

# **TTS Properties Limited**

## **Report and Financial Statements**

31 December 2019

TUESDAY



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30/03/2021

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COMPANIES HOUSE

**Directors**

I Mahoney  
J Penny  
S Shah  
C Waggett

**Registered Number**

04055091

**Registered Office**

16-19 Canada Square  
London  
E14 5ER

**Auditor**

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

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2019.

The principal activity of the Company is acting as a landlord.

### Results and dividends

The profit for the year after taxation amounted to £65,136 (2018: £77,338). The directors do not recommend a dividend (2018: £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 Third Space Holdings Limited Group and the assets of the Company and its fellow subsidiaries are held as security over banking relationships held by Third Space Holdings Limited. 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.

After the balance sheet date of these accounts, the business has been impacted by the COVID-19 pandemic, as described further in the subsequent events section below. Understandably, this unprecedented trading uncertainty has impacted the Directors' forecasts for the short-term with a consequential impact on the Group's ability to meet its banking covenants. Certain covenants are currently forecast to be breached until March 2022, but there exist a wide range of possible outcomes depending on how quickly trade returns following the easing of lockdown restrictions. However, the key liquidity strength covenant test is never breached, and so the Company is forecast to always be in a position of having sufficient available funds to meet its ongoing commitments. If the banking covenants are actually breached, and the Group is unable to obtain a covenant waiver, the bank loan would be repayable on demand. In such an event, the Company would have to seek funding from alternative sources to repay the bank loan. Accordingly, a material uncertainty exists that may cast significant doubt upon the company's ability to continue as a going concern. However, the Directors have been in discussions with the Group's lenders to address these covenants and are confident that the lender will support the business over the medium term and beyond once greater clarity on trading again becomes evident.

The Directors' forecasts are based on expected working capital requirements and expected capital projects. In making these assessments the Directors have considered the impact of COVID-19 on Group cashflows and liquidity of the twelve months period from the approval of these financial statements. This assessment also takes in to account the measures available to the Group to preserve cash and reduce discretionary expenditure.

Notwithstanding the material uncertainty described above, the Directors 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 and for the foreseeable future thereafter. As such, the Directors are confident that it is appropriate to prepare these financial statements on a going concern basis.

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.

## Directors' report (continued)

to the members of TTS Properties Limited to the members of TTS Properties Limited

### Subsequent events

#### *COVID19*

Following a successful 2019, the financial year 2020 continued with a strong start, achieving record membership levels. The business was on track to deliver excellent turnover and EBITDA growth – in the first two months of 2020, company performance specifically remained flat.

From mid-March 2020, as the COVID pandemic rapidly escalated, the business proactively chose to freeze all membership subscriptions in anticipation of the government mandated lockdown aimed at controlling the rapid spread of the virus. The Directors believed this was the right course of action to maintain brand credibility and customer loyalty. The lockdown had a wide effect on the UK economy as a whole, and a material impact on our business.

At the end of July 2020, health clubs were allowed to reopen, however under various social distancing restrictions, which reduced capacity at each club by approximately half. Despite the restrictions the business opened relatively successfully, having implemented strong measures around increased cleaning and social distancing. The businesses decision to promptly freeze membership subscriptions allowed it to retain the bulk of its membership base. The working from home directive resulted in a gradual build-up of the paying membership base during this period, as members unfroze their subscriptions, with more members returning each month. After a steady recovery in membership visits from August 2020, the UK government announced a second lockdown between 5 November 2020 and 2 December 2020, followed by a further lockdown on 20 December 2020, which remains in place.

This has adversely impacted revenue, which at this stage cannot be fully determined due to ongoing government restrictions to control the pandemic. However, we anticipate a strong recovery in the membership base once restrictions in working from home are relaxed. In addition, the business implemented a number of strong cost reduction measures and utilised available government support schemes such as business rates relief and furlough, to deliver positive trading EBITDA (before any non-trading items) for each full calendar month it was able to remain open, demonstrating its significant underlying resilience, and ability to recover quickly. In addition, the business has taken steps to minimise capital expenditure programmes, until it is able to reopen.

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 first lockdown, that consumer behaviour will return even stronger during 2021, aided significantly with the recent successful rollout of a nationwide vaccine programme. 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.

### 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 directors have taken all the steps they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditor

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

## **Directors' report (continued)**

**to the members of TTS Properties Limited to the members of TTS Properties Limited**

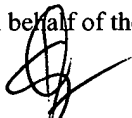
### **Qualifying third party indemnity provisions**

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

### **Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

On behalf of the Board



**Samir Shah**

Director

Date 30/3/21

## **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 the 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 TTS PROPERTIES LIMITED**

### **Opinion**

We have audited the financial statements of TTS Properties Limited (the 'company') for the year ended 31 December 2019, 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 2019 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 below. 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 the provisions available for small entities, in the circumstances set out in note 2 to the financial statements, 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.

### **Material uncertainty relating to going concern**

We draw attention to Note 2 in the financial statements, which indicates the Company has received parental support from a parent undertaking, Third Space Holdings Limited. However, this support is dependent on Third Space Holdings Limited receiving a waiver for potential covenant breaches during the going concern assessment period.

As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### **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.

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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TTS PROPERTIES LIMITED (CONTINUED)**

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 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

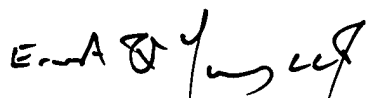


**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TTS PROPERTIES LIMITED  
(CONTINUED)**

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.



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

30 MARCH 2021

## Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 £	2018 £
<b>Turnover</b>	4	929,430	909,288
Administrative expenses		(869,546)	(797,950)
<b>Operating profit</b>	5	59,884	111,338
Interest payable and similar charges		(24,000)	(24,000)
<b>Profit before taxation</b>		35,884	87,338
Tax	9	29,252	(10,000)
<b>Profit for the year</b>		65,136	77,338
Other comprehensive income		-	-
<b>Total comprehensive income</b>		65,136	77,338

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

## Balance Sheet

at 31 December 2019

		2019	2018
	Notes	£	£
<b>Fixed assets</b>			
Tangible assets	10	1,074,030	1,163,365
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	11	304,701	328,701
Debtors: amounts falling due within one year	11	<u>1,651,608</u>	<u>924,610</u>
		1,946,309	1,253,311
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,996,484)</u>	<u>(1,272,820)</u>
<b>Net current liabilities</b>		<u>(50,175)</u>	<u>(19,509)</u>
<b>Total assets less current liabilities</b>		1,023,855	1,143,856
<b>Creditors: amounts falling due after one year</b>	13	-	(155,885)
<b>Provisions for liabilities</b>			
Deferred taxation	9	(42,748)	(72,000)
Other	14	<u>(160,000)</u>	<u>(160,000)</u>
		(202,748)	(232,000)
<b>Net assets</b>		<u>821,107</u>	<u>755,971</u>
<b>Capital and reserves</b>			
Called up share capital	15	2	2
Profit and loss account		<u>821,105</u>	<u>755,969</u>
<b>Shareholders' funds</b>		<u>821,107</u>	<u>755,971</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30/3/21



Samir Shah  
Director

## Statement of Changes in Equity

for the year ended 31 December 2019

	<i>Called up share capital</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£
At 1 January 2018	2	678,631	678,633
Profit for the year	-	77,338	77,338
<b>At 31 December 2018</b>	<b>2</b>	<b>755,969</b>	<b>755,971</b>
Profit for the year	-	65,136	65,136
<b>At 31 December 2019</b>	<b>2</b>	<b>821,105</b>	<b>821,107</b>

## Notes to the financial statements

at 31 December 2019

### 1. General information

TTS Properties Limited is a private company limited by shares and incorporated in England and Wales, with registration number 04055091.

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

The principal activity of the Company during the year was acting as a landlord.

### 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, as applied in the context of the small companies regime.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company'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 2019 and these financial statements may be obtained from Companies House.

The following principal accounting policies have been applied:

## Notes to the financial statements

at 31 December 2019

### 2. Accounting policies (continued)

#### *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 Third Space Holdings Limited Group and the assets of the Company and its fellow subsidiaries are held as security over banking relationships held by Third Space Holdings Limited. 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.

After the balance sheet date of these accounts, the business has been impacted by the COVID-19 pandemic, as described further in the subsequent events note. Understandably, this unprecedented trading uncertainty has impacted the Directors' forecasts for the short-term with a consequential impact on the Group's ability to meet its banking covenants. Certain covenants are currently forecast to be breached until March 2022, but there exist a wide range of possible outcomes depending on how quickly trade returns following the easing of lockdown restrictions. However, the key liquidity strength covenant test is never breached, and so the Company is forecast to always be in a position of having sufficient available funds to meet its ongoing commitments. If the banking covenants are actually breached, and the Group is unable to obtain a covenant waiver, the bank loan would be repayable on demand. In such an event, the Company would have to seek funding from alternative sources to repay the bank loan. Accordingly, a material uncertainty exists that may cast significant doubt upon the company's ability to continue as a going concern. However, the Directors have been in discussions with the Group's lenders to address these covenants and are confident that the lender will support the business over the medium term and beyond once greater clarity on trading again becomes evident.

The Directors' forecasts are based on expected working capital requirements and expected capital projects. In making these assessments the Directors have considered the impact of COVID-19 on Group cashflows and liquidity of the twelve months period from the approval of these financial statements. This assessment also takes into account the measures available to the Group to preserve cash and reduce discretionary expenditure.

Notwithstanding the material uncertainty described above, the Directors 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 and for the foreseeable future thereafter. As such, the Directors are confident that it is appropriate to prepare these financial statements on a going concern basis.

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 Company 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 provision of services represents rent receivable and is recognised on a straight-line basis over the term of the underlying lease.

## Notes to the financial statements

at 31 December 2019

### 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.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

The estimated useful lives range as follows:

Long term leasehold property – Over the duration of the lease

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.

#### *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.

## Notes to the financial statements

at 31 December 2019

### 2. Accounting policies (continued)

#### *Finance costs*

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

#### *Operating leases*

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

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

#### *Pensions*

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company 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 Company in independently administered funds.

#### *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.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

#### *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.



## Notes to the financial statements

at 31 December 2019

### 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. Tangible fixed assets are set-out in note 10.

### 4. Turnover

An analysis of turnover by geographical market is given below:

	2019	2018
	£	£
Rent receivable	929,430	909,288

All turnover arose within the United Kingdom.

### 5. Operating profit

Operating profit is stated after charging:

	2019	2018
	£	£
Depreciation of tangible fixed assets	89,335	97,238
Operating lease rentals	668,015	668,015

EBIDTDA is used by management as an alternative performance measure and is defined as operating profit plus depreciation of tangible fixed assets.

### 6. Employees

The Company has no employees other than directors.

## Notes to the financial statements

at 31 December 2019

### 7. Directors' emoluments

No remuneration was paid or is payable to the directors in their capacity as directors of the Company (2018: £Nil). The directors are also directors of a fellow group undertaking, The Third Space Group Limited, who paid the directors emoluments and pension contribution of £620,199 (2018: £651,731) in respect of services to the 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.

Amounts paid on a group basis are summarised below:

	2019	2018
	£	£
Directors' emoluments	604,358	633,050
Company contributions to defined contribution pension schemes	15,841	18,681
	<u>620,199</u>	<u>651,731</u>

During the year retirement benefits were accruing to 3 directors (2018: 3) in respect of defined contributions.

The highest paid director received remuneration of £250,000 (2018: £236,200).

No pension contributions were made in respect of the highest paid director (2018: £Nil).

### 8. Interest payable and similar charges

	2019	2018
	£	£
Other loan interest payable	<u>24,000</u>	<u>24,000</u>

## Notes to the financial statements

at 31 December 2019

### 9. Tax

(a) Tax on profit on ordinary activities

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

	2019 £	2018 £
<b>Corporation tax:</b>		
Current tax on profit for the year	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	(704)	10,000
Adjustments in respect of previous periods	(28,623)	-
Rate change adjustment	75	-
<b>Total deferred tax</b>	(29,252)	10,000
<b>Taxation on profit on ordinary activities</b>	(29,252)	10,000

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

The tax assessed for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	35,884	87,338
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	6,818	16,595
<b>Effects of:</b>		
Expenses not deductible for tax purposes	4,173	1,466
Adjustments to tax charge in respect of prior periods	(28,623)	-
Rate change adjustment	75	(1,257)
Group relief	(11,695)	(6,804)
<b>Total tax (credit)/charge for the year</b>	(29,252)	10,000

## Notes to the financial statements

at 31 December 2019

### 9. Tax (continued)

(a) Deferred tax

	2019	2018
	£	£
At 1 January	72,000	62,000
Prior year adjustment	(28,623)	-
Charged to profit or loss	(629)	10,000
At 31 December	<u>42,748</u>	<u>72,000</u>

The provision for deferred taxation is made up as follows:

	2019	2018
	£	£
Fixed asset timing differences	69,948	72,000
Short term timing difference – trading	(27,200)	-
	<u>42,748</u>	<u>72,000</u>

No significant net reversal of the above amounts is expected during the following accounting period.

(b) Factors that may affect future tax charges

The Finance Act 2016, which was enacted on 15 September 2016 included legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2018. A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was also included in the Finance Act 2018 and consequently deferred tax has been recognised at a rate of 17%.

### 10. Tangible fixed assets

	<i>Long term leasehold property</i>
	£
<b>Cost:</b>	
At 1 January 2019	1,542,753
Additions	-
At 31 December 2019	<u>1,542,753</u>
<b>Depreciation:</b>	
At 1 January 2019	379,388
Charge for the year	89,335
At 31 December 2019	<u>468,723</u>
<b>Net book value:</b>	
At 31 December 2019	<u>1,074,030</u>
At 1 January 2019	<u>1,163,365</u>

## Notes to the financial statements

at 31 December 2019

### 11. Debtors

	2019 £	2018 £
<b>Due after more than one year</b>		
Other debtors	304,701	328,701
	<u>304,701</u>	<u>328,701</u>
<b>Due within one year</b>		
Amounts owed by group undertakings	1,318,658	699,513
Other debtors	85,125	58,093
Prepayments and accrued income	237,825	167,004
	<u>1,641,608</u>	<u>924,610</u>

### 12. Creditors: amounts falling due within one year

	2019 £	2018 £
Other loans	155,885	174,000
Trade creditors	177,708	14,638
Amounts owed to group undertakings	1,662,891	781,334
Accruals and deferred income	-	302,848
	<u>1,996,484</u>	<u>1,272,820</u>

### 13. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Other loans	-	155,885

Other loans are repayable in equal quarterly instalments of £43,500, resulting in an effective interest rate of 5.2% on the initial sum.

### 14. Provisions

	<i>Dilapidation</i> £
At 1 January 2019	160,000
At 31 December 2019	<u>160,000</u>

#### Dilapidation provision

The provision represents the estimated cost of rectifications under the full repairing leases.

## Notes to the financial statements

at 31 December 2019

### 15. Issued share capital

	2019	2018
	£	£
<i>Allotted, called up and fully paid</i>		
1 Ordinary L share of £1	1	1
1 Ordinary S share of £1	1	1
	<u>2</u>	<u>2</u>

Ordinary L and S shares carry full voting, dividends and capital distribution (including winding up) rights. There are no material differences in rights attaching to both types of share.

### 16. Other financial commitments

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£	£
Not later than 1 year	668,015	668,015
Later than 1 year and not later than 5 years	2,672,060	2,672,060
Later than 5 years	5,010,113	5,678,128
	<u>8,350,188</u>	<u>9,018,203</u>

The assets of the Company are held as security over banking relationships in respect of the Group of which the company is a member.

### 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 Encore VIII group.

### 18. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is The Third Space Group 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.

The directors consider the ultimate parent and controlling party of the Company to be Encore Capital VIII Limited.

## Notes to the financial statements

at 31 December 2019

### 19. Subsequent events

#### COVID19

Following a successful 2019, the financial year 2020 continued with a strong start, achieving record membership levels. The business was on track to deliver excellent turnover and EBITDA growth – in the first two months of 2020, company performance specifically remained flat.

From mid-March 2020, as the COVID pandemic rapidly escalated, the business proactively chose to freeze all membership subscriptions in anticipation of the government mandated lockdown aimed at controlling the rapid spread of the virus. The Directors believed this was the right course of action to maintain brand credibility and customer loyalty. The lockdown had a wide effect on the UK economy as a whole, and a material impact on our business.

At the end of July 2020, health clubs were allowed to reopen, however under various social distancing restrictions, which reduced capacity at each club by approximately half. Despite the restrictions the business opened relatively successfully, having implemented strong measures around increased cleaning and social distancing. The businesses decision to promptly freeze membership subscriptions allowed it to retain the bulk of its membership base. The working from home directive resulted in a gradual build-up of the paying membership base during this period, as members unfroze their subscriptions, with more members returning each month. After a steady recovery in membership visits from August 2020, the UK government announced a second lockdown between 5 November 2020 and 2 December 2020, followed by a further lockdown on 20 December 2020, which remains in place.

This has adversely impacted revenue, which at this stage cannot be fully determined due to ongoing government restrictions to control the pandemic. However, we anticipate a strong recovery in the membership base once restrictions in working from home are relaxed. In addition, the business implemented a number of strong cost reduction measures and utilised available government support schemes such as business rates relief and furlough, to deliver positive trading EBITDA (before any non-trading items) for each full calendar month it was able to remain open, demonstrating its significant underlying resilience, and ability to recover quickly. In addition, the business has taken steps to minimise capital expenditure programmes, until it is able to reopen.

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 first lockdown, that consumer behaviour will return even stronger during 2021, aided significantly with the recent successful rollout of a nationwide vaccine programme. 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.