Registered number: 02973240

The Third Space Group Limited

Report and Financial Statements

31 December 2020

Directors
I Mahoney (resigned 23 July 2021)
J Penny
S Shah
C Waggett

Registered Number
02973240

Registered Office
16-19 Canada Square
London
E14 5ER

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Strategic report

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

Principal activity and review of the business

The principal activity of the Company is the provision of management services to the Third Space Holdings group of companies.

2020 was dominated by the spread of COVID19 globally, and specifically the UK. The virus touched all corners of the UK economy, and the Company was not alone in feeling is impact. The UK government implemented various containment strategies to curb the spread of the virus during the year, in particular through the use of lockdown restrictions such as social distancing and mandatory closures of businesses including health clubs. This resulted in the trading companies in the wider group having to close the business for over 5 months of the year in 2020.

The Group mitigated the risk of COVID19 to the business through:

- Use of government support schemes such as furloughing of employees that were unable to work during lockdowns or due to reduced capacity in the clubs, business rates holidays and VAT payment deferments
- Members and staff were temperature checked on arrival to the clubs and various social distancing measures were put in place to avoid close interactions where possible
- Careful consideration of all future investment decisions

Our supply chains were not materially impacted.

The ongoing influence of COVID19 is explained in the going concern review within the Directors' Report on page 4, with the Company looking forward to continued recovery as consumer behaviour returns to pre-pandemic levels during the balance of 2021 and in to 2022.

Company turnover decreased to £4.4m (2019: £5.9m) down 25% on the prior year, reflecting a reduction in costs during the closures due to lockdowns. Accordingly, profit before tax before tax decreased to £0.5m (2019: profit of £0.9m).

Other key performance indicators monitored by the Company include:

- Membership count – club membership numbers, including new member sales and leavers
- Moving annual attrition percentage – rate of turnover of members leaving
- Health and safety – monitoring the number of incidents to ensure corrective and preventative action is taken

Member experience – measuring the level of member satisfaction

Strategic report (continued)

Principal risks and uncertainties

Price risk

The Company is exposed to price risk due to normal inflationary pressures of goods and services in the UK only. Costs are constantly monitored and action taken where possible to minimise any adverse inflationary increases.

Financial instrument risks

In conducting its operative activities the Company engages in various types of basic financial instruments. In mitigating exposure arising from its use of financial instruments, the management team conducts an annual risk assessment of the business and manages the risks identified to proactively prevent any material and adverse risk to the company's future operating profits or financial position. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of liquidity risk.

The Company is exposed to financial instruments risk from balances with related parties that arise as a result of group treasury arrangements. The Company mitigates exposure by only transacting with companies under common control who are part of the same group of which the Company is a member.

Liquidity Risk

The Company actively maintains a debt financing facility, managed at Group level, which is designed to ensure the Company has sufficient available funds for operations and planned expansions.

Credit risk

The company manages exposure to credit risk by actively monitoring payment profiles of customers.

Investment impairment risk

The directors understanding of the risks associated with the investments held by the entity relate to the potential impairment of those investments. To identify any risk of impairment in a timely manner, the company reviews the financial performance of its investments on a regular basis. The results of 2020 have been impacted by the COVID pandemic, however, the Directors regard this as a temporary impact and so do not believe that the investments are exhibiting indicators of impairment. This is expected to continue for the foreseeable future.

Approved by the Board on 17/12/21 and signed on its behalf by:

Samir Shah
Director
Date 17/12/21

Directors' report

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

Results and dividends

The profit for the year after taxation amounted to £461,552 (2019: £849,543). The directors do not recommend a dividend (2019: £Nil).

Directors

The directors who served the company during the year and to the date of approving these financial statements for issue are stated on page 1.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

The Company is dependent on a parent, Third Space Holdings Limited, for support, further detail on parent undertakings is provided in Note 18 to the financial statements. Treasury and cash flow is managed on a group basis within the Third Space Holdings Limited group and prior to the subsequent event in note 19, the assets of the Company and its fellow subsidiaries were held as security over banking relationships held by Third Space Holdings Limited. Subsequent to the year-end, treasury and cash flow remain managed on a group basis, albeit that the banking loans were repaid with a consequent release of securities. The Directors therefore consider it is appropriate to perform their going concern assessment at group level in order to conclude whether the parent can provide sufficient support.

The COVID-19 pandemic continues to evolve and the company's ability to trade is dependent on both the national and localised trading restrictions imposed on it by the UK Government. The spread and transference of the COVID-19 virus presents a risk to both employees and our members. The company has taken steps to minimise these risks by ensuring that all Government guidance on health & safety and social distancing are strictly adhered to.

During the first period of national lockdown in March 2020, the business was closed to customers. The business was allowed to open again for a period of time over the summer of 2020 within the levels of restrictions at that time, before it was forced to close again in late 2020 and early 2021. Since 12 April 2021, the business re-opened and operated within the prevailing levels of restrictions. The Government lifted the majority of these restrictions in July 2021, but the situation and level of restrictions applicable to our industry continues to be monitored. Nevertheless, COVID-19 continues to create some uncertainty and the company cannot predict the impact of this on its trading outlook (e.g. impact of new variants of the virus or new government restrictions being introduced), and any consequent impact from the propensity to work from home.

Despite this uncertainty, the business had a strong return of membership levels on re-opening in April 2021, with a continued recovery in this base each month since. This has resulted in the business being able to deliver positive trading EBITDA (before any non-trading items) for each full calendar month it has been open.

Whilst it is too early to fully assess the long-term impact of the virus, the Directors remain confident, based on a strong database of members and its experience following the end of the last lockdown, that consumer behaviour will return to pre-pandemic levels during the balance of 2021 and in to 2022. This confidence extends to the belief in the fundamental strength of the business model, and the substantial opportunities that exist for the future of the business and the health and fitness market as a whole.

Director's report (continued)

Going concern (continued)

The Directors' have prepared cashflow forecasts for the purposes of assessing going concern and in doing so, have factored in downside sensitivities. These assess the expected trading, working capital requirements, capital projects and financing of the company. In making their going concern assessment, the Directors have considered the impact of COVID-19 on cashflows and liquidity for the twelve month period from the approval of these financial statements i.e 31 December 2022. This assessment also takes in to account the measures available to the Group to preserve cash and reduce discretionary expenditure.

The Directors confirm that they have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of these financial statements to 31 December 2022. This is especially the case given the change of shareholding on 23 July 2021, as described further in the subsequent events section below. This period is appropriate given the continued uncertainty in the market.

These financial statements do not include the adjustments that would result if the Company, or the Group, were unable to continue as a going concern.

Subsequent events

Change in controlling party

On 23 July 2021, the Group was acquired by an investment fund managed by KSL Capital Partners LLC, a private equity firm specialising in travel and leisure enterprises, through Marlin BidCo Limited, a vehicle incorporated to facilitate the transaction. The Company's ultimate controlling party changed as a result of this transaction to Steele Offshore GP LLP. Prior to 23 July 2021, the Company's controlling party remained Encore Capital VIII Limited as explained in note 18.

Disclosure of information to the 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, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, the director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Director's report (continued)

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year and since the year end.

Financial instruments

The directors' understanding of, and the Company's exposure to risk as a result of using financial instruments is set out in the strategic report.

Charitable donations

The Company made charitable donations of £8,711 during the year (2019: £19,298).

On behalf of the Board

Samir Shah
Director
Date 17/12/21

Directors' responsibilities statement

The directors are responsible for preparing the 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 its profit or loss 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE THIRD SPACE GROUP LIMITED

Opinion

We have audited the financial statements of The Third Space Group Limited for the year ended 31 December 2020, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and the related notes 1 to 19, 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 company's affairs as at 31 December 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the twelve month period to 31 December 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 the 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 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 or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 set out on page 7, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006, the Companies (Miscellaneous Reporting) Regulation and relevant health and safety, anti-bribery, anti-money laundering, privacy and tax laws and regulations.

- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, discussions with those charged with governance as well as consideration of the results of our audit procedures across the Third Space Holdings Group and we did not identify any contradictory evidence.

- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management to understand their process of identification and assessment of risk and how these risks are being mitigated. We also considered performance targets and their influence on efforts made by management to manage earnings. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. We also considered the risk of fraud through management override of controls and, in response, incorporated data analytics into our testing of manual journal entries. Where the risk of material misstatement was considered to be higher, we performed specific audit procedures to address each identified risk of material misstatement including fraud risk. These procedures included testing manual journals and tracing these back to the source documentation.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing using data analytics in relation to the identified fraud risk with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; and reviewing the disclosures in the financial statements. Our procedures also involved enquiries of management and those charged with governance

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://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.

Ernst & Young LLP

Zishan Nurmohamed (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20/12/2021

Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 £	2019 £
Turnover	4	4,427,891	5,858,996
Administrative expenses		(4,379,912)	(5,003,321)
Other operating income		411,510	-
Profit before taxation		459,489	855,675
Tax	8	2,063	(6,132)
Profit for the year		461,552	849,543
Other comprehensive income		-	-
Total comprehensive income		461,552	849,543

Results of the current and prior years were generated from continuing operations.

Balance Sheet

at 31 December 2020

	Notes	£	2020 £	£	2019 £
Fixed assets					
Intangible assets	9		315,820		95,425
Tangible assets	10		206,849		318,875
Investments	11		8,564,400		8,564,400
			9,087,069		8,978,700
Current assets					
Debtors: amounts falling due after more than one year	12	110,250		110,250	
Debtors: amounts falling due within more than one year	12	12,268,516		9,342,447	
		12,378,766		9,452,697	
Creditors: amounts falling due within one year	13	(10,830,142)		(8,414,308)	
Net current assets			1,548,624		1,038,389
Total assets less current liabilities			10,635,693		10,017,089
Creditors: amounts falling due after more than one year	14		(159,115)		-
Provisions: Deferred tax	8		(6,069)		(8,132)
Net assets			10,470,509		10,008,957
Capital and reserves					
Called up share capital	15		1		1
Profit and loss account			10,470,508		10,008,956
Shareholders' funds			10,470,509		10,008,957

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17/12/21

Samir Shah
Director

Statement of Changes in Equity

for the year ended 31 December 2020

	Called up share capital	*Profit and loss account*	*Total equity*
	£	*£*	*£*
At 1 January 2019	**1**	**9,159,413**	**9,159,414**
Profit for the year	-	849,543	849,543
Other comprehensive income	-	-	-
Total comprehensive income	-	849,543	849,543
At 31 December 2019	**1**	**10,008,956**	**10,008,957**
Profit for the year	-	461,552	461,552
Other comprehensive income	-	-	-
Total comprehensive income	-	461,552	461,552
At 31 December 2020	**1**	**10,470,508**	**10,470,509**

Notes to the financial statements

at 31 December 2020

1. General information

The Third Space Group Limited is a private company limited by shares and incorporated in England and Wales, with registration number 02973240.

The address of its registered office is 16-19 Canada Square, London, E14 5ER.

2. Accounting policies

Basis of preparation

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 3).

Financial reporting standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirement of Section 3 Financial Statement Presentation paragraph 3.17 (d);
- the requirement of Section 4 Statement of Financial Position paragraph 4.12 (a) (iv);
- the requirement of Section 7 Cash Flows;
- the requirement of Section 11 Financial Instruments paragraphs 11.41(b), 11.41 (c), 11.41 (e), 11.41 (f), 11.42, 11.44, 11.45, 11.47, 11.48 (a)(iii), 11.48(a)(iv), 11.48 (b), and 11.48 (c);
- the requirement of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12,29 (a), 12.29 (b) and 12.29A;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Gordons96 Limited for the year ended 31 December 2020 and these financial statements may be obtained from Companies House.

The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

The Company is dependent on a parent, Third Space Holdings Limited, for support, further detail on parent undertakings is provided in Note 18 to the financial statements. Treasury and cash flow is managed on a group basis within the Third Space Holdings Limited group and prior to the subsequent event in note 19, the assets of the Company and its fellow subsidiaries were held as security over banking relationships held by Third Space Holdings Limited. Subsequent to the year-end, treasury and cash flow remain managed on a group basis, albeit that the banking loans were repaid with a consequent release of securities. The Directors therefore consider it is appropriate to perform their going concern assessment at group level in order to conclude whether the parent can provide sufficient support.

The COVID-19 pandemic continues to evolve and the company's ability to trade is dependent on both the national and localised trading restrictions imposed on it by the UK Government. The spread and transference of the COVID-19 virus presents a risk to both employees and our members. The company has taken steps to minimise these risks by ensuring that all Government guidance on health & safety and social distancing are strictly adhered to.

Notes to the financial statements (continued)

at 31 December 2020

2. Accounting policies (continued)

Going concern (continued)

During the first period of national lockdown in March 2020, the business was closed to customers. The business was allowed to open again for a period of time over the summer of 2020 within the levels of restrictions at that time, before it was forced to close again in late 2020 and early 2021. Since 12 April 2021, the business re-opened and operated within the prevailing levels of restrictions. The Government lifted the majority of these restrictions in July 2021, but the situation and level of restrictions applicable to our industry continues to be monitored. Nevertheless, COVID-19 continues to create some uncertainty and the company cannot predict the impact of this on its trading outlook (e.g. impact of new variants of the virus or new government restrictions being introduced), and any consequent impact from the propensity to work from home.

Despite this uncertainty, the business had a strong return of membership levels on re-opening in April 2021, with a continued recovery in this base each month since. This has resulted in the business being able to deliver positive trading EBITDA (before any non-trading items) for each full calendar month it has been open.

Whilst it is too early to fully assess the long-term impact of the virus, the Directors remain confident, based on a strong database of members and its experience following the end of the last lockdown, that consumer behaviour will return to pre-pandemic levels during the balance of 2021 and in to 2022. This confidence extends to the belief in the fundamental strength of the business model, and the substantial opportunities that exist for the future of the business and the health and fitness market as a whole.

The Directors' have prepared cashflow forecasts for the purposes of assessing going concern and in doing so, have factored in downside sensitivities. These assess the expected trading, working capital requirements, capital projects and financing of the company. In making their going concern assessment, the Directors have considered the impact of COVID-19 on cashflows and liquidity for the twelve month period from the approval of these financial statements i.e 31 December 2022. This assessment also takes in to account the measures available to the Group to preserve cash and reduce discretionary expenditure.

The Directors confirm that they have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of these financial statements to 31 December 2022. This is especially the case given the change of shareholding on 23 July 2021, as described further in the subsequent events section below. This period is appropriate given the continued uncertainty in the market.

These financial statements do not include the adjustments that would result if the Company, or the Group, were unable to continue as a going concern.

Turnover

Turnover 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. Turnover 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:

Rendering of services

Revenue from the rendering of services represents income from management charges and is recognised as services are provided.

Notes to the financial statements (continued)

at 31 December 2020

2. Accounting policies (continued)

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 over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	–	10 years
Fixtures and fittings	–	3-10 years
Computer equipment	–	5 years

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.

Intangible fixed assets

Intangible 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.

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

The estimated useful lives range as follows:

Computer software	–	3 years
Website and apps	–	3 years

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.

Investments

Investments in subsidiaries are measured at cost less any accumulated impairment.

Notes to the financial statements (continued)

at 31 December 2020

2. Accounting policies (continued)

Impairment

At each reporting date, the Company reviews the carrying amounts of its non-current 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The 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. Impairment losses are immediately recognised in the statement of comprehensive income.

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.

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.

Creditors

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

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Pensions

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 Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the group in independently administered funds.

Notes to the financial statements (continued)

at 31 December 2020

2. Accounting policies (continued)

Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

3. 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.

The key judgement as determined by the directors is:

Useful economic lives of non-current assets

The annual depreciation and amortisation charges for non-current assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The assessment of useful economic lives and residual values is determined to be a critical accounting judgement and is re-assessed annually. They are amended when necessary to reflect current estimates based on technological advancements, future investments, economic utilisation and the physical condition of the assets. The carrying value is re-assessed annually to consider whether any impairments to the carrying values have occurred. Intangible fixed assets are set-out in note 9 and tangible fixed assets are set-out in note 10.

Valuation of investments

Investments in subsidiaries are valued at cost and management have considered the need for impairment based on trading results of subsidiaries and their expected fair value. No impairment is deemed necessary by the directors based on the latest trading results of the subsidiaries. Further information on investments is set-out in note 0~~11~~.

Notes to the financial statements (continued)

at 31 December 2020

4. Turnover

An analysis of turnover by class of business is given below:

	2020	*2019*
	£	*£*
Management fees	4,427,891	5,858,996

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2020	*2019*
	£	*£*
Depreciation of tangible fixed assets	60,231	23,003
Amortisation of intangible fixed assets	28,551	15,348
Operating lease rentals	224,313	86,150
Auditor's remuneration	105,000	107,000

During the year the company paid audit fees of £105,000 (2019: £107,000) on behalf of the Group of which it is a member. In addition, the company paid fees of £36,000 (2019: £36,000) to the auditor for non-audit services, principally comprising tax advisory and tax compliance.

During the year the Group recognised grant income from the UK Government to mitigate the impact of COVID-19.

Government assistance packages from which the Company benefitted was the Coronavirus Job Retention Scheme (CJRS)

Amounts received and receivable during the year are disclosed below:

	2020	*2019*
	£	*£*
Grant income in respect of CJRS included in other operating income	411,510	-
	411,510	-

Notes to the financial statements (continued)

at 31 December 2020

6. Staff costs

Staff costs were as follows:

	2020	*2019*
	£	*£*
Wages and salaries	2,170,397	2,508,375
Social security costs	249,949	259,888
Pension contributions	53,368	57,779
	2,473,714	2,826,042

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

	No.	*No.*
Administration	40	39
Management	4	4
	44	43

7. Directors' remuneration

The directors are also directors of fellow undertakings in the enlarged group of which the company is a member. It is not possible to identify the proportion of these emoluments that relate to services to this company.

	2020	*2019*
	£	*£*
Directors' emoluments	567,795	604,358
Company contributions to defined contribution pension schemes	15,148	15,841
	582,943	620,199

During the year retirement benefits were accruing to 3 directors (2019: 3) in respect of defined contribution schemes.

The highest paid director received remuneration of £237,663 (2019: £250,000).

No pension contributions were made in respect of the highest paid director (2019: £Nil).

Notes to the financial statements (continued)

at 31 December 2020

8. Tax

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2020	*2019*
	£	*£*
Corporation tax:		
Current tax on profit for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(88)	7,890
Adjustments in respect of previous periods	(2,623)	(927)
Rate change adjustments	648	(831)
Total deferred tax	(2,063)	6,132
Taxation on profit on ordinary activities	(2,063)	6,132

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	*2019*
	£	*£*
Profit on ordinary activities before tax	459,489	855,675
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	87,303	162,578
Effects of:		
Expenses not deductible	23,421	11,961
Adjustments to tax charge in respect of prior periods	(2,623)	(927)
Rate change adjustments	648	(831)
Group relief	(110,812)	(166,649)
Total tax (credit)/charge for the year	(2,063)	6,132

Notes to the financial statements (continued)

at 31 December 2020

8. Tax (continued)

(c) Deferred tax

	2020	*2019*
	£	*£*
At 1 January	8,132	2,000
Charged to profit or loss	560	7,059
Prior year adjustment	(2,623)	(927)
At 31 December	6,069	8,132

The provision for deferred taxation is made up as follows:

	2020	*2019*
	£	*£*
Fixed asset timing differences	6,069	8,132

(d) Factors that may affect future tax charges

A reduction in the UK Corporation tax rate to 17% from 1 April 2020 was substantively enacted by the 2016 Finance Bill in September 2016. However, this reduction from 19% to 17% was reversed in Finance Act 2020 which was substantively enacted in March 2020. This has led to the remeasurement of deferred tax balances.

9. Intangible fixed assets

	Computer software	*Website & apps*	*Total*
	£	*£*	*£*
Cost:			
At 1 January 2020	-	110,773	110,773
Additions	-	92,963	92,963
Reclassification	99,390	102,790	202,180
At 31 December 2020	**99,390**	**306,526**	**405,916**
Depreciation:			
At 1 January 2020	-	15,348	15,348
Charge for the year	-	28,551	28,551
Reclassification	34,960	11,237	46,197
At 31 December 2020	**34,960**	**55,136**	**90,096**
Net book value:			
At 31 December 2020	**64,430**	**251,390**	**315,820**
At 1 January 2020	-	95,425	95,425

Notes to the financial statements (continued)

at 31 December 2020

10. Tangible fixed assets

	L/Term leasehold improvements	*Fixtures and fittings*	*Computer equipment*	*Total*
	£	*£*	*£*	*£*
Cost:				
At 1 January 2020	-	125,570	236,475	362,045
Additions	3,512	60,306	42,690	106,508
Disposals	-	(4,800)	-	(4,800)
Reclassification	30,512	-	(232,692)	(202,180)
At 31 December 2020	**34,024**	**181,076**	**46,473**	**261,573**
Depreciation:				
At 1 January 2020	-	2,834	40,336	43,170
Charge for the year	3,344	21,257	35,630	60,231
Disposals	-	(2,480)	-	(2,480)
Reclassification	440	-	(46,637)	(46,197)
At 31 December 2020	**3,784**	**21,611**	**29,329**	**54,724**
Net book value:				
At 31 December 2020	**30,240**	**159,465**	**17,144**	**206,849**
At 1 January 2020	-	122,736	196,139	318,875

Notes to the financial statements (continued)

at 31 December 2020

11. Fixed asset investments

	Investments in subsidiary companies
	£
Cost or valuation:	
At 1 January 2020	18,694,380
Disposals	-
At 31 December 2020	**18,694,380**
Impairment:	
At 1 January 2020	10,129,980
Additions	-
At 31 December 2020	**10,129,980**
Net book value:	
At 31 December 2020	**8,564,400**
At 1 January 2020	8,564,400

The following were subsidiary undertakings of the Company:

Name	**Principal activity**
TTS Properties Limited	Letting of property
TTS Soho Limited	Dormant
Quantum Leap Health and Fitness Limited	Health and fitness centre operator

The Company owns 100% of the issues share capital of the above subsidiaries, which are all registered in England and Wales.

12. Debtors

	2020	*2019*
	£	*£*
Due after more than one year		
Other debtors	110,250	110,250
	110,250	110,250
Due within one year		
Trade debtors	-	16,373
Amounts owed by group undertakings	11,987,364	9,028,228
Other debtors	175,926	231,600
Prepayments and accrued income	105,226	66,246
	12,268,516	9,342,447

Notes to the financial statements (continued)

at 31 December 2020

13. Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	282,350	214,572
Amounts owed to group undertakings	10,231,720	7,937,085
Accruals and deferred income	316,072	262,651
	10,830,142	8,414,308

14. Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Accruals and deferred income	159,115	-
	159,115	-

15. Issued share capital

	2020	2019
Allotted, called up and fully paid	£	£
1 (2019: 1) Ordinary shares of £0.03each	1	1
	1	1

16. Other financial commitments

At 31 December 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020	2019
	£	£
Not later than 1 year	55,831	55,831
Later than 1 year and not later than 5 years	1,383,292	1,383,292
Later than 5 years	1,339,161	1,684,984
	2,778,284	3,124,107

The assets of the Company are held as security over banking relationships in respect of the Group of which the company is a member. Post year end, these were released as part of the repayment of the group's banking facilities.

17. Related party transactions

In accordance with the exemption under Section 33 of Financial Reporting Standard 102, the company does not disclose transactions with other wholly-owned companies within the enlarged group of which it is a member.

Notes to the financial statements (continued)

at 31 December 2020

18. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Third Space Holdings Limited.

The parent undertaking of the smallest group for which consolidated financial statements are drawn up that include the results of the Company is Third Space Holdings Limited, incorporated in England and Wales. The parent undertaking of the largest group for which consolidated financial statements are drawn up that include the results of the Company is Gordons96 Limited, incorporated in England and Wales. Copies of these group financial statements are available from Companies House.

As a result of the acquisition explained in note 19 the ultimate controlling party of the Group is now considered by the Directors to be Steele Offshore GP LLP, a company registered in the Cayman Islands. Prior to this change it was considered to be Encore Capital VIII Limited.

19. Subsequent events

Change in controlling party

On 23 July 2021, the Group was acquired by an investment fund managed by KSL Capital Partners LLC, a private equity firm specialising in travel and leisure enterprises, through Marlin BidCo Limited, a vehicle incorporated to facilitate the transaction. The Company's ultimate controlling party changed as a result of this transaction to Steele Offshore GP LLP. Prior to 23 July 2021, the Company's controlling party remained Encore Capital VIII Limited as explained in note 18.