Julie has been Fitness Australia's primary source of knowledge and expertise on the fitness industry vocational training package and industry competency standards. The existence of a nationally recognised registration scheme for exercise professionals is a testament to Julie's skill and dedication to the industry. Fitness Australia thanks Julie for her contribution to the industry and we wish her well for the future.

We would like to extend our thanks to the Board of Directors, Council members, other volunteer industry members and all the staff for their hard work throughout the year. The sharing of knowledge, expertise and creativity is what makes Fitness Australia such a dynamic organisation. We look forward to the year ahead and remain focused on building a vibrant and sustainable future that will enable us to achieve our vision of working towards a fitter, healthier Australia.



Michael Vincent
Chairman



Laretta Stace
Chief Executive Officer



Strategic Vision and Plan 2008-2010

Mission Statement

Fitness Australia's mission is to raise standards, support, promote and represent the fitness industry in the pursuit of a fitter, healthier nation.

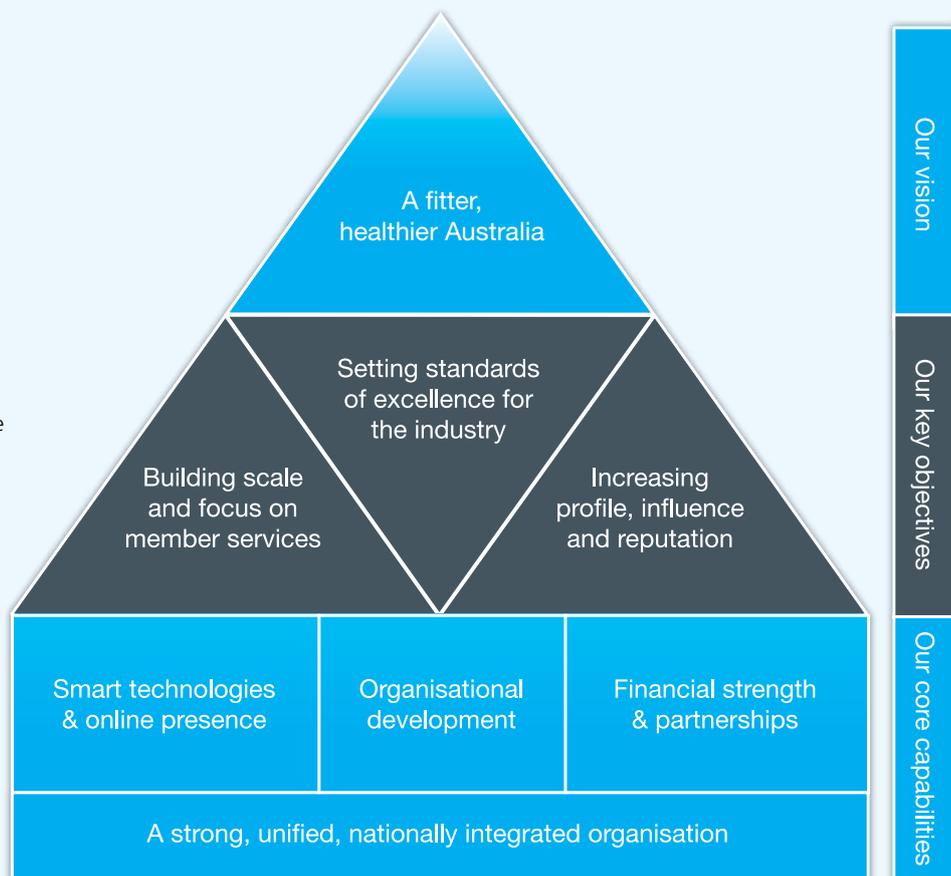
Strategic Objectives

Fitness Australia is committed to successfully pursuing the following strategic objectives:

- Build foundation and core capabilities
- Build scale and focus member services
- Increase organisational and industry profile
- Maintain and enhance standards of excellence

National Fitness Strategy

The Fitness Australia strategy for the next four years may be clearly articulated in the following diagram;



Values Statements

Lead	Trust
Fitness Australia provides leadership to create industry capacity for achieving a fitter, healthier Australia.	Generate trust by creating value and delivering quality service.
Growth traits: Confidence Knowledgeable	Growth traits: Integrity Reliability
Innovate	Connect
Use innovation as a foundation for continuous improvement.	Generate connections with industry and the community through authentic communication.
Growth traits: Enthusiastic Creative	Growth traits: Open Effective

Vision and Plan

The Balanced Scorecard for Fitness Australia

Perspective		Strategic Objectives		Strategic Measures
Financial Perspective		F1	Sustainable net revenue growth	<ul style="list-style-type: none"> • % Revenue growth • % Revenue mix • % Return on equity • Cost per customer
		F2	Broaden revenue mix	
		F3	Improve return on member funds	
		F4	Efficient use of resources	
Customer Perspective		C1	Become a trusted source of information	<ul style="list-style-type: none"> • % Customer growth [prospect conversion] • Customer retention • Customer satisfaction • Participation in services & programs
		C2	Provide valued products and services	
		C3	Provide strong and effective leadership	
		C4	Be responsive	
		C5	Empower customers to act	
		C6	Enhance customer prosperity	
Internal Perspective	Customer Relationships	I1	Remove barriers to participation	<ul style="list-style-type: none"> • Participation in services & programs • Customer adoption of new channels • Market share of segment
		I2	Migrate customers to new channels	
		I3	Segment markets and target prospects	
	Product Innovation	I4	Generate new products and services	<ul style="list-style-type: none"> • % Revenue from new services • Range of services offered
		I5	Broaden offering through partnerships	
	Operational Excellence	I6	Standardise systems and processes	<ul style="list-style-type: none"> • Reduction in re-work • Process cycle time • Internal adoption of enhanced processes
		I7	Embrace technology solutions	
		I8	Implement process cycle	
	Learning & Growth Perspective	Human Capital	L1	Develop a high performance team
Information Capital		L2	Provide the right information and tools	
		L3	Improve the use of technology	
Organisation Capital		L4	Empower the team	<ul style="list-style-type: none"> • Strategic readiness
		L5	Enable environmental scanning	
		L6	Enable ideas generation	

Strategic Plan and Performance Scorecard

Performance Scorecard 2008 - 2009	
Key Performance Indicators	2008 - 2009 Actual
Customer Numbers	
Business Members	856
Associate Business Members	43
Registered Exercise Professionals	9,524
Total Customers	10,423
Total revenue	\$2,698,204
Margin % Revenue	-9.4%
Revenue Mix	
Membership	20.2%
Registration	55.5%
Affinity Partnerships	14.4%
Liquidity	1.20
Total cost per customer	\$283.31
HR Cost % Revenue	59.8%
Corporate Scorecard Result	3.6

Fitness Australia – A National Brand

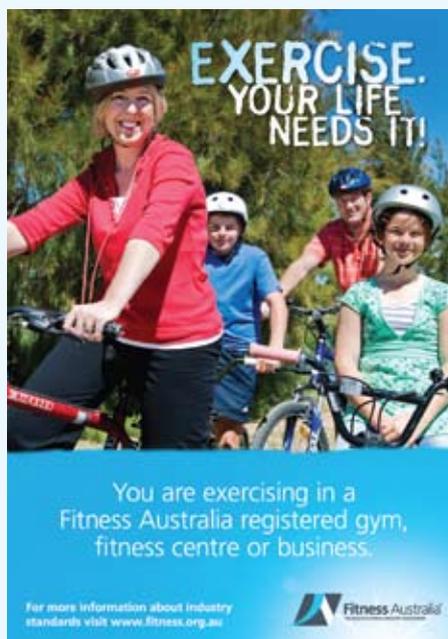
Building a new brand is challenging at the best of times. Building the Fitness Australia brand during the magnificent change our Industry Association has experienced since July 2008 has been a great challenge and our achievements to date have created a solid foundation for future brand integrity.

The overwhelming support for Fitness Australia's new identity has come from all corners. Industry operators and professionals responded positively and equally positive are Fitness Australia's corporate partners. Significantly State and Federal Governments are recognizing the brand and recalling Fitness Australia where once we were invisible.

As successful as the organisation has been introducing this new identity for the Association it is a far more important task to create meaning in the brand in the eyes of the consumer. The Fitness Australia brand as a credential for industry operators and exercise professionals is where the real challenge lies. The challenge is to change public perceptions and have them recognise the Fitness Australia brand as a sign of high standards of customer care, safety and service to the public.

Fitness Australia courageously trialed the "Exercise. Your Life Needs It." campaign on a small scale using consumer targeted television commercials. Supporting print collateral linked Fitness Australia registered businesses to the campaign in the regions where the television commercials were being aired. The public was encouraged to call a toll free 1800 number to find their nearest registered fitness business.

Under this campaign banner we will continue to create meaning in the Fitness Australia brand on behalf of the modern fitness industry and particularly those who are contributing to introducing modern industry standards aimed squarely at the large percentage of Australia's population who do not exercise. Trust in the industry will grow as trust in the Fitness Australia brand grows and herein is our strategic imperative for the immediate future.



Industry Research Highlights



2008 Fitness Industry Profile Report

As we all know, having access to well researched, evidence-based data and information is one of the keys to organisational success. That is why Fitness Australia has embarked on a comprehensive Industry Research Program, designed to inform and guide the fitness industry into the future.

This type of industry research is now a regular feature of Fitness Australia's work program, providing a vitally important information service to all our stakeholders. As the research program develops, Fitness Australia will be providing the fitness industry, media, government and the community with the most comprehensive overview of industry statistics, conditions and emerging trends anywhere in Australia.

This important industry profile information is now being used to develop a further study on the fitness industry contribution to and impact upon the Australian economy. This, in turn, will be valuable in supporting the ongoing positioning of the fitness industry amongst all levels of government.

The profile study includes over 300 responses from industry businesses to an online survey conducted by Sweeney Research, an independent and professional research organisation.

The results provide an interesting snap-shot of the contemporary industry, including information on business models, services, customers, employment and membership as well as key financial trends within the industry over the last year. In summary, the results indicate that the industry is in good shape, however, similar success may be more difficult into the future as Australia experiences changes in the economic climate and levels of consumer confidence.

The following table summarises the key findings from the Fitness Industry Profile Research.

arch Highlights

Key findings	
Organisation Type	<ul style="list-style-type: none"> ■ Most fitness organisations classify themselves as either a personal fitness service (30%) or a Fitness Centre (28%) ■ In the main, fitness organisations tend to be privately owned (68%), but other organisational structures are relatively common, for example: <ul style="list-style-type: none"> - Franchise (9%) - Government owned (7%) - Not for profit (4%)
Fitness Facilities	<ul style="list-style-type: none"> ■ A quarter (26%) of fitness businesses are run without their own fitness facilities ■ This is particularly common amongst personal fitness services (75% run without fitness facilities) ■ Two thirds of fitness organisations operate across multiple sites
Fitness Services	<ul style="list-style-type: none"> ■ Almost all offer personal training (94%): <ul style="list-style-type: none"> - Most provide free weights (85%) and group exercise (81%) ■ Where group exercises are provided, the most common classes are: <ul style="list-style-type: none"> - Strength and resistance (77%) - Flexibility/stretching abdominals (74%) - Boxing/combat (72%) - Circuit classes (71%) ■ Other classes which are less common include: <ul style="list-style-type: none"> - Age specific classes (39%) - Dance related classes (23%) - Aqua fitness classes (23%)
Customers	<ul style="list-style-type: none"> ■ Around four-in-ten Australians participate in gym workout or group exercise ■ Fitness customers are skewed towards females and those aged 25-44 ■ Males aged 45+ are the demographic least engaged with the fitness industry (group exercise/gym workout) ■ Two thirds (67%) of fitness organisations experienced an increase in their customer base over the last 12 months, suggesting growth in the industry overall: <ul style="list-style-type: none"> - Just one in ten experienced a drop in customer numbers ■ Around three quarters (77%) of customers are thought to be regularly using fitness facilities
Employees	<ul style="list-style-type: none"> ■ 73% of fitness organisations have employees (i.e. 27% are single person businesses) ■ Businesses that employ staff have an average of 53% casual staff ■ Fitness organisation's employment tends to be skewed slightly towards females (61%) and fitness staff (70%) ■ Fitness employees are required to have minimum qualifications in almost all cases (98%) <ul style="list-style-type: none"> - Certificates III and IV are common requirements
Membership	<p>Two fifths (39%) say they charge their customers a joining fee</p> <ul style="list-style-type: none"> ■ Around half of fitness organisations (55%) offer minimum term membership ■ The term length varies considerably – annual (67%), half yearly (49%), quarterly (57%), monthly (47%)
Financials	<ul style="list-style-type: none"> ■ Driven by growth in customer numbers, revenues have increased over the last 12 months for two thirds (64%) of fitness organisations ■ Membership fees and personal training fees are the two key sources of revenue for fitness businesses: <ul style="list-style-type: none"> - Relatively little (3% on average) tends to come from merchandise sales ■ Employment is the most costly outgoing for fitness businesses (accounting for 33% of outgoings on average) ■ Around half of fitness organisations (54%) made an operating profit over the last 12 months. A quarter said they had made a loss (27%)

Industry Initiative

This year, Fitness Australia took on the might of the international recording companies to protect the fitness industry from unfair and unreasonable increases to music copyright licence fees. This “David and Goliath” battle culminated in a fiercely contested litigation in the Copyright Tribunal over a six week period. Throughout the year, Fitness Australia continued to consult with industry and a range of expert advisors to build the evidence base in preparation for a robust response to the claim by the Phonographic Performance Company of Australia (PPCA) to increase the fitness class tariff by a massive amount.



When mediated negotiations failed to reach agreement between the parties in January 2009, Fitness Australia took the decision, in consultation with the fitness industry, to contest the claim in the Copyright Tribunal. The Australian Competition and Consumer Commission (ACCC) also joined the Tribunal proceedings as a respondent.

If Fitness Australia had not taken leadership to address this issue on behalf of the industry, the fitness industry would now be paying \$4.54 per member per month for the use of copyright protected music in fitness centres and studios.

PPCA Claim

The fundamental basis of the PPCA claim is as follows:

- PPCA seeks remuneration of \$4.54 per member per month and \$0.99 per visit for a casual attendee at a fitness centre.
- The definition of a fitness ‘class’ has been altered by PPCA to be a ‘structured form of exercise conducted in a Fitness Centre, accompanied by sound recordings, which may or may not be directed by a fitness instructor.’

Currently, fitness centres are obliged to pay 96.8 cents per fitness class with a capped annual maximum of \$2,654, but the PPCA has asked for a flat rate of \$4.54 per fitness club member, per month uncapped, and a rate of 99 cents per casual visit to a fitness centre.

The PPCA’s claim seeks to impose a fixed **tax** on fitness centre members, regardless of whether they attend group exercise classes or access their musical repertoire. It doesn’t matter whether members listen to music they have already paid for on their iPod or MP3 player, or if they spend their half hour on the treadmill watching television. They will still be levied under this proposed licence scheme.

This matter will now be determined by the Copyright Tribunal. The Hearing began on 16 March 2009 and ran for 17 days. Closing submissions were heard from 29 June to 3 July 2009 and a determination is not likely to be made until early 2010.

The record industry proposal will see the licence fees fitness centres pay increase from \$1.5 million per year to a staggering \$100 million. If this claim is upheld, the massive licence fee increase will potentially flow through to the Australasian Performing Right Association (APRA), effectively doubling the new tariff.

Basis of the fitness industry response in the Copyright Tribunal

The fitness industry is not arguing against the importance of music, its role in group fitness classes or that it has value to the industry. Our primary argument is about (a) How much value does music bring and, (b) How is this value derived or calculated?

The fitness industry case argues that the industry research and economic valuation modelling conducted by PPCA to derive the ‘value of music in group fitness classes’ is fundamentally flawed and therefore, the dollar value derived by this analysis (\$4.54 per member per month) is grossly inflated and cannot be relied upon by the Copyright Tribunal to determine the Fitness Class Tariff (Tariff V).

Furthermore, the fitness industry is strongly opposed to the per member per month basis upon which the PPCA has calculated the proposed tariff. We maintain that the levying of this tariff on all members of a fitness centre is unfair and unreasonable when, across the whole industry, less than 30% of fitness centre customers take part in group fitness classes.

Operation M.U.S.I.C

Fitness Australia formed the Operation M.U.S.I.C campaign in 2007 to fight against unfair and unreasonable increases to music copyright licence fees and to protect the fitness industry from record company greed. This is a very complex and costly case and so, the campaign needs to raise over \$2.5 million to fight this proposal in the Copyright Tribunal. The cost of Tribunal Proceedings alone, is in excess of \$1 million.

Summary of Costs

One of the concerns often expressed by industry operators is the large cost of legal fees required for this case. Unfortunately, this cost is unavoidable since the industry is required to respond to the PPCA claim in the Copyright Tribunal which is part of the Federal Court system.

To do this effectively, the industry is required to be represented by a first-class legal team specialising in copyright and intellectual property law (Minter Ellison). The complexity of the case has also necessitated the commissioning of several expert consultants in choice modelling economics, econometrics, complex statistical analysis, survey design, market research and music alternatives.

These expert consultants are necessary in order to respond effectively to the complex economic valuation modelling used by the PPCA to arrive at the proposed licence scheme tariff.

A breakdown of legal and other costs for Operation M.U.S.I.C is provided below:

Expense Item	Expense \$	% total cost
Preparation for and attendance at the Tribunal Hearing	950,000	37%
Expert consultants and advisors	550,000	21%
Legal advice and case preparation	690,000	27%
Mediated negotiation with PPCA	150,000	6%
Closing submissions preparation and attendance	150,000	6%
Public and media relations fees	40,000	} 3%
Music consultant fees	10,000	
Printing and promotion fees	25,000	
Other project expenses	35,000	
TOTAL EXPENSES	2,600,000	

Contributions raised

Throughout the campaign, around 300 businesses and individuals answered the call for financial contributions to protect the fitness industry. These businesses and individuals are true champions and deserve to be recognised for their contribution to what is arguably, the most important challenge the industry has ever faced. Our colleagues in USA and New Zealand have also contributed to the

campaign as they had the vision and foresight to recognise that this issue is one that will affect the global fitness industry.

Given the importance of this issue to the fitness industry, Fitness Australia is very disappointed that less than 300 businesses have made a financial contribution to Operation M.U.S.I.C, when there are thousands of businesses that are affected by this issue. It simply isn't fair to expect others

to pick up the tab for an issue as important as this when everyone in the industry has a responsibility to take action.

As a result, Fitness Australia has not raised enough funds to pay all of the costs, so the fundraising campaign will continue into 2009-2010. We want EVERY fitness business in Australia to make a fair and equitable contribution to this campaign.

Thank-you to all the contributors to Operation M.U.S.I.C

Operation MUSIC: Summary list of Contributions as at 30 June 2009	
Contributor Name	\$ (GST Inclusive)
Contributors > \$100,000	
Fitness First Australia	\$860,200
IHRSA	\$155,345
Les Mills Asia Pacific	\$154,500
Fitness Australia & Former State Associations	\$123,000
Les Mills International	\$120,437
Contributors \$50,000 - \$100,000	
Fernwood Women's Health Clubs	\$82,500
Curves International and Australia	\$80,009
Contributors \$10,000 - \$50,000	
Goodlife Health Clubs	\$38,500
Zest Health Clubs	\$27,000
Fenix Fitness	\$19,400
Genesis Fitness Clubs	\$14,800
Next Generation Clubs Australia	\$11,000
Re Creation Group	\$11,000
YMCA Australia	\$11,000
YMCA Victoria	\$11,000
Contributors \$5,000 - \$9,999	
Virgin Active	\$8,800
Aerobic Microphones	\$8,000
Inshape Health Clubs	\$7,100
Sutherland Shire Council Leisure Centre	\$5,200
Contributors \$1,000 - \$4,999	
Aquafit Fitness & Leisure	\$4,400
Australian Fitness Network	\$4,400
Exercise Australia	\$4,400
Starplex Fitness Centre	\$4,400
Creative Fitness Marketing	\$4,400
Les Mills NZ	\$4,200
PCYC Logan City Council	\$3,500

Melbourne City Baths	\$3,000
Brighton Fitness Centre SA	\$2,750
Hiscoes Fitness Centre	\$2,500
Healthy Inspirations	\$2,485
City Fitness Group NZ	\$2,350
Contours Group NZ	\$2,350
YMCA New Zealand	\$2,350
Pro Fitness	\$2,280
A.J. Family Sports Centre	\$2,200
Benefitness & Health Centre	\$2,200
Health Mates, Revesby Workers Club	\$2,200
Input Fitness	\$2,200
Southern Cross Health Club (Monica Lee Pty Ltd)	\$2,200
Lifestyle Fitness Australia	\$2,090
City Of Fremantle, WA	\$2,000
City Of Melville, WA	\$2,000
Dubbo RSL Club	\$2,000
Viva Fitness	\$1,700
Saintly	\$1,656
South Yarra Sport Melbourne	\$1,650
Shapes Health Club	\$1,590
Funlife Fitness Centre	\$1,500
Macquarie University Recreation & Aquatic Centre	\$1,500
Debit Success	\$1,450
Lifestyle Fitness	\$1,450
Fitwitz Health & Fitness Devonport	\$1,375
Bodyworks NZ	\$1,300
Manukau NZ	\$1,300
Pro Fitness NZ	\$1,300
Ace Fitness	\$1,251
Workout Indooroopilly	\$1,201
Sally Reynolds	\$1,200
40 Plus Health Clubs	\$1,155
Classichealth	\$1,126

Atrium At Castle Hill RSL	\$1,100
Australian Institute of Fitness (WA)	\$1,100
City Fitness Health Club	\$1,100
FFA Payscale	\$1,100
Fitness n Motion Health Centre	\$1,100
Gym Tonic	\$1,100
Healthy Life Fitness Centre	\$1,100
North Adelaide Fitness Centre	\$1,100
Oceana Health & Fitness	\$1,100
Phillip Dolan	\$1,100
Renaissance Fitness Centre Sydney	\$1,100
Verve For Women	\$1,100
Bennettswood Fitness Centre	\$1,088
City Of Gosnells, WA	\$1,071
Discovery Health Fitness	\$1,099
Solutions Health and Fitness	\$1,050
Club Sierra	\$1,000
Definition Health Clubs - Blacktown Workers Club	\$1,000
Equilibrium Health & Fitness	\$1,000
St Albans Leisure Centre, VIC	\$1,000
Sunshine Swim & Leisure	\$1,000
Westgate Health & Fitness	\$1,000
4 in 1 Fitness	\$1,000
Energize Health Club	\$1,000
Hornsby World of Fitness	\$1,000
Muscle & Fitness	\$1,000
Newtown Gym	\$1,000
Paramount Fitness Centre	\$1,000
Plus Fitness Centre Northmead	\$1,000
South Pacific Health Club	\$1,000
The Lodge Health & Wellness	\$1,000
Total of Contributions <\$1,000	
184 Contributions	\$35,979
(A full list of contributors is on the Operation Music website: www.operationmusic.org.au)	
TOTAL CONTRIBUTIONS	\$1,909,838

The Operation M.U.S.I.C campaign has also been supported in-kind by the following organisations:

- Ezidebit
- FFA Payscale
- Ezipay
- Debit Success
- Regalcroft
- Australian Fitness Network
- Creative Fitness Marketing
- Active Management

If all industry businesses make a small contribution to Operation M.U.S.I.C, the total sum of \$2.6million can easily be raised. It cannot be left to just a few.

**TAKE RESPONSIBILITY
FOR THE PROTECTION OF
YOUR INDUSTRY & MAKE
A CONTRIBUTION TO
THIS IMPORTANT ISSUE.**

www.operationmusic.org.au



Our Customers

Our Customers

Regional Industry Council Members

(from 1 July 2008 to 30 June 2009)

<p>ACT</p> <p>Elizabeth Bennett</p> <p>Julian Everett</p> <p>Gail Freeman</p> <p>Danny Sciberras</p> <p>Scott Williams</p> <p>Northern Territory</p> <p>Rebecca Luxford</p> <p>Leeanne Shannon</p> <p>New South Wales</p> <p>Kristen Green</p> <p>Nicole Mackinnon</p> <p>Roxana Olivares</p> <p>Robbie Parker</p> <p>Linda Schlencker</p> <p>James Short</p> <p>Andrew Simmons</p>	<p>Queensland</p> <p>Ken Baldwin</p> <p>Richard Cessford</p> <p>Julie Healy</p> <p>Renae Sands</p> <p>Geoff Turner</p> <p>Michael Vincent</p> <p>South Australia</p> <p>Annette Chatterton</p> <p>Peter Conroy</p> <p>Michael Esposito</p> <p>Kristin Lewis</p> <p>Lee Maglica</p> <p>Max Martin</p> <p>Dion Mychalyn</p> <p>John Pidgeon</p> <p>Paul Stewart</p> <p>Richard Tisher</p>	<p>Tasmania</p> <p>Kelliann Brown</p> <p>Dean Ewington</p> <p>Colin Millington</p> <p>Helen Webb</p> <p>Victoria</p> <p>David Connell</p> <p>Michele Harding</p> <p>John Smith</p> <p>Vicki Tuchtan</p> <p>Western Australia</p> <p>Gina Chan</p> <p>Stuart Greaves</p> <p>Maria Osborne</p>
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REPs Council Members

(from 1 July 2008 to 30 June 2009)

<p>Robbie Parker (Chairperson)</p> <p>Michael Vincent (Vice Chairperson)</p> <p>Sally Bower</p> <p>Julian Everett</p> <p>Matt Patti</p> <p>Jenny Phillips</p> <p>James Short</p> <p>Leeanne Shannon</p> <p>John Smith</p> <p>Helen Webb</p>

Our Partners

<p>Baker IDI Heart & Diabetes Institute</p> <p>Marsh</p> <p>Sportspeople</p> <p>Wentworth HR</p>

2008 Australian Fitness Industry Award Winners

<p>James Short & Matt Patti</p> <p>2008 Australian Exercise Professional of the Year</p> <p>Succeed Personal Development</p> <p>2008 Australian Personal Training Business of the Year</p>	<p>C2K Fitness & Aquatic Centre</p> <p>2008 Australian Fitness Business of the Year</p> <p>Susan Kingsmill</p> <p>2008 Outstanding Contribution to the Industry</p>
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Our Suppliers and Advisors

<p>Auditor:</p> <p>Astims Pty Ltd</p> <p>Government Relations:</p> <p>Res Publica Public Relations</p>	<p>Legal Advisor:</p> <p>Holman Webb Lawyers</p> <p>Minter Ellison Lawyers</p> <p>IT Advisor:</p> <p>Neville Bradicich</p> <p>Central Point Consulting</p> <p>Graphic Designer:</p> <p>Messy Design</p>
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Our People

Board			
Regional Industry Councils		REPS Council	
Chief Executive Officer Lauretta Stace		Executive Assistant Shelley Gooding	
General Manager – Industry Development Craig Knox	General Manager – Operations Robert Barnes	General Manager Assistant Courtney Czisz	
Industry Development Team	Customer Service Team	Relationship Management Team	FITNESS AUSTRALIA LTD T: 1300 211 311 E: info@fitness.org.au W: www.fitness.org.au NSW Office Suite 2, 140 Bourke Road ALEXANDRIA NSW 2015 Queensland Office Ground Floor, Suite 20 240 Waterworks Road ASHGROVE QLD 4060 South Australia Office Level 3, 193-195 North Terrace ADELAIDE SA 5000 Victoria Office Ground Floor, 180 Albert Road SOUTH MELBOURNE VIC 3205 Western Australia Office Suite 10, 300 Rokeby Road SUBIACO WA 6008
Professional Development Manager Karen Seager	Team Leader Francesca King	Relationship Manager (ACT/NSW) Lisa Agic	
Professional Development Coordinator Jade Booth	Customer Service Sue Camilleri	Relationship Manager (QLD) Natarchia Duncan	
Training Coordinator Shane Rogerson	Customer Service Marianne Ezzy	Relationship Manager (SA/NT) Joel Perricone	
	Customer Service Paul Jenkins	Relationship Manager (VIC) Mary Wood	
	Customer Service Tanya Venturini	Relationship Manager (VIC) Amanda Hall	
	Marketing & Events Team	Relationship Manager (WA) Michael Fitzpatrick	
	Events Manager Jillian Gaze	Finance Team	
	Marketing Manager Angela Palogiannidis (Maternity Leave)	Finance & Administration Manager Mario Fricot	
	Marketing Coordinator Sarah Gamble	Accountant Joseph Chow	
	Marketing Coordinator Chailee O'Donnell		

Our Members

Fitness Australia has significantly shifted its view of interacting with the fitness industry.

Far from the days of measuring our success simply by measuring membership sales we look at the level of interaction we have with the industry we serve and the level of contribution we are able to encourage from within the industry to the work we do.

As an Industry Association buying a membership from us remains a feature in the suite of ways a fitness business owner/operator or exercise professional can contribute to the work we do. So in reference to the normal manner in which an Association would report on membership we offer the following achievement as testimony to the success of Fitness Australia as the National Health and Fitness Industry Association.

Registered fitness businesses

- A total of 892 registered fitness businesses Australia-wide as at June 30, 2009.
- Over 1000 memberships processed in the 12-months being reported.
- 426 businesses registered for the first time compared to the projected 140 budgeted for new business.
- Retention of 81% is above projections but below expectations. Contributing to the lower than expected retention rate were roadblocks preventing quality communication particularly in SA and QLD.

Registered exercise professionals

- As at June 30, 2009 the total number of exercise professional registered with Fitness Australia were 17,209.
- 9,524 registration applications processed in this financial year of which 54% were new registrants and 46% were renewals.
- an average of 794 registration applications were processed each month.
- Productivity increased effectively reducing processing time from upwards of 122 days to seven days in most cases.

Fitness Australia's team of relationship managers are the face of the organisation in the field and over 300 fitness businesses benefited from face to face meetings with one of the team. About 30% of these meetings happened in regional and rural cities and towns. This is testament to our commitment as a national organisation with local solutions and support.

As a team our relationship managers instigated over 4000 individual contacts with industry customers via a range of media including email, Skype, Teleconference, and the old phone call. This communication directly resulted in the increased contributions from the industry in Fitness Australia initiatives and the services we offer.

REPs Council Update

Between August 2008 and June 2009, the REPS Council met on four occasions. During this period, the council undertook a strategic planning process to identify priority actions, specific project plans and associated timeframes for completion. Four priority actions that are aligned to the organisational strategy and council charter were identified and it was determined that the first two priorities be acted upon in the short to medium term. The first strategic priority is to re-engineer the registration framework and the second is to build brand awareness for exercise professional registration.

The process of re-engineering the registration framework began in April 2009 with a SWOT analysis of the existing registration system and good practice registration models from within fitness and other professions. Common features and characteristics from the good practice models were identified and the council considered which of these should be embodied within the newly re-engineered registration system. The final draft framework and an implementation plan were approved in June 2009 as the final steps within the project plan. A launch date for the new registration framework was set for the last quarter of 2009.

Industry Services

Our suite of services offered to industry and incentivised for registered members continue to be valuable even if not utilised to their full potential. The following table outlines, for the year in report, the level of contact the industry has had with Fitness Australia and its service providers:

Marsh Pty Ltd

Marsh Insurance processed 14,311 one and two year insurance policies in the 12-months being reported.

Wentworth HR

Fitness Australia's HR-IR Service provided by Wentworth HR was utilised by 259 registered businesses during the last financial year.

Sportspeople

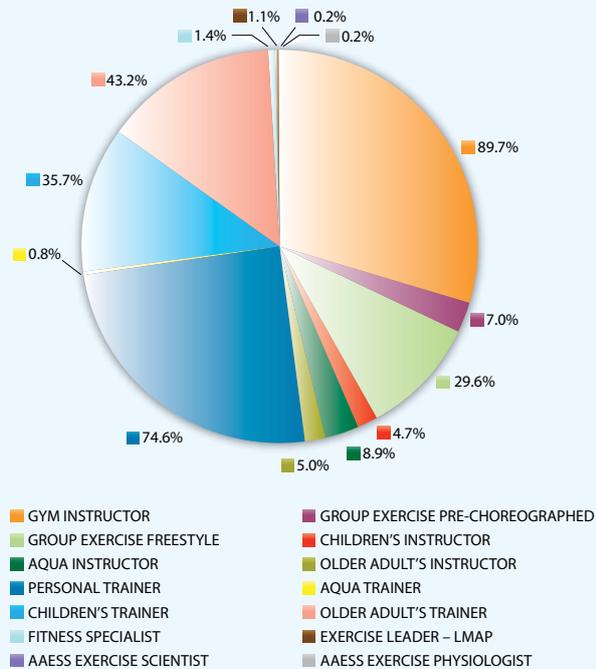
A total number of 237 jobs were placed on the National Fitness Industry Jobs Board powered by Sportspeople. Saving members \$7,591.60. Over 500 CEC Approved Programs are listed on the Online Learning Directory powered by Sportspeople.

Inbound calls

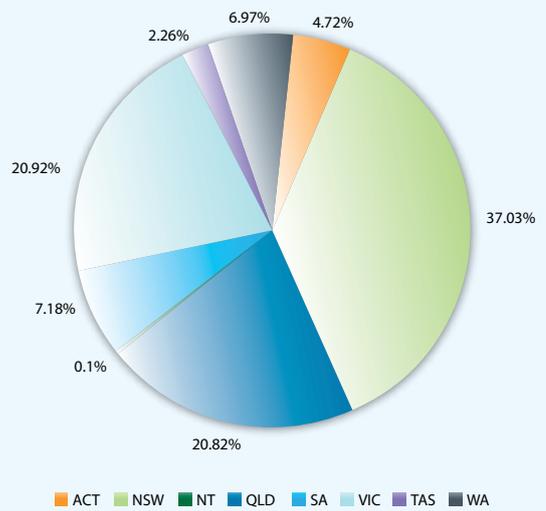
Fitness Australia serviced 46,641 inbound phone calls during the last financial year.

Our Members

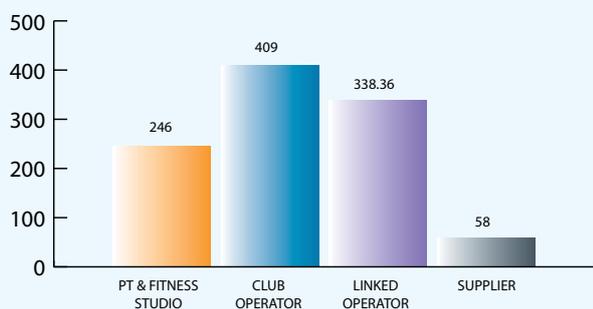
Breakdown of Registered Exercise Professionals by Registration Category



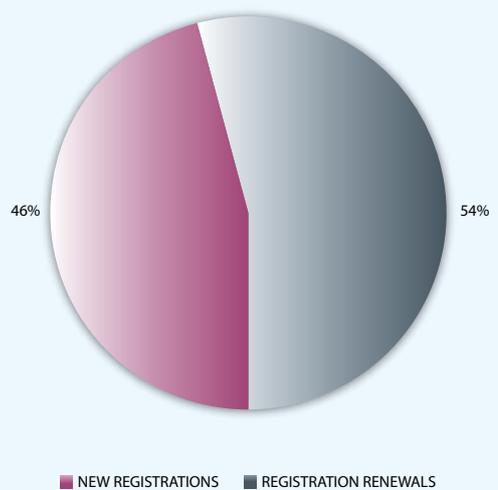
Geographical breakdown of Registered Business Members



Breakdown of Fitness Australia Business Membership



Percentage of Exercise Professional Registrations Processed



Annual Financial Report

Discussion and Analysis

Discussion and analysis of the financial results for the twelve months ending 30 June 2009.

The year in review

In its first year of operation as a unified, national association Fitness Australia generated \$2.70 million operating income against a budget expectation of \$2.52 million, which was a pleasing result. However, the costs of the structural change process plus subsequent consolidation and positioning of the new organisation were greater than anticipated. As a result Fitness Australia has incurred an operating loss of (\$175,877) in this financial year. In addition, an extraordinary loss on disposal of plant and equipment of (\$80,397) was recorded.

The funds invested this year in structural reform, improved infrastructure and brand positioning have served to build the capacity of Fitness Australia to deliver a promising future. The cash position remains strong with \$539,919 in cash assets as at 30 June 2009.

During 2008-09 we laid solid foundations for continued growth in the key areas of business and professional registration, ending the year with 899 business memberships (including associate members) and 9,524 professional registrations. The national database of registered professionals now exceeds 19,500. The affinity agreement with Marsh Insurance performed strongly generating \$389,742 income and providing high quality, cost effective insurance products and services to registered businesses and professionals.

Throughout the year our investment in member services, brand positioning,

marketing and communications, industry innovation and research was significant, with over \$1.2 million being allocated to programs and services in this business segment, including a substantial proportion of the total human resources expenditure.

Another significant proportion of expenditure in 2008-09 related to the costs associated with the formation and consolidation of the new, unified entity which has laid the foundation for a much stronger future for Fitness Australia. This process included the amalgamation and dissolution of the state and territory industry associations and the establishment of five new office premises around Australia. The costs included meetings, travel, recruitment, legal fees, property costs, plus investment in furniture, equipment and information technology systems. As a result, Fitness Australia Limited now has a physical presence in Brisbane, Sydney, Melbourne, Adelaide and Perth, a robust technology platform and a professional team of 22 people dedicated to providing leadership, excellence in customer service and building strong relationships within the health and fitness industry.

Now that the structural change process is behind us, the year ahead will see a greater focus on raising the profile of the fitness industry and having it become more widely recognised for the professionalism of its services and the valuable contribution that it makes to the health of the nation. We will also continue to build brand awareness and provide knowledge, information and support services to industry businesses and professionals. A budget surplus of \$50,000 is forecast for the year ahead.

The detailed audited income statement and balance sheet requires some explanation as it appears that total liabilities exceed total assets and that a loss of (\$980,651) was incurred in the financial year. This result is due to the accounting treatment of the income from professional registrations. The detailed profit and loss statement, which has been prepared for the benefit of Members, includes professional registration income of \$724,377, which is excluded from the official income statement. This "prepaid" income relates to revenue from registration fees received from exercise professionals on registration or renewal of registration. In accordance with appropriate accrual accounting practice, this is recognised as revenue in monthly segments over the 24 month period that registration is provided [Note 1(g)]. The total amount of prepaid registration income in the balance sheet as at 30 June 2009 is \$1,206,736 [Note 12]. When this amount is added back to Total Equity in the balance sheet, the equity position (or Total Member Funds) is \$379,975.



Annual Financial Report 2009

DETAILED PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	2009
	\$
INCOME	
Business Membership	474,502
Associate Membership	64,500
International (IHRSA)	5,051
Marketing & Business Development	17,777
Events - Sponsorship	19,796
Advertising	41,381
Affinity Agreements	389,742
Registration	1,498,244
Accreditation	67,912
Projects	90,000
Other Income	29,299
TOTAL INCOME	<u>2,698,204</u>
EXPENSES	
Services & Benefits	65,484
International (IHRSA) Member Fees	11,576
Communications	82,895
Website	4,622
Media & Public Relations	73,818
Events	195,233
Brand Development	9,066
Registration Unit	38,613
Training	7,682
CPD Program	2,244
Rep's Council Meeting Expenses	25,525
Government Relations	29,929
Program Development	77,807
Program Delivery	3,727
Projects	(44,933)
Board of Director's Meetings	25,660
Nat Industry Council Meeting	12,384
Regional Industry Council Meeting	1,956
Executive Management Team Meeting	2,234
Finance & Administration	106,727
IT & Telephone	143,566
Property	134,590
Team Meetings	25,802
General Expenses	209,086
Human Resources	1,615,477
Motor Vehicle Expenses	5,120
Other Expenses	8,191
TOTAL EXPENSES	<u>2,874,081</u>
PROFIT/(LOSS) FOR YEAR	<u>(175,877)</u>

This profit and loss statement has been prepared for the benefit of members of the company and has included registration income of \$724,377, and excluded loss on disposal of plant & equipment of \$80,397, both of which are regarded as extraordinary. The statutory accounts in the preceding pages have reflected these figures to derive the results for the year.

Report of the Directors'

Your directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2009.

Principal Activities

The principal activities of the entity during the financial year were:

- to operate as a company representing, informing and supporting the fitness industry in Australia, administering the national registration scheme and setting and promoting high standards of training, education and continuing development for fitness professionals, stimulating informed debate on issues of interest in the industry, advocating policy positions, and promoting the role of the fitness industry to government, health agencies and the community.

Operating Results and Review of Operations for the year.

Operating Results

The loss of the entity amounted to \$980,651 after providing for income tax. Further discussion of the entity's operations now follows.

Review of Operations

Registration fees received from fitness professionals is initially reported as a liability on the balance sheet and recognised as revenue in monthly segments over the 24 month period that registration is provided. By adopting this process registration fees received during the year of \$724,377 have not been recognised as revenue this year but the majority of it will be recognised as revenue in the 2010 financial year. Disposal of plant and equipment on relocation to new office resulted in a loss of \$80,397.

Financial Position

The deficit position of \$826,761 reported on the balance sheet includes registration fees prepaid as a liability of \$1,206,736 of which \$482,359 was carried forward from Fitness NSW Incorporated. Other State organisations did not adopt the prepaid registration income policy. The directors believe the entity is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

No significant changes in Fitness Australia Limited's state of affairs occurred during the financial year.

After Balance Date Events

Fitness Australia Limited has entered into a loan agreement with Fitness First Australia Pty Ltd. The total loan amount is \$841,865 which will be used to cover current and future liabilities incurred through the legal battle with the Phonographic Performance Company of Australia in the Copyright Tribunal of Australia, proceedings number CTI of 2006. The loan is to be repaid by 30 June 2011 through monthly and quarterly instalments.

Future Developments

No information included on the likely developments in the operations of the company and the expected results of those operations.

Information on Directors

Susan Jane Kingsmill	Director
Qualifications	Owner – Hiscoes Fitness Centre
Benjamin Jon Ritchie	Director
Qualifications	Owner – Shapes Health Club
Sidney Michael Vincent	Director
Qualifications	General Manager – Fitness Attitude Health Club
Timothy Philip Woodman	Director
Qualifications	Director – Exercise Australia
Robert John Parker	Director
Qualifications	Head, Children's Hospital Institute of Sports Medicine - The Children's Hospital at Westmead
Kevin Ian Norton	Director
Qualifications	Professor of Exercise Science, School of Health Sciences – University of South Australia
Kerry Anne Chikarovski	Director
Qualifications	Director – Chikarovski and Associates
Mark Gregory Forrest	Director
Qualifications	Finance Director – Fitness First Australia
Julie Marie Johnson	Director
Qualifications	Owner – Warwick Personal Training & Pilates Studio

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Lauretta Stace was appointed company secretary on 3 June 2008. Lauretta Stace is also Chief Executive Officer of Fitness Australia Limited.

Meetings of Directors

During the financial year, 8 meetings of directors were held. Attendances by each director during the year were as follows:

Directors' Meetings		
	Number eligible to attend	Number Attended
Susan Jane Kingsmill	8	8
Benjamin Jon Ritchie	8	6
Sidney Michael Vincent	8	8
Timothy Philip Woodman	8	6
Robert John Parker	8	6
Kevin Ian Norton	8	7
Kerry Anne Chikarovski	8	7
Mark Gregory Forrest	8	6
Julie Marie Johnson	8	5

Insurance premiums paid for directors

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

Director Emoluments

The following director received remuneration from the company during the financial year in respect to the services they provide to the company on a continual basis:

- Susan Kingsmill (Chairperson) \$6,000

This included \$3,000 remuneration payable from Fitness Australia Incorporated for the 2008 financial year.

Going Concern

Notwithstanding the deficiency of net assets, the financial report has been prepared on a going concern basis as the directors are confident that financial support will continue to be made available to the company.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received.

Changes in Directors and Executives Subsequent to Year End

On 19 July 2009, Julie Johnson retired from the position as a Director.

This Report of the Directors', is signed in accordance with a resolution of the Board of Directors.



Sidney Michael Vincent, Director



Susan Jane Kingsmill, Director

Dated: 14 September 2009

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$
Sales Revenue	2	1,854,528
Other Income		119,299
Marketing expenses		(365,634)
Occupancy expenses		(134,589)
Administration expenses		(250,293)
Membership expenses		(77,060)
Registration expenses		(48,539)
Meeting expenses		(93,561)
Human resources		(1,615,477)
Program development		(77,807)
Finance Costs	3	(10,031)
Other expenses from ordinary activities		<u>(281,487)</u>
Profit before income tax		(980,651)
Income tax expense	4	<u>-</u>
Profit for the year		(980,651)

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2009

	Note	2009 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	7	539,919
Trade and other receivables	8	368,752
Other assets	11	<u>355,863</u>
TOTAL CURRENT ASSETS		<u>1,264,534</u>
NON-CURRENT ASSETS		
Property, plant and equipment	9	204,784
Intangible assets	10	<u>99,994</u>
TOTAL NON-CURRENT ASSETS		<u>304,778</u>
TOTAL ASSETS		<u>1,569,312</u>
CURRENT LIABILITIES		
Trade and other payables	12	1,892,394
Borrowings	13	30,372
Short-term provisions	14	<u>97,555</u>
TOTAL CURRENT LIABILITIES		<u>2,020,321</u>
NON-CURRENT LIABILITIES		
Trade and other payables	12	353,324
Borrowings	13	<u>22,428</u>
TOTAL NON-CURRENT LIABILITIES		<u>375,752</u>
TOTAL LIABILITIES		<u>2,396,073</u>
NET ASSETS		<u>(826,761)</u>
EQUITY		
Retained earnings		(980,651)
Contributed equity from state organisations		<u>153,890</u>
TOTAL EQUITY		<u>(826,761)</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Retained Earnings	Contributed Equity	Total
	\$	\$	\$
Balance at 30 June 2008	-	-	-
Contributions from state organisations		153,890	153,890
Profit attributable to members of entity	(980,651)		(980,651)
Balance at 30 June 2009	(980,651)	153,890	(826,761)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers		2,226,094
Payments to suppliers and employees		(2,129,182)
Interest received		14,939
Finance costs		(10,031)
Income tax paid		-
Movements on behalf of State Organisations		(54,210)
Net cash provided by (used in) operating activities	17a	47,610
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(196,884)
Purchase of other non-current assets		(44,215)
Net cash provided by (used in) investing activities		(241,099)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/(Repayment) of borrowings		(26,191)
Transfer of cash from discontinuing operations		759,599
Net cash provided by (used in) financing activities		733,408
Net increase in cash held		539,919
Cash at beginning of financial year	7	-
Cash at end of financial year	7	539,919

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2009

This financial report includes the financial statements and notes of Fitness Australia Limited, and the separate financial statements and notes of Fitness Australia Limited.

Note 1 Statement of Significant Accounting Policies

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Non-member income of the company is only assessable for tax, as member income is excluded under the principle of mutuality.

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The diminishing value method of depreciation is used for the low value pool.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Low value pool	37.5%
Computer and office equipment	20.0 - 35.0%
Furniture & fittings	10.0 - 25.0%
Motor vehicles	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Impairment of Assets

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cashgenerating unit to which the asset belongs.

(d) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at their nominal amount as it has been determined that they are not materially different from their present value.

(e) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(g) Revenue and Other Income

Revenue from membership fees is recognised upon receipt of monies for the period in which the payment relates.

Revenue from registration fees received from fitness professionals on registration or renewal of registration is recognised as revenue in monthly segments over the 24 month period that registration is provided.

Revenue from insurance sponsorship received from Marsh Insurance Pty Ltd under the fitness professionals insurance scheme is recognised in full when the company has a right to receive the revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Comparative Figures

Fitness Australia Limited commenced trading 1 July 2008, therefore there are no comparatives shown in the financial report.

(j) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

Key Estimates

(a) Impairment

The entity assesses impairment at each reporting date by evaluating conditions and events specific to the entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(ab) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The entity has decided against early adoption of these standards. A discussion of those future requirements and their impact on the entity is as follows:-

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the entity is unable to be determined. The following changes to accounting requirements are included:
 - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities.
 - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition.
 - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value.

- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the entity. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the entity as a policy of capitalising qualifying borrowing costs has been maintained by the entity.

The entity does not anticipate early adoption of any of the above reporting requirements and does not expect them to have any material effect on the entity's financial statements.

Note 2 Revenue and Other Income

	Note	2009 \$
Sales Revenue		
— Business membership		474,502
— Associate membership		64,500
— International (IHRSA)		5,051
— Marketing & business development		17,777
— Advertising		41,381
— Affinity agreements		389,742
— Registrations	2(a)	773,867
— Accreditation		67,912
— Sponsorship		19,796
Total Sales Revenue		<u>1,854,528</u>
Other Revenue		
— interest received	2(b)	14,939
— other revenue		14,360
— Projects		90,000
Total Other Revenue		<u>119,299</u>
Total Sales Revenue and Other Revenue		<u>1,973,827</u>

(a) Revenue from registration fees received from fitness professionals on registration or renewal of registration is recognised as revenue in monthly segments over the 24 month period that registration is provided.

This policy was also adopted in the 2008 financial report of Fitness NSW Incorporated. Therefore registration revenue in this report includes revenue carried forward from Fitness NSW Incorporated.

Other State organisations did not adopt this policy meaning Fitness Australia supplied services to these fitness professionals while no revenue was recognised from these States.

It is anticipated that registration revenue will increase substantially over the coming years as fitness professionals originally registered with other State organisations renew their subscription with Fitness Australia.

(b) Interest revenue from:

— Bank - CBA	14,939
Total interest revenue on financial assets	<u>14,939</u>

Note 3 Profit for the Year

	2009
	\$
(a) Expenses \$	
Interest expense on financial liabilities:	
— Computer lease - Coresoft	10,031
Total interest expense	10,031
Loss on disposal of property, plant and equipment	80,397

Note 4 Income Tax Expense

	2009
	\$
(a) The components of tax expense comprise:	
Current tax	-
(b) Prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:	
Prima facie tax payable on profit from ordinary activities before income tax at 30%	-

Note 5 Interests of Key Management Personnel (KMP)

The totals of remuneration paid to KMP of the Company during the year are as follows:-

	2009
	\$
Short-term employee benefits	283,487
	<u>283,487</u>

Note 6 Auditors' Remuneration

	2009
	\$
Remuneration of the auditor of the entity for:	
— auditing or reviewing the financial report	34,104

Note 7 Cash and Cash Equivalents

	2009
	\$
Cash on hand	365
CBA cheque account	59,364
St George account - operation music	25,924
CBA online saver account	367,761
Short-term bank deposits	86,505
	<u>539,919</u>

The effective interest rate on short-term bank deposits was 3.2% these deposits have an average maturity of 90 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:	
Cash and cash equivalents	539,919
	<u>539,919</u>

Note 8 Trade and Other Receivables

	2009
	\$
CURRENT	
Trade receivables	407,708
Provision for impairment of receivables	(38,956)
	<u>368,752</u>
Total current trade and other receivables	<u>368,752</u>

Note 9 Property, Plant and Equipment

	2009
	\$
PLANT AND EQUIPMENT	
Motor vehicles	
At cost	8,112
Accumulated depreciation	(1,014)
	<u>7,098</u>
Furniture and fittings	
At cost	147,098
(Accumulated depreciation)	(10,861)
	<u>136,237</u>
Computer and office equipment	
At cost	51,681
(Accumulated depreciation)	(11,943)
	<u>39,738</u>
Low value pool	
Low value pool - WDV	21,711
	<u>21,711</u>
Total plant and equipment	<u>204,784</u>
Total Property, Plant and Equipment	<u>204,784</u>

(a) Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Computer & Office Equipment	Furniture & Fittings	Motor Vehicles	Low Value Pool
	\$	\$	\$	\$
Additions	51,681	228,596	8,112	26,721
Disposals		(81,498)		
Depreciation expense	(11,943)	(10,861)	(1,014)	(5,010)
Balance at 30 June 2009	<u>39,738</u>	<u>136,237</u>	<u>7,098</u>	<u>21,711</u>

Note 10 Intangible Assets

	\$
Software	
Cost	91,712
Accumulated impairment losses	(19,356)
Net carrying value	<u>72,356</u>
Brand design	
Cost	11,335
Accumulated amortisation and impairment	(2,267)
Net carrying value	<u>9,068</u>
Website development	
Cost	18,570
Accumulated amortisation and impairment	-
Net carrying value	<u>18,570</u>
Total intangibles	<u>99,994</u>

	Software	Brand Designs	Website Development
	\$	\$	\$
Year ended 30 June 2009			
Additions	91,712	11,335	18,570
Amortisation charge	(19,356)	(2,267)	
Closing value at 30 June 2009	72,356	9,068	18,570

Note 11 Other Assets

	2009
	\$
CURRENT	
Prepayments	10,170
Deposits paid	7,242
Accrued income	99
Operation music income & expenses	<u>338,352</u>
	<u>355,863</u>

Note 12 Trade and Other Payables

	2009
	\$
CURRENT	
Unsecured liabilities	
Trade payables	886,501
Sundry payables and accrued expenses	66,525
Provision for fringe benefits tax	1,320
GST liability	19,672
Payroll liabilities	58,742
Registration fees prepaid	853,412
Unexpended grant	<u>6,222</u>
	<u>1,892,394</u>
NON-CURRENT	
Unsecured liabilities	
Registration fees prepaid	<u>353,324</u>
	<u>353,324</u>

	2009
	\$
(a) Financial liabilities at amortised cost classified as trade and other payables	
Trade and other payables	
— Total Current	1,892,394
— Total Non-Current	<u>353,324</u>
	<u>2,245,718</u>

Note 13 Borrowings

	2009
	\$
CURRENT	
Lease liability	15 <u>30,372</u>
Total current borrowings	<u>30,372</u>
NON-CURRENT	
Lease liability	15 <u>22,428</u>
Total non-current borrowings	<u>22,428</u>
Total borrowings	<u>52,800</u>

Note 14 Provisions

	2009
	\$
CURRENT	
Short-term Employee Benefits	
Opening balance at beginning of year	-
Additional provisions raised during year	<u>97,555</u>
Balance at end of the year	<u>97,555</u>

Analysis of Total Provisions

	2009
	\$
Current	97,555
Non-current	<u>-</u>
	<u>97,555</u>

Note 15 Capital and Leasing Commitments

	2009
	\$
(a) Finance Lease Commitments	
Payable — minimum lease payments	
— not later than 12 months	36,222
— between 12 months and 5 years	23,846
— greater than 5 years	<u>-</u>
Minimum lease payments	60,068
Less future finance charges	<u>(7,268)</u>
Present value of minimum lease payments	<u>52,800</u>

Note 16 Contingent Liabilities and Contingent Assets

Contingent Liabilities

Software Finance

Fitness Australia Limited has entered into a contract to finance a new software system. The total project cost is \$190,490. Fitness Australia Limited are also committed to ongoing charges including data and web hosting and maintenance costs over the three year finance period which amounts to \$82,532.71. Interest is charged at 4.75% per annum. The payment schedule includes an initial payment of \$14,286.75 payable on commencement of the project, \$14,286.75 payable on completion of data conversion, \$14,286.75 payable on completion of user acceptance testing, payment of \$4,762.25 payable on project completion and three annual payments of \$75,133.40. The first payment of \$14,286.75 was paid on 9 June 2009, therefore the remaining amount payable (dependent on completion of every stage, including charges) is \$258,735.96.

Note 17 Cash Flow Information

	2009
	\$
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax	
Profit after income tax	(980,651)
Non-cash flows in profit	
Amortisation	21,623
Depreciation	29,765
Net (gain)/loss on disposal of property, plant and equipment	80,397
Movements on behalf of state organisations	(54,210)
Changes in assets and liabilities	
(Increase)/decrease in trade and term receivables	(185,585)
(Increase)/decrease in other assets	(271,642)
Increase/(decrease) in trade payables and accruals	1,353,514
Increase/(decrease) in provisions	<u>54,399</u>
Cash flow from operations	<u>47,610</u>

Note 18 Events After the Balance Sheet Date

Fitness Australia Limited has entered into a loan agreement with Fitness First Australia Pty Ltd. The total loan amount is \$841,865 which will be used to cover current and future liabilities incurred through the legal battle with the Phonographic Performance Company of Australia in the Copyright Tribunal of Australia, proceedings number CTI of 2006. The loan is to be repaid by 30 June 2011 through monthly and quarterly instalments.

Note 19 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

(a) Directors

- Susan Kingsmill, owner of Hiscoes Fitness Centre paid membership of \$770 to Fitness Australia on 19 June 2009.
- Benjamin Ritchie, owner of Shapes Health Club paid membership of \$770 to Fitness Australia on 24 October 2008.
- Sidney Vincent, owner of Fitness Attitude Health Club paid membership of \$770 to Fitness Australia on 22 May 2009.
- Julie Johnson, owner of Warwick Personal Training & Pilates Studio paid registration of \$170 to Fitness Australia on 26 June 2009.

Note 20 Company Details

The registered office of the company is:

Fitness Australia Limited
140 Bourke Road
Alexandria, NSW, 2015

The principal place of business is:

Fitness Australia Limited
140 Bourke Road
Alexandria, NSW, 2015



Directors' Declaration

The directors of the company declare that:

- the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - comply with Accounting Standards; and
 - give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company;
- the Chief Executive Officer and Chief Finance Officer have each declared that:
 - the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001 ;
 - the financial statements and notes for the financial year comply with the Accounting Standards; and
 - the financial statements and notes for the financial year give a true and fair view.
- in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, notwithstanding the fact that liabilities exceed assets.

This declaration is made in accordance with a resolution of the Board of Directors.

Sidney Michael Vincent, Director

Susan Jane Kingsmill, Director

Fitness Australia

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