

FIT AFTER FIFTY, INC.

(formerly Kul-Watch, Inc.)

STATEMENT OF ASSETS, LIABILITIES, AND STOCKHOLDER'S EQUITY – INCOME TAX BASIS

SEPTEMBER 30, 2005

UNAUDITED

ASSETS	
CURRENT ASSETS	
Checking	\$101,951
TOTAL CURRENT ASSETS	\$101,951
PROPERTY AND EQUIPMENT	
Exercise Equipment	\$15,268
Office Equipment	\$4,923
Accumulated Depreciation	<u>(\$7,647)</u>
NET PROPERTY AND EQUIPMENT	\$12,544
OTHER ASSETS	
Deposits	\$2,535
Organizational Costs	\$14,888
Accumulated Amortization	<u>(\$6,007)</u>
TOTAL OTHER ASSETS	\$11,415
TOTAL ASSETS	\$125,910

LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Credit Cards	\$487
Customer Deposits	<u>\$1,000</u>
TOTAL CURRENT LIABILITIES	\$1,487
LONG TERM LIABILITIES	
Note Payable - DS	\$50,000
TOTAL LONG TERM LIABILITIES	\$50,000
TOTAL LIABILITIES	\$51,487
Stockholders' equity	
Common stock	
Authorized: 80,000,000 shares with a par value of \$0.0001	
Issued and outstanding	
292,100 Common Shares	550
Additional paid-in capital	401,085
Retained Deficit	<u>(327,213)</u>
TOTAL STOCKHOLDER'S EQUITY	\$74,423
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 125,910

These financial statements and notes thereto present fairly, in all material respects, the financial position of the company and the results of its operations and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied and hereby certified by Paul Cole, CEO for Fit After Fifty, Inc.

FIT AFTER FIFTY, INC.

(formerly Kul Watch, Inc.)

STATEMENT OF REVENUE AND EXPENSES – INCOME TAX BASIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

UNAUDITED

	Three Months	Pct.	Six Months	Pct.	Nine Months	Pct.
REVENUES						
Franchise Sales	0	0.0%	5,000	61.0%	9,900	60.6%
Membership fees	<u>1,348</u>	<u>100.0%</u>	<u>3,199</u>	<u>39.0%</u>	<u>6,441</u>	<u>39.4%</u>
TOTAL REVENUES	1,348	100.0%	8,199	100%	16,341	100%
OPERATING EXPENSES						
Advertising	3,682	273.1%	4,864	59.3%	6,832	41.8%
Amortization expense	744	55.2%	1,489	18.2%	2,233	13.7%
Bank Charges	128	9.5%	165	2.0%	165	1.0%
Depreciation	903	67.0%	1,744	21.3%	2,235	13.7%
Franchise Costs	6,904	512.2%	6,904	84.2%	5,300	32.4%
Licenses and permits	0	0.0%	64	0.8%	339	2.1%
Marketing expense	75,915	5,631.7%	75,915	925.9%	161,540	988.6%
Insurance	693	51.4%	1,232	15.0%	1,583	9.7%
Professional fees	9,460	701.8%	9,860	120.3%	112,018	685.5%
Supplies	2,090	155.0%	2,501	30.5%	5,488	33.6%
Rent	4,846	359.5%	9,477	115.6%	14,648	89.6%
Taxes	461	34.2%	461	5.6%	461	2.8%
Telephone	1,465	108.7%	1,754	21.4%	3,444	21.1%
Trade Shows	408	30.3%	408	5.0%	4,306	26.4%
Utilities	257	19.1%	777	9.5%	1,127	6.9%
TOTAL OPERATING EXPENSES	<u>107,956</u>	<u>8,008.9%</u>	<u>117,615</u>	<u>1,434.5%</u>	<u>321,719</u>	1,968.8%
OPERATING INCOME (LOSS)	(106,608)	(7,908.6%)	(109,416)	(1,334.5%)	(305,378)	(1,868.8%)
OTHER INCOME (EXPENSES)						
Interest Income	0	0.0%	2	0.0%	0	0.0%
Interest Expense	(1,667)	(123.7%)	(2,083)	(25.4%)	(3,333)	(20.4%)
TOTAL OTHER INCOME (EXP)	<u>(1,667)</u>	<u>(123.7%)</u>	<u>(2,081)</u>	<u>(25.4%)</u>	<u>(3,333)</u>	(20.4%)
NET INCOME (LOSS)	<u>\$(108,275)</u>	<u>(8,032.3%)</u>	<u>\$(111,497)</u>	<u>(1,359.9%)</u>	<u>\$(308,711)</u>	<u>(1,889.2%)</u>

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STATEMENT OF STOCKHOLDERS' EQUITY – INCOME TAX BASIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
UNAUDITED

	Common Stock		Treasury Stock	Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity/(Deficit)
	Shares	Amount	Amount			
Balance at January 1, 2002	1250000	125	0	762	(1,710)	(823)
Paid in Capital		0	0	18,619	0	18,619
Net (loss)		0	0	0	(40,739)	(40,739)
Balance at December 31, 2002	1250000	125	0	19,381	(42,449)	(22,943)
Paid in Capital		0	0	0	0	0
Net (loss)		0	0	0	(11,039)	(11,039)
Balance at December 31, 2003	1250000	125	0	19,381	(53,488)	(33,982)
Stock Issued for Services						
Rendered	200,000	20	0	0	0	0
Stock returned to Treasury	(1,157,900)	0	0		0	0
Change in Management				<u>(19,381)</u>	<u>38,727</u>	<u>19,366</u>
Balance at December 31, 2004	292,100	145		0	(14,761)	(14,616)
Paid in Capital				401,085		401,085
Net loss	<u>0</u>	<u>0</u>		<u>0</u>	<u>(308,708)</u>	<u>(308,708)</u>
Balance at September 30, 2005	292,100	145	0	401,085	(323,469)	77,761

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STATEMENT OF CASH FLOWS – INCOME TAX BASIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
UNAUDITED

CASH FLOWS USED IN OPERATING ACTIVITIES	
Net income	\$ (308,708)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	4,468
Accounts receivable	4,000
Accounts payable	(2,563)
Decrease in sales tax payable	(69)
Customer deposits	1,000
Credit cards payable	(669)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(302,541)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(1,583)
NET CASH USED BY INVESTING ACTIVITIES	(1,583)
CASH FLOWS FROM FINANCING ACTIVITIES	
Additional Paid in Capital	433,924
Retained earnings	(31,309)
NET CASH USED BY FINANCING ACTIVITIES	402,615
NET INCREASE IN CASH	98,491
CASH, January 1, 2005	3,461
CASH, September 30, 2005	\$ 101,952

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NOTES TO FINANCIAL STATEMENTS

September 30, 2005

UNAUDITED

NOTE 1. GENERAL ORGANIZATION AND BUSINESS

Fit After Fifty, Inc. (the Company) was originally incorporated under the laws of the state of Delaware as Hartland Investments on May 26, 1998. Fit After Fifty, Inc. is in the business of developing and operating fitness studios and granting franchises for fitness studios which offer fitness services especially for the 50-plus segment of the population. Fit After Fifty currently owns one training studio in Indialantic, Florida and may own additional studios in the future.

NOTE 2. BASIS OF PRESENTATION

The accompanying unaudited financial statements and related footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-QSB.

Accounting Basis

The basis is generally accepted accounting principles.

Earnings per Share

The basic earnings (loss) per share is calculated by dividing the Company's net income available to common shareholders by the weighted average number of common shares during the year. The diluted earnings (loss) per share is calculated by dividing the Company's net income (loss) available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted as of the first of the year for any potentially dilutive debt or equity.

The Company has not issued any options or warrants or similar securities since inception.

Dividends

The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid during the periods shown.

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NOTES TO FINANCIAL STATEMENTS

September 30, 2005

UNAUDITED

NOTE 2. (CONTINUED)

Income Taxes

The provision for income taxes is the total of the current taxes payable and the net of the change in the deferred income taxes. Provision is made for the deferred income taxes where differences exist between the period in which transactions affect current taxable income and the period in which they enter into the determination of net income in the financial statements.

Advertising

Advertising is expensed when incurred. There has been no advertising during the periods.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company currently has minimal working capital, and has net losses for the period from inception. This condition raises substantial doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required and ultimately to attain profitability. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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NOTES TO FINANCIAL STATEMENTS

September 30, 2005

UNAUDITED

NOTE 4. STOCKHOLDERS' EQUITY

Common Stock

Since inception the Company issued additional shares of its common stock. The number of shares is adjusted for a 1,000 to 1 forward split of the outstanding common shares on July 18, 2004.

NOTE 5. PROVISION FOR INCOME TAXES

The Company provides for income taxes under Statement of Financial Accounting Standards NO. 109, Accounting for Income Taxes. SFAS No. 109 requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse.

SFAS No. 109 requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. All of the expenditures thus far have been to organize the Company and will not be expensed for tax purposes until the Company has operations.

The provision for income taxes is comprised of the net changes in deferred taxes less the valuation account plus the current taxes payable as shown in the chart below.

Net changes in Deferred Tax Benefit less than valuation account	0
Current Taxes Payable	0

Net Provision for Income Taxes	0

The federal income tax filings are not current with the Company.