Virgin Active Group Limited

Annual report and financial statements

Registered number 02664542

31 December 2022

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 and Italy. The Company and its subsidiaries are part of the wider Virgin Active group, the parent company of which is Virgin Active International Investments Limited ("VAIIL").

Business review

During the year, the Company received interest from its group loans and serviced amounts owed to group companies. The directors expect this to continue for the foreseeable future.

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 and its subsidiary companies (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 the shareholders of VAIIL, the parent company of the Virgin Active group. VAIIL's 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 shareholder-appointed directors attending regular VAIIL board meetings, the shareholders are provided with periodic reporting and analysis. 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 2022 are set out on page 8.

The operating loss for the year was £122,641,000 *(2021: £420,000)* and the loss after tax was £120,472,000 *(2021: £3,009,000)*. The Company has no recognised gains or losses other than the losses for the current and previous financial years.

Net assets as at 31 December 2022 are £527,316,000 *(2021: £616,214,000)*.

By order of the board

NA King
Secretary

26 Little Trinity Lane
London
EC4V 2AR
5 March 2024

Registered number 02664542

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2022.

Dividend

Dividends of £nil were paid during the year *(2021: £nil)*.

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year *(2021: £nil)*.

Directors

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

JR Hartley	*(resigned 31 March 2022)*
MW Bucknall	*(resigned 27 April 2022)*
NM Field	*(appointed 27 April 2022)*
DAR Carter	*(appointed 27 April 2022, resigned 30 November 2022)*

Directors who were appointed after the year end were as follows:

IK Sanderson	*(appointed 15 May 2023)*

Going Concern

The financial statements have been prepared on a going concern basis. When evaluating going concern, the directors assess the performance and forecasts of the companies that it holds investments in. Those companies participate in a bank loan facility group (the "Group") headed by Virgin Active Investments Holdings Limited. The directors assess whether the Group's bank loan facilities are sufficient to cover day-to-day working capital requirements, that there is no shortfall of liquidity throughout the going concern assessment period and that all covenants within the facilities agreement are complied with. The plans prepared by the Group forecast to meet all applicable covenants during the going concern assessment period. Therefore, the directors deem it appropriate to prepare the financial statements on a going concern basis. Further details are set out in Note 1.2.

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. Any other information that is required by but not disclosed in the directors' report is included within the Strategic Report on page 1.

Directors' report *(continued)*

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

NA King
Secretary

26 Little Trinity Lane
London
EC4V 2AR
5 March 2024

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 2022 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position, 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 2022 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 1.2 to the financial statements which indicates that company's ability to continue as a going concern is dependent on a related group company, Virgin Active South Africa Holdings Limited, being able to successfully refinance its third-party loan which is maturing in June 2025. These events and conditions, along with the other matters explained in note 1.2 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 basis of preparation

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company, or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic for at least a year from the date of approval of the financial statements ("the going concern period"). As stated above, they have also concluded that there is a material uncertainty related to going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group's financial resources or ability to continue operations over the going concern period.

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; and
- we found the going concern disclosure in note 1.2 to be acceptable.

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 Virgin Active International Limited's policies and procedures to prevent and detect fraud that apply to this company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

Independent auditor's report to the members of Virgin Active Group Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to fraud (continued)

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 related to 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 fraud 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.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 strategic report and the directors' report;
- in our opinion the information given in those reports 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.

Independent auditor's report to the members of Virgin Active Group Limited *(continued)*

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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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.

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 FCA (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14, 5GL
6 March 2024

Profit and loss account and other comprehensive income

for the year ended 31 December 2022

	Note	**2022**	2021
		£000	£000
Revenue		**-**	-
Operating costs	2	**(122,641)**	(420)
Operating loss		**(122,641)**	**(420)**
Interest receivable and similar income	4	**4,242**	1,376
Interest payable and similar expenses	5	**(2,073)**	(3,965)
Loss before tax	2, 3	**(120,472)**	**(3,009)**
Tax on loss	6	**-**	-
Loss after tax		**(120,472)**	**(3,009)**
Total comprehensive expense for the year		**(120,472)**	**(3,009)**

The Company has no comprehensive income other than the losses for the current and previous financial years.

The notes on pages 11 - 24 form part of these financial statements.

Statement of financial position
at 31 December 2022

	Note	**2022**	2021
		£000	£000
Non current assets			
Investments	*7*	**520,596**	611,243
Amounts owed by group undertakings	*9*	**54,638**	43,191
		575,234	**654,434**
Current assets			
Cash at bank and in hand		**197**	193
Other receivables		**219**	219
		416	**412**
Total assets		**575,650**	**654,846**
Capital and reserves			
Called up share capital	*8*	**85**	53
Share premium account	*8*	**63,510**	31,968
Profit and loss account		**463,721**	584,193
Shareholders' funds		**527,316**	**616,214**
Current liabilities			
Amounts owed to group undertakings	*9*	**48,334**	38,632
		48,334	**38,632**
Total liabilities and shareholders' funds		**575,650**	**654,846**

The notes on pages 11 - 24 form part of these financial statements.

These financial statements were approved by the board of directors on 5 March 2024 and were signed on its behalf by:

NM Field
Director

IK Sanderson
Director

Registered number 02664542

Statement of changes in equity
for the year ended 31 December 2022

	Note	**Called up share capital**	**Share premium account**	**Profit and loss account**	**Total equity**
		£000	**£000**	**£000**	**£000**
Balance at 1 January 2021		**41**	**19,980**	**587,202**	**607,223**
Loss for the year		-	-	(3,009)	(3,009)
Shares issued		12	11,988	-	12,000
Balance at 31 December 2021		**53**	**31,968**	**584,193**	**616,214**
Balance at 1 January 2022		**53**	**31,968**	**584,193**	**616,214**
Loss for the year		-	-	(120,472)	(120,472)
Shares issued		32	31,542	-	31,574
Balance at 31 December 2022		**85**	**63,510**	**463,721**	**527,316**

The notes on pages 11 – 24 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").* In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS") 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 financial statements. The 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 12.

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 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.

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 10.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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 reliant on its subsidiary companies, all of which belong to a group headed by Virgin Active Investment Holdings Limited. Virgin Active Investment Holdings Limited and its subsidiary companies (the "European and APAC Group") are funded through bank loan facilities that service the entire European and APAC operations of Virgin Active. In addition the Company has an intercompany receivable from its fellow subsidiary companies in the Virgin Active Southern Africa Group. The Southern African Group of companies are funded separate bank loan facilities.

When assessing going concern of the Company, the directors evaluate whether the European and APAC Group's bank loan facilities and the Southern African Group's 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.

Assessment of European and APAC group forecasts

In July 2023 the Group agreed an amendment to its Senior Facilities Agreement which included an extension to the termination date of the facilities from June 2025 to June 2027 and an amendment to the EBITDA covenants within the agreement with 30 September 2025 being the first test date. On completion of the amendment on 4 July 2023, shareholders provided an additional £45m of funding to the Group. In addition, the shareholders committed a further £25m of funding that is to be paid into the Group during the remaining term of the facilities agreement. The additional funding is to be used for liquidity if required or for capital investment.

As part of the amendment process a 5 year plan (the "base plan") was prepared which included the additional £45m of funding received on completion. The base plan showed that all applicable covenants would be met during the plan period and that the additional committed £25m of funding would not be required to meet all covenants.

Another plan (the "downside plan") was prepared taking into account reasonable possible adverse changes to the base plan. These downside movements were lower sales and higher terminations compared to the base plan and lower central cost savings compared to those included within the base plan. These sensitivities reflected further macroeconomic risks that the business could face in respect of the direct impact of increasing inflation as well as its impact on the cost of living for consumers and their disposable income. The downside plan also showed that all applicable covenants would be met during the plan period. However, the committed additional funding of £25m from shareholders would be required to be drawn for liquidity purposes. The first drawdown of the £25m would occur in May 2024.

In January 2024, an updated plan was prepared, along with downside sensitivities similar to those considered in the earlier plan, which took into account actual performance in 2023 and updated trading and investment plans. The updated plan also demonstrated that all liquidity and EBITDA covenants would be complied with for at least 12 months from the date of signing these financial statements, including when applying the downside sensitivities. The updated plan included additional capital expenditure compared to the earlier base and downside plans and all of the committed additional shareholder funding of £25m would be drawdown during the first half of 2024.

Notes to the consolidated financial statements *(continued)*

1 **Accounting policies** *(continued)*

1.2 Going concern *(continued)*

Assessment of Southern African group forecasts

During 2023 the Southern African Group received waivers from its lenders against some of its financial covenants. In October 2023 the Southern African Group prepared a revised 5-year plan which set out the forecast liquidity position of the group for the period 2023 to 2028. Following presentation of this forecast to its lender group, the Southern African Group agreed in November 2023 terms to amend and extend its existing facilities agreement. This agreement completed in January 2024. Conditions to complete this amendment which included a payment by shareholders of ZAR 400m into the banking group were met in January 2024.

The amendments made to the Southern African Senior Facilities agreement included:

- The maturity date was extended from March 2025 to June 2025.
- All remaining financial covenants were replaced with a quarterly revenue covenant and a monthly minimum liquidity covenant.
- All de-gearing requirements were removed from the remaining facility period and no capital repayments are due until the maturity date.

In January 2024, shortly before signing these financial statements, a plan was prepared which took into account actual performance in 2023, updated trading and investment plans and the impact of the amendment and extension of the facilities agreement. This plan demonstrated that all financial covenants will be met during the remaining term of the facilities agreement. A sensitivity analysis was performed by applying reasonable possible adverse changes to the plan which included a reduction in new members sales and increased member terminations compared to the base plan. The sensitivities applied reflected the directors view of reasonable possible adverse changes to the plan. Under the sensitised plan all financial covenants continued to be met during the remaining term of the loan facilities.

A full refinancing of the Southern African Senior facilities will be required to be completed no later than the current maturity date of 30 June 2025. The business has a good relationship with its lender group and has refinanced the Southern African Senior facilities on a number of occasions in the past. At the date of signing these financial statements there are no indications that a further refinancing of the facilities cannot be secured before the current maturity date.

Conclusion on going concern

The directors have concluded that it remains appropriate to prepare the financial statements on a going concern basis. Both banking groups within the Virgin Active Group are forecasting to meet all financial covenants and to have sufficient liquidity even after reasonable possible adverse changes are applied during the going concern assessment period of at least 12 months from the date of signing these financial statements.

The requirement to refinance the Southern Africa Senior facilities by 30 June 2025 does represent a material uncertainty over going concern. Whilst the directors have no reason to believe that this will not be achieved, it does represent a material uncertainty over going concern. The auditors have referred to this in their report.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

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.

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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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.

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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.5 Financial instruments *(continued)*

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.

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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.5 Financial instruments *(continued)*

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.

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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.5 **Financial instruments** *(continued)*

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:

	2022 £000	2021 £000
Impairment of investments	**122,221**	-

Audit fees of £3,000 *(2021: £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

	2022 £000	2021 £000
Interest receivable from group undertakings	**2,020**	1,342
Other interest receivable	**3**	34
Net foreign exchange gains	**2,219**	-
	4,242	**1,376**

Interest on intercompany loans is charged at 4.88% (*2021: 3.59%*) per annum.

5 Interest payable and similar expenses

	2022 £000	2021 £000
Interest payable to group undertakings	**2,073**	1,200
Net foreign exchange losses	-	2,765
	2,073	**3,965**

Interest on intercompany loans is charged at 4.88% *(2021: 3.59%)* per annum.

Notes to the financial statements *(continued)*

6 Taxation

Recognised in the profit and loss account

	2022	2021
	£000	£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 lower than *(2021: lower than)* the standard rate of corporation tax in the UK of 19.00% *(2021: 19.00%)*. The differences are explained below:

	2022	2021
	£000	£000
Loss for the year	**(120,472)**	(3,009)
Total tax expense	**-**	-
Loss excluding taxation	**(120,472)**	(3,009)
Tax using the UK corporation tax rate of 19.00% *(2021: 19.00%)*	**(22,890)**	(572)
Group relief	**(332)**	572
Expenses not deductible	**23,222**	-
Total tax expense	**-**	-

The March 2021 Budget announced that the UK corporation tax rate would increase from 19% to a rate of 25% effective from 1 April 2023. This change was substantively enacted on 24 May 2021. This increased the company's future current tax charge accordingly. The deferred tax balance at 31 December 2022 has been calculated based on these rates.

Notes to the financial statements *(continued)*

7 Investments

	Shares in subsidiary undertakings £000
Cost or valuation	
At beginning of the period	639,379
Additions	31,574
At end of the year	**670,953**
Impairment	
At beginning of the period	(28,136)
Impairment charge for the year	(122,221)
At end of the year	**(150,357)**
Net book value	
As at 31 December 2022	**520,596**
As at 31 December 2021	611,243

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 2022	Ownership 2021
Virgin Active Group Investments Limited	Note 1	Ordinary	100%	100%
Virgin Active Investment Holdings Limited	Note 1	Ordinary	100%	100%
Virgin Active Holdings Limited	Note 1	Ordinary	100%	100%
Virgin Active Asia Pacific Holdings Limited	Note 1	Ordinary	100%	100%
Virgin Active Health Clubs Limited	Note 1	Ordinary	100%	100%
Virgin Active 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%
Esporta Limited	Note 1	Ordinary	100%	100%
Esporta Management Services Limited	Note 1	Ordinary	100%	100%
Esporta Non Racquets Limited	Note 1	Ordinary	100%	100%
Esporta Racquets and Non Racquets Holdings 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 Royal County of Berkshire Health & Racquets Club Limited	Note 1	Ordinary	100%	100%
Virgin Active Italia S.p.A.	Note 2	Ordinary	100%	100%
Club Milano City 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%
Virgin Active Australia Pty Limited	Note 3	Ordinary	100%	100%
Virgin Active Singapore Pte Limited	Note 4	Ordinary	100%	100%
Virgin Active (Thailand) Limited	Note 5	Ordinary	100%	100%

Notes to the financial statements *(continued)*

7 Investments *(continued)*

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

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

Note 3: Level 3/400, Barangaroo
Avenue, Barangaroo
Sydney, NSW 2000
Australia

Note 4: 1 Raffles Place
#06-61 One Raffles Place
Singapore 048616

Note 5: Unit No.602,6th Floor
Siam Discovery Centre
989 Rama I Road
Pathumwan District
Bangkok 10330
Thailand

8 Called up share capital and share premium

	2022	2021
	£000	£000
Allotted, called up and fully paid		
21,352,525 *(2021: 21,352,525)* Ordinary shares of £0.001 each	**21**	21
635,740 *(2021: 320,000)* Ordinary shares of £0.10 each	**64**	32
Called up share capital	**85**	**53**

Fully paid ordinary shares

	Number of shares '000	**Share capital £000**	**Share premium £000**
Balance at 1 January 2022	21,673	53	31,968
Ordinary shares issued	315	32	31,542
Balance at 31 December 2022	**21,988**	**85**	**63,510**

Notes to the financial statements *(continued)*

9 Financial instruments

As the financial statements of Virgin Active International 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 International Limited 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
	2022	**2022**	2021	2021
	£000	**£000**	£000	£000
Financial assets				
Amounts owed by group undertakings	**54,638**	-	43,191	-
Financial liabilities				
Amounts due to group undertakings	-	**48,334**	-	38,632

Notes to the financial statements *(continued)*

10 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 2022 was £54,638,000 *(2021: £43,191,000)*. No impairment loss was recognised during the year *(2021: £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 2022 was £520,596,000 *(2021: £611,243,000)*. An impairment charge of £122,221,000 was recognised in the year *(2021: £nil)*.

11 Subsequent events

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

On 4 July 2023 the Company issued 45,000 ordinary shares of £0.1 each to its parent company for total subscription proceeds of £45,000,000. The proceeds from the issue of ordinary shares was received in cash on the same date.

On 4 December 2023 the Company issued 47,000 ordinary shares of £0.1 each to its parent company for total subscription proceeds of £47,000,000. The proceeds from the issue of ordinary shares was received in cash on the same date.

12 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 financial statements of the group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.