Company Registration No. 02467338 (England and Wales)

CHAMPNEYS SPRINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

CHAMPNEYS SPRINGS LIMITED

COMPANY INFORMATION

Directors	Mrs D Purdew OBE Mr S Purdew Mr A Whiteley
Secretary	Mr P Mitchell
Company number	02467338
Registered office	Palladium House 1-4 Argyll Street London W1F 7LD
Auditor	Azets Audit Services 16 The Mount Guildford Surrey GU2 4HN
Business address	Gallows Lane Packington Ashby-De-La-Zouch Swadlincote Leicestershire DE12 7HD

CHAMPNEYS SPRINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2020

The directors present the strategic report for the year ended 30 April 2020.

The principal activity of the company remains as the original health spa pioneers, Champneys is still true to its innovative heritage. Established in 1925, it continues to enhance each guest's visit by breaking new ground in health and wellness in a welcoming, friendly environment and providing accessibility for all. With a combination of over 100 spa and beauty treatments, specialist treats, expert advice, informative talks, classes, medical services, nutritious food, spirituality and surroundings make Champneys the ultimate immersive and affordable health spa experience.

The company continues to invest in developing and maintaining its resort, spa and wellness offering to maintain its market leading position.

Planns are underway to refurbish and upgrade the Resort for the future.

There have been no changes in the company's activities in the year under review.

Sustainability - Green Team

At Champneys we are fully committed to reduce our impact on the planet by committing to reduce plastic use. It is our intention for all our plastic packaging to be 100% recyclable or reusable with no single use plastic used across the brand by 2023.

Champneys resorts & hotels have moved to using plastic free cotton buds, swapping plastic cups for paper and our flip flops are no longer wrapped in plastic.

Key performance indicators

The directors consider the following statistics as the principal KPIs of the business:

Total number of guests	2020: 45,316 (2019: 50,532)
Revenue per guest	2020: £138 (2019: £136)

Fair review of the business

The profit and loss account shows turnover for the year of £6,341,479 (2019: £6,972,428). The turnover has decreased by 9% (2019: increased by 1%) due to the impact of Covid-19 and the closure of the site.

The profit and loss account shows the profit before taxation of £431,315 (2019: £1,226,771),

The recent COVID-19 pandemic has caused significant disruption to the operations of the Group. Various operations have been fully or partially closed since 23rd March 2020 in line with Government guidance or policy.

All appropriate measures have been put in place to reduce the financial impact on the Group. The business has taken advantage of various government schemes to help it through this difficult period such as; Government job retention scheme, deferment of VAT and the business rates holiday.

The Group has prepared financial forecasts to consider the alternative scenarios to show the impact of COVID-19. As well as having on-going support from its banking partners, the Group has taken Government backed CLBILS financing to ensure it as sufficient financial resources to meet its liabilities.

Principal risks and uncertainties
The health resort and spa market remains highly competitive. During the year, direct competition from hotels with "spa facilities", local specialist spa facilities and indirect competition from the leisure industry were the main challenges facing the business.

Post year end the biggest challenge has been the global pandemic which has hit the whole hospitality sector

The financial instruments used by the company arise wholly and directly from our operations. The financial instruments comprise trade debtors, cash at bank, bank loans and trade creditors.

The company has put in place the following measures in order to manage the risks arising from these financial instruments:

1. The company's credit risk is primarily attributable to agency bookings; all bookings made by individuals are paid for in advance. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreements.

2. The company manages its cash position by regularly monitoring cash flow, using cash flow forecasting and variance analysis.

3. The financial risk arising from the possible non-advance of credit by the company's trade creditors, either by exceeding agreed credit limit or by not paying with the specified terms, is managed by regularly monitoring the trade balance and credit limit terms from all suppliers.

Other information and explanations
The financial instruments used by the company arise wholly and directly from its activities and comprise of debtors, cash at bank and creditors. The company regularly reviews its performance by producing monthly management accounts and closely reviewing them. The company regularly monitors the level of its debtors and creditors. Due to the nature of the financial instruments used by the company, there is minimal financial risk arising from these financial instruments.

On behalf of the board

D Purdew

Mrs D Purdew OBE
Director
26 April 2021

CHAMPNEYS SPRINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2020

The directors present their annual report and financial statements for the year ended 30 April 2020.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs D Purdew OBE
Mr S Purdew
Mr A Whiteley

Results and dividends
The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £1,000,000. The directors do not recommend payment of a further dividend.

Financial instruments

Treasury operations and financial instruments
The company is a subsidiary undertaking within the Champneys Henlow Limited Group. Cash funds of the group are managed at a group level.

Liquidity and interest rate risk
The company's arrangements with the group ensure that in the event it has liquidity requirements above the level of cash generated from its on-going operations, it can access additional funds through group funding. The group's liquidity requirements and interest rate risks are managed at a group level.

Foreign currency risk
The company's functional currency is Sterling and it also presents its financial statements in Sterling. The company's exposure to currency risk is minimal.

Statement of directors' responsibilities
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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mrs D Purdew OBE
Director

26 April 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHAMPNEYS SPRINGS LIMITED

Opinion

We have audited the financial statements of Champneys Springs Limited (the 'company') for the year ended 30 April 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2020 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Azets Audit Services

James Leigh (Senior Statutory Auditor)
for and on behalf of Azets Audit Services
Chartered Accountants
Statutory Auditor

29.6.2021

Mount Manor House
16 The Mount
Guildford
Surrey
United Kingdom
GU2 4HN

CHAMPNEYS SPRINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2020

	Notes	2020 £	2019 £
Turnover	**3**	6,341,479	6,972,428
Cost of sales		(1,430,255)	(1,453,653)
Gross profit		4,911,224	5,518,775
Administrative expenses		(4,638,892)	(4,305,297)
Other operating income		167,596	17,427
Operating profit	**4**	439,928	1,230,905
Interest payable and similar expenses	**7**	(8,613)	(4,134)
Profit before taxation		431,315	1,226,771
Tax on profit	**8**	(5,460)	(28,123)
Profit for the financial year		425,855	1,198,648
Other comprehensive income			
Revaluation of tangible fixed assets		862,527	-
Total comprehensive income for the year		1,288,382	1,198,648

The profit and loss account has been prepared on the basis that all operations are continuing operations.

CHAMPNEYS SPRINGS LIMITED

BALANCE SHEET

AS AT 30 APRIL 2020

		2020		2019	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		15,604,577		15,027,577
Current assets					
Stocks	11	256,124		287,400	
Debtors	12	376,423		822,644	
Cash at bank and in hand		957,816		551,974	
		1,590,363		1,662,018	
Creditors: amounts falling due within one year	13	(5,965,299)		(5,758,157)	
Net current liabilities			(4,374,936)		(4,096,139)
Total assets less current liabilities			11,229,641		10,931,438
Creditors: amounts falling due after more than one year	14		(14,668)		(10,307)
Provisions for liabilities	16		(264,067)		(258,607)
Net assets			10,950,906		10,662,524
Capital and reserves					
Called up share capital	19		100		100
Revaluation reserve			6,822,463		6,036,858
Profit and loss reserves			4,128,343		4,625,566
Total equity			10,950,906		10,662,524

The financial statements were approved by the board of directors and authorised for issue on 26 April 2021 and are signed on its behalf by:

DPurdew

Mrs D Purdew OBE
Director

Company Registration No. 02467338

CHAMPNEYS SPRINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2020

	Notes	Share capital	Revaluation reserve	Profit and loss reserves	Total
		£	£	£	£
Balance at 1 May 2018		100	6,113,780	9,349,996	15,463,876
Year ended 30 April 2019:					
Profit and total comprehensive income for the year		-	-	1,198,648	1,198,648
Dividends	9	-	-	(6,000,000)	(6,000,000)
Transfers		-	(76,922)	76,922	-
Balance at 30 April 2019		100	6,036,858	4,625,566	10,662,524
Year ended 30 April 2020:					
Profit for the year		-	-	425,855	425,855
Other comprehensive income:					
Revaluation of tangible fixed assets		-	862,527	-	862,527
Total comprehensive income for the year		-	862,527	425,855	1,288,382
Dividends	9	-	-	(1,000,000)	(1,000,000)
Transfers		-	(76,922)	76,922	-
Balance at 30 April 2020		100	6,822,463	4,128,343	10,950,906

CHAMPNEYS SPRINGS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2020

		2020		2019	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	**25**		668,139		451,833
Interest paid			(8,613)		(4,134)
Income taxes (paid)/refunded			-		24,971
Net cash inflow from operating activities			659,526		472,670
Investing activities					
Purchase of tangible fixed assets		(247,877)		(324,121)	
Net cash used in investing activities			(247,877)		(324,121)
Financing activities					
Payment of finance leases obligations		(5,807)		(3,616)	
Net cash used in financing activities			(5,807)		(3,616)
Net increase in cash and cash equivalents			405,842		144,933
Cash and cash equivalents at beginning of year			551,974		407,041
Cash and cash equivalents at end of year			957,816		551,974

1 Accounting policies

Company information
Champneys Springs Limited is a private company limited by shares incorporated in England and Wales. The registered office is Palladium House, 1-4 Argyll Street, London, United Kingdom, W1F 7LD.

1.1 Accounting convention
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 33 'Related Party Disclosures': Compensation for key management personnel.

Champneys Springs Limited is a controlled subsidiary of Champneys Henlow Limited and the results of Champneys Springs Limited are included in the consolidated financial statements of Champneys Henlow Limited which are available from its registered office.

1.2 Going concern
The balance sheet shows net current liabilities of £4,374,936 (2019: £4,096,139). The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future due to the continued financial support of the company's parent undertaking and other companies in the group.

The Directors have carefully considered the position of the Company following the uncertainty created by the recent COVID -19 pandemic, which has caused significant disruption to the operations of the Company. Various operations have been fully or partially closed since 23rd March 2020 in line with Government guidance or policy.

All appropriate measures have been put in place to reduce the financial impact on the Company. The business has taken advantage of various government schemes to help it through this difficult period such as; Government job retention scheme, deferment of VAT and the business rates holiday.

The directors have prepared detailed Company and Group financial projections for 2020/21 and 2021/22. These projections are based on assumptions that the directors consider to be reasonable and achievable, and consider alternative scenarios to show the impact of COVID-19. As well as having on-going support from its banking partners, the parent company has taken Government backed CLBILS financing to ensure it has sufficient financial resources to meet its liabilities as they fall due. As at the time of approving the financial statements, the parent company has received additional loan financing of £14m and agreed a further £6m term loan in principle, all since the balance sheet date, and these has been factored into the forecasts.

Based upon these forecasts, the directors are confident that the company can continue to meet its obligations as they fall due. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

1 Accounting policies **(Continued)**

1.3 Turnover

Turnover represents sales to customers for Spa treatments, fitness club membership, accommodation, food and beverages, retail and related services at invoiced amounts less value added tax.

Revenue from the sale of Spa treatments, accommodation and other related services is recognised when the service is provided and the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred in respect of the transaction can be measured reliably.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually at the point of sale), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Where cash is received in advance, revenue is deferred until goods and services are provided, upon which it is recognised in the profit and loss account.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	50 years straight line (Freehold land is not depreciated)
Gym equipment	5 years straight line
Fixtures, fittings and equipment	5-10 years straight line
Motor vehicles	5 years straight line

Assets are only depreciated once brought into use.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stock represents cosmetics, toiletries, spa treatment materials, base stock, food and beverages, and is valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less costs of disposal. Where necessary, provisions are made for obsolete, slow-moving and defective stock.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

1 Accounting policies **(Continued)**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment except where the effect of discounting would be immaterial. In such cases, the debtors are stated at cost less impairment losses for bad and doubtful debts.

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies **(Continued)**

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1 Accounting policies **(Continued)**

1.12 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year in which they are payable.

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements
The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of tangible fixed assets
The directors determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Valuation of assets
Freehold land and buildings are held at value and are professionally valued on a sufficiently regular basis to ensure that the carrying amount does not differ materially from that which would be determined using fair value. They are valued using a yield methodology on EBITDA based on the returns investors are currently seeking from hotels and leisure properties. There is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful lives of tangible fixed assets

The cost of tangible fixed assets is depreciated over its useful economic life. Management estimates the useful lives of these tangible assets to vary. Changes in the expected level of usage and technological developments could impact on the useful economic lives and the residual values of these assets; therefore, future depreciation charges could be revised. The accounting policy of tangible fixed assets is described in note 1.4. The carrying amount of the company's tangible fixed assets in the balance sheet is disclosed in note 10 of the financial statements.

Impairment of trade debtors

The company reviews trade receivable balances for impairment and this is performed on a regular basis. Those balances which are considered to be recoverable remain in receivables and those which are not, are impaired and the impaired loss is recorded in the income statement. In making this judgement, the company evaluates, among other factors, the duration and the financial health of and short-term business outlook for the trade receivables, including factors such as industry and sector performance. The accounting policy of trade debtors is described in note 1.8. At the year end the carrying amount of trade debtors is stated in note 12.

Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends. The accounting policy of stocks is described in note 1.6. At the year end the carrying amount of stocks is stated in note 11.

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Spa treatments, fitness club membership, accommodation, food and beverages and other income	6,341,479	6,972,428

	2020	2019
	£	£
Other significant revenue		
Grants received	149,326	-

	2020	2019
	£	£
Turnover analysed by geographical market		
United Kingdom	6,341,479	6,972,428

4 Operating profit

Operating profit for the year is stated after charging/(crediting):	2020 £	2019 £
Government grants	(149,326)	-
Depreciation of owned tangible fixed assets	544,253	526,955
Depreciation of tangible fixed assets held under finance leases	3,958	-
Operating lease charges	16,200	19,995

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2020 £	2019 £
For audit services		
Audit of the financial statements of the company	9,750	9,250

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Management	1	1
Administration	9	9
Operations	144	139
Total	154	149

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	1,952,470	1,874,727
Social security costs	115,563	110,671
Pension costs	26,163	18,650
	2,149,675	2,004,048

7 Interest payable and similar expenses

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	7,900	3,627
Other finance costs:		
Interest on finance leases and hire purchase contracts	713	507
	8,613	4,134

8 Taxation

	2020	2019
	£	£
Current tax		
Adjustments in respect of prior periods	-	(6)
Deferred tax		
Origination and reversal of timing differences	(24,964)	28,129
Changes in tax rates	30,424	-
Total deferred tax	5,460	28,129
Total tax charge	5,460	28,123

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Profit before taxation	431,315	1,226,771
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	81,950	233,086
Tax effect of expenses that are not deductible in determining taxable profit	-	237
Adjustments in respect of prior years	-	(6)
Group relief	(66,601)	(258,208)
Permanent capital allowances in excess of depreciation	218	18,903
Depreciation on assets not qualifying for tax allowances	33,665	37,292
Other adjustments	(49,232)	(31,310)
Deferred tax adjustment	5,460	28,129
Taxation charge for the year	5,460	28,123

9 Dividends

	2020	2019
	£	£
Final paid	1,000,000	6,000,000

10 Tangible fixed assets

	Freehold land and buildings	Gym equipment	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 May 2019	14,659,866	220,284	8,743,137	3,333	23,626,620
Additions	-	14,639	248,045	-	262,684
Revaluation	862,527	-	-	-	862,527
At 30 April 2020	15,522,393	234,923	8,991,182	3,333	24,751,831
Depreciation and impairment					
At 1 May 2019	2,047,441	199,349	6,349,809	2,444	8,599,043
Depreciation charged in the year	268,350	68	279,126	667	548,211
At 30 April 2020	2,315,791	199,417	6,628,935	3,111	9,147,254
Carrying amount					
At 30 April 2020	13,206,602	35,506	2,362,247	222	15,604,577
At 30 April 2019	12,612,425	20,935	2,393,328	889	15,027,577

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2020	2019
	£	£
Gym equipment	30,470	19,789

On 13 March 2020 freehold land and buildings were revalued to £13,206,602 by an independent valuer based on an existing use, open market value. The valuation conformed to professional standards issued by the Royal Institution of Chartered Surveyors and was based on an existing use basis. The net book value of freehold land and buildings as at 30 April 2020 was adjusted in respect of this valuation. Certain items of fixtures and fittings, furniture and equipment that were included in the independent valuation have not been revalued.

The directors believe that net book value of freehold land and buildings as at 30 April 2020 is a fair reflection of their open market value at that date.

10 Tangible fixed assets (Continued)

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2020	2019
	£	£
Cost	8,366,419	8,366,419
Accumulated depreciation	(1,982,279)	(1,790,852)
Carrying value	6,384,140	6,575,567

Tangible fixed assets with a carrying amount of £15,574,107 (2019: £15,007,788) have been pledged to secure borrowings of the group. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity until the relevant charge has been satisfied.

11 Stocks

	2020	2019
	£	£
Cosmetics, toiletries, spa treatment materials, food and beverages	256,124	287,400

12 Debtors

	2020	2019
Amounts falling due within one year:	£	£
Trade debtors	66,441	301,631
Amounts owed by group undertakings	100,022	85,330
Other debtors	47,619	166,560
Prepayments and accrued income	162,341	269,123
	376,423	822,644

13 Creditors: amounts falling due within one year

		2020	2019
	Notes	£	£
Obligations under finance leases	15	9,586	4,947
Trade creditors		394,574	633,475
Amounts owed to group undertakings		4,635,950	4,016,324
Taxation and social security		148,446	247,705
Other creditors		154,822	444,121
Accruals and deferred income		621,921	411,585
		5,965,299	5,758,157

14 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Obligations under finance leases	15	14,668	10,307

15 Finance lease obligations

Future minimum lease payments due under finance leases:	2020 £	2019 £
Within one year	9,586	4,947
In two to five years	14,668	10,307
	24,254	15,254

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The finance lease creditor is secured on the assets to which they relate.

16 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	17	264,067	258,607

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	Liabilities 2020 £	Liabilities 2019 £
Accelerated capital allowances	264,067	258,607

17 Deferred taxation **(Continued)**

Movements in the year:	2020 £
Liability at 1 May 2019	258,607
Credit to profit or loss	(24,965)
Effect of change in tax rate - profit or loss	30,425
Liability at 30 April 2020	264,067

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

18 Retirement benefit schemes

Defined contribution schemes	2020 £	2019 £
Charge to profit or loss in respect of defined contribution schemes	26,163	18,650

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
100 Ordinary shares of £1 each	100	100

20 Financial commitments, guarantees and contingent liabilities

The company is party to a cross guarantee for the bank borrowings of the group. The borrowings are secured by way of a fixed and floating charge over the assets of the company. At the year end the liabilities covered by these guarantees totalled £77,900,000 (2019: £72,500,000).

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	19,200	19,200

22 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2020	2019
	£	£
Acquisition of tangible fixed assets	-	16,775

23 Related party transactions

The company has taken advantage of the exemption available in FRS102 Section 33.1A "Related party disclosures" whereby it has not disclosed transactions with any other wholly owned subsidiary undertaking of the Champneys Henlow Limited group.

24 Ultimate controlling party

The company is a subsidiary of Champneys Henlow Limited which is the immediate and ultimate parent company.

The ultimate controlling party is the Purdew family.

The smallest and largest group that prepares group accounts and for which the company is a member is that headed by Champneys Henlow Limited. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

25 Cash generated from operations

	2020	2019
	£	£
Profit for the year after tax	425,855	1,198,648
Adjustments for:		
Taxation charged	5,460	28,123
Finance costs	8,613	4,134
Depreciation and impairment of tangible fixed assets	548,211	526,955
Movements in working capital:		
Decrease/(increase) in stocks	31,276	(56,527)
Decrease in debtors	446,221	678,437
Decrease in creditors	(797,497)	(1,927,937)
Cash generated from operations	668,139	451,833

26 Analysis of changes in net funds

	1 May 2019	Cash flows	New finance leases	30 April 2020
	£	£	£	£
Cash at bank and in hand	551,974	405,842	-	957,816
Obligations under finance leases	(15,254)	5,807	(14,807)	(24,254)
	536,720	411,649	(14,807)	933,562