

ACAD HOLDINGS LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2016



ArmstrongWatson[®]
Accountants & Financial Advisers

ACAD HOLDINGS LIMITED

COMPANY INFORMATION

Directors

M Silver
T Silver

Registered number

05677471

Registered office

Oakdale Place
Harrogate
North Yorkshire
HG1 2LA

Independent auditor

Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Third Floor
10 South Parade
Leeds
West Yorkshire
LS1 5QS

ACAD HOLDINGS LIMITED

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ACAD HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

There was increased low price competition in the Harrogate area from the start of 2016, which affected both The Academy and Beckwith Health Clubs. Beckwith turnover fell by £77,727 year on year. The Academy turnover was down by £100,268 in the same period. The reduced turnover was mitigated by good cost control in Harrogate and Leisure, with administrative expenses reduced by £103,321 and £92,251 respectively.

Towards the end of 2016, a more aggressive pricing policy by Beckwith Health Club helped stem the tide of membership losses, with a net increase in members being seen in the last few months of 2016..

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's operations expose it to certain financial risks including the effects of changes in interest rates on debt, a certain element of credit risk, liquidity risk and cash flow risk. Although there is no formal policy to manage these risks given the size of the group, the directors are constantly monitoring the position of the group including these risks in their day to day management and as such seek to minimise the risks wherever possible. The main risks are analysed below:

PRICE RISK, CREDIT RISK, LIQUIDITY RISK AND CASH FLOW RISK

The business' principal financial instruments comprise bank balances, bank overdrafts, trade debtors, trade creditors, loans to the business and finance lease agreements. The main purpose of these instruments is to finance the business' operations.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest. All of the business' cash balances are held in such a way that achieves a competitive rate of interest.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debts.

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Loans comprise loans from financial institutions. The interest rates and monthly repayments are largely fixed in nature. The business manages liquidity risk by ensuring that there are sufficient funds to meet the payments.

The business is a lessee in respect of finance leased assets. The liquidity risk in respect of these is managed by ensuring that there are sufficient funds to meet the payments.

BUSINESS ENVIRONMENT

According to the latest industry surveys, the fitness sector in the UK remains highly competitive, with the fastest growth coming from low cost gyms. Industry revenue is expected to increase at a compound annual rate of 0.8% over the next five years.

STRATEGY

The group's main objective is to sustain and grow current levels of membership, whilst reducing costs. The directors are determined to make the business more efficient and therefore more profitable.

FUTURE DEVELOPMENTS

In depth reviews of the group's operations continue, with opportunities identified to increase secondary spend revenues in a sustainable way. The group will continue to work with its partners to reduce overheads and increase efficiencies.

ACAD HOLDINGS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

This report was approved by the board and signed on its behalf.

.....
M Silver
Director

Date: 30 May 2017

ACAD HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £108,855 (2015 - loss £85,642).

No dividends were paid during the year.

Directors

The directors who served during the year were:

M Silver
T Silver

Future developments

The directors are not expecting to make any significant changes in the nature of the business in the near future.

Matters covered in the strategic report

Information is not shown in the director's report because it is shown in the strategic report instead under s414C (11). The strategic report includes financial risk management objectives and policies, price risk, credit risk, liquidity risk and cash flow risk, business environment, strategy and future developments.

ACAD HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

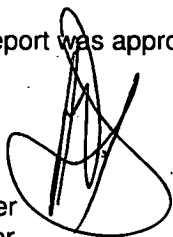
There have been no significant events affecting the Group since the year end.

Auditor

The auditor, Armstrong Watson Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

M Silver
Director



Date: 20 May 2017

ACAD HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ACAD HOLDINGS LIMITED

We have audited the financial statements of ACAD Holdings Limited for the year ended 31 December 2016, which comprise the Group Statement of comprehensive income, the Group and Company Statements of financial position, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and the Directors' report.

ACAD HOLDINGS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ACAD HOLDINGS LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.



Matthew Osbourne (Senior statutory auditor)

for and on behalf of

Armstrong Watson Audit Limited

Chartered Accountants & Statutory Auditors

Third Floor
10 South Parade
Leeds
West Yorkshire
LS1 5QS

Date: 30 May 2017

ACAD HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover		2,419,206	2,597,160
Cost of sales		(58,727)	(63,873)
Gross profit		2,360,479	2,533,287
Administrative expenses		(2,373,573)	(2,523,298)
Other operating income		16,462	13,657
Operating profit		3,368	23,646
Interest receivable and similar income	9	-	906
Interest payable and expenses	10	(81,202)	(82,962)
Loss before taxation		(77,834)	(58,410)
Tax on loss	11	(31,021)	(27,232)
Loss for the year		(108,855)	(85,642)
Owners of the parent Company		(108,855)	(85,642)
		<u>(108,855)</u>	<u>(85,642)</u>

There were no recognised gains and losses for 2016 or 2015 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 13 to 29 form part of these financial statements.

ACAD HOLDINGS LIMITED
REGISTERED NUMBER: 05677471

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	13	4,763,775	4,886,924
		<u>4,763,775</u>	<u>4,886,924</u>
Current assets			
Stocks	15	28,481	35,528
Debtors: amounts falling due within one year	16	128,682	131,378
Cash at bank and in hand	17	144,015	167,297
		<u>301,178</u>	<u>334,203</u>
Creditors: amounts falling due within one year	18	(2,066,853)	(2,018,466)
Net current liabilities		<u>(1,765,675)</u>	<u>(1,684,263)</u>
Total assets less current liabilities		2,998,100	3,202,661
Creditors: amounts falling due after more than one year	19	(288,355)	(415,082)
Provisions for liabilities			
Deferred taxation		(124,388)	(93,367)
		<u>(124,388)</u>	<u>(93,367)</u>
Net assets		<u>2,585,357</u>	<u>2,694,212</u>
Capital and reserves			
Called up share capital	23	4,300,000	4,300,000
Profit and loss account	24	(1,714,643)	(1,605,788)
Equity attributable to owners of the parent Company		<u>2,585,357</u>	<u>2,694,212</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
M Silver
 Director

Date: 30 May 2017

The notes on pages 13 to 29 form part of these financial statements.

ACAD HOLDINGS LIMITED
REGISTERED NUMBER: 05677471

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	14	5,451,646	5,451,646
		<u>5,451,646</u>	<u>5,451,646</u>
Total assets less current liabilities		<u>5,451,646</u>	<u>5,451,646</u>
Net assets		<u>5,451,646</u>	<u>5,451,646</u>
Capital and reserves			
Called up share capital	23	4,300,000	4,300,000
Profit and loss account	24	1,151,646	1,151,646
		<u>5,451,646</u>	<u>5,451,646</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
M Silver
Director

Date: 30 May 2017

ACAD HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2016	4,300,000	(1,605,788)	2,694,212
Comprehensive income for the year			
Loss for the year	-	(108,855)	(108,855)
Total comprehensive income for the year	-	(108,855)	(108,855)
At 31 December 2016	4,300,000	(1,714,643)	2,585,357

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2015	4,300,000	(1,520,146)	2,779,854
Comprehensive income for the year			
Loss for the year	-	(85,642)	(85,642)
Total comprehensive income for the year	-	(85,642)	(85,642)
At 31 December 2015	4,300,000	(1,605,788)	2,694,212

The notes on pages 13 to 29 form part of these financial statements.

ACAD HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	4,300,000	1,151,646	5,451,646
At 31 December 2016	<u>4,300,000</u>	<u>1,151,646</u>	<u>5,451,646</u>

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	4,300,000	1,151,646	5,451,646
At 31 December 2015	<u>4,300,000</u>	<u>1,151,646</u>	<u>5,451,646</u>

The notes on pages 13 to 29 form part of these financial statements.

ACAD HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £
Cash flows from operating activities		
Loss for the financial year	(108,855)	(85,642)
Adjustments for:		
Depreciation of tangible assets	286,553	289,684
Loss on disposal of tangible assets	(4,048)	6,053
Interest paid	81,202	82,962
Interest received	-	(906)
Taxation charge	31,021	27,232
Decrease in stocks	7,043	2,808
Decrease in debtors	2,698	20,215
Increase/(decrease) in creditors	49,668	(17,981)
Corporation tax received/(paid)	-	(3,621)
Net cash generated from operating activities	345,282	320,804
Cash flows from investing activities		
Purchase of tangible fixed assets	(170,980)	(26,743)
Sale of tangible fixed assets	11,624	166
Interest received	-	906
HP interest paid	(25,796)	(26,014)
Net cash from investing activities	(185,152)	(51,685)
Cash flows from financing activities		
Repayment of loans	(97,121)	(96,470)
Repayment of debenture loans	-	(32,500)
Repayment of other loans	-	(6,375)
Repayment of/new finance leases	(25,517)	(87,675)
Interest paid	(55,406)	(56,946)
Net cash used in financing activities	(178,044)	(279,966)
Net (decrease) in cash and cash equivalents	(17,914)	(10,847)
Cash and cash equivalents at beginning of year	(32,358)	(21,512)
Cash and cash equivalents at the end of year	(50,272)	(32,359)
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	144,015	167,297
Bank overdrafts	(194,287)	(199,656)
	(50,272)	(32,359)

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

The principal activity of the Group during the year is the operation of health clubs through subsidiary undertakings. A further subsidiary is management, investment and property company. The registered offices are located in The Academy, Oakdale Place, Harrogate, North Yorkshire, HG1 2LA.

The company is a limited liability company incorporated and domiciled in the United Kingdom. The company is a tax resident in the United Kingdom.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 2).

The directors have prepared the financial statements for the group on a going concern basis notwithstanding net current liabilities of £1,765,675. The net current liability position has been created by a technical breach of financial covenants at the year end, which requires all relevant loans to be presented as amounts falling due within one year. The directors are confident that their lenders will continue to support the group and make all existing facilities available for the next 12 months and beyond. Accordingly, the financial statements have been prepared on a going concern basis.

The following principal accounting policies have been applied:

1.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2% straight line
Fixtures and fittings	-	5% - 50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

1.9 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.9 Financial instruments (continued)

shares are measured:

- at fair value with changes recognised in the Consolidated statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.11 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.12 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.13 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

1.14 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of financial position date.

1.15 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

1.16 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of these financial statements required management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no key sources of estimation uncertainty in applying accounting policies in the financial statements.

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Subscriptions	1,737,307	1,832,263
Sunbed income	-	324
Retail sales	74,893	83,585
Joining and registration fees	12,282	24,140
Franchise rent	110,366	98,158
Advertising and commission income	3,247	12,795
Finance and penalty fees	14,915	17,561
Activity fees	29,144	132,894
Salon treatments and packages	225,014	202,859
Sundry fees	7,561	5,474
Childcare - bookings and activities	102,559	99,410
Function room hire and treasure island	70,641	54,835
Product sales	1,240	1,497
Hire of facilities	30,036	31,365
	<u>2,419,205</u>	<u>2,597,160</u>

All turnover arose within the United Kingdom.

4. Other operating income

	2016 £	2015 £
Sundry income	16,462	13,657
	<u>16,462</u>	<u>13,657</u>

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	286,552	289,684
Profit / loss on sale of tangible assets	-	6,053
Defined contribution pension cost	40,151	46,259
	<u>40,151</u>	<u>46,259</u>

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
Fees payable to the Group's auditor and its associates in respect of:		
Other services relating to taxation	1,250	1,250
All other services	3,000	3,000
	<u>4,250</u>	<u>4,250</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	1,119,642	1,283,606
Social security costs	74,079	85,681
Cost of defined contribution scheme	40,151	46,259
	<u>1,233,872</u>	<u>1,415,546</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Gym and leisure staff	107	111
Directors	2	2
Central administration	4	4
	<u>113</u>	<u>117</u>

8. Directors' remuneration

During the year retirement benefits were accruing to 2 directors (2015 - 2) in respect of defined contribution pension schemes.

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. Interest receivable

	2016 £	2015 £
Other interest receivable	-	906
	<u>-</u>	<u>906</u>

10. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	44,710	44,760
Other loan interest payable	10,696	12,188
Finance leases and hire purchase contracts	25,796	26,014
	<u>81,202</u>	<u>82,962</u>

11. Taxation

	2016 £	2015 £
Corporation tax		
Adjustments in respect of previous periods	-	3,982
	<u>-</u>	<u>3,982</u>
Total current tax	<u>-</u>	<u>3,982</u>
Deferred tax		
Origination and reversal of timing differences	31,021	23,250
Total deferred tax	<u>31,021</u>	<u>23,250</u>
Taxation on profit on ordinary activities	<u>31,021</u>	<u>27,232</u>

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2015 - the same as) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>(77,834)</u>	<u>(58,410)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	(15,567)	(11,825)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,603	332
Adjustments to tax charge in respect of prior periods	-	2,570
Short term timing difference leading to an increase (decrease) in taxation	-	9,039
Other timing differences leading to an increase (decrease) in taxation	32,375	27,077
Adjustment for average rate of deferred tax	-	39
Unrelieved tax losses carried forward	12,524	-
Other permanent differences	86	-
Total tax charge for the year	<u>31,021</u>	<u>27,232</u>

Factors that may affect future tax charges

The group has tax losses in subsidiary companies of approximately £1,047,000 (2015: £993,000) to carry forward against future profits of the respective trades and capital losses to carry forward of £50,000 (2015: £50,000). The group has a deferred tax asset (calculated at a rate of 20%) of approximately £181,000 (2015: £145,000 at 20%). This asset has not been recognised as there is no certainty as to when or if this will be recovered in the foreseeable future.

12. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £NIL (2015 - £NIL).

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. Tangible fixed assets

Group

	Freehold property £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2016	4,216,257	2,375,067	6,591,324
Additions	-	170,980	170,980
Disposals	-	(79,366)	(79,366)
At 31 December 2016	4,216,257	2,466,681	6,682,938
Depreciation			
At 1 January 2016	120,976	1,583,424	1,704,400
Charge for the year on owned assets	40,325	246,227	286,552
Disposals	-	(71,789)	(71,789)
At 31 December 2016	161,301	1,757,862	1,919,163
Net book value			
At 31 December 2016	4,054,956	708,819	4,763,775
At 31 December 2015	4,095,281	791,643	4,886,924

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2016 £	2015 £
Furniture, fittings and equipment	437,137	477,514
	<u>437,137</u>	<u>477,514</u>

The bank loans and overdrafts are secured against property owned by the group which are included in the financial statements at a net book value of £4,054,956 (2015: £4,095,281).

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Academy Leisure Limited	Ordinary	100 %	The provision of management services, consultancy and the holding of properties used by trading subsidiaries.
The Academy (Harrogate) Limited	Ordinary	100 %	The operation of a gym facility and leisure centre.
Smiletime Limited	Ordinary	100 %	The operation of a leisure centre.

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Academy Leisure Limited	4,283,535	52,573
The Academy (Harrogate) Limited	(467,945)	(187,165)
Smiletime Limited	422,511	25,738

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	5,451,646
At 31 December 2016	5,451,646
Net book value	
At 31 December 2016	5,451,646
At 31 December 2015	5,451,646

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Academy (Harrogate) Limited is held indirectly by Academy Leisure Limited.

The subsidiaries noted above are exempt from the requirements of Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006.

15. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Finished goods and goods for resale	28,481	35,528	-	-
	28,481	35,528	-	-

16. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	8,596	5,165	-	-
Other debtors	8,549	8,042	-	-
Prepayments and accrued income	111,537	118,171	-	-
	128,682	131,378	-	-

17. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	144,015	167,297	-	-
Less: bank overdrafts	(194,287)	(199,656)	-	-
	(50,272)	(32,359)	-	-

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank overdrafts	194,287	199,656	-	-
Bank loans	1,214,923	1,232,574	-	-
Trade creditors	232,402	145,332	-	-
Taxation and social security	78,274	95,001	-	-
Obligations under finance lease and hire purchase contracts	109,439	87,699	-	-
Other creditors	841	6,835	-	-
Accruals and deferred income	236,687	251,369	-	-
	2,066,853	2,018,466	-	-

Bank borrowings are secured on a group basis incorporating a debenture, legal charge over land and buildings and an unlimited inter-company guarantee between all companies in the group.

Hire purchase liabilities are secured on the related assets purchased.

19. Creditors: Amounts falling due after more than one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	-	79,470	-	-
Net obligations under finance leases and hire purchase contracts	288,355	335,612	-	-
	288,355	415,082	-	-

Bank borrowings are secured on a group basis incorporating a debenture, legal charge over land and buildings and an unlimited inter-company guarantee between all companies in the group.

Hire purchase liabilities are secured on the related assets purchased.

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20. Loans

All loans are shown as falling due within one year owing to a technical breach of loan covenants at the year end.

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts falling due within one year				
Bank loans	1,214,923	1,232,574	-	-
	1,214,923	1,232,574	-	-
Bank loans	-	79,470	-	-
	-	79,470	-	-

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2016 £	Group 2015 £
Within one year	109,439	87,699
Between 1-2 years	109,439	-
Between 2-5 years	178,916	335,612
	397,794	423,311

22. Deferred taxation

Group

	2016 £	2015 £
At beginning of year	(93,367)	(70,117)
Charged to the profit or loss	(31,021)	(23,250)
At end of year	(124,388)	(93,367)

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. Deferred taxation (continued)

	Group 2016 £	Group 2015 £
Accelerated capital allowances	(222,613)	(207,657)
Tax losses carried forward	98,225	114,290
	<u>(124,388)</u>	<u>(93,367)</u>

23. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
4,300,000 Ordinary shares of £1 each	-	4,300,000
2,757,156 A Ordinary shares of £1 each	2,757,156	-
1,438,579 B Ordinary shares of £1 each	1,438,579	-
104,265 C Ordinary shares of £1 each	104,265	-
	<u>4,300,000</u>	<u>4,300,000</u>

All of the shares carry rights of one vote per share and have no restrictions on the distribution of dividends and the repayment of capital.

The Ordinary shares of £1 each were redesignated on 30 March 2016 as 2,757,156 A Ordinary shares of £1 each, 1,438,579 B Ordinary shares of £1 each and 104,265 C Ordinary shares of £1 each.

24. Reserves

Called up share capital

Represents the nominal value of shares that have been issued.

Profit and loss account

Includes all current and prior period retained profits and losses.

25. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £40,151 (2015 - £46,260). Contributions totalling £2,038 (2015 - £2,349) were payable to the fund at the balance sheet date.

ACAD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26. COMMITMENTS UNDER OPERATING LEASE

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Not later than 1 year	41,040	41,040
Later than 1 year and not later than 5 years	164,160	164,160
Later than 5 years	47,880	88,920
	<u>253,080</u>	<u>294,120</u>

27. Related party transactions

During the year Acad my Leisure Limited charged consultancy fees of £nil (2015 - £13,657) to FC1 S.A., a company of which M Silver serves as director.

The company has taken advantage of the exemption contained in Section 33 of FRS 102 "Related Party Disclosures" from disclosing transactions with entities which are part of the group, since 100% or more of the voting rights in the company are controlled within the group.

28. Controlling party

The company is controlled by the Silver family who between them directly own 46% of the issued share capital. The remaining 54% of the issued share capital is held by a discretionary trust, the beneficiaries of which are members of the Silver family.

ACAD HOLDINGS LIMITED

CONSOLIDATED DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover		2,419,205	2,597,160
Cost of sales		(58,727)	(63,873)
Gross profit		2,360,478	2,533,287
Gross profit %		97.6 %	97.5 %
Other operating income		16,462	13,657
Less: overheads			
Administration expenses		(2,373,572)	(2,523,298)
Operating profit		3,368	23,646
Interest receivable		-	906
Interest payable		(81,202)	(82,962)
Tax on profit on ordinary activities		(31,021)	(27,232)
Loss for the year		(108,855)	(85,642)

ACAD HOLDINGS LIMITED

SCHEDULE TO THE DETAILED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Turnover		
Subscriptions	1,737,307	1,832,263
Sunbed income	-	324
Retail sales	74,893	83,585
Joining and registration fees	12,282	24,140
Franchise rent	110,366	98,158
Advertising and commission income	3,247	12,795
Finance and penalty fees	14,915	17,561
Activity fees	29,144	132,894
Salon treatments and packages	225,014	202,859
Sundry fees	7,561	5,474
Childcare - bookings and activities	102,559	99,410
Function room hire and treasure island	70,641	54,835
Product sales	1,240	1,497
Hire of facilities	30,036	31,365
	<u>2,419,205</u>	<u>2,597,160</u>

	2016 £	2015 £
Cost of sales		
Opening stocks - raw materials	35,396	38,251
Closing stocks - raw materials	(28,423)	(35,396)
Purchases - raw materials	51,683	61,064
Opening stocks - finished goods	132	86
Closing stocks - finished goods	(61)	(132)
	<u>58,727</u>	<u>63,873</u>

	2016 £	2015 £
Other operating income		
Sundry income	16,462	13,657
	<u>16,462</u>	<u>13,657</u>

ACAD HOLDINGS LIMITED

SCHEDULE TO THE DETAILED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Administration expenses		
Directors salaries	144,942	156,714
Directors pension costs - defined contribution schemes	10,891	15,561
Staff salaries	974,700	1,126,892
Staff national insurance	74,079	85,681
Staff pension costs - defined contribution schemes	29,260	30,699
Staff training	7,445	6,751
Motor running costs	59	208
Entertainment	2,564	1,345
Hotels, travel and subsistence	11,920	9,378
Postage	288	383
Computer costs	25,058	25,950
Advertising and promotion	30,425	33,598
Charity donations	432	438
Legal and professional	12,519	9,050
Accountancy fees	11,813	13,500
Equipment hire	40,222	43,418
Bank charges	20,979	18,648
Bad debts	3,327	37
Sundry expenses	58	761
Insurances	28,302	24,504
Repairs and maintenance	2,430	7,954
Depreciation - plant and machinery	40,426	40,680
Depreciation - fixtures and fittings	246,116	249,005
Profit/loss on sale of tangible assets	(4,048)	6,053
Consumables	53,222	58,577
Subcontract	39,541	1,900
Staff costs	6,297	27,435
Hygiene	23,169	23,827
Occupation	498,142	465,093
Administration	38,994	39,260
	<u>2,373,572</u>	<u>2,523,300</u>
	2016 £	2015 £
Interest receivable		
Other interest receivable	-	906
	<u>-</u>	<u>906</u>

ACAD HOLDINGS LIMITED

SCHEDULE TO THE DETAILED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Interest payable		
Bank loan interest payable	44,710	44,760
Other loan interest payable	(10,696)	(12,188)
Hire purchase interest payable	25,796	26,014
	<u>81,202</u>	<u>82,962</u>