

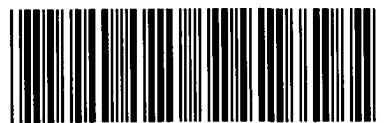
Virgin Active Health Club Holdings Limited

Annual report and financial statements

Registered number 7726905

31 December 2016

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Strategic report

Principal activities

The Company principally acts as a holding company for subsidiary undertakings that provide health and fitness facilities to club members in the United Kingdom, Italy, Spain, Portugal, South Africa, Namibia, Botswana, Australia, Singapore and Thailand.

Business review

The Company receives income from its group investments.

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

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

Key Performance Indicators

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

Financial Review

The results for the year ended 31 December 2016 are set out on page 5.

The Company does not generate revenue, dividends of £24,557,000 (2015: £76,858,000) were received from shares in group undertakings. The operating costs for the year were £575,000 (2015: £9,115,000) and the profit after tax was £38,869,000 (2015: £51,008,000). The Company has no recognised gains or losses other than the profits or losses for the current and previous financial periods.

Net assets as at 31 December 2016 are £265,073,000 (2015: £226,204,000).

By order of the board



A Aylmer
Secretary

100 Aldersgate Street
London
EC1A 4LX
11 July 2017

Directors' report

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

Dividend

No dividends were paid or proposed during the year (2015: *£nil*).

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the period (2015: *£nil*).

Directors

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

MW Bucknall
PA Woolf (resigned 21 February 2017)
JR Hartley

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.

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



A Aylmer
Secretary

100 Aldersgate Street
London
EC1A 4LX
11 July 2017

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 Health Club Holdings Limited

We have audited the financial statements of Virgin Active Health Club Holdings Limited for the year ended 31 December 2016 set out on pages 5 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Auditing Practices Board'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/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2016 and its profit for the year then ended;
- have been properly prepared in accordance with UK 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 the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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 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.

Robert Seale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
12 July 2017

Profit and loss account and other comprehensive income
for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Revenue		-	-
Operating costs		(575)	(9,115)
Underlying EBITDA*		(575)	(1,113)
Non-recurring items	2	-	(8,002)
Operating loss		(575)	(9,115)
Income from shares in group undertaking	4	24,557	76,858
Interest receivable and similar income	5	19,844	15,616
Interest payable and similar expenses	6	(4,957)	(32,351)
Profit before taxation	2, 3	38,869	51,008
Tax on profit	7	-	-
Profit after taxation		38,869	51,008
Total comprehensive income for the year		38,869	51,008

* Underlying EBITDA means operating profit before non-recurring items.

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

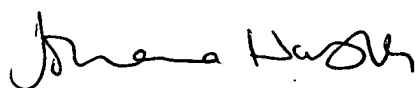
The notes on pages 8 - 17 form part of these financial statements.

Statement of financial position
at 31 December 2016

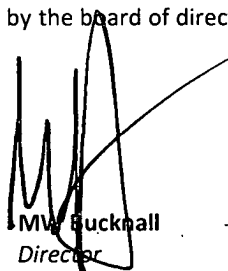
	Note	2016 £000	2015 £000
Non current assets			
Investments	8	615,586	615,586
		615,586	615,586
Current assets			
Cash at bank and in hand		22,528	40,562
Amounts owed by group undertakings*	10	286,447	260,045
		308,975	300,607
Total assets		924,561	916,193
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account		265,073	226,204
Shareholders' funds		265,073	226,204
Non current liabilities			
Amounts owed to group undertakings	10	658,924	688,628
		658,924	688,628
Current liabilities			
Accruals and deferred income		564	1,361
Total liabilities and shareholders' funds		924,561	916,193

The notes on pages 8 - 17 form part of these financial statements.

These financial statements were approved by the board of directors on 11 July 2017 and were signed on its behalf by:



JR Hartley
Director



MW Bucknall
Director

Statement of changes in equity
for the year ended 31 December 2016

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	-	175,196	175,196
Profit for the year	-	51,008	51,008
Balance at 31 December 2015	-	226,204	226,204
Balance at 1 January 2016	-	226,204	226,204
Profit for the year	-	38,869	38,869
Balance at 31 December 2016	-	265,073	265,073

The notes on pages 8 – 17 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Virgin Active Health Club Holdings Limited (the "Company") is a company incorporated in the UK.

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"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's intermediary parent company undertaking, Virgin Active International Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Virgin Active International Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address given in note 11.

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

- a Cash Flow Statement and related notes;
- Comparative period 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 period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

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

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

Notes (continued)

1 Accounting policies (continued)

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 12.

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 Non-IFRS disclosures

The directors of VAHCHL believe that underlying EBITDA provides additional useful information for shareholders on underlying trends and performance. This measure is used for performance analysis. Underlying EBITDA is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to, IFRS measurements of profit.

The adjustments made to reported profit before tax are:

Underlying EBITDA

Is equal to operating profit before deducting non-recurring items

Non-recurring items

Relate to restructuring and other one-off costs associated with the Group's restructuring activities.

1.3 Going concern

The Company's business activities, together with the factors likely to affect future development and position, are set out in the Business Review section of the Strategic report on page 1.

The Company is a holding company and does not generate trading cash flows. However, the Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having assessed the responses of the directors of the Company's immediate parent Virgin Active International Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Virgin Active Group to continue as a going concern or its ability to continue with the current banking arrangements.

The Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes (continued)

1 Accounting policies (continued)

1.4 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.

1.5 Taxation

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

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

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

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

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

1.6 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other debtors, cash and cash equivalents, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes (continued)

1 Accounting policies (continued)

1.6 Non-derivative financial instruments (continued)

Investments in equity securities

Investments in subsidiaries are carried at cost less impairment (if any).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents are stated at their nominal values as this approximates amortised cost.

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 (continued)

2 Profit before taxation

Non recurring costs relate to legal and professional fees regarding group restructuring.

Audit fees payable of £5,000 (2015: £5,000) were borne and not recharged by a subsidiary company.

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 Income from shares in group undertaking

	2016	2015
	£000	£000
Dividends received from group undertakings	24,557	76,858
	24,557	76,858

5 Interest receivable and similar income

	2016	2015
	£000	£000
Interest receivable from group undertakings	19,773	15,550
Other interest receivable	71	66
	19,844	15,616

Interest on intercompany loans payable is charged at 7.25% (2015: between 0% and 10%) per annum.

6 Interest payable and similar expenses

	2016	2015
	£000	£000
Interest payable to group undertakings	4,957	32,351
	4,957	32,351

Interest on intercompany loans payable is charged at 7.25% (2015: between 0% and 10%) per annum.

7 Taxation

Recognised in the profit and loss account

	2016	2015
	£000	£000
Current tax expense	-	-
Deferred tax expense	-	-
Total income tax expense recognised	-	-

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016	2015
	£000	£000
Profit for the year	38,869	51,008
Total tax expense	-	-
Profit excluding taxation	38,869	51,008
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	7,774	10,329
Income not taxable	(4,935)	(10,666)
Expenses not deductible	8	-
Capital gains transferred	464	-
Utilisation of unrecognised tax losses	(3,335)	-
Group relief surrendered and not paid for	-	337
Total tax expense	(24)	-

Breakdown of unprovided deferred tax asset

	2016	2015
	£000	£000
Tax losses	-	3,001
Temporary differences	34	9
	34	3,010

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

8 Investments

	Shares in subsidiary undertakings £000
<i>Cost or valuation</i>	
At beginning of the period	615,586
At end of the year	615,586
<i>Net book value</i>	
As at 31 December 2016	615,586
As at 31 December 2015	615,586

Notes (continued)

8 Investments (continued)

The following table lists the Company's subsidiary undertakings. All subsidiaries are held through an intermediate holding company except for the first four companies listed in the table which are direct subsidiary undertakings.

	Registered address	Class of shares held	Ownership	
			2016	2015
Virgin Active Ipco Limited	Note 1	Ordinary	100%	100%
Virgin Active Asia Pacific Holdings Limited	Note 1	Ordinary	100%	100%
Virgin Gyms Limited	Note 1	Ordinary	100%	100%
Virgin Active Group Limited	Note 1	Ordinary	100%	100%
Esporta Financial Services Limited	Note 1	Ordinary	100%	100%
Esporta H&F Propco (1A) Limited	Note 1	Ordinary	100%	100%
Esporta H&F Propco (2A) Limited	Note 1	Ordinary	100%	100%
Esporta Health & Fitness Limited	Note 1	Ordinary	100%	100%
Esporta Health & Racquets Club Gloucester Limited	Note 1	Ordinary	100%	100%
Esporta Health Club Hamilton Limited	Note 1	Ordinary	100%	100%
Esporta Health Club Peterborough Limited	Note 1	Ordinary	100%	100%
Esporta Health Clubs 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 (Club Indigo) Limited	Note 1	Ordinary	100%	100%
Invicta Leisure (Brentwood) Limited	Note 1	Ordinary	100%	100%
Invicta Leisure (Manchester) Limited	Note 1	Ordinary	100%	100%
Invicta Leisure (Plymouth) Limited	Note 1	Ordinary	100%	100%
Invicta Leisure (Sunderland) Limited	Note 1	Ordinary	100%	100%
Invicta Leisure (Swansea) Limited	Note 1	Ordinary	100%	100%
Invicta Leisure (Tennis) Limited	Note 1	Ordinary	100%	100%
Ocean Park Leisure Limited	Note 1	Ordinary	100%	100%
Riverside Limited	Note 1	Ordinary	100%	100%
Riverside Racquet Centre Limited	Note 1	Ordinary	100%	100%
The Riverside Health & Racquets Club Northwood Limited	Note 1	Ordinary	100%	100%
The Royal County of Berkshire Health & Racquets Club Limited	Note 1	Ordinary	100%	100%
Virgin Active Group Investments Limited	Note 1	Ordinary	100%	100%
		Preference	60%	60%
Virgin Active Health Clubs Limited	Note 1	Ordinary	100%	100%
		Ordinary B	100%	100%
Virgin Active Holdings Limited	Note 1	Ordinary	100%	100%
		Preference	100%	100%
		Preference A	100%	100%
Virgin Active Investment Holdings Limited	Note 1	Ordinary	100%	100%
Virgin Active Limited	Note 1	Ordinary	100%	100%
Virgin Active South Africa Holdings Limited	Note 1	Ordinary	100%	100%
Cura Flash (Pty) Limited	Note 2	Ordinary	100%	100%

Notes (continued)

8 Investments (continued)

	Registered address	Class of shares held	Ownership	
			2016	2015
Sound Sense Investments (Pty) Limited	Note 2	Ordinary	100%	100%
Upbeatprops 138 (Pty) Limited	Note 2	Ordinary	100%	100%
Virgin Active South Africa (Pty) Limited	Note 2	Ordinary	100%	100%
Virgin Active South Africa Group (Pty) Limited	Note 2	Ordinary	100%	100%
Virgin Active South Africa 1993 (Pty) Limited	Note 2	Ordinary	100%	100%
Virgin Active Property Company (Pty)	Note 2	Ordinary	100%	100%
Virgin Active South Africa	Note 2	Ordinary A	100%	100%
		Ordinary B	100%	100%
Club Milano City S.r.l (formerly Brescia Studios S.r.l)	Note 3	Ordinary	100%	100%
Club Milano Corso Como S.r.l	Note 3	Ordinary	100%	100%
Virgin Active Revolution Italia S.r.l ⁽¹⁾	Note 3	Ordinary	100%	-
Virgin Active Italia S.p.A.	Note 3	Ordinary	100%	100%
Virgin Active Portugal, Sociedade Unipessoal, Lda	Note 4	Ordinary	100%	100%
Virgin Active Espaná S.A.U.	Note 5	Ordinary	100%	100%
Virgin Active Australia Pty Limited	Note 6	Ordinary	100%	100%
Virgin Active Singapore Pte Limited	Note 7	Ordinary	100%	100%
Virgin Active (Thailand) Limited	Note 8	Ordinary	99.98%	99.98%
Virgin Active Botswana (Pty) Limited	Note 9	Ordinary	100%	100%
Virgin Active Kenya (Pty) Limited	Note 10	Ordinary	100%	100%
Virgin Active Namibia (Pty) Limited ⁽¹⁾	Note 2	Ordinary	100%	-

⁽¹⁾ Virgin Active Revolution Italia and Virgin Active Namibia (Pty) Limited were incorporated in 2016.

Note 1: 100 Aldersgate Street
London EC1A 4LX
United Kingdom

Note 2: 3rd Floor MontClare Place
Corner of Main &
Campground Roads
Claremont 7708

Note 3: Via Archimede n.2
20094 Corsico (MI)
Italy

Note 4: Avenida Fontes
Pereira de Melo
No 16, 1050-121
Lisboa, Portugal

Note 5: Centro Lúdico
Herón City
Las Rozas de Madrid, Spain

Note 6: Level 5, East Village
Shopping Centre
2 Defies Avenue, Zetland
NSW Australia 2017

Note 7: 1 Raffles Place
#0-61 One Raffles Place
Singapore 048616

Note 8: 12th Floor, Empire Tower
1 South Sathorn Rd
Kweng Yannawa
Khet Sathorn
Bangkok 10120
Thailand

Note 9: Plot 67978
First Floor
Mokolwane House
Fairgrounds Office Park
Gaborone, Botswana

Note 10: L.R No. 209/8257
ABC Towers, 8th Floor
Waiyaki Way
Nairobi

Notes (continued)

9 Called up share capital

	2016	2015
	£	£
Allotted, called up and fully paid		
Equity: 510 Ordinary share of 0.001p	-	-
Shares classified in shareholders' funds	-	-

10 Financial instruments

As the consolidated 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 Health Fitness & Racquets Limited consolidated financial statements.

Fair value measurements of financial assets and financial liabilities

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

	Carrying amount			
	Loans and receivables	Other Financial liabilities	Loans and receivables	Other Financial liabilities
	2016	2016	2015	2015
	£000	£000	£000	£000
Financial assets				
Amounts owed by group undertakings	286,447	-	260,045	-
Financial liabilities				
Amounts due to group undertakings	-	658,924	-	688,628

11 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 SE, which is registered in Malta.

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

Notes (continued)

12 Accounting estimates and judgements

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 Health Club Holdings 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 2016 was £615,586,000 (2015: £615,586,000) and no impairment loss has been recognised (2015: £nil).

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 2015 was £286,566,000 (2015: £260,045,000) and no impairment loss has been recognised (2015: £ nil).

13 Subsequent events

On 30 June 2017, an entity within the Group, Virgin Active Holdings Limited, entered into a refinancing agreement to extinguish its existing European debt facilities and enter into new £180m European and Asia Pacific facilities. As part of the new arrangement, the Company sold one of its subsidiary companies, Virgin Active Asia Pacific Holdings Limited to Virgin Active Holdings Limited. This transaction resulted in the amounts owed by group undertakings of £128.6m from Virgin Active Asia Pacific Holdings Limited being settled via intercompany transactions between entities within the group and an increase in the investment in Virgin Active Group Limited.