Virgin Active Group Limited

Annual report and financial statements

Registered number 2664542

31 December 2020

Contents

Strategic report

Principal activities

Virgin Active Group Limited, ("The Company"), principally acts as a holding company for subsidiary undertakings that provide health and fitness facilities to club members in the United Kingdom, Italy, Australia, Singapore and Thailand.

Business review

During the year, the Company received interest from its Group loans, serviced amounts owed to Group companies and issued 200,000 Ordinary shares of £0.1 to its parent company.

The Company operates in the leisure sector and hence is exposed to macro-economic risks impacting the consumer economy.

The Company believes that operating in an ethically and socially responsible manner is an integral part of efficient and profitable business management. The Company is committed to maintaining high standards of ethical behaviour in all aspects of its business and this is cascaded through the business by management.

The Strategic report for Virgin Active International Limited, the smallest and largest group in which the results are consolidated, contains a review of the business of the Virgin Active International Limited Group (the Group) including this company, and an indication of future developments as required by section 417 of the Companies Act 2006, using key performance indicators and risk analysis.

Key Performance Indicators

Owing to the nature of the Company's activities, as a holding company, there are no Key Performance Indicators. The Directors consider the Company's performance to be satisfactory.

Engaging with stakeholders

It is key to the success of the business that the Company maintains continuous engagement with its stakeholders to ensure that their objectives are met and to identify and react to any new requirements as they arise. The Company's key stakeholders are its shareholders and lenders. Shareholders provide more than just finance to the business. They are partners in everything that we do and play an active role in developing strategy. In addition to regular board meetings and periodic reporting and analysis, management engage with shareholders for advice on a day to day basis. This means that there is a clear understanding of shareholder objectives that are subsequently cascaded through the business by management.

Financial Review

The results for the year ended 31 December 2020 are set out on page 8.

The operating loss for the year was £28,444,000 *(2019: £625,000)* and the loss after tax was £28,330,000 *(2019: loss after tax was £97,000).* The Company has no recognised gains or losses other than the loss for the current and previous financial year.

Net assets as at 31 December 2020 are £607,223,000 *(2019: £615,553,000).*

By order of the board

JHC Archibald
Secretary

26 Little Trinity Lane
London
EC4V 2AR
20 December 2021

Registered number 2664542

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2020.

Dividend

Dividends of £nil were paid during the year *(2019: £41,939,000)*.

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year *(2019: £nil)*.

Directors

The directors who held office during the year were as follows:

MW Bucknall
JR Hartley

Going Concern

As set out in note 1.2 to these financial statements the Company holds investments in companies that have been significantly impacted by operating restrictions imposed since March 2020 as a result of the global COVID 19 pandemic. The impact of the pandemic on financial performance has created material uncertainties around the going concern status of operations. The auditor has referred to these material uncertainties in the audit opinion.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Streamlined Energy and Carbon Reporting (SECR)

The Company has not included SECR reporting on the basis that it did not consume in the UK more than 40,000 kilowatt-hours (kWh) of energy in the year.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

JHC Archibald
Secretary

26 Little Trinity Lane
London
EC4V 2AR
20 December 2021

Registered number 2664542

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN ACTIVE GROUP LIMITED

Opinion

We have audited the financial statements of Virgin Active Group Limited ("the company") for the year ended 31 December 2020 which comprise the Balance Sheet, the Profit and Loss Account and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 of the financial statements which outlines the impact of the COVID-19 on the company. The Company is reliant on the continued availability of financing from its intermediate parent Virgin Active Investment Holdings Limited, however the ability to continue to provide financial support is dependent on a number of uncertainties, including that in the severe but plausible downside scenarios the revenues and cash flows of the group headed by Virgin Active Investments Holdings Limited are significantly impacted as a result of reduced membership numbers resulting in a forecast breach of covenants unless additional sources of funds are obtained.

These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease their operations, and as they have concluded that the company's financial position means that this is realistic. As stated above, they have also concluded that there is a material uncertainty related to going concern. We have assessed management's cash flows for the going concern period as well as considering a severe but plausible downside forecast with no revenue for December 2021 and January 2022. There is reliance on future funding and, as stated above, there is uncertainty about future breaches of covenants which is why a material uncertainty is being disclosed. In the original forecast covenants are not breached but, in the severe but plausible downside scenario covenants are breached for a period of time. We discussed mitigating factors with management that would stop them breaching covenants. The key risks to the business are from government enforced lockdowns that prevent gyms from being open and members returning to gyms in certain locations.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN ACTIVE GROUP LIMITED (CONTINUED)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the Parent company name's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN ACTIVE GROUP LIMITED (CONTINUED)

Other information

The directors are responsible for the other information, which comprises the strategic report, the directors' report and the Statement of Directors' responsibilities. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN ACTIVE GROUP LIMITED (CONTINUED)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

R.M. Seale.

Robert Seale BA ACA (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
21 December 2021

Profit and loss account and other comprehensive income
for the year ended 31 December 2020

	Note	**2020**	2019
		£000	£000
Revenue		**-**	-
Impairment expense	*2*	**(28,136)**	-
Operating costs		**(308)**	(625)
Operating loss		**(28,444)**	**(625)**
Interest receivable and similar income	*4*	**1,298**	2,087
Interest payable and similar expenses	*5*	**(1,184)**	(1,559)
Loss before taxation	*2, 3*	**(28,330)**	**(97)**
Tax on loss	*6*	**-**	-
Loss after taxation		**(28,330)**	**(97)**
Total comprehensive loss for the year		**(28,330)**	**(97)**

The Company has no comprehensive income other than the loss for the current and previous financial year.

The notes on pages 11 - 29 form part of these financial statements.

Statement of financial position
at 31 December 2020

	Note	2020	2019
		£000	£000
Non current assets			
Investments	*8*	**599,243**	607,379
Amounts owed by group undertakings	*10*	**36,469**	-
		635,712	**607,379**
Current assets			
Amounts owed by group undertakings	*10*	**-**	31,954
Cash at bank and in hand		**1,814**	1,887
Other receivables		**219**	218
		2,033	**34,059**
Total assets		**637,745**	**641,438**
Capital and reserves			
Called up share capital	*9*	**41**	21
Share premium account		**19,980**	-
Profit and loss account		**587,202**	615,532
Shareholders' funds		**607,223**	**615,553**
Current liabilities			
Amounts owed to group undertakings	*10*	**30,522**	25,885
		30,522	**25,885**
Total liabilities and shareholders' funds		**637,745**	**641,438**

The notes on pages 11 - 29 form part of these financial statements.

These financial statements were approved by the board of directors on 20 December 2021 and were signed on its behalf by:

Johanna Hartley

JR Hartley
Director

MW Bucknall
Director

Registered number 2664542

Statement of changes in equity
for the year ended 31 December 2020

	Note	Called up share capital	Share premium account	Profit and loss account	Total equity
		£000	£000	£000	£000
Balance at 1 January 2019		21	300,373	357,195	**657,589**
Loss for the year		-	-	(97)	**(97)**
Dividends paid	7	-	-	(41,939)	**(41,939)**
Bonus Issue		358,242	-	(358,242)	-
Capital Reduction		(358,242)	(300,373)	658,615	-
Balance at 31 December 2019		**21**	**-**	**615,532**	**615,553**
Balance at 1 January 2020		**21**	**-**	**615,532**	**615,553**
Loss for the year		**-**	**-**	**(28,330)**	**(28,330)**
Shares issued		**20**	**19,980**	**-**	**20,000**
Balance at 31 December 2020		**41**	**19,980**	**587,202**	**607,223**

The notes on pages 11 - 29 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

Virgin Active Group Limited (the "Company") is a company incorporated in England, United Kingdom.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*. n preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The Company's intermediary parent company undertaking, Virgin Active International Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Virgin Active International Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address given in Note 11.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative year reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional statement of financial position for the beginning of the earliest comparative year following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Virgin Active International Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.
- Certain disclosures required by IFRS 2 *Share Based Payments* in respect of the Group settled share based payments.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 11.

1.1 Basis of preparation

The financial statements have been prepared on the historical cost basis unless otherwise noted. All amounts are presented in Great British Pounds (GBP).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

1.2 Going concern

The directors have a responsibility to prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Company is a holding company and does not generate trading cash flows. The Company is reliant on the operations of its subsidiary companies (Note 8) to generate returns on its investments.

The directors of the Company assess whether the going concern basis of preparation is appropriate by making enquiries with the directors of its subsidiary companies. In particular they will review the forecasts and projections, taking account of reasonably possible changes in trading performance that have been prepared by the subsidiary company directors.

The subsidiary companies belong to a banking group which is funded through bank loan facilities. The facilities which are headed by Virgin Active Investment Holdings Limited, services all of the Virgin Active European and APAC businesses. When assessing going concern the directors have reviewed the banking groups forecasts, prepared for a period of 13 months from the date of approval of these financial statements, and evaluated whether the bank loan facilities are sufficient to cover day-to-day working capital requirements and that there is no shortfall of liquidity during the going concern period. In addition they check that all covenants within the facilities agreements are complied with. Therefore, the going concern assessment of the Company is dependent on that of the banking group as a whole.

Since March 2020 all of the Company's subsidiary operations have been impacted by the Covid 19 pandemic. The sections below set out the impact on the bank facility group and the actions taken by the directors in response.

Impact of COVID-19 – European and APAC business

Since March 2020 the European and APAC business has been required to close clubs in all territories that it operates in for various periods of time as a result of the lockdown restrictions imposed by governments in response to the COVID-19 pandemic. To the date of signing these financial statements the periods of closure in each territory have been:

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern *(continued)*

Impact of COVID-19 – European and APAC Business (continued)

- UK
  - 20 March 2020 – 25 July 2020 – all clubs
  - 5 November 2020 – 2 December 2020 – all clubs
  - 2 December 2020 – 31 December 2020 - clubs in tier 4 locations
  - 4 Jan 2021 - 12 April 2021 – all clubs
- Italy
  - 2 March 2020 – 18 May 2020 - all clubs
  - 25 October 2020 – 24 May 2021 – all clubs
- Australia
  - 23 March 2020 – 21 June 2020 – all clubs
  - 9 July 2020 – 10 November 2020 – 2 clubs in Victoria
  - 13 January 2021 – 18 January 2021 – 2 clubs in Victoria
  - 18 July 2021 – 27 July 2021 – 2 clubs in Victoria
  - 5 August 2021 – 30 October 2021 – 2 clubs Victoria
  - 25 June 2021 – 11 October 2021 – 9 clubs in Sydney
- Singapore
  - 25 March 2020 – 24 June 2020 – all clubs
  - 8 May 2021 – 21 June 2021 – all clubs
  - 22 July 2021 – 11 August 2021 – all clubs
- Thailand
  - 18 March 2020 – 31 May 2020 – all clubs
  - 2 January 2021 – 23 January 2021 – 6 clubs in Bangkok
  - 16 April – 19 April 2021 – 6 clubs in Bangkok
  - 26 April – 1 October 2021 – all clubs closed (Chiang Mai re opened 14 June 2021)

The directors recognised their responsibility to comply with all regulations arising from government actions to combat the pandemic. The closure of clubs had an immediate adverse financial impact on the business as all revenue collections ceased from the date of closure and memberships were frozen during the closure period. During closure periods, members continued to terminate their memberships, however no new memberships were sold. As a result there has been a significant reduction in club membership, which is forecast to have an ongoing financial impact.

Mitigating Actions

As a result of the closure of clubs the business took the following steps to mitigate the financial impact and to protect liquidity:

- Accessed all available government support schemes. In the UK this included the employee furlough scheme and business rates relief. All similar government support provided in other territories was also accessed;
- Negotiated extended payment terms with a number of large and major suppliers. Constant communication with suppliers was maintained to defer settlements where possible;
- Negotiated tax payment deferrals where schemes to delay payment were made available with HMRC and other tax authorities;
- Deferred rent payments and negotiated rental waivers wherever possible;
- Reduced the salaries of senior staff during the closure period and cancelled all bonuses; and
- Deferred all non-essential capital expenditure.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern *(continued)*

Additional Liquidity Raised May 2020

In June 2020 £50m of additional liquidity was drawn through the provision of an additional loan facility of £25m, a £20m capital contribution from the shareholders and a £5m deferral of licence fee due to Virgin Enterprises Limited. All leverage and interest cover covenants up to the period ending March 2021 were waived by the lenders and revised covenants from June 2021 to the facility end date of June 2022 were agreed and a new liquidity covenant for the period from June 2020 to December 2021 was put in place.

The mitigating actions taken by the business, the additional liquidity raised and the amendments to the facilities agreement that were agreed provided sufficient liquidity to cover the shortfall that existed based on reasonable forecasts made at that time.

In October 2020, however, Italy went back into lockdown followed in November by the UK, and by January 2021 revised forecasts showed clearly that the Europe and APAC banking group faced a liquidity shortfall by the end of March 2021. The forecast at this time assumed the Italian clubs would re-open on 1 March and the UK business would re-open on 1 April 2021.

Part 26A Restructuring Plans – Effective 13 May 2021

In consultation with advisors, formal Restructuring Plans under Part 26A of the UK Companies Act 2006 were identified and worked up, representing the best way to bridge the forecast liquidity gap. The Restructuring Plans primarily concerned the UK companies where accrued rental liabilities were forecast to create significant liquidity pressure and little progress was being made in reaching consensual agreement to waive or defer rental payments. By contrast, in Italy and Asia Pacific, substantial compromises were agreed with the vast majority of club landlords as a result of, amongst other things, differing Government schemes in those regions, the terms of the leases themselves, and, related to those two features, the willingness of those landlords to come to consensual agreements with the relevant companies.

A Restructuring Plan is a formal court approved procedure under Part 26A of the UK Companies Act 2006. Part 26A of the Companies Act was introduced into UK law on 25 June 2020 when the Corporate Insolvency and Governance Act received Royal Assent. The explanatory notes to the Corporate Insolvency and Governance Act 2020 state that:-

"Due to the COVID-19 pandemic; many otherwise economically viable businesses are experiencing significant trading difficulties. In addition, the Government enforced social distancing measures and reduced resources are making it hard for many businesses to continue to trade and meet their legal duties. This Act is aimed at ensuring businesses can maximise their chances of survival"

A Restructuring Plan is proposed by a company which has encountered, or is likely to encounter, financial difficulties that are affecting, or will affect, its ability to carry on business as a going concern. A restructuring plan enables a company to agree with its creditors (or any class of its creditors) a compromise or arrangement in respect of its debt or obligations owed to those creditors. In order to be legally binding, either 75% in value of creditors voting at each meeting of each class of creditors convened by the court must approve the plan, or 75% of at least one class of creditors must approve the plan, and the court must be satisfied that if it were to sanction the plan no members of the dissenting classes would be any worse off than they would be under the relevant alternative to the Restructuring Plan. Additionally, the court must be satisfied that in all the circumstances, it should exercise its discretion to sanction the Restructuring Plans.

The Restructuring Plans were between Virgin Active Holdings Limited (VAHL), Virgin Active Limited (VAL) and Virgin Active Health Clubs Limited (VAHCL) and their creditors.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.2 *Going concern* *(continued)*

Part 26A Restructuring Plans – Effective 13 May 2021 *(continued)*

The Practice Statement Letter for the Restructuring Plans were issued on 10 March 2021. The launch of the Restructuring Plans resulted in an additional £25m of pre-implementation funding being provided by shareholders on a pari – passu basis with existing secured facilities, and resulted in the shareholders, Virgin Enterprises Limited, VAHL, VAL and VAHCL and the lenders entering into binding support agreements which secured concessions from each party in the event that the Restructuring Plans were sanctioned.

Following a contested court hearing, the Restructuring Plans were sanctioned on 12 May 2021 and became effective on 13 May 2021 (the "Restructuring Effective Date"). At this time, a further £20m of post implementation funding was received from shareholders on a junior ranking basis bringing the total new money funding to £45m, with the £25m pre-implementation funding dropping to rank junior to the senior facilities (as to repayment, prepayment and proceeds of enforcement of security) 3 months following launch of the Restructuring Plans on 10 June 2021.

The effect of the Restructuring Plans on the Senior Facilities Agreement:

In order to enable the Restructuring Plans to be launched, the majority lenders agreed various amendments and waivers to the terms of the senior facilities agreement under amendment and waiver letters of 5 March and 10 March 2021. In addition, under the Restructuring Plans, the majority lenders agreed further amendments and waivers to take effect when the Restructuring Plans became effective including the following:

- An extension of debt facilities to 30 June 2025 (previous maturity 30 June 2022)
- Subject to certain conditions, the ability for VAHL to enter into additional facilities (in addition to the pre and post implementation facility) of up to £50m (less any amount used under the new basket for permitted disposals described below)
- The ability to dispose of up to £30m worth of assets and retain up to £25m of net proceeds
- The ability to capitalise the majority of the interest during the eighteen month period following the Restructuring Effective Date (for the first eighteen months cash margin is SONIA plus Credit Spread Adjustment or EURIBOR +1% and PIK margin is 3.75% plus an additional PIK margin of 0.75% to the extent the leverage ratio is above 3.00:1)
- After the initial eighteen month period, the ability to PIK interest in certain circumstances in the event that clubs are forced to close in either the UK or Italy for more than 28 days
- A reset of covenants such that the leverage and interest cover covenants are removed, and replaced with minimum liquidity covenants, and a minimum EBITDA covenant from June 2023
- Amendments to various event of default provisions recognising the impact of the COVID pandemic

The effect of the Restructuring Plans on UK Leases:-

All UK leases within the scope of the Restructuring Plans were categorised based on club operating profit. The following concessions by category were obtained for the rent concession period (which began on the Restructuring Effective Date and ends on the day before the third anniversary of the Restructuring Effective Date (inclusive)).

- Category A Landlords
  - 100% of rental arrears paid within 3 business days of the Restructuring Effective Date
  - Terms of the lease unaffected save that rent will be paid monthly in advance
- Category B Landlords
  - All rental arrears as at the Restructuring Effective Date compromised
  - Other terms of the lease unaffected save that rent will be paid monthly in advance

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.2 ***Going concern*** *(continued)*

The effect of the Restructuring Plans on UK Leases:- *(continued)*

- Category C Landlords
  - All rental arrears as at the Restructuring Effective Date compromised
  - Rent payable during the rent concession period set at 50% of contractual rent until the earlier of the end of the rent concession period, or the date that revenue in relation to the club operated under the lease exceeds the average 2019 revenue for two consecutive quarters
  - For the period between the Restructuring Effective Date and 31 December 2021, amended rent deferred and paid in 60 equal instalments commencing 1 January 2022
  - No rent to be paid during the rent concession period for any club required to close for any continuous period of 28 days or more as a result of COVID-19
  - Class C landlords entitled to terminate the lease on 30 days notice provided notice is given within 90 days of the Restructuring Effective Date
- Category D Landlords
  - Clubs considered not economically viable, as such from the Restructuring Effective Date no past, present or future rent, service charge, insurance or other liabilities to be payable
  - Class D landlords to have a rolling break right exercisable on 30 days notice
- Category E Landlords
  - These leases related to clubs that were no longer operating as Virgin Active and were sublet to other operators.
  - With effect from the Restructuring Effective Date no past, present or future rent, service charge, insurance or other liabilities to be payable
  - Class E landlords have a rolling break right exercisable immediately on or after the Restructuring Effective date
- In addition, all liabilities under AGAs (Authorised Guarantee Arrangements) and GAGAs (Guarantees of Authorised Guarantee Arrangements) given by the Restructuring Plan companies in favour of landlords of properties assigned to other operators were released, along with all liabilities under GAGAs given by non-Restructuring Plan companies relating to AGAs given by Restructuring Plan companies.

Compromised Property Liability Payments

Creditors who have had property liabilities compromised under the Restructuring Plans are entitled to compensation payments in certain circumstances equal to 120% of the estimated return they would have received in relation to those liabilities if the relevant Restructuring Plan company had gone into administration. Initial claims for such Compromised Property Liability Payments must be submitted within 9 months of the Restructuring Effective Date, with final claims required to be submitted within 33 months of the Restructuring Effective Date. Such claims will be assessed by Teneo as "Plan Administrator" and paid by the Restructuring Plan companies, with the support of the shareholders (as described below). Payments for Compromised Property Liability Payments are not expected to exceed £6m in aggregate and a deed of undertaking has been entered into whereby shareholders will provide up to £6m of funding by way of capital injection to satisfy this liability.

Effect of the Restructuring Plans on other Creditors

Trade creditor balances and tax and employee related liabilities were not compromised as part of the Restructuring plans

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.2 *Going concern (continued)*

Arrangements outside of the Restructuring Plans but part of the wider restructuring

Certain liabilities of the plan companies were not subject to the Restructuring Plans but were compromised as part of the wider restructuring. These included:-

- Intercompany liabilities of over £350m including £185m owed to direct and indirect shareholders of the plan companies will cease to be liabilities; and
- Arrangements with Virgin Enterprises Limited as licensor were amended such that approximately £9.4m of liabilities were waived and £15.4m of liabilities were deferred:-
  - Re-payment of the £5m royalties deferred from 2020 was deferred from 30 September 2022 to 30 June 2023 to 30 September 2024 to 30 June 2025
  - Suspension of fixed quarterly minimum royalty payments in respect of Europe falling due in 2021 and 2022 and in respect of UK and Australasia falling due from 2021 to 2024
  - The deferral of all quarterly royalty payments in respect of the UK, Europe and Australasia due in 2021 and deferral of 50% of the quarterly royalty payments due in 2022 through their conversion into convertible loan notes to be issued by VAHCHL, in each case to be repaid in four equal instalments between 30 September 2024 and 30 June 2025
- A deed of undertaking was entered into whereby Virgin Active Health Club Holdings Limited, with the support of its ultimate shareholders, will provide up to £6m of funding by way of an equity injection to the Restructuring Plan Companies to satisfy any Compromised Property Liability Payments required to be met by them (which in aggregate are expected to be no more than £6m).

Additional Facility raised 22 June 2021

The forecast on which the Restructuring Plans had been based had assumed the Italian business would re-open on 1 March and the UK business would re-open on 12 April 2021. In fact, the UK business re-opened on 12 April 2021 with prohibitions on group Exercise classes until 17 May 2021, and the Italian business did not re-open until 24 May 2021. The Italian business continues to operate subject to significant restrictions including capacity constraints, members being required to wear masks whilst moving around the club and the requirement to provide proof of vaccination before accessing clubs. Furthermore, there were additional lockdown periods in the Asia Pacific region, resulting in the closure of a number of clubs. These prolonged closure periods and resultant loss of revenue, together with additional fees incurred as a result of the contested court hearings associated with the Restructuring Plans, resulted in further liquidity being required to support the business. On the 22 June 2021, a £25m additional facility was raised which is now fully drawn. The additional facility matures on 30 June 2025 and caries an interest rate of SONIA plus Credit Spread Adjustment plus 10%, of which nil is cash paid in the first 18 months, and SONIA plus Credit Spread Adjustment plus 4.25% is cash paid thereafter.

Shareholder funding received 8 December 2021

Extended closure periods in APAC meant that it was not until 30 October 2021 that all clubs across Europe and APAC were open and trading. These unforeseen closure periods and the significant operating restrictions in Italy and APAC when clubs were able to be open, resulted in further loss of revenue and membership, which have continued to impact liquidity. £12m of shareholder funding was received on 8 December 2021 to support the business as membership rebuilds.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.2 *Going concern (continued)*

Impact of COVID-19 – Conclusion on going concern

The directors have concluded that the going concern basis of preparation is still appropriate for the financial statements. However, the ongoing COVID-19 pandemic has increased the exposure of the subsidiary companies to the following risks:

1) Additional future lockdown periods imposed by governments in the territories that it operates in.
2) A reduction in club membership due to changes in consumer behaviour such as a reduced amount of commuters to city centres where the Group has a significant number of its clubs located.
3) The requirement to secure future covenant waivers from lenders. The European/APAC forecasts currently show that waivers may be required during the going concern period.
4) The potential reliance on shareholders to provide additional funding and their ability to do so.

These represent material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.4 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The Company and its fellow Group undertakings are able to relieve their tax losses by surrendering them to other Group companies, within the UK corporation tax group, where capacity to utilise these losses exists. There is an agreement between members of the group that losses will not be paid for by the recipient company. Where there is reasonable certainty that tax losses can be relieved, the Group relief receivable or payable is included in the taxation charge or credit in the year.

1.5 Financial instruments

(i) *Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.5 Financial instruments (continued)

Financial liabilities and equity

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in subsidiaries are carried at cost less impairment. Investments in subsidiaries are accounted for in accordance with IFRS 9.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.5 Financial instruments (continued)

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(iii) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables and contract assets with significant financing component are measured using the general model described above.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.5 Financial instruments (continued)

(iii) Impairment *(continued)*

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.6 Investments

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at historic cost, less any provision for diminution in value.

Other equity investments are held at their fair value at the date of acquisition.

1.7 Interest receivable and Interest payable

Interest payable and similar charges include interest payable and net foreign exchange gains / losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes to the financial statements *(continued)*

2 Operating loss

Operating loss is stated after charging:

	2020	2019
	£000	£000
Impairment of investments	**28,136**	-

Audit fees of £3,000 *(2019: £3,000)* are borne by a subsidiary undertaking.

3 Staff numbers and costs

The directors were paid by other Group companies and received no remuneration from the Company during the year. The amount attributed was not significant, so no charge has been calculated.

4 Interest receivable and similar income

	2020	2019
	£000	£000
Interest receivable from group undertakings	**1,250**	1,770
Other interest receivable	**48**	317
	1,298	**2,087**

Interest on intercompany loans is charged at 3.79% *(2019: 4.17%)* per annum.

5 Interest payable and similar expenses

	2020	2019
	£000	£000
Interest payable to group undertakings	**1,060**	876
Net foreign exchange losses	**124**	683
	1,184	**1,559**

Interest on intercompany loans is charged at 3.79% *(2019: 4.17%)* per annum.

Notes to the financial statements *(continued)*

6 Taxation

Recognised in the profit and loss account

	2020 **£000**	2019 £000
Current tax expense	-	-
Total income tax expense recognised	**-**	-

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2019: higher)* than the standard rate of corporation tax in the UK of 19.00% *(2019: 19.00%)*. The differences are explained below:

Reconciliation of effective tax rate

	2020 **£000**	2019 £000
Loss for the year	**(28,330)**	(97)
Total tax expense	**-**	-
Loss excluding taxation	**(28,330)**	(97)
Tax using the UK corporation tax rate of 19.00% *(2019: 19.00%)*	**(5,383)**	(18)
Group relief	**37**	18
Expenses not deductible	**5,346**	-
Total tax expense	**-**	-

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

The March 2021 Budget announced that a rate of 25% would apply with effect from 1 April 2023, and this change was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly.

7 Dividends paid

	2020 **£000**	2019 £000
Aggregate amount of dividends paid in the financial year	**-**	41,939
	-	41,939

Notes to the financial statements *(continued)*

8 Investments

	Shares in subsidiary undertakings £000
Cost or valuation	
At beginning of the period	607,379
Additions	20,000
At end of the year	**627,379**
Impairment	
At beginning of the period	-
Imapirment charge for the year	(28,136)
At end of the year	**(28,136)**
Net book value	
As at 31 December 2020	**599,243**
As at 31 December 2019	607,379

The following table lists the Company's subsidiary undertakings. All subsidiaries are held through an intermediate holding company except for Virgin Active Group Investments Limited which is a direct subsidiary undertaking.

	Registered address	Class of shares held	Ownership 2020	2019
Virgin Active Health Clubs Limited	Note 1	Ordinary	100%	100%
		Ordinary B	100%	100%
Virgin Active Holdings Limited	Note 1	Ordinary	100%	100%
		Preference	100%	100%
		Preference A	100%	100%
Virgin Active Investment Holdings Limited	Note 1	Ordinary	100%	100%
Virgin Active Group Investments Limited	Note 1	Ordinary	100%	100%
		Preference	60%	60%
Virgin Active Limited	Note 1	Ordinary	100%	100%
Virgin Active Italia S.p.A.	Note 2	Ordinary	100%	100%
Virgin Active Asia Pacific Holdings Limited	Note 1	Ordinary	100%	100%
Virgin Active Australia Pty Limited	Note 3	Ordinary	100%	100%
Virgin Active Singapore Pte Ltd	Note 4	Ordinary	100%	100%
Virgin Active Thailand Limited	Note 5	Ordinary	100%	100%
Esporta Racquets and Non Racquets Holdings Limited	Note 1	Ordinary	100%	100%
Esporta Management Services Limited	Note 1	Ordinary	100%	100%
Esporta H&F Propco (1A) Limited	Note 1	Ordinary	100%	100%
Esporta H&F Propco (2A) Limited	Note 1	Ordinary	100%	100%
Esporta Health & Fitness Limited	Note 1	Ordinary	100%	100%

Notes to the financial statements *(continued)*

8 Investments *(continued)*

	Registered address	Class of shares held	Ownership 2020	Ownership 2019
Esporta Health Clubs Limited	Note 1	Ordinary	100%	100%
Esporta Limited	Note 1	Ordinary	100%	100%
Esporta Non Racquets Limited	Note 1	Ordinary	100%	100%
Esporta Racquets Limited	Note 1	Ordinary	100%	100%
Esporta Tennis Clubs Limited	Note 1	Ordinary	100%	100%
I S L Leisure Limited	Note 1	Ordinary	100%	100%
Invicta Leisure (Brentwood) Limited	Note 1	Ordinary	100%	100%
Invicta Leisure (Tennis) Limited	Note 1	Ordinary	100%	100%
Riverside Limited	Note 1	Ordinary	100%	100%
Riverside Racquet Centre Limited	Note 1	Ordinary	100%	100%
The Riverside Health & Racquets Club Northwood Limited	Note 1	Ordinary	100%	100%
The Royal County of Berkshire Health & Racquets Club Limited	Note 1	Ordinary	100%	100%
Club Milano City S.r.l (formerly Brescia Studios S.r.l)	Note 2	Ordinary	100%	100%
Club Milano Corso Como S.r.l	Note 2	Ordinary	100%	100%
Revolution S.r.l	Note 2	Ordinary	100%	100%

Note 1: 26 Little Trinity Lane
London EC4V 2AR
United Kingdom

Note 2: Via Archimede n.2
20094 Corsico (MI)
Italy

Note 3: Level 5, East Village
Shopping Centre
2 Defies Avenue, Zetland
NSW Australia 2017

Note 4: 1 Raffles Place
0-61 One Raffles Place
Singapore 048616

Note 5: 12^{th} Floor, Empire Tower
1 South Sathorn Rd
Kweng Yannawa
Khet Sathorn
Bangkok 10120
Thailand

Notes to the financial statements *(continued)*

9 Called up share capital and share premium

	2020	2019
	£000	£000
Allotted, called up and fully paid		
21,352,525 *(2019: 21,352,525)* Ordinary shares of £0.001 each	**21**	21
200,000 *(2019: nil)* Ordinary shares of £0.10 each	**20**	-
Called up share capital	**41**	**21**

Fully paid ordinary shares

	Number of shares	**Share capital**	**Share premium**
	'000	**£000**	**£000**
Balance at 1 January 2020	21,353	21	-
Ordinary shares issued	200	20	19,980
Balance at 31 December 2020	**21,553**	**41**	**19,980**

Notes to the financial statements *(continued)*

10 Financial instruments

As the consolidated financial statements of Virgin Active Health Fitness & Racquets Limited include the equivalent disclosures, the Company has taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures. The disclosures below cover statutory balances in relation to Amounts owed by / to Group undertakings that are not covered in the Virgin Active Health Fitness & Racquets Limited consolidated financial statements.

Fair value measurements of financial assets and financial liabilities

Amounts owed by Group undertakings and Amounts owed to Group undertakings are initially measured at fair value and are subsequently measured at amortised cost. The directors of Virgin Active Group Limited consider that the carrying amounts of the financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	Carrying amount			
	Loans and receivables	**Other Financial liabilities**	Loans and receivables	Other Financial liabilities
	2020	**2020**	2019	2019
	£000	**£000**	£000	£000
Financial assets				
Amounts owed by group undertakings	**36,469**	-	31,954	-
Financial liabilities				
Amounts due to group undertakings	-	**30,522**	-	25,885

11 Accounting estimates and judgements

Recoverability of amounts owed by Group undertakings

Determining whether amounts owed by Group undertakings are recoverable requires a determination of whether the other party is able to repay. This is performed by assessing the assets and liabilities of the other party.

The carrying value of amounts owed by Group undertakings at 31 December 2020 was £36,469,000 *(2019: £31,954,000)*. No impairment loss was recognised during the year *(2019: £nil)*.

Recoverability of Investments

Determining whether investments are impaired requires an estimate of the enterprise value of subsidiaries. The enterprise value calculation requires the directors of Virgin Active Group Limited to estimate the future underlying EBITDA of subsidiaries and a suitable multiple. Where the enterprise value is less than the carrying value of investments, amounts owed by or to Group undertakings and external debt, a material impairment loss may arise.

The carrying value of investments at 31 December 2020 was £599,243,000 *(2019: £607,379,000)*. An impairment expense of £28,136,000 was recognised in the year *(2019: £nil)*.

Notes to the financial statements *(continued)*

12 Subsequent events

At the date of approval of these financial statements there have been no material events that occurred after the reporting date that required adjustments to the amounts recognised in the financial statements.

During 2021 the Company's subsidiaries were required to temporarily close clubs in all territories that they operate in due to lockdown restrictions imposed by governments in response to the COVID-19 pandemic. The details of the closure periods and the mitigating actions taken are set out in Note 1.2. During 2021, the subsidiaries have closed an additional 6 clubs (4 in the UK, 1 in Italy and 1 in Australia).

As described in Note 1.2 the UK business entered into Part 26A Restructuring Plans which became effective on 13 May 2021. The impacts of the Restructuring Plans are described in detail in Note 1.2 which included amendments to the European and APAC senior facilities agreement, the provision of new money of £45m from shareholders via a facility ranking junior to the senior facilities and restructuring of UK property leases.

The amendment to the European and APAC bank loan facilities agreement allowed for the raising of additional debt facilities as described in Note 1.2. On 22 June 2021 a £25m Additional loan facility was raised which is now fully drawn. The additional facility matures on 30 June 2025 (in line with the existing facilities) and carries an interest rate of SONIA plus Credit Spread Adjustment plus 10%, of which nil is cash paid in the first 18 months, and SONIA plus Credit Spread Adjustment plus 4.25% is cash paid thereafter.

On 8 December 2021, £12m of funding was received from shareholders to support the Group's European and APAC business as it recovers from the impact of the pandemic as described in Note 1.2. As a result, on the 8 December 2021 the Company issued 1,200,000 ordinary shares of £0.01 each to its parent company Virgin Active Health Club Holdings Limited for consideration of £12,000,000 and subscribed for 1,200,000 ordinary shares of £0.01 each in its direct subsidiary, Virgin Active Group Investments Limited, for consideration of £12,000,000.

13 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Virgin Active Health Club Holdings Limited, a company incorporated in England and Wales. The ultimate parent company is Brait PLC, which is registered in Mauritius.

The smallest and largest group in which the results of the Company are consolidated is that headed by Virgin Active International Limited, a company incorporated in England & Wales. The consolidated financial statements of the Group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.