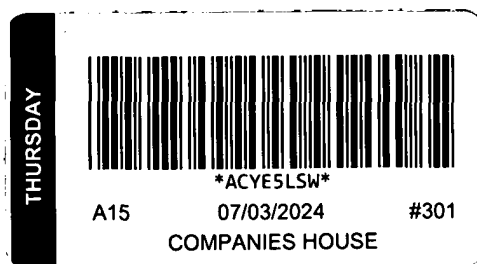


Virgin Active International Limited

**Annual Report and Consolidated Financial
statements**

Registered number 07726893

31 December 2022



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Strategic report

Who we are

The Virgin Active group was established in 1999 and has grown to become one of the world's leading premium international health and wellness brands, offering innovative health and fitness experiences to our members in four continents and eight countries: the United Kingdom, Italy, South Africa, Namibia, Botswana, Singapore, Thailand and Australia.

Our purpose is to change people's lives for the better through wellness. Our strategy is to be a global exercise and wellness brand, offering a broad range of Virgin Active exercise and wellness experiences, leveraging our unparalleled global property portfolio with a world class digital offering. Our focus is to ensure Virgin Active members and Kauai and Nu customers, engage more frequently with the brands, in both the physical and digital environments, and use the data from these multiple engagements to better understand individual members and customer goals; thereby providing personalised solutions to meet their needs.

Virgin Active International Limited ("VAIL" or the "Company") and its subsidiaries (the "Group") are part of the wider Virgin Active group. The Group comprises all trading companies within the wider Virgin Active group.

What we offer

The best clubs

Virgin Active operates 232 clubs in its continuing operations around the world offering fantastic value for money at an all-inclusive price.

Our network of clubs offers members access to dedicated studios for Yoga (including hot yoga), Boxing, Reformer Pilates, Cycle, and Grid functional training, as well as multi-purpose high energy studios. Our gym floors are carefully planned to optimise the mix and availability of the very best equipment in the market, with our excellent personal trainers available to help people get the most out of their gym floor workouts. All our clubs have luxurious changing facilities, and the vast majority of clubs boast swimming pools, spa areas, saunas, steam rooms, food and beverage areas and kids' facilities.

Highly innovative products

As a Virgin brand, innovation is in our DNA and we are continually searching for new ways to inspire members to become and stay healthy and active. We have a strong track record of creating and offering unique products for our members, using our global team of experts to create and curate the very best group exercise classes, equipment and programming from around the world.

Leading experts

We work with and develop some of the best fitness experts in the world. In conjunction with them we provide expert advice that makes a real difference to our members, which is why we are the partner of choice for leading health insurers, Discovery Vitality in South Africa and the UK and AIA in Singapore and Thailand.

Our group Exercise Instructors and Personal Trainers are qualified to the highest level and in many cases trained in our own academies to help members get the most from our clubs and classes.

A great place to work

Our people are the heart and soul of everything we do. Attracting, motivating and retaining employees of the highest calibre and with the ability to uphold our brand values and culture are vital to the continued success of our business.

At Virgin Active we are committed to fairness, equality and inclusion at all levels of our business and we are extremely proud of our diverse workforce where everyone can be themselves.

Virgin Active gives full consideration to applications for employment from people with disabilities where the requirements of the job can be adequately fulfilled. Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and it is the Group's policy to provide training, career development and promotion to employees with disabilities wherever appropriate. In South Africa, the Group supports employment equity guidelines, issued by the government, which encourage the appointment and advancement of previously disadvantaged individuals.

Strategic report (*continued*)

Changing business for good

Creating opportunities

We believe in giving our people opportunities to further develop their expertise whilst they are with us. We have a number of learning programmes in all our markets aimed at helping people to build their careers at Virgin Active, from induction programs for all our new joiners, through to leadership skills development, we aim to equip our people to be the leaders of tomorrow. In South Africa, the UK and Italy we have dedicated in-house training academies that help our people to develop throughout their career with Virgin Active. This enables our people to progress and to use their expertise to deliver great experiences to our members.

Delivering best in class training to our people and communicating well with them are key success factors for Virgin Active. Our people are encouraged to discuss operational and strategic issues with the management team and to make suggestions aimed at improving performance.

Human rights

The Group believes in the dignity and individual rights of every human being. We are committed to supporting human rights through our compliance with laws and regulations in all aspects of our operations and through our policies. All corporate policies are drafted to take account of the Human Rights Act 1998 (HRA) and the Modern Slavery Act 2015 (MSA). Particular emphasis is given to the HRA and MSA in policies relating to Safeguarding, Data Protection, Mental Capacity, Deprivation of Liberty and Detention under the Mental Health Act.

We work hard to ensure our business operates as a force for good, aligning people, planet and profit in all we do. We believe that operating in an ethically and socially responsible manner is an integral part of efficient and profitable business management. Virgin Active is committed to maintaining high standards of ethical behaviour in all aspects of its business.

Social impact

We believe that exercise and nutrition have a broader role to play in their communities and we are passionate about inspiring more people to get active and eat healthy.

Environmental impact

Virgin Active continues to pride itself on being a sustainable and environmentally aware organisation.

We are constantly testing new innovations and technologies to reduce the environmental impact of our clubs, including more efficient heating, ventilation and air conditioning systems, low power usage gym equipment, water recycling systems and improved waste reduction initiatives.

Our goal is to achieve net-zero carbon emissions, either through emission reductions, or through offsets. We are continually looking at ways to go further to achieve this goal faster.

Energy and carbon reporting

We have reported on all sources of GHG emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

Methodology

This report covers all UK operations and the methodologies used are in accordance with the WBCSD/WRI GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition), and conversions into CO₂e have been calculated using the most recent government conversion factors:

<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022>

Direct (Scope 1) emissions include gas and fuel consumption. Indirect (Scope 2) emissions relate to our purchased electricity consumption.

Strategic report (continued)

Changing business for good (continued)

Environmental impact (continued)

2022 v 2021

Combined electricity and gas usage was 4.3% higher in 2022 compared to 2021. There were no government enforced closures during 2022 compared to 3.5 months in 2021. This was the primary driver of the increased year on year usage. Summer temperatures in the UK in 2022 were higher than average driving the higher proportion of electricity used to cool our clubs. Emissions per visit decreased during 2022 due to the higher number of visits compared to the previous year which included periods of closure.

CHG emissions and energy usage data for period 1 January 2021 to 31 December 2022			
		UK and offshore	
Energy Use	Units	2022	2021
Gas consumption	MWh	55,855	64,930
Purchased electricity consumption	MWh	36,784	23,834
Greenhouse gas (CHG) emissions			
Total gas	t/CO2e	10,196	11,893
Total purchased electricity	t/CO2e	7,113	5,061
Greenhouse gas (CHG) emissions			
Direct emissions (scope 1)	t/CO2e	10,196	11,893
Indirect emissions from electricity (scope 2)	t/CO2e	7,113	5,061
Total CO2 emissions (location based)	t/CO2e	17,309	16,954
Total CO2 emissions (market based)	t/CO2e	10,196	11,893
Intensity ratio			
Total emissions per visit	kg/CO2e	1.31	2.44

Strategic report (continued)

Trends and outlook

Virgin Active benefits from positive health and wellness trends in all of its markets. Population growth, increasing urbanisation and a growing middle class with higher levels of discretionary income have all contributed to the growth of the health club industry's potential customer base. There is also an increasing global focus on physical activity, healthy nutrition and the broad benefits of leading a healthy and active lifestyle. The importance of these trends have been highlighted by the COVID-19 pandemic and governments addressing a significant obesity issue in many markets. What's more, technology is revolutionising both the way in which consumers engage in fitness and wellness and how service providers are able to attract, engage and reward customers. The digitisation of fitness and wellness presents the opportunity for the business to become more closely integrated in and influence with people's fitness and lifestyle habits.

Essential contractual or other arrangements

The Group operates under the Virgin Active brand name. A licence fee is paid to the Virgin group for use of the Virgin Active brand name under a contractual agreement signed in October 2011. The agreement has a remaining term of 22.5 years and provides the Group with certain exclusive rights to use the Virgin Active brand name in a number of territories worldwide. In light of the significant impact of the COVID-19 Pandemic, the Virgin group agreed to certain waivers and deferrals of licence fees due in 2021 and 2022 and beyond.

The Group has many key relationships that are important to its ongoing business including those with landlords, suppliers and health insurance providers. Such relationships are managed and monitored on a regular basis.

Statement by the directors on performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of directors are aware of and consider they have acted in accordance with their statutory duties under s172(1) of the Companies Act 2006. Consistent with these duties, the directors have acted in good faith, seeking to promote the long term success of the Group for the shareholders and in so doing had regard to their duties to:

- the likely consequences of any decisions in the long-term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the environment and the community;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as shareholders of the Group.

The strategic report contains examples of: building relationships with stakeholders, the importance of engaging with our employees and understanding the impact of the business on the environment and the communities in which it operates. The directors' report contains details of corporate governance arrangements.

Strategic report (*continued*)

Engaging with stakeholders

There are a number of different stakeholders in Virgin Active. It is key to the success of the business that the Group maintains continuous engagement with all stakeholders to ensure that their objectives are met and to identify and react to any new requirements as they arise.

The key stakeholders and how the Group engages with them are set out below:

Members

We aim to deliver inspiring exercise experiences to our members all over the world. We do this through the provision of our highly skilled and engaging people, innovative products, premium facilities and our digital proposition in each market. We maintain regular dialogue with our members through surveys and direct communications. This, together with the data we collect, enables us to understand what our members want so that we can focus our future product development on these needs.

Employees

As set out in the “what we offer” section of this report, employees are the heart and soul of everything we do. We provide best in class training to them and have continuous two-way communication with them. All employees are encouraged to offer their opinions on the business, whether good or bad, and to suggest improvements that will benefit both them and the business.

Shareholders

Our shareholders are more than just financiers to our business, they are partners in everything that we do and play an active role in developing strategy. In addition to shareholder-appointed directors attending our regular Group Board meetings, our shareholders are provided with regular reporting and analysis. This means that there is a clear understanding of shareholder objectives that are subsequently cascaded through the business by management.

Lenders

The Group operates two bank loan facilities, one for the Southern African business and one for the European and Asia Pacific businesses. Each one is syndicated across a number of different lenders. The Group regularly engages with all of its lenders not only to provide the financial updates and analysis that are required under the facilities agreements, but to discuss current strategy and plans. Lenders are treated as partners in the business and often provide services and advice to the Group.

Landlords

The Group leases all of its club properties. The Group maintains regular contact with all of its property landlords to ensure that all contractual obligations are met. All new lease and lease extension negotiations with landlords are approached on a constructive basis to ensure that both parties’ objectives are met.

Health insurers

The Group has contractual agreements with health insurers across its territories. The relationship with these health insurers are very important to the Group as they allow the business to offer great value products to its members that benefit both the Group and the health insurer partners. The Group has regular communication with its health insurance partners, not only in line with contractual requirements but to develop new products and to ensure that both parties’ objectives are being met.

Strategic report (continued)

Chief Executive Officer's Review – Dean Kowarski

2022 was the third year that the business was adversely impacted by the COVID-19 pandemic, with operations in all of our countries subject to Covid related government imposed volume restrictions during the year. While our operations were nimble and flexible to changes in restrictions, this limited the Group's ability to recover from the pandemic. I am both proud and grateful for the support of our people, our members, our shareholders and partners who have supported us through a very challenging period. I am particularly thankful to our people who have worked tirelessly under challenging conditions, adapting to changing operating restrictions and providing a safe, hygienic space for our members.

The 2022 financial year saw COVID-19 restrictions gradually lifted across all our operating countries, with the final restrictions being lifted in September 2022. Through the year, the business experienced positive growth in membership as people returned to the gym, with a particularly strong growth from September 2022 and this trend has continued into 2023.

The market fundamentals for our business remain strong and COVID-19 has highlighted the importance of maintaining a healthy lifestyle, not only in fitness but in nutrition and broader wellness. While work-from-home trends continue to impact usage levels at city clubs, residential demand is strong and I see sustained positive trends driven by a renewed, post-pandemic interest in healthy and active lifestyles.

In March 2022 the Group successfully raised £88.4m of new capital. The existing shareholders Brait and Virgin Group invested £20.2m in the business. In addition, the Group received £50m from Titan Premier Investments (Pty) Limited ("Titan"), an investment vehicle of Christo Wiese, and £18.2m from an investment consortium from The Real Foods Group. In addition, existing shareholders converted £46.3m (ZAR 950m) of shareholder guarantees into share capital. The new capital will be used to support the business' ongoing recovery and to accelerate future growth. This will include investing in existing physical spaces, developing new product and service offerings, embracing digital and cutting-edge technologies and pioneering new innovations to improve customer experience and increase member engagement and retention.

Post year-end the group has received a further £70m from existing shareholders to support liquidity and growth in the business, with a committed facility for a further £40m. In July 2023, an amendment and extension of the European and APAC loan facilities was agreed. The maturity date of the facilities was extended from June 2025 to June 2027. In January 2024, an amendment and extension of the Southern African loan facilities was agreed. The maturity date of the facilities was extended from March 2025 to June 2025.

I joined Virgin Active as Group Chief Executive Officer in April 2022 following the planned retirement of the Group's co-founder and CEO Matthew Bucknall. At the same time the Group appointed Mark Field, previously Managing Director of Virgin Active South Africa, as Group Chief Financial Officer following Jo Hartley's resignation to take an opportunity at a UK plc. I'd like to thank both Matthew and Jo for the significant contribution which they have made to the business and for guiding the business through the COVID-19 challenges.

I joined Virgin Active as I deeply believe that we can change people's lives for the better through wellness. Wellness goes beyond fitness and encompasses broader elements of healthy living, including nutrition, sleep, mindfulness and social wellness. Virgin Active's portfolio of well located, large premium health clubs provide an ideal physical platform to expand into broader wellness products and services positioned as Social Wellness Clubs. Furthermore, we see combining physical and digital capabilities as critical to delivering personalised customer experiences that extend beyond the physical club to drive high customer engagement, a sense of community, and ultimately customer lifetime value.

Strategic report (continued)

Chief Executive Officer's Review – Dean Kowarski (continued)

The Group made its first major move into the wellness space in August 2022 when it added the Kauai and Nü brands (see note 2 to these financial statements for further details). Kauai was established in 1994 and is South Africa's largest healthy, fast casual restaurant group, with 168 stores across South Africa, Namibia, Botswana, Scotland, the Netherlands and Thailand. Nü was established in 2013 with a nutritional philosophy which brings together forward-thinking science and food trends in its 14 stores in South Africa. Virgin Active has had a long relationship with Kauai and Nü with 111 of the stores operating in Virgin Active clubs in South Africa. The acquisition is the first step for Virgin Active's strategy to expand beyond exercise into the broader wellness market. By combining exercise with healthy nutrition, we will be even more effective in supporting our customers living healthier lifestyles and achieving their wellness goals. We continue to successfully roll-out Kauai and Nu stores in South Africa, with the 200th South African store opening in November 2023. We also opened the first three Kauai stores in Virgin Active clubs in the UK in 2023.

In May 2023, the Group launched its new global app and loyalty programme designed to increase customer engagement, encourage and reward usage, and collect data which will help us enhance and personalise our customer experiences. The launch was initially in the South Africa and will be followed by a staggered global roll-out.

Looking forward, the reopening of economies following COVID-19, the recapitalisation of the Group and our expansion into the nutrition space provides a solid platform for the business refocus on growth, not only in exercise but in broader nutrition and wellness. In order to deliver this growth, we are investing in our people, our clubs and digital technology to transform the way we acquire, engage, recognise and reward our customers. I look forward to strong growth in the years ahead.

Strategic report (continued)

Chief Financial Officer's Review – Mark Field

Other sources of information

Throughout the Strategic Report, we use a number of financial and non-financial measures to evaluate the performance of the Group. A number of these financial measures (including Underlying EBITDA, continuing operations basis, constant exchange rate basis, continuing club portfolio revenue, continuing club portfolio underlying EBITDA and operating loss before impairment and profit or loss on disposal of property, plant and equipment) are non IFRS measures and represent "Alternative Performance Measures" (APMs). These measures are used by management to assess the performance of the Group in addition to IFRS measures as they provide useful information on the underlying trends and performance of the Group and are used by management to assist with performance analysis and planning.

Where APMs are referred to within the strategic report, a definition and explanation of the inclusion of each has been provided and where applicable, a reconciliation to the relevant measure under IFRS. Management do not consider these APMs to be a substitute for, or superior to, IFRS measures, however they provide additional information with respect to the performance of the business that our shareholders consider useful in assessing the performance of our business.

Financial review

Overview of Group performance

The Group's revenue increased by 49.3% in 2022 to £436.4m. During 2021 all clubs operated by the group were disrupted by closure periods and restrictions imposed as a result of the COVID-19 pandemic. Although 2022 was also disrupted by the pandemic the restrictions were significantly less than the previous year, which has driven the year on year increase in revenue. Operating loss for the year before impairment and profit on disposal of property, plant and equipment was £14.9m (2021: loss £29.9m). Total operating loss was £56.3m (2021: operating profit £135.0m). Underlying EBITDA was a loss of £12.0m (2021: loss £15.0m).

The net impairment charge for the year was £41.8m (2021: credit £82.3m). The disruption caused by the COVID-19 pandemic has resulted in a decline in membership compared to December 2019, immediately before the beginning of the pandemic. As the Group recovers from the pandemic, the rebuild of the membership base will take time and accordingly short to medium term financial performance projections have declined compared to the expectations before the pandemic. Impairment charges are recognised where the discounted future cash flows expected to be generated by an asset are lower than the asset carrying value at the balance sheet date. Impairment was tested for the first time since the start of the pandemic as at 31 December 2020. That assessment resulted in a significant impairment charge of £402.2m reflecting the immediate impact of the pandemic. The impairment assessment as at 31 December 2021 partially reversed some of the impairment recognised in the previous year. This was a result of an improvement in the forecast outlook for the group as it began to emerge from the pandemic. During 2022 borrowing costs across the global increased as central banks took action to combat inflation. This has increased the discount rates used by the Group in its impairment assessments as at 31 December 2022. The higher discount rates have been a primary driver of the impairment charge recognised in the current year. The impairment charge for the year included £16.1m in relation to goodwill recognised on the acquisition of the Kauai and Nu businesses. Total goodwill was recognised on the transaction of £21.1m (see note 2 to the financial statements for details). New capital raised by the Group in March 2022 was partially provided by the shareholders of the Kauai and Nu businesses. The transaction price paid by the Group for the Kauai and Nu businesses was based on the same valuation method that had been applied to the new capital investment. The value in use calculation performed at the end of the financial year to assess the goodwill carrying value resulted in a lower valuation of the acquired businesses and the impairment charge of £16.1m was recognised.

Profit on disposal of property, plant and equipment in the year was £0.4m (2021: £82.6m). The 2021 profit was primarily driven by the disposal of the assets and the associated lease liabilities of properties that were removed from the Group as a result of the restructuring plans under Part 26A of the Companies Act 2006 undertaken in the United Kingdom which were effective on 13 May 2021.

Strategic report (continued)

Chief Financial Officer's Review (continued)

Financial review (continued)

United Kingdom performance

Clubs in the United Kingdom did not close during 2022 (2021: 3.5 months) as a result of government mandated closures. Revenue increased by 69% year on year on a continuing club portfolio basis. Membership in all UK clubs open at the end of December 2022 was 23% lower than at the end of December 2019, reflecting the impact of the COVID-19 pandemic on the business since the start of 2020. During COVID-19 enforced closures all available government support was accessed, and costs were minimised wherever possible. In addition the restructuring plans which became effective on 13 May 2021 resulted in the waiver of rent arrears and reductions to future rent commitments under certain property leases.

Italy performance

Clubs in Italy did not close during 2022 (2021: 5 months) as a result of Government enforced closures. However certain restrictions such as compulsory mask wearing in clubs applied during the first half of the year. Revenue increased by 118% year on year on a continuing clubs and constant exchange rate basis as no revenue was taken during the closure periods in 2021. Membership at the end of December 2022 was 11% lower than at the end of December 2019 as no sales were made while the clubs were closed but membership terminations continued. All available government support was accessed and costs were minimised wherever possible.

Southern African performance

Clubs in Africa did not close during 2022 (2021: 1 month) as a result of government mandated closures. Revenue increased by 21% year on year on a continuing clubs and constant exchange rate basis driven primarily by the longer opening periods in 2022 compared to the previous year. Membership at the end of December 2022 was 19% lower than at the end of 2019 as a result of the COVID 19 pandemic disruption. All available government support was accessed and costs were minimised wherever possible.

Asia Pacific performance

Trading in the Asia Pacific region was significantly impacted by a number of COVID-19 related restrictions. However, there were significantly fewer government-mandated closures of gyms compared to the previous year. Revenue increased by 50% year on year on a continuing clubs and constant exchange rate basis as no revenue was taken during the closure periods in the previous year. Membership at the end of December 2022 was 34% lower than at the end of 2019 as no sales were made while the clubs were closed and membership terminations continued. All available government support was accessed and costs were minimised wherever possible.

Group funding and net facility debt

The Group's total net facility debt excluding loans from related parties (as these form part of the value of the investment by shareholders) is as follows:

	2022	2021
	£m	£m
Total loans and borrowings	559.7	808.4
Capitalised financing fees	2.7	3.9
Less related party loans	(54.5)	(345.2)
Cash held by the Group	(75.6)	(46.0)
Net bank facility debt	432.3	421.1

The Group's leverage, being net bank debt divided by Underlying EBITDA is (37.9)x (2021: (28.0)x).

Strategic report (continued)

Chief Financial Officer's Review (continued)

Financial review (continued)

The Group is funded by two bank loan facilities. The first finances the European and Asia Pacific (APAC) operations and the second finances operations in Africa. The European and APAC facility is a syndicated loan facility held by a UK subsidiary and is denominated in Sterling and Euro. The outstanding loans as at 31 December are as follows:

	2022	2021
Facility	£m	£m
GBP Term Loan 1	53.6	51.3
Euro Term Loan	53.9	48.8
Capex facility	42.5	40.6
Capex facility	10.5	9.5
GBP term Loan 2	27.0	25.9
GBP Term Loan 3	28.8	26.1
Revolving Credit Facility	24.0	22.9
Total bank loans	240.3	225.1
Letter of credit facility	6.8	7.7
Cash held within banking group	(30.6)	(31.7)
Net facility debt	216.5	201.1

All facilities matured in June 2025 at the balance sheet date. In July 2023 the facilities were extended to June 2027 (see note 29 for further details). All facilities are secured by a fixed and floating charge over certain assets of the Group. The interest rates payable on each facility are set out in note 17.

The African facility is a syndicated loan and is denominated in Rand. The outstanding loans as at 31 December are as follows:

	2022	2022	2021	2021
Facility	Rm	£m	Rm	£m
Senior loan B bullet	3,226.3	157.5	3,081.1	142.6
Senior loan B2 bullet	636.1	31.1	607.5	28.1
Senior PropCo loan bullet	446.0	21.8	426.0	19.7
Senior loan C bullet	1,167.9	57.0	1,115.3	51.6
Total bank loans	5,476.3	267.4	5,229.9	242.0
Cash held within banking group	(785.2)	(38.3)	(303.6)	(14.0)
Net facility debt	4,691.1	229.1	4,926.3	228.0

All African facilities mature in March 2025 as at 31 December 2022. The Group has agreed terms with the lenders to amend and extend the facilities to June 2025. Completion of the amendments are expected shortly after signing these financial statements. All facilities are secured by a fixed and floating charge over certain assets of the Group. The interest rates payable on each facility are set out in note 17.

Both facilities require the Group to comply with certain financial and non-financial covenants. The financial covenants include annual limitations on capital expenditure and require the maintenance of certain minimum ratios of EBITDA and cash generation, on both net interest payable and net debt. Note 29 sets out changes agreed to the financial covenants post the balance sheet date.

Strategic report (continued)

Key performance indicators

The Group uses a series of non-financial and financial key performance indicators to measure its performance. These include:

	Year ended 31 December	
	2022	2021
Clubs in operation ⁽¹⁾	232	230
New club openings ⁽²⁾	2	1
Closing adult membership ⁽³⁾ ('000s)	922	807
Continuing operations revenue (£millions)	436.4	292.2
Continuing operating profit (£millions)	(56.3)	135.0
Continuing club portfolio revenue ⁽⁴⁾ (£ millions)	436.2	289.8
Continuing club portfolio revenue growth ⁽⁴⁾ (percent change)	50.5%	2.1%
Continuing club portfolio underlying EBITDA ⁽⁵⁾ (£ millions)	(11.4)	(17.0)
Continuing club portfolio underlying EBITDA margin ⁽⁶⁾ (percent of revenue)	(2.6)%	(5.9)%

- (1) Clubs in operation as at 31 December of the relevant year.
- (2) Reflects new clubs that opened from 1 January to 31 December of the relevant year.
- (3) Reflects the closing total number of members, in adult membership categories as at 31 December of the relevant year on a continuing club portfolio basis.
- (4) Continuing club portfolio revenue means revenue on a constant exchange rate basis from the performance of clubs in operation as at 31 December 2022, and accordingly excludes results of any closed or sold clubs in respect of the year ended 31 December 2022 and 31 December 2021.
- (5) Continuing club portfolio Underlying EBITDA means operating profit before the deduction of depreciation, impairment, amortisation, non-recurring items and profit/ (loss) on disposal of property, plant and equipment and after deducting the cash rent adjustment on a constant exchange rate basis from the performance of clubs in operation as at 31 December 2022, and accordingly excludes results of any closed or sold clubs in respect of the year ended 31 December 2022 and 31 December 2021.
- (6) Continuing club portfolio Underlying EBITDA margin means continuing clubs portfolio Underlying EBITDA divided by continuing club portfolio revenue at constant exchange rates for the same year.

Reconciliation of statutory results to performance measures:

	2022	2021
	£m	£m
Continuing operations revenue	436.4	292.2
Conversion of 2021 revenue to 2022 FX rates	-	2.3
Continuing operations revenue at constant currency	436.4	294.5
Less closed club revenue	(0.2)	(4.6)
Continuing club portfolio revenue	436.2	289.9
Continuing operations Underlying EBITDA	(12.0)	(15.0)
Conversion of 2020 Underlying EBITDA to 2021 FX rates	-	(0.3)
Continuing Underlying EBITDA at constant currency	(12.0)	(15.3)
Less closed club Underlying EBITDA	0.6	(1.7)
Continuing club portfolio Underlying EBITDA	(11.4)	(17.0)

Strategic report (continued)

Financial risks

The Group is exposed to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential risks to the Group. The directors of the Company review and agree policies for managing risks. The most important components of financial risk impacting the Group are exchange rate risk, interest rate risk, credit risk and liquidity risk.

RISK	Description and mitigation
Exchange rate risk The Group is exposed to exchange rate risk to the extent there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of entities within the Group.	The Group's policy on exchange rate risk is to deal in local currency wherever possible and is therefore naturally hedged against this risk. In addition a proportion of exchange rate risk is structurally hedged with financing denominated in Rand, Euro and Sterling which limits the need for currency conversion.
Interest rate risk The Group's borrowings are linked to floating rates and are therefore exposed to the impact of interest rate fluctuations.	The Group's policy on interest rate risk is designed to limit the Group's exposure to fluctuating interest rates. This is done using interest rate caps and swaps which are designated as cash flow hedges. The Group ensures that it has an appropriate amount of its debt is hedged at all times.
Credit risk Credit risk is the risk that a counterparty will be unable to pay amounts in full, when due.	The majority of the Group's income is received by monthly direct debit and there is minimal exposure to trade receivables. Any customers trading on credit terms are subject to credit verification. In addition receivable balances are monitored on an ongoing basis and appropriate provisions made where necessary.
Liquidity risk Liquidity risk is the risk that cash may not be available to pay obligations when due.	Cash forecasts identifying the liquidity requirements of the Group are produced frequently. These are reviewed regularly by the directors to ensure that sufficient financial headroom exists for a minimum of 12 months.

Strategic report (continued)

Business risks

Our business and the financial results of our operations could be materially affected by any or all of the following risks that we continue to manage actively.

Risk	Description and mitigation
<p>COVID 19 and other pandemics</p> <p>Global pandemics such as COVID 19 may adversely impact financial results</p>	<p>The emergence of the COVID-19 pandemic has demonstrated the risk that such pandemics pose to the business.</p> <p>Government actions taken to combat pandemics such as lockdowns may restrict the Group's ability to trade. Consumer confidence can also be adversely impacted, and working patterns may change impacting the performance of certain clubs in certain markets.</p> <p>To mitigate the risk that the Group's ability to trade may be restricted, all government support provided to support businesses through lockdown periods and beyond are accessed by the Group. Where possible, leases contain clauses to reduce rental payments in the case of enforced closure. In Europe and APAC, interest on debt facilities can be capitalised rather than cash paid in the event that a significant proportion of clubs are required to close and the facilities agreement provides for additional facilities to be raised to support liquidity if necessary.</p> <p>To mitigate potential consumer confidence impacts, the Group maintains and communicates to its members very high standards of hygiene to reduce the risk of infection within its clubs. The Group also complies with regulations issued across all territories to combat the spread of infection.</p> <p>To mitigate the potential impact of changed working patterns, the Group continues to adapt membership types and continuously improve its digital proposition, enabling members to work out at a time and place convenient to them, and get excellent value for money from their membership regardless of their working patterns.</p>
<p>Information technology</p> <p>We depend on accurate, timely information and numerical data from key software applications to aid day-to-day operations and decision making.</p>	<p>Any disruption caused by failings in these systems, of underlying equipment or of communication networks, could delay or otherwise impact day to day operations or decision making or cause financial loss.</p> <p>We have contingency plans for such eventualities, including manual workarounds, offsite system backups and options to work at alternative sites.</p>

Strategic report (continued)

Business risks (continued)

Risk	Description and mitigation
<p>Information technology security</p> <p>The Group is exposed to the risk of cybercrime such as hacking, malware, ransomware, phishing and data theft.</p>	<p>Unauthorised access to the Group's IT systems or the presence of malicious software could result in loss of data or in the integrity of data being compromised. This could impact day to day operations and decision making, potentially resulting in financial loss and/or reputational damage.</p> <p>The group has an IT security strategy based upon the NIST (US National Institute of Standards and Technology) framework supported by a series of security policies and specific standards for all territories. We have 24 x 7 monitoring against external attacks and a range of internal IT defences and controls (which are regularly reviewed and improved to reflect the ever changing nature of global security threats). Security is managed by an experienced Chief Information Security Officer (CISO) with external third parties independently testing our defences at regular intervals. Prior to the introduction of our new strategy our South African systems were the subject of a ransomware attack in April 2022 following which manual workarounds and controls were put in place to enable the South African business to continue to trade. Since then further measures to test and secure our IT infrastructure have been put in place across all territories and new incident response plans developed and tested with independent specialists.</p>
<p>Competition</p> <p>The fitness industry is competitive.</p>	<p>We operate in a competitive environment in all of our territories. There are a number of established competitors in the market along with regular new entrants. As well as other health club providers we compete against alternative health and fitness activity providers.</p> <p>The directors continually review performance of the business using the monthly management accounts and acts quickly to manage competitive threats.</p>
<p>Asset security</p> <p>The Group invests a significant amount in its leasehold properties and equipment. These are at risk of damage or theft.</p>	<p>Our assets are at risk of accidental damage from, for example, fire and also potential theft.</p> <p>All of our properties are fitted with appropriate fire protection and security systems. Insurance policies are in place to replace assets that are lost, stolen or damaged.</p>
<p>Economic conditions and consumer confidence</p> <p>Demand for our clubs can be impacted by general economic conditions and the amount of disposable income available to consumers</p>	<p>Spend on health and fitness is discretionary expenditure which can be directly impacted by consumer confidence.</p> <p>Through the monthly review of performance the directors identify particular consumer trends and takes necessary steps to adapt the business to meet any challenges that arise.</p>

Strategic report (continued)

Directors and Officers of the Group

The Company and its subsidiaries (the "Group") is part of a wider Virgin Active group which is ultimately controlled by the board of its parent company Virgin Active International Investments Limited (the "Group Board"). The composition of the Group Board as at the date of signing these financial statements was as follows:

Executive Directors

Dean Kowarski - Group Chief Executive Officer
Mark Field - Group Chief Financial Officer

Non- executive directors

Simon Susman - Group Chairman and Independent non-executive director

Brait Mauritius Limited – Brait non- executive director represented by:
Peter Hayward-Butt
Anthonie de Beer
Mark Parsons

Titan Premier Investments – non-executive director represented by:
Paul Roelofse

Virgin Group non-executive directors
Joe Margison
Caroline Ng

Antony Ball

Statement of compliance

The directors of the Company consider the annual report and consolidated financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

By order of the Board



NA King
Secretary

26 Little Trinity Lane
London
EC4V 2AR
5 March 2024

Directors' report

The directors of the Company present their annual report and audited financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the Group is the operation of health and fitness facilities. Virgin Active is a leading international health club operator with 232 clubs and 0.9 million members in the United Kingdom, Italy, South Africa, Namibia, Botswana, Australia, Singapore and Thailand. The principal activity of the Company is a holding company for subsidiary undertakings that provide health and fitness facilities to club members in the aforementioned countries.

Statement of corporate governance arrangements

The directors of the Company have not formally applied the Wates Corporate Governance Principles for Large Private Companies or an alternative external corporate governance code for the financial year ended 31 December 2022, as they consider the corporate governance framework the Group has in place to be appropriate to the size and nature of the Group's business. The corporate governance arrangements applied by the Group during the financial year ended 31 December 2022 are described below.

The Group's business is purpose-led and the Group's values underpin behaviours and decision-making throughout the Group. The Group's purpose, vision, values and strategy are described at page 1 of the Strategic Report.

The Group as a whole is overseen by the board of its parent company Virgin Active International Investments Limited (the "Group Board"). The composition of the Group Board at the date of signing these financial statements, is set out on page 15 of the Strategic Report. The Group Board has been chaired by Simon Susman, an independent non-executive director, since December 2014. During the financial year ended 31 December 2022, in addition to the independent chairman, the Group Chief Executive officer, the Group Chief Financial Officer and non-executive directors appointed by the Group's ultimate shareholders were also members of the Group Board.

Each territory business has its own operating board comprising the territory's managing director and finance director together with other key senior management. Each territory operating board manages the territory's business in accordance with the Group's purpose, vision, values and strategy. Throughout the year, the managing director of each territory reported to the Group Chief Executive Officer, with the finance directors reporting to the Group Chief Financial Officer in order to ensure an appropriate separation of financial reporting accountability. Meetings of the Group's executive management were held regularly through the year, including monthly management reviews of the financial performance of each territory attended by the Group Chief Executive Officer, the Group Chief Financial Officer and the territory managing director and finance director. While operational management of each territory was delegated to the territory operating boards, specified matters were required to be escalated to and approved by members of the Group Board in accordance with a Group-wide delegated authorities policy.

The Group Board met regularly throughout the year, and received regular reports in relation to the business and financial performance of each territory and the Group as a whole. The Group Board has established an audit committee comprising two non-executive directors, meetings of which were also attended by the Group Chief Financial Officer. A remuneration committee, comprising the Group's chairman and two non-executive directors, is responsible for making decisions on all matters concerning executive remuneration and incentivisation. Meetings of the remuneration committee were also attended by the Group Chief Executive Officer. Other Group Board committees are constituted as and when required.

The Group Board and territory operating boards regularly review risks at Group and territory level, and seek to minimise them through appropriate mitigation. Key financial and business risks affecting the Group are described on pages 12 and 14 of the Strategic Report. The Group recognises the importance of good stakeholder relations. The Group's approach in relation to its stakeholders is described at page 5 of the Strategic Report.

Directors' report (*continued*)

Ownership

The ultimate shareholders of the Group as at 31 December 2022 were as follows:

Brait Mauritius Limited	67.42%
Vieco Nominees Limited	16.62%
Titan Premier Investments Proprietary Limited	7.88%
Others	8.08%
Total	100.00%

Dividend

No dividends were paid or proposed in the year (2021: *£nil*).

Directors

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

MW Bucknall	(<i>resigned 27 April 2022</i>)
JR Hartley	(<i>resigned 31 March 2022</i>)
DAR Carter	(<i>appointed 27 April 2022, resigned 30 November 2022</i>)
NM Field	(<i>appointed 27 April 2022</i>)

The following directors of the Company were appointed after the balance sheet date:

IK Sanderson	(<i>appointed 15 May 2023</i>)
NA King	(<i>appointed 1 August 2023</i>)

Political and charitable contributions

Neither the Company nor any of its subsidiaries incurred any political expenditure during the year (2021: *£nil*). The Company did not make any charitable donations (2021: *£nil*). Subsidiary companies provide subsidised services to Virgin Unite and other charitable enterprises.

Policy and practice on payment of creditors

It is Group policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2022, the Group had an average of 56 days (2021: *79 days*) purchases outstanding in trade creditors.

Disclosure of information to the auditor

The directors of the Company who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



NA King
Secretary

26 Little Trinity Lane
London
EC4V 2AR
5 March 2024

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

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Virgin Active International Limited

Opinion

We have audited the financial statements of Virgin Active International Limited ("the company") for the year ended 31 December 2022 which comprise the Consolidated statement of profit or loss and other comprehensive income, Consolidated and company statement of financial position, Consolidated and company statement of changes in equity, Consolidated statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.4 to the financial statements which indicates that Group's ability to continue as a going concern is dependent on another group entity, Virgin Active South Africa Holdings Limited, being able to successfully refinance its third-party loan which is maturing in June 2025. These events and conditions, along with the other matters explained in note 1.4 constitute a material uncertainty that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company, or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic for at least a year from the date of approval of the financial statements ("the going concern period"). As stated above, they have also concluded that there is a material uncertainty related to going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we found the going concern disclosure in note 1.4 to be acceptable.

Independent auditor's report to the members of Virgin Active International Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management and directors
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition given the direct relationship between revenue and cash.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and others management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report to the members of Virgin Active International Limited (continued)

Fraud and breaches of laws and regulations – ability to detect (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 19, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Virgin Active International Limited *(continued)*

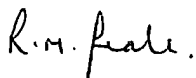
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Robert Seale BA FCA (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
6 March 2024

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2022

		Group	
	Note	2022 £m	2021 £m
Revenue	3	436.4	292.2
Operating expenses	4	(492.7)	(157.2)
Included within operating expenses:			
Impairment (charge) / reversal		(41.8)	82.3
Profit on disposal of property, plant and equipment		0.4	82.6
Operating loss before impairment and profit on disposal of property, plant and equipment *	1.3	(14.9)	(29.9)
Operating (loss) / profit		(56.3)	135.0
Financial income	6	34.3	1.9
Financial expenses	6	(125.3)	(138.4)
Net financial expenses		(91.0)	(136.5)
Loss before tax		(147.3)	(1.5)
Tax credit	7	10.3	4.9
(Loss) / profit for the year		(137.0)	3.4
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial losses on defined benefit pension plans	19	(2.2)	-
Effective portion of changes in fair value of cash flow hedges		3.2	3.9
Income tax on these items		(0.4)	(1.1)
		0.6	2.8
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(30.1)	29.4
		(30.1)	29.4
Other comprehensive (loss) / profit for the year		(29.5)	32.2
Total comprehensive (loss) / profit for the year		(166.5)	35.6
(Loss) / profit for the year attributable to:			
Owners of the Company		(137.0)	3.4
Total comprehensive (loss) / profit for the year attributable to:			
Owners of the Company		(166.5)	35.6
Non GAAP measure: Underlying EBITDA*			
Underlying EBITDA	1.3	(12.0)	(15.0)
Cash rent adjustment		105.5	93.3
Non-recurring items	4	(5.0)	(12.5)
Profit on disposal of property, plant and equipment	4	0.4	82.6
Depreciation, amortisation and impairment expense	4	(145.2)	(13.4)
Operating (loss) / profit		(56.3)	135.0

The notes on pages 28 to 88 are an integral part of these consolidated financial statements.

*Underlying EBITDA and Operating profit / (loss) before impairment and profit on disposal of property, plant and equipment are non GAAP measures, see note 1.3.

Consolidated and Company statement of financial position
at 31 December 2022

	Note	Group		Company	
		2022	2021	2022	2021
		£m	£m	£m	£m
Non-current assets					
Property, plant and equipment	8	1,034.8	1,025.6	-	-
Intangible assets and goodwill	10	254.3	231.5	-	-
Trade and other receivables	11	14.2	10.4	-	-
Deferred taxation assets	16	77.4	65.6	-	-
Investment in subsidiaries and associates	12	0.1	-	710.1	-
		1,380.8	1,333.1	710.1	-
Current assets					
Inventories	14	2.1	2.9	-	-
Trade and other receivables	11	17.0	35.9	-	555.4
Other financial assets	21	4.2	0.4	-	-
Other current assets	13	9.9	6.3	-	-
Cash and cash equivalents	15	75.6	46.0	-	-
Total current assets		108.8	91.5	-	555.4
Total assets		1,489.6	1,424.6	710.1	555.4
Equity					
Issued capital	22	710.1	277.8	710.1	277.8
Translation reserve	22	(44.4)	(14.3)	-	-
Employee benefits reserve	22	(2.8)	(1.1)	-	-
Cash flow hedging reserve	22	0.8	(1.5)	-	-
Accumulated losses		(1,034.3)	(897.3)	-	-
Total equity attributable to the owners of the company		(370.6)	(636.4)	710.1	277.8
Non-current liabilities					
Loans and borrowings	17	559.6	530.8	-	-
Lease liability	9	1,022.1	977.9	-	-
Trade and other payables	18	33.1	35.4	-	-
Taxation payable		-	4.1	-	-
Deferred taxation liabilities	16	14.4	13.2	-	-
Employee benefits	19	2.2	-	-	-
Provisions	20	6.1	8.4	-	-
		1,637.5	1,569.8	-	-
Current liabilities					
Loans and borrowings	17	0.1	277.6	-	277.6
Lease liability	9	111.9	103.6	-	-
Trade and other payables	18	105.7	101.8	-	-
Other financial liabilities	21	-	1.6	-	-
Taxation payable		3.5	5.5	-	-
Provisions	20	1.5	1.1	-	-
Total current liabilities		222.7	491.2	-	277.6
Total liabilities		1,860.2	2,061.0	-	277.6
Total equity and liabilities		1,489.6	1,424.6	710.1	555.4

The consolidated financial statements on pages 24 to 27 were approved by the board of directors of the Company on 5 March 2024 and were signed on its behalf by



NM Field
Director



IK Sanderson
Director

The notes on pages 28 to 88 are an integral part of these consolidated financial statements.

Consolidated and Company statement of changes in equity
for the year ended 31 December 2022

Group	Employee Cash flow					Total equity
	Issued capital	Translation reserve	benefits reserve	hedging reserve	Accumulated losses	
	£m	£m	£m	£m	£m	£m
Balance at 1 January 2021	277.8	(43.7)	(1.1)	(4.3)	(900.7)	(672.0)
Profit for the year	-	-	-	-	3.4	3.4
Other comprehensive income						
Exchange differences on translation of foreign operations	-	29.4	-	-	-	29.4
Effective portion of changes in fair value of cash flow hedges	-	-	-	3.9	-	3.9
Income tax on other comprehensive income	-	-	-	(1.1)	-	(1.1)
Total comprehensive income for the year	-	29.4	-	2.8	3.4	35.6
Balance at 31 December 2021	277.8	(14.3)	(1.1)	(1.5)	(897.3)	(636.4)
Balance at 1 January 2022	277.8	(14.3)	(1.1)	(1.5)	(897.3)	(636.4)
Profit for the year	-	-	-	-	(137.0)	(137.0)
Other comprehensive income						
Exchange differences on translation of foreign operations	-	(30.1)	-	-	-	(30.1)
Actuarial loss on defined benefit pension schemes	-	-	(2.2)	-	-	(2.2)
Effective portion of changes in fair value of cash flow hedges	-	-	-	3.2	-	3.2
Income tax on other comprehensive income	-	-	0.5	(0.9)	-	(0.4)
Total comprehensive income for the year	-	(30.1)	(1.7)	2.3	(137.0)	(166.5)
Share capital issued during the year	432.3					432.3
Balance at 31 December 2022	710.1	(44.4)	(2.8)	0.8	(1,034.3)	(370.6)

Company	Issued capital	Total equity
	£m	£m
Balance at 1 January 2021	277.8	277.8
Result for the year	-	-
Balance at 31 December 2021	277.8	277.8
Balance at 1 January 2022	277.8	277.8
Result for the year	-	-
Share capital issued during the year	432.3	432.3
Balance at 31 December 2022	710.1	710.1

The notes on pages 28 to 88 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for year ended 31 December 2022

	Group	
<i>Note</i>	2022	2021
	£m	£m
Cash flows from operating activities		
(Loss) / profit for the year	(137.0)	3.4
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment expense	145.2	13.4
Financial income recognised in loss / profit for the year	(34.3)	(1.9)
Financial expenses recognised in loss / profit for the year	125.3	138.4
Net loss on disposal of property, plant and equipment	(0.4)	(82.6)
Income tax credit recognised in loss / profit for the year	(10.3)	(4.9)
	<u>88.5</u>	<u>65.8</u>
Movements in working capital		
Increase in trade and other receivables	(7.5)	(7.9)
Decrease in inventories	1.2	0.3
Decrease in trade and other payables	(13.2)	(22.3)
Decrease in provisions and employee benefits	(2.2)	(6.9)
Increase in intercompany debtors	9.7	-
Net foreign exchange losses	(0.8)	(3.8)
Cash generated from operations	<u>75.7</u>	<u>25.2</u>
Interest element on leases and hire purchase contracts	(73.2)	(75.6)
Income taxes paid	(7.0)	(5.2)
Net cash generated from operating activities	<u>(4.5)</u>	<u>(55.6)</u>
Cash flows from investing activities		
Interest received	2.4	1.4
Acquisition of property, plant and equipment and other intangibles	(44.2)	(15.1)
Acquisition of subsidiary, net of cash acquired	(27.1)	-
Proceeds from the sale of property, plant and equipment	2.5	0.8
Net cash used in investing activities	<u>(66.4)</u>	<u>(12.9)</u>
Cash flows from financing activities		
Proceeds from bank loan borrowings	25.6	35.1
Proceeds from loans from related parties	2.9	63.4
Proceeds from the issue of equity instruments	154.7	-
Interest paid on borrowings	(47.5)	(36.5)
Refinancing costs	-	(4.8)
Payment of lease liabilities	(38.2)	(16.1)
Net cash generated from financing activities	<u>97.5</u>	<u>41.1</u>
Net increase / (decrease) in cash and cash equivalents	26.6	(27.4)
Cash and cash equivalents at the beginning of the year	46.0	77.3
Effect of exchange rate fluctuations on cash held in foreign currencies	3.0	(3.9)
Cash and cash equivalents at the end of the year	<u>15</u> <u>75.6</u>	<u>46.0</u>

The Company does not hold any cash and cash equivalents and therefore no statement of cash flows is presented.

The notes on pages 28 to 88 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Significant accounting policies

1.1 General information

Virgin Active International Limited ('VAIL' or 'the Company') is a company incorporated and domiciled in England, United Kingdom. VAIL's registered office is 26 Little Trinity Lane, London, EC4V 2AR, United Kingdom. The consolidated financial statements comprise VAIL and its subsidiaries (collectively referred to as the 'Group').

The Group is primarily involved in providing health and fitness facilities internationally to its 0.9m members (2021: 0.8m). The Company's primary function is to act as a holding company for the Group.

1.2 Basis of preparation

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value at the end of each reporting period, as explained in the accounting policies below. All amounts are presented in Great British Pounds (GBP), unless otherwise noted.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value measurements and disclosures in these financial statements are determined on such basis.

In addition, fair value measurements are categorised into Level 1, 2, 3 based on the degree to which inputs to their fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company has elected to prepare its parent company financial statements in accordance with FRS101. In presenting the parent entity financial statements together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of profit or loss and other comprehensive income and related notes as part of these approved financial statements. The Company's profit for the financial year was £nil (2021: £nil).

Notes to the consolidated financial statements

1.3 Non-IFRS disclosures

The directors of VAIL believe that Underlying EBITDA and operating profit or loss before impairment and profit on disposal of property, plant and equipment provides additional useful information for shareholders on underlying trends and performance.

Underlying EBITDA is a close approximation to the cash generated from operations and this is the main measure used by management for performance analysis and is also used by shareholders to value the business.

Operating profit or loss before impairment and profit on disposal of property, plant and equipment removes the impact of impairment and profit on disposal of property, plant and equipment which is a primarily non-cash charge that can fluctuate significantly depending on a number of factors outside of underlying performance trends, from the reported operating profit or loss.

Underlying EBITDA and operating profit or loss before impairment and profit on disposal of property, plant and equipment is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to, IFRS measurements of profit.

The adjustments made to operating profit to determine Underlying EBITDA are set out below.:

Underlying EBITDA

Is equal to operating profit before deducting:

- Non-recurring items
- Loss on disposal of property, plant and equipment
- Depreciation expense
- Amortisation expense
- Impairment expense

And after deducting:

- Cash rent adjustment
- Gain on disposal of property, plant and equipment

Cash rent adjustment

Is equal to the lease rentals payable for the financial year that would previously have been charged against operating costs before the adoption of IFRS 16.

Non-recurring items

Are made up of restructuring and other one-off costs; these relate to certain costs associated with the Group's restructuring activities, specific costs incurred as a result of the response to the COVID-19 pandemic and costs relating to closed clubs. See note 4 for further details.

Notes to the consolidated financial statements *(continued)*

1.4 *Going concern*

The directors of the Company have a responsibility to prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors prepare forecasts, taking account of reasonably possible changes in trading performance to assess whether the going concern basis of preparation is appropriate. The Group is funded through two separate bank loan facilities: one that is headed by Virgin Active Investment Holdings Limited that services all of its European and APAC businesses and another headed by Virgin Gyms Limited that services its Southern African business. The two bank loan facilities are separate from each other and are assessed independently for going concern.

When assessing going concern the directors evaluate whether the Group's cash balances and bank loan facilities are sufficient to cover day-to-day working capital requirements and that there is no shortfall of liquidity during the going concern period. In addition, they check that all covenants within the facilities agreements are complied with.

Assessment of European and APAC group forecasts

In July 2023 the Group agreed an amendment to its Senior Facilities Agreement which included an extension to the termination date of the facilities from June 2025 to June 2027 and an amendment to the EBITDA covenants within the agreement with 30 September 2025 being the first test date. On completion of the amendment on 4 July 2023, shareholders provided an additional £45m of funding to the Group. In addition, the shareholders committed a further £25m of funding that is to be paid into the Group during the remaining term of the facilities agreement. The additional funding is to be used for liquidity if required or for capital investment.

As part of the amendment process a 5 year plan (the "base plan") was prepared which included the additional £45m of funding received on completion. The base plan showed that all applicable covenants would be met during the plan period and that the additional committed £25m of funding would not be required to meet all covenants.

Another plan (the "downside plan") was prepared taking into account reasonable possible adverse changes to the base plan. These downside movements were lower sales and higher terminations compared to the base plan and lower central cost savings compared to those included within the base plan. These sensitivities reflected further macroeconomic risks that the business could face in respect of the direct impact of increasing inflation as well as its impact on the cost of living for consumers and their disposable income. The downside plan also showed that all applicable covenants would be met during the plan period. However, the committed additional funding of £25m from shareholders would be required to be drawn for liquidity purposes. The first drawdown of the £25m would occur in May 2024.

In January 2024, an updated plan was prepared, along with downside sensitivities similar to those considered in the earlier plan, which took into account actual performance in 2023 and updated trading and investment plans. The updated plan also demonstrated that all liquidity and EBITDA covenants would be complied with for at least 12 months from the date of signing these financial statements, including when applying the downside sensitivities. The updated plan included additional capital expenditure compared to the earlier base and downside plans and all of the committed additional shareholder funding of £25m would be drawdown during the first half of 2024.

Notes to the consolidated financial statements *(continued)*

1.4 *Going concern (continued)*

Assessment of Southern African group forecasts

During 2023 the Southern African Group received waivers from its lenders against some of its financial covenants. In October 2023 the Southern African Group prepared a revised 5-year plan which set out the forecast liquidity position of the group for the period 2023 to 2028. Following presentation of this forecast to its lender group, the Southern African Group agreed in November 2023 terms to amend and extend its existing facilities agreement. This agreement completed in January 2024. Conditions to complete this amendment which included a payment by shareholders of ZAR 400m into the banking group were met in January 2024.

The amendments made to the Southern African Senior Facilities agreement included:

- The maturity date was extended from March 2025 to June 2025.
- All remaining financial covenants were replaced with a quarterly revenue covenant and a monthly minimum liquidity covenant.
- All de-gearing requirements were removed from the remaining facility period and no capital repayments are due until the maturity date.

In January 2024, shortly before signing these financial statements, a plan was prepared which took into account actual performance in 2023, updated trading and investment plans and the impact of the amendment and extension of the facilities agreement. This plan demonstrated that all financial covenants will be met during the remaining term of the facilities agreement. A sensitivity analysis was performed by applying reasonable possible adverse changes to the plan which included a reduction in new members sales and increased member terminations compared to the base plan. The sensitivities applied reflected the directors view of reasonable possible adverse changes to the plan. Under the sensitised plan all financial covenants continued to be met during the remaining term of the loan facilities.

A full refinancing of the Southern African Senior facilities will be required to be completed no later than the current maturity date of 30 June 2025. The business has a good relationship with its lender group and has refinanced the Southern African Senior facilities on a number of occasions in the past. At the date of signing these financial statements there are no indications that a further refinancing of the facilities cannot be secured before the current maturity date.

Conclusion on going concern

The directors have concluded that it remains appropriate to prepare the financial statements on a going concern basis. Both banking groups within the Group are forecasting to meet all financial covenants and to have sufficient liquidity even after reasonable possible adverse changes are applied during the going concern assessment period of at least 12 months from the date of signing these financial statements.

The requirement to refinance the Southern Africa Senior facilities by 30 June 2025 does represent a material uncertainty over going concern. Whilst the directors have no reason to believe that this will not be achieved, it does represent a material uncertainty over going concern. The auditors have referred to this in their report.

Notes to the consolidated financial statements *(continued)*

1.5 New and revised international reporting standards in issue but not yet implemented

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. The following amended standards and interpretations are not expected to have a significant impact on the group's financial statements.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*
- *Definition of Accounting Estimates (Amendments to IAS 8)*
- *Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)*
- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*
- *Non-current Liabilities with Covenants (Amendments to IAS 1)*

1.6 Basis of consolidation

The consolidated financial statements incorporate the results of VAIL and subsidiaries of VAIL. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

When the Group loses control over a subsidiary it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.7 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Notes to the consolidated financial statements *(continued)*

1.8 *Revenue from contracts with customers*

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In accordance with IFRS 15 the Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company recognises revenue from the following major sources:

Membership dues

The Group has entered into membership contracts with customers to provide access to club facilities for an agreed period of time at an agreed transaction price. The transaction price is equal to total membership dues expected to be paid by each customer. Total price will include all contracted payments less any discounts provided (such as free months). If the Company has an expectation that any customer may default on payments a deduction for bad debt will also be applied to the total price. The total transaction price is allocated on a straight line basis across the time period that it relates to. The time period will either be the contract period if the customer has entered into such an agreement or the expected customer life term if not.

The Company has a performance obligation in relation to membership contracts to provide access to club facilities for the agreed contract period. Performance obligations are met as time elapses, and transaction price is allocated to each time period to recognise membership revenue.

Ancillary Revenue

Ancillary revenue includes income from services provided such as personal training and swimming lessons as well as income from the sale of goods such as food and beverage and merchandise sales.

Revenue for services is recognised in the period that the Group has satisfied its performance obligation by providing the service to the customer.

Revenue for the sale of products is recognised in the period that the Group has satisfied its performance obligation by passing control of the goods to the customer.

Notes to the consolidated financial statements *(continued)*

1.9 Foreign currency

Foreign currency transactions

In preparing the consolidated financial statements of each individual Group entity, transactions in currencies other than the Group's presentation currency of GBP are translated at the exchange rate prevailing at the date of transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into GBP using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year.

Exchange differences on monetary items are recognised in the profit or loss in the year in which they arise with the exception of the following:

- qualifying cash flow hedges to the extent that the hedges are effective; and
- exchange differences on monetary items from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary item.

Goodwill, acquired intangibles and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Functional and presentation currency

Items included in the financial information are presented in Great British Pounds ("GBP"), which is the Company's functional currency.

Notes to the consolidated financial statements *(continued)*

1.10 Share based payments

Equity settled share based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity settled share based payments is expense on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

The Group revises its estimate of the number of equity instruments that are expected to vest each reporting period. The impact of the revision, if any, is recognised in the statement of profit or loss with a corresponding adjustment to reserves.

1.11 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution pension plans

The Group operates defined contribution pension plans. Obligations for contributions to defined contribution pension plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit pension plans

The Group operates a defined benefit pension plan. This was closed to new members in November 2003. The Group's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest), minimum funding requirements and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability / (asset), taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Notes to the consolidated financial statements (continued)

1.11 Employee benefits (continued)

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

1.12 Government grants

The Group recognises government grants in the period that the expense to which the income relates is incurred.

The Group has elected to deduct income from government grants from the relevant expense in the statement of profit and loss and other comprehensive income.

1.13 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in transactions that are not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

Notes to the consolidated financial statements *(continued)*

1.14 Cash and cash equivalents

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

1.15 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

1.16 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds less cost of disposal and the carrying amount of the asset and is recognised in the statement of profit or loss.

Assets under construction

Expenditure on site developments is capitalised during the period of development as assets under construction and are carried at cost less any recognised impairment loss. Cost includes professional and other fees incurred in getting the site ready for its intended use. At completion of the development, the balances are transferred to the appropriate property, plant and equipment category. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use and transferred into that category.

Where planning permission is not granted, the development costs are written off. Where the Group is appealing against a decision and the directors consider a favourable outcome probable, the costs are carried on the statement of financial position as current assets.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in the statement of profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership at the end of the lease term.

The estimated useful lives are as follows:

Computer equipment	3 - 5 years
Gym equipment	3 – 12.5 years
Leasehold improvements	expected life of lease
Fixtures and fittings	5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Leasehold improvements are depreciated over the life of the lease, unless a shorter period is deemed more appropriate. Where it is probable that the lease will be renewed, the depreciation period will be based on the expected period of the lease.

Lease assets are depreciated over their expected useful lives on the same basis as owned assets, however, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Notes to the consolidated financial statements *(continued)*

1.17 Goodwill

Goodwill arises on acquisition of subsidiaries and is measured as the excess of the consideration transferred over the net assets acquired. Goodwill arising on an acquisition of a business is carried at cost at the date of acquisition less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is allocated to the Group's cash-generating units that are expected to have a long-term benefit from synergies of the combination and therefore goodwill is considered to have an indefinite useful life. Individual territory locations are defined as the lowest level at which goodwill is monitored for internal management purposes and goodwill is held in the local currency of the territory it has been allocated to.

Group cash generating units for acquired goodwill and intangibles are:

- Virgin Active United Kingdom;
- Virgin Active Italy;
- Virgin Active Africa;
- Virgin Active Australia; and
- Kauai/Nu

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised directly in the profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.18 Intangible assets

Intangible assets with finite useful lives that are acquired separately, such as computer software, are carried at cost less accumulated amortisation and impairment. Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at acquisition date, which is regarded as their cost.

Subsequent to initial recognition, intangible assets with finite useful lives acquired in a business combination are reported at cost less accumulated amortisation and impairment (if any), on the same basis as intangible assets acquired separately.

The Group has the following categories of intangible assets acquired in the business combination on 20 October 2011, and their fair value has been determined as follows:

Beneficial leases

The fair value of beneficial leases was determined by comparing the existing leases to an arms-length, market rent that would have been paid by the cash-generating units in the absence of such agreements.

Amortisation

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting and adjusted where necessary.

The estimated useful lives are as follows:

Membership base	3 - 4 years
Private health schemes	remaining life of schemes at acquisition
Beneficial leases	remaining life of leases at acquisition
Brand names	10 – 15 years
Computer software	3 - 10 years

Notes to the consolidated financial statements *(continued)*

1.19 Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

1.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows.

1.21 Leases

The Group as a lessee

The Group leases primarily relate to property leases on clubs. Rental contracts are typically made for periods between 15 years to 25 years but some have options to extend. It is Company policy to include all options to extend unless there is an expectation that the option will not be exercised.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Notes to the consolidated financial statements *(continued)*

1.21 Leases *(continued)*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group.
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Some property leases contain variable payment terms that are linked to sales generated from a club. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the relevant Group company and not by the respective lessor.

Notes to the consolidated financial statements *(continued)*

1.21 Leases *(continued)*

The Group as a lessor

Agreements in which the Group is a lessor and substantially all the risks and rewards of ownership of the underlying asset are passed to the lessee are classified as finance leases. All other agreements in which a Group company is a lessor are classified as operating leases.

Lease payments receivable under finance leases are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined which is generally the case for leases in the Group, the lessor's incremental borrowing rate is used. Lease payments received are allocated between principal and finance income.

The finance income is recognised in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the asset for the period.

Lease payments receivable under operating leases are recognised on a straight line basis as an income in profit or loss.

1.22 Financial instruments

Financial assets

Financial assets are classified into the following categories: financial assets at Fair Value through Profit or Loss (FVTPL) and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

A financial asset is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. A financial asset is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Notes to the consolidated financial statements *(continued)*

1.22 *Financial instruments (continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at Fair Value Through Other Comprehensive Income (FVOCI).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Derecognition of financial assets

The Group and Company derecognise financial assets when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred assets. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as such on initial recognition. A financial liability is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument.

Notes to the consolidated financial statements *(continued)*

1.22 Financial instruments *(continued)*

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised costs using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

1.23 Derivative financial instruments

The Group enters into derivative financial instruments, such as interest rate caps, interest rate collars and forward exchange contracts, to manage its exposure to interest rate and foreign exchange rate risks. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. Further details of derivative financial instruments are disclosed in Note 22.

1.24 Issued capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

1.25 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Impairment of property, plant and equipment

Determining whether property, plant and equipment is impaired requires an estimation of the value in use of the cash-generating units to which it has been allocated. The cash-generating units for property, plant and equipment are the individual clubs. The value in use calculation requires the directors of VAIL to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

The carrying amount of property, plant and equipment at 31 December 2022 was £1,034.8m (2021: £1,025.6m) after an impairment loss of £36.5m (2021: £2.6m) has been recognised. The impairment reversal recognised during the current year was £11.0m (2021: £85.2m).

A 1% increase in the discount rate applied to future cash flows would result in a increase in the impairment charge of £21.7m. A 1% decrease in the annual growth rate of future cash flows would result in an increase in the impairment charge of £14.8m. A 5% decrease in EBITDA over the forecast period would result in an increase in the impairment charge of £15.4m. The movements in the assumptions in this sensitivity analysis reflect managements view of a reasonable downside scenario.

Notes to the consolidated financial statements *(continued)*

1.25 *Key sources of estimation uncertainty (continued)*

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The cash-generating units have been split into the Group territories at acquisition; United Kingdom, Italy, Africa and Australia. The value in use calculation requires the directors of VAIL to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2022 was £234.2m (2021: £217.8m) and an impairment loss of £16.1m has been recognised (2021: £nil). Details of the assumptions used with respect to assessing whether goodwill is impaired are set out in Note 10.

A 1% increase in the discount rate applied to future cash flows would result in an increase in the impairment charge of £0.9m. A 1% decrease in the annual growth rate of future cash flows would result in an increase in the impairment charge of £0.4m. The movements in the assumptions in this sensitivity analysis reflect managements view of a reasonable downside scenario.

Recoverability of internally generated intangible assets

In determining whether the value of beneficial leases are impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated. The cash-generating units have been split into the Group's clubs. Where the discounted future cash flows do not support the carrying value of the assets, an impairment loss is recognised.

During the year, the directors of VAIL considered the recoverability of the Group's internally generated intangible assets arising on acquisition of its subsidiaries which is included in the consolidated statement of financial position at 31 December 2022 with carrying amounts of beneficial leases £5.8m (2021: £6.6m) and brand names £6.4m (2021: nil).

Detailed analysis has been carried out by the Group, and an impairment charge was recognised in the consolidated statement of profit or loss during the year of £0.1m (2021: £nil). The carrying value of these assets is closely monitored and adjustments may be made in future periods if market activity indicates that such adjustments are appropriate. Refer to Note 10 for further details.

Carrying amount of defined benefit obligations

The Group's defined benefit obligations are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgements are required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The Group engages an actuary to assist in determining the value of the liability at the end of each reporting period. Details of the inputs and assumptions used are set out in Note 19.

Estimation of provision for onerous leases

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

The provision for onerous lease contracts represents the present value of future property related payments in relation to closed clubs that the Group is obliged to make (any liability directly related to closed club property leases are included within the lease liability).

The onerous lease provision recognised as at 31 December 2022 was £6.1m (2021: £8.2m). Refer to Note 20 for further details.

Notes to the consolidated financial statements *(continued)*

2 Acquisition of subsidiaries

On 10 August 2022, the Group acquired all of the Ordinary shares in Kauai Juice Proprietary Limited, Nu Health Café Proprietary Limited and Kauai Smart Meals Proprietary Limited for £28.6m, satisfied in cash.

The new subsidiary companies operate a number of health food cafes as well as supplying a range of healthy meals, juices and smoothies. These products and services complement those already offered by the Group to its members. The merger of these businesses into Virgin Active will enable the expansion of the subsidiary companies operations across the global Virgin Active estate.

In the 5 months to 31 December 2022 the subsidiary companies contributed revenue of £9.6m and profit after tax of £0.2m to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2022, Group revenue would have been an estimated £449.8m and consolidated loss after tax would have been an estimated £131.9m. In determining these amounts, management has assumed that the fair value adjustments that arose on 10 August 2022 would have been the same if the transaction had occurred on 1 January 2022.

Effect of transaction

The transaction had the following effect on the Group's assets and liabilities:

	Recognised values on acquisition £m
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	3.6
Intangible assets	7.0
Investment in associate	0.3
Deferred tax asset	0.2
Inventories	0.3
Trade and other receivables	1.1
Cash and cash equivalents	1.5
Interest-bearing loans and borrowings	(0.1)
Lease liability	(2.0)
Trade and other payables	(2.5)
Deferred tax liabilities	(1.9)
Net identifiable assets and liabilities	7.5
Consideration paid	
Cash price paid	28.6
Goodwill arising on acquisition	21.1

Goodwill arising on acquisition

Goodwill has arisen on the acquisition because of the value to the acquired business of the enhanced access to the Virgin Active estate. An impairment charge of £16.1m (see note 10) was recognised during the year against this goodwill. Impairment recognised against goodwill cannot be reversed in future periods.

Intangible assets includes £6.8m recognised in relation to the Kauai and Nu brand names. The brand names were valued using the relief from royalty method which considers the discounted estimated royalty payments that are expected to be avoided as a result of owning the brand name.

Acquisition related costs

The Group incurred acquisition related cost of £0.6m related to legal and professional advice. These costs have been included in operating expenses in the Group's consolidated statement of comprehensive income.

Notes to the consolidated financial statements *(continued)*

3 Revenue

An analysis of the Group's revenue by geographical market is as follows:

	Group	
	2022	2021
	£m	£m
United Kingdom	105.6	66.9
Italy	97.2	45.0
Africa	173.8	141.9
Asia Pacific	59.8	38.4
Total revenue from operations	436.4	292.2

The Group generates revenue on contracts with customers from the sale of membership of health clubs exclusive of value added tax (VAT). The Company also generates Ancillary Revenue which includes personal training, swimming lessons, and food and beverage sales.

	Group	
	2022	2021
	£m	£m
Membership dues	376.2	262.6
Ancillary revenue	60.2	29.6
Total revenue from operations	436.4	292.2

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers. The Group does not have any contract assets arising on contracts with customers.

	Group	
	2022	2021
	£m	£m
Trade receivables from customers	10.0	5.3
Contract liabilities	17.9	16.9

Contract liabilities represent the Group's obligation to transfer goods or services to customers, for which the Group has already received consideration from the customer. The Group does not receive any consideration in advance from customers greater than 12 months hence the total contract liability balance as at December 2021 of £16.9m has been recognised as revenue during the year ended 31 December 2022.

Notes to the consolidated financial statements (continued)

4 Operating profit

The operating profit / loss for the year has been arrived at after (crediting) / charging:

	Group	
	2022	2021
	£m	£m
Depreciation and other amounts written off property, plant and equipment		
- Owned	42.5	38.5
- Leased	56.0	51.6
Impairment of property, plant and equipment and intangibles	52.7	3.0
Reversal of impairment of property, plant and equipment and intangibles	(11.0)	(85.2)
Amortisation of intangibles	4.9	5.5
Profit on disposal of property, plant and equipment	(0.4)	(82.6)
Non-recurring items	5.0	12.5
Employee benefits	153.4	123.6

Auditors remuneration:

	Group	
	2022	2021
	£m	£m
Audit of these financial statements	0.1	0.1
Audit of financial statements of subsidiaries pursuant to legislation	0.4	0.4
Audit related assurance services	0.1	0.1
	0.6	0.6

Audit fees for the Company of £5,000 (2021: £5,000) are borne by a subsidiary undertaking.

Non-recurring items relate to the provision for future property costs for clubs closed during the year, costs incurred in relation to COVID-19 and certain reorganisation costs which are project and restructuring related and not expected to occur in future years.

Non-recurring items are analysed as follows:

	Group	
	2022	2021
	£m	£m
Staff costs ¹	1.3	0.5
Legal and professional costs ²	2.1	16.0
Property costs ³	1.5	(4.0)
Other	0.1	-
	5.0	12.5

¹ Staff costs relate to severance and other employee restructuring costs.

² Legal and professional fees in 2021 primarily relate to fees incurred in relation to the restructuring plan undertaken in the UK during the year.

³ Property costs in 2022 and 2021 represent onerous property cost provisions following the decision to cease operating at certain properties where an ongoing lease commitment exists. The provision covers all future property related costs (excluding lease rentals which are included within the lease liability) until the current lease end date.

Notes to the consolidated financial statements *(continued)*

5 Staff numbers and costs

The average number of persons employed by the Group (including the directors of VAIL) during the year, analysed by category, was as follows:

	Group	
	2022	2021
Management and administration	1,100	784
Clubs	7,191	7,283
	8,291	8,067

The average number of persons employed by the Group (including the directors of VAIL) during the year analysed by gender, was as follows:

	2022		2021	
	Men	Women	Men	Women
Board	12	1	12	2
Senior Managers	65	42	75	38
Other Employees	3,922	4,249	3,781	4,159
	3,999	4,292	3,868	4,199

The aggregate payroll costs (including directors) of these persons were as follows:

	Group	
	2022	2021
	£m	£m
Wages and salaries	136.4	123.0
Social security costs	11.4	8.9
Pension contributions	5.6	4.3
Government grants	-	(12.6)
	153.4	123.6

Government grants relate to government support received in all territories to cover wages and salaries during periods that the Group's operations were required to be closed as a result of the COVID-19 pandemic.

Notes to the consolidated financial statements (continued)

6 Financial income and expenses

Recognised in profit or loss:

	Group	
	2022	2021
	£m	£m
Financial income		
Net gain on financial instruments designated as fair value through profit or loss	0.9	0.4
Interest income from financial institutions	2.2	0.8
Gain on recognition to fair value of loans from related parties	8.7	-
Other interest Receivable	-	0.2
Finance lease interest receivable	0.2	0.5
Exchange gains	22.3	-
Total finance income	34.3	1.9

	Group	
	2022	2021
	£m	£m
Financial expenses		
Interest on bank loans and overdrafts	(47.4)	(33.3)
Interest on loans payable from related parties	(2.8)	(2.3)
Lease interest	(70.9)	(76.4)
Unwind of discount on provisions	(0.1)	(0.2)
Net loss on financial instruments designated as fair value through profit or loss	(1.5)	(3.9)
Amortisation of debt issue costs	(1.9)	(3.4)
Other interest payable	(0.7)	(1.6)
Net foreign exchange losses	-	(17.3)
Total finance expense	(125.3)	(138.4)

Notes to the consolidated financial statements *(continued)*

7 Taxation

Income tax recognised in profit or loss

	Group	
	2022	2021
	£m	£m
Current tax expense		
Current year	0.8	0.3
Adjustments for prior years	-	(0.1)
Current tax expense	0.8	0.2
Deferred tax credit		
Origination and reversal of temporary differences	(32.3)	0.7
Change in tax rate	0.8	(5.5)
Adjustment in respect of previous periods	-	0.1
Change in recognised deductible temporary differences	20.4	(0.4)
Deferred tax credit	(11.1)	(5.1)
Total income tax credit recognised	(10.3)	(4.9)

Income tax recognised in other comprehensive income

	Group	
	2022	2021
	£m	£m
Effective portion of changes in fair value of cash flow hedges	0.9	1.1
Actuarial loss on defined benefit pension schemes	(0.5)	-
Total tax recognised in other comprehensive income	0.4	1.1

Income tax recognised directly in equity

	Group	
	2022	2021
	£m	£m
Deferred tax recognised directly in equity	0.4	1.1
Total tax recognised directly in equity	0.4	1.1

Notes to the consolidated financial statements *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	Group	
	2022	2021
	£m	£m
(Loss) / profit for the year	(137.0)	3.4
Total tax credit	(10.3)	(4.9)
Loss before tax	(147.3)	(1.5)
Tax using the UK corporation tax rate of 19% (2021: 19.00%)	(28.0)	(0.3)
Effect of tax rates in foreign jurisdictions	(8.9)	(2.8)
Effect of income that is exempt from taxation	(0.2)	-
Effect of change in income tax rate on deferred tax balances	1.1	(4.5)
Overseas taxes and double tax relief	0.5	0.1
Non-deductible expenses	6.0	1.7
Change in recognition of deferred tax assets	4.6	(10.7)
Losses not recognised as deferred tax assets	14.6	12.5
Group relief	-	(0.9)
Total tax credit	(10.3)	(4.9)

The March 2021 Budget announced that a rate of 25% would apply in the UK with effect from 1 April 2023, and this change was substantively enacted on 24 May 2022. This will increase the company's future current tax charge accordingly.

On 23 February 2022, the South African Minister of Finance announced that the corporate income tax rate would be reduced to 27%, effective from years of assessment ending on or after 31 March 2023. This change was substantively enacted on 23 February 2022. This will decrease the company's future current tax charge accordingly.

The deferred tax balance at 31 December 2022 has been calculated based on these rates.

Notes to the consolidated financial statements (continued)

8 Property, plant and equipment

	Group					
	Leasehold Improvements £m	Fixtures & fittings £m	Gym equipment £m	Computer equipment £m	Assets under construction £m	Total £m
Cost						
Balance at 1 January 2021	1,673.4	92.5	114.8	16.6	6.8	1,904.1
Additions and lease remeasurements	42.1	3.7	2.0	2.3	1.5	51.6
Disposals	(81.3)	(6.2)	(4.2)	(4.3)	-	(96.0)
Reclassifications / transfers	0.1	0.1	-	-	(1.0)	(0.8)
Effect of movements in foreign exchange	(69.2)	(5.1)	(7.0)	(2.0)	(0.4)	(83.7)
Balance at 31 December 2021	1,565.1	85.0	105.6	12.6	6.9	1,775.2
Depreciation and impairment						
Balance at 1 January 2021	(693.5)	(48.9)	(71.5)	(7.0)	-	(820.9)
Depreciation charge for the year	(67.1)	(8.4)	(11.3)	(3.3)	-	(90.1)
Impairment losses	(2.6)	-	-	-	-	(2.6)
Prior year impairment loss reversal	84.7	-	0.5	-	-	85.2
Disposals	30.4	5.4	3.9	3.8	-	43.5
Effect of movements in foreign exchange	25.2	3.8	4.8	1.5	-	35.3
Balance at 31 December 2021	(622.9)	(48.1)	(73.6)	(5.0)	-	(749.6)
Net book value						
At 31 December 2021	942.2	36.9	32.0	7.6	6.9	1,025.6

Notes to the consolidated financial statements *(continued)*

8 Property, plant and equipment *(continued)*

	Group					
	Leasehold Improvements £m	Fixtures & fittings £m	Gym equipment £m	Computer equipment £m	Assets under construction £m	Total £m
Cost						
Balance at 1 January 2022	1,565.1	85.0	105.6	12.6	6.9	1,775.2
Acquisitions through business combinations	2.0	4.1	-	0.1	-	6.2
Additions and lease remeasurements	61.9	11.0	12.9	3.1	2.8	91.7
Disposals	(29.0)	(1.7)	(3.6)	(2.5)	(0.2)	(37.0)
Reclassifications / transfers	0.6	0.4	0.4	0.9	(3.0)	(0.7)
Effect of movements in foreign exchange	67.5	4.6	5.7	1.3	0.3	79.4
Balance at 31 December 2022	1,668.1	103.4	121.0	15.5	6.8	1,914.8
Depreciation and impairment						
Balance at 1 January 2022	(622.9)	(48.1)	(73.6)	(5.0)	-	(749.6)
Acquisitions through business combinations	-	(2.5)	-	(0.1)	-	(2.6)
Depreciation charge for the year	(75.4)	(8.7)	(11.4)	(3.0)	-	(98.5)
Impairment losses	(35.9)	-	(0.6)	-	-	(36.5)
Prior year impairment loss reversal	11.0	-	-	-	-	11.0
Disposals	21.3	1.4	3.6	2.4	-	28.7
Effect of movements in foreign exchange	(23.9)	(3.6)	(4.1)	(0.9)	-	(32.5)
Balance at 31 December 2022	(725.8)	(61.5)	(86.1)	(6.6)	-	(880.0)
Net book value						
At 31 December 2022	942.3	41.9	34.9	8.9	6.8	1,034.8

Impairment losses recognised during the year

At each reporting date the Group reviews the carrying amount of property, plant and equipment by club to determine any impairment indicators. Once an impairment indicator is identified the recoverable amount for an individual club is compared to the carrying value, with the recoverable amount calculated using discounted future cash flows based on the Group's latest medium-term plan.

Impairment losses of £36.5m (2021: £2.6m) and the reversal of prior year impairment losses of £11.0m (2021: £85.2m) have been recognised in the consolidated statement of profit and loss.

Where only a portion of the carrying value for an individual club requires impairment the Group policy is to impair assets in the following order: leasehold improvements, fixtures and fittings and gym equipment.

Notes to the consolidated financial statements (continued)

9 Leases

This Note provides information for leases where a Group company is a lessee.

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Group	
	2022	2021
	£m	£m
Right-of-use assets		
Buildings	740.1	732.4
Equipment	0.1	0.1
Vehicles	-	0.1
Others	0.5	0.3
	740.7	732.9

	Group	
	2022	2021
	£m	£m
Lease Liabilities		
Current	111.9	103.6
Non Current	1,022.1	977.9
	1,134.0	1,081.5

Additions to the right-of-use assets during the 2022 financial year were £47.3m (2021: £35.0m).

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases;

	Group	
	2022	2021
	£m	£m
Buildings	56.0	51.4
Vehicles	-	0.1
Others	-	0.1
	56.0	51.6
Interest expense (included in finance cost)	70.9	76.4
Expense relating to short-term leases (included in operating expenses)	-	0.9
Expense relating to variable lease payments not included in lease liabilities (e.g. Turnover rents)	2.1	0.2

The total cash outflow for leases in 2022 was £111.5m (2021: £91.7m).

Notes to the consolidated financial statements *(continued)*

10 Intangible assets and goodwill

	Goodwill	Beneficial leases	Group Computer software	Other	Total
	£m	£m	£m	£m	£m
Cost					
Balance at 1 January 2021	338.9	35.1	30.4	1.0	405.4
Additions	-	-	1.3	-	1.3
Disposals	-	-	(0.6)	-	(0.6)
Reclassification / transfers	-	-	0.8	-	0.8
Effect of movements in foreign exchange	(18.1)	(0.3)	(1.2)	(0.1)	(19.7)
Balance at 31 December 2021	320.8	34.8	30.7	0.9	387.2
Amortisation and impairment					
Balance at 1 January 2021	(105.3)	(27.6)	(20.0)	(0.7)	(153.6)
Amortisation charge for the year	-	(0.8)	(4.1)	(0.6)	(5.5)
Impairment charge	-	-	(0.4)	-	(0.4)
Effect of movements in foreign exchange	2.3	0.2	0.9	0.4	3.8
Balance at 31 December 2021	(103.0)	(28.2)	(23.6)	(0.9)	(155.7)
Net book value					
At 31 December 2021	217.8	6.6	7.1	-	231.5

Notes to the consolidated financial statements *(continued)*

10 Intangible assets and goodwill *(continued)*

	Goodwill	Brand names	Group Beneficial leases	Computer software	Other	Total
	£m	£m	£m	£m	£m	£m
Cost						
Balance at 1 January 2022	320.8	-	34.8	30.7	0.9	387.2
Acquisitions through business combinations	21.1	6.8	-	0.2	-	28.1
Additions	-	-	-	3.7	-	3.7
Disposals	-	-	-	(3.9)	-	(3.9)
Reclassification / transfers	-	-	-	0.7	-	0.7
Effect of movements in foreign exchange	13.1	-	0.3	1.0	0.1	14.5
Balance at 31 December 2022	355.0	6.8	35.1	32.5	1.0	430.3
Amortisation and impairment						
Balance at 1 January 2022	(103.0)	-	(28.2)	(23.6)	(0.9)	(155.7)
Acquisitions through business combinations	-	(0.1)	-	-	-	(0.1)
Amortisation charge for the year	-	(0.3)	(0.8)	(3.9)	-	(4.9)
Impairment losses	(16.1)	-	(0.1)	-	-	(16.2)
Disposals	-	-	-	3.8	-	3.8
Effect of movements in foreign exchange	(1.7)	-	(0.2)	(0.9)	(0.1)	(2.9)
Balance at 31 December 2022	(120.8)	(0.3)	(29.3)	(24.6)	(1.0)	(176.0)
Net book value						
At 31 December 2022	234.2	6.5	5.8	7.9	-	254.2

Goodwill

Goodwill has been measured as the excess cost of the acquired enterprise over the sum of the amounts allocated to identifiable assets acquired less liabilities assumed. Any acquired intangible assets that do not meet the criteria for recognition as a separate asset are included within goodwill. Brought-forward goodwill and acquired intangibles (beneficial leases) relate to the VAIL acquisition of the entire share capital of Virgin Active Group Limited and Virgin Active Australia Pty Ltd on 20 October 2011. Acquired goodwill and brand names relate to the 2022 acquisition disclosed in note 2.

The residual value of the goodwill figure and reasons for goodwill having an indefinite useful life can be primarily explained by the following factors:

- The Group has a significant market share in the United Kingdom and South Africa, which cannot be identified separately as an intangible asset, and is mostly captured by goodwill;
- The location of most Virgin Active health clubs with long-term lease agreements is a value driver for the business, even for arms-length lease agreements;
- The membership base intangible asset captures existing members only, but excludes potential future and new members. The Group's ability to sign new members is captured in goodwill; and
- Identified intangible assets have limited useful lives; any going concern value towards perpetuity is attributable to goodwill.

Notes to the consolidated financial statements *(continued)*

10 Intangible assets and goodwill *(continued)*

Goodwill (continued)

For the purposes of impairment testing, goodwill is allocated to the Group's cash-generating units that are expected to benefit from synergies of the combination. Individual territory locations are defined as the lowest level at which goodwill is monitored for internal management purposes. Group territories for acquired goodwill and intangibles are as follows:

	Currency in which asset held	2022 £m	2021 £m
United Kingdom	GBP	14.3	14.3
Italy	EUR	22.1	21.0
Africa	ZAR	184.0	174.1
Australia	AUD	8.8	8.4
Kauai/NU	ZAR	5.0	-
		234.2	217.8

Goodwill is held in the local currency of the territory (cash-generating unit) it has been allocated to. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from both external and internal sources. The discount rates that have been applied are: United Kingdom 13.1% (2021: 10.3%), Italy 15.5% (2021: 13.4%), Africa 16.7% (2021: 15.0%) and Australia 11.7% (2021: 11.5%). These are pre-tax measures estimated based on the historical industry average weighted-average cost of capital by geographical region.

The average growth rate applied is 1.5% - 4.3% (2021: 1.0% - 4.0%), which is the rate used in perpetuity. The growth rate in perpetuity was determined based on management's estimate of the long-term compound annual EBITDA growth rate.

Beneficial leases

The fair value of the beneficial leases was determined by comparing the existing leases to an arms-length, market rent that would have been paid by the cash-generating units in the absence of such agreements. The following key assumptions were used:

- Market-related rentals were determined to compare to the contracted lease charges, and for the purpose of the forecast cash flows, these rentals increase annually by 2.5%;
- The lease agreements expire at various dates, but the Group will occupy the premises in all instances to the end of the lease periods; and
- Cash flows were discounted using a discount rate for each cash-generating unit that was applicable at the time of the transaction as follows:

United Kingdom	11.0%
Italy	16.0%

Beneficial lease contracts are amortised over the remaining life of each individual lease at the date of acquisition.

For the purposes of impairment testing, the beneficial lease intangible asset is allocated to the Group's clubs as the cash-generating unit. An impairment loss was recognised in 2022 of £0.1m (2021: £nil) as the carrying value of the intangible asset and property plant and equipment for each cash-generating unit containing a beneficial lease asset was greater less the discounted expected future cash flows. Where the discounted future cash flows do not support the carrying value of the beneficial lease intangible asset and property, plant and equipment, the beneficial lease intangible asset is impaired before property, plant and equipment.

Notes to the consolidated financial statements (continued)

10 Intangible assets and goodwill (continued)

Brand names

The Brand names intangible asset relates to the Kauai and Nu brands acquired with the entities acquired in 2022 (see note 2). The fair value of the brand names were valued using the relief from royalty approach.

A tradename royalty rate of 3.0% for each brand was estimated by benchmarking against third party franchise rates (tradename royalty rates are considered to be approximately 50% of franchise rates).

The fair value of the acquired brand names was determined as follows:

- A tradename royalty rate of 3.0% for each brand was estimated by benchmarking against third party franchise rates (tradename royalty rates are considered to be approximately 50% of franchise rates).
- The forecast tradename cashflows were calculated by applying the tradename royalty rate to the forecast revenue generated by each business.
- The forecast cash flows were discounted using a discount rate of 19.5%

The Kauai & Nu brand names are being amortised over a 10 year useful life.

Computer software

Computer software represents purchased software. The useful life of computer software is 3 to 10 years. An impairment loss of *£nil* was recognised in 2022 (2021: *£0.4m*).

Computer software acquired in during the year of *£0.3m* related to the Kauai app which was valued on a replacement cost basis.

Other intangible assets

Other intangible assets represent sinking fund policies providing the right to acquire certain leasehold properties on expiry of the lease term.

11 Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	£m	£m	£m	£m
Non-current				
Finance Lease receivables	1.4	1.7	-	-
Other receivables	12.8	8.7	-	-
	14.2	10.4	-	-
Current				
Trade receivables from customers	10.0	5.3	-	-
Loans to related parties (note 26)	-	20.8	-	555.4
Other receivables	6.9	9.6	-	-
Finance Lease receivables	0.1	0.2	-	-
	17.0	35.9	-	555.4
	31.2	46.3	-	555.4

Loans to related parties are repayable on demand and bear interest at 0% per annum. Non-current other receivables mostly relate to bank guarantees for rentals in Asia Pacific. Current other receivables include utility supplier deposits *£2.3m* (2021: *£nil*) property related debtors *£0.5m* (2021: *£0.5m*) and VAT debtors *£nil* (2021: *£4.8m*).

Notes to the consolidated financial statements (continued)

12 Investments in subsidiaries

	Group	
	2022	2021
	£m	£m
Investment in Dusit Real Foods Company Limited	0.1	-
	0.1	-

The Group owns 49% of the ordinary share capital of Dusit Real Foods Company Limited, a Company incorporated in Thailand with the registered address 319 Chamchuri, Square Building, 29th Floor, Phayathai Road, Pathumwan, Bangkok, Thailand.

The following table lists the Group's subsidiary undertakings. All subsidiaries are held through an intermediate holding company except Virgin Active Health Club Holdings Limited which is a direct subsidiary undertaking. No subsidiaries are excluded from the Group consolidation.

	Registered address	Class of shares held	Ownership	
			2022	2021
Direct subsidiary				
Virgin Active Health Club Holdings Limited	Note 1	Ordinary	100%	100%

VAIL owns 100% of Virgin Active Health Club Holdings Ltd and holds 701,590,159,241 ordinary shares of £0.001 each

	Registered address	Class of shares held	Ownership	
			2022	2021
Indirect subsidiaries				
Virgin Gyms Limited	Note 1	Ordinary	100%	100%
Virgin Active South Africa Holdings Limited	Note 1	Ordinary	100%	100%
Virgin Active Group Limited	Note 1	Ordinary	100%	100%
Virgin Active Group Investments Limited	Note 1	Ordinary	100%	100%
Virgin Active Investment Holdings Limited	Note 1	Ordinary	100%	100%
Virgin Active Holdings Limited	Note 1	Ordinary	100%	100%
Virgin Active Asia Pacific Holdings Limited	Note 1	Ordinary	100%	100%
Virgin Active IPCO Limited	Note 1	Ordinary	100%	100%
Virgin Active Limited	Note 1	Ordinary	100%	100%
Virgin Active Health Clubs Limited	Note 1	Ordinary	100%	100%
Esporta H&F Propco (1A) Limited	Note 1	Ordinary	100%	100%
Esporta H&F Propco (2A) Limited	Note 1	Ordinary	100%	100%
Esporta Health & Fitness Limited	Note 1	Ordinary	100%	100%
Esporta Limited	Note 1	Ordinary	100%	100%
Esporta Management Services Limited	Note 1	Ordinary	100%	100%
Esporta Non Racquets Limited	Note 1	Ordinary	100%	100%
Esporta Racquets and Non Racquets Holdings Limited	Note 1	Ordinary	100%	100%
Esporta Racquets Limited	Note 1	Ordinary	100%	100%
Esporta Tennis Clubs Limited	Note 1	Ordinary	100%	100%
I S L Leisure Limited	Note 1	Ordinary	100%	100%
Invicta Leisure (Brentwood) Limited	Note 1	Ordinary	100%	100%
Invicta Leisure (Tennis) Limited	Note 1	Ordinary	100%	100%
Riverside Limited	Note 1	Ordinary	100%	100%
Riverside Racquet Centre Limited	Note 1	Ordinary	100%	100%
The Royal County of Berkshire Health & Racquets Club Limited	Note 1	Ordinary	100%	100%

Notes to the consolidated financial statements (continued)

12 Investments in subsidiaries (continued)

	Registered address	Class of shares held	Ownership	
			2022	2021
Virgin Active Italia S.p.A.	Note 3	Ordinary	100%	100%
Club Milano City S.r.l	Note 3	Ordinary	100%	100%
Club Milano Corso Como S.r.l	Note 3	Ordinary	100%	100%
Revolution S.r.l	Note 3	Ordinary	100%	100%
Virgin Active Australia Pty Limited	Note 4	Ordinary	100%	100%
Virgin Active Singapore Pte Limited	Note 5	Ordinary	100%	100%
Virgin Active (Thailand) Limited	Note 6	Ordinary	100%	100%
Virgin Active South Africa (Pty) Limited	Note 2	Ordinary	100%	100%
Virgin Active South Africa Group (Pty) Limited	Note 2	Ordinary	100%	100%
Virgin Active South Africa 1993 (Pty) Limited	Note 2	Ordinary	100%	100%
Virgin Active Property Company (Pty)	Note 2	Ordinary	100%	100%
Cura Flash (Pty) Limited	Note 2	Ordinary	100%	100%
Sound Sense Investments (Pty) Limited	Note 2	Ordinary	100%	100%
Virgin Active Kenya Limited ⁽¹⁾	Note 2	Ordinary	-	100%
Virgin Active Botswana (Pty) Limited	Note 7	Ordinary	100%	100%
Kauai Juice (Pty) Limited ⁽²⁾	Note 8	Ordinary	100%	-
Nu Health Café (Pty) Limited ⁽²⁾	Note 8	Ordinary	100%	-
Kauai Smart Meals (Pty) Limited ⁽²⁾	Note 8	Ordinary	100%	-
Kauai Retail (Pty) Limited ⁽²⁾	Note 8	Ordinary	100%	-
Greenmarket Juice (Pty) Limited ⁽²⁾	Note 8	Ordinary	100%	-
Kauai Wholefoods Franchise (Pty) Limited ⁽²⁾	Note 8	Ordinary	100%	-
Kauai Kloof Street (Pty) Limited ⁽²⁾	Note 8	Ordinary	100%	-

⁽¹⁾ Virgin Active Kenya Limited was de-registered on 4 February 2022

⁽²⁾ Acquired on 10 August 2022, see note 2

Note 1: 26 Little Trinity Lane
London EC4V 2AR
United Kingdom

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

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

Note 4: Level 3/400, Barangaroo
Avenue, Barangaroo
Sydney, NSW 2000
Australia

Note 5: 1 Raffles Place
#06-61 One Raffles Place
Singapore 048616

Note 6: Unit No.602,6th Floor
Siam Discovery Centre
989 Rama I Road
Pathumwan District
Bangkok 10330
Thailand

Note 7: Plot 67978
First Floor
Mokolwane House
Fairgrounds Office Park
Gaborone, Botswana

Note 8: Ground Floor
West Tower, Canal Walk,
Century City, 7441
South Africa

Notes to the consolidated financial statements *(continued)*

13 Other current assets

	Group	
	2022	2021
	£m	£m
Prepayments	9.9	6.3
	<u>9.9</u>	<u>6.3</u>

14 Inventories

	Group	
	2022	2021
	£m	£m
Consumables	2.1	2.9
	<u>2.1</u>	<u>2.9</u>

15 Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts where there is a right to set off these amounts.

	Group	
	2022	2021
	£m	£m
Cash and cash equivalents	75.6	46.0
	<u>75.6</u>	<u>46.0</u>

Notes to the consolidated financial statements (continued)

16 Deferred tax assets and liabilities

Recognised deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the following:

	Group			
	Assets		Liabilities	
	2022	2021	2022	2021
	£m	£m	£m	£m
Property, plant and equipment	17.6	16.6	(10.4)	(11.1)
Intangible assets	0.1	-	(3.1)	(1.6)
Financial assets	-	0.5	(0.4)	-
Employee benefits	0.5	-	-	-
Leases	33.8	28.0	(0.5)	(0.5)
Other	1.7	3.5	-	-
Tax value of losses carried forward	23.7	17.0	-	-
Taxation assets/(liabilities)	77.4	65.6	(14.4)	(13.2)
Netting of taxation liabilities	(14.4)	(13.2)		
Net taxation assets	63.0	52.4		

Movement in deferred taxation during the 2022 year

	Group				
	2021	Acquired	Recognised in income	Recognised in equity	Foreign exchange movement
	£m	£m	£m	£m	£m
Property, plant and equipment	5.5	0.1	2.2	-	(0.6)
Intangible assets	(1.6)	(1.9)	0.4	-	0.1
Financial assets	0.5	-	-	(0.9)	-
Employee benefits	-	-	-	0.5	-
Leases	27.5	-	4.4	-	1.4
Other - short term timing differences	3.5	0.1	(2.1)	-	0.2
Tax value of losses carried forward	17.0	-	6.2	-	0.5
	52.4	(1.7)	11.1	(0.4)	1.6
					63.0

Notes to the consolidated financial statements *(continued)*

16 Deferred tax assets and liabilities *(continued)*

Movement in deferred taxation during the 2021 year

	Group				
	2020	Recognised in income	Recognised in equity	Foreign exchange movement	2021
	£m	£m	£m	£m	£m
Property, plant and equipment	4.2	0.4	-	0.9	5.5
Intangible assets	(1.7)	0.1	-	-	(1.6)
Financial assets	1.7	-	(1.1)	(0.1)	0.5
Leases	31.8	(2.2)	-	(2.1)	27.5
Other - short term timing differences	2.6	1.1	-	(0.2)	3.5
Tax value of losses carried forward	12.1	5.7	-	(0.8)	17.0
	50.7	5.1	(1.1)	(2.3)	52.4

Breakdown of unprovided deferred tax asset

	Group	
	2022	2021
	£m	£m
Property, plant and equipment	51.8	39.3
Leases	35.7	35.2
Other	11.4	6.9
Tax value of losses carried forward	112.2	94.8
	211.1	176.2

At 31 December 2022, the Group has unused tax losses of £554.9m (2021: £467.3m) available for offset against future profits. A deferred tax asset has been recognised in respect of £91.5m (2021: £66.8m) of such losses. No deferred tax asset has been recognised in respect of the remaining £463.4m (2021: £400.5m) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of £42.0m that will expire by 2026 (2021: £33.0m by 2025). Other losses will be carried forward indefinitely.

There are no recognised or unrecognised deferred tax assets or liabilities in the Company.

Notes to the consolidated financial statements *(continued)*

17 Loans and borrowings

	Group		Company	
	2022	2021	2022	2021
	£m	£m	£m	£m
Non-current				
Secured bank loans	505.1	463.2	-	-
Loan from related parties	54.5	67.6	-	-
	559.6	530.8	-	-
Current				
Secured bank loans	0.1	-	-	-
Loan from related parties	-	277.6	-	277.6
	0.1	277.6	-	277.6
	559.7	808.4	-	277.6

Notes to the consolidated financial statements (continued)

17 Loans and borrowings (continued)

Terms and debt repayment schedule

	Group					
	Currency	Maturity	Nominal interest rate	2022	2021	
				£m	£m	
Secured bank loans						
<i>European and Asia Pacific facility (lead lender HSBC Bank Plc)</i>						
GBP Term Loan 1	GBP	Jun 2025	SONIA + CSA + 5.50%	53.6	51.3	
Euro Term Loan	EUR	Jun 2025	EURIBOR + 5.50%	53.9	48.8	
Capex facility	GBP	Jun 2025	SONIA + CSA + 5.50%	42.5	40.6	
Capex facility	EUR	Jun 2025	EURIBOR + 5.50%	10.5	9.5	
GBP term Loan 2	GBP	Jun 2025	SONIA + CSA + 5.50%	27.0	25.9	
GBP Term Loan 3	GBP	Jun 2025	SONIA + CSA + 10.00%	28.8	26.1	
Revolving Credit Facility	GBP	Jun 2025	SONIA + CSA + 5.50%	24.0	22.9	
Capitalised transaction costs				(2.2)	(3.2)	
				238.1	221.9	
<i>South African facility (lead lender Rand Merchant Bank)</i>						
Senior loan B bullet	ZAR	Mar 2025	3M-JIBAR +4.05%	157.5	142.6	
Senior loan B2 bullet	ZAR	Mar 2025	3M-JIBAR +4.05%	31.1	28.1	
Senior PropCo loan bullet	ZAR	Mar 2025	3M-JIBAR +4.05%	21.8	19.7	
Senior loan C bullet	ZAR	Mar 2025	3M-JIBAR +4.05%	57.0	51.6	
Capitalised transaction costs				(0.5)	(0.7)	
				266.9	241.3	
Kauai Wesbank loan	ZAR	Jan-26	SA prime +1.00%	0.2	-	
Total secured bank loans				505.2	463.2	
Unamortised debt issue cost disclosure:						
Offset against current secured bank loans are unamortised debt issue costs of				-	-	
The offset against non-current secured bank loans are unamortised debt issue costs of				2.7	3.9	
				2.7	3.9	
Carrying amount						
	Currency	Maturity	Nominal interest rate	2022	2021	
					£m	
Loans from related parties						
Shareholder Loan 1	GBP	Dec 2025	0.00% (2021: 5.00%)	42.6	47.6	
Shareholder Loan 2	GBP	Jun 2025	5.00%	13.6	10.2	
Shareholder Loan 3	GBP	12 months on demand	10.00%	-	12.1	
Shareholder Loan 4	GBP	On demand	0.00%	-	277.6	
Capitalised transaction costs				(1.7)	(2.3)	
				54.5	345.2	
Unamortised debt issue cost disclosure:						
Offset against current loans from related parties are unamortised debt issue costs of				-	-	
Offset against non-current loans from related parties are unamortised debt issue costs of				1.7	2.3	
				1.7	2.3	

After the balance sheet date the maturity date of the European and APAC facilities agreement was extended to June 2027 and the maturity date of the South African facilities agreement was extended to 30 June 2025. See note 29 for details.

Notes to the consolidated financial statements (continued)

17 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Secured bank loans £m	Loans from related parties £m	Total £m
Balance as at 31 December 2020	450.5	283.6	734.1
<i>Changes from financing cash flows</i>			
Proceeds from borrowings	35.1	-	35.1
Proceeds from loans from related parties	-	63.4	63.4
Refinancing costs	(2.1)	(2.7)	(4.8)
Total changes arising from cash flows	33.0	60.7	93.7
<i>Other changes</i>			
The effect of changes in foreign exchange rates	(23.3)	-	(23.3)
Amortisation of debt issue costs	3.0	0.4	3.4
Interest expense	36.5	0.5	37.0
Interest paid	(36.5)	-	(36.5)
Total other changes	(20.3)	0.9	(19.4)
Balance at 31 December 2021	463.2	345.2	808.4
<i>Changes from financing cash flows</i>			
Proceeds from bank loan borrowings	25.6	-	25.6
Proceeds from loan from related parties	-	2.9	2.9
Repayment of loans from related parties through the issue of ordinary share capital	-	(277.6)	(277.6)
Repayment of loans from related parties through the offset of loans to related parties	-	(12.1)	(12.1)
Total changes arising from cash flows	25.6	(286.8)	(261.2)
<i>Other changes</i>			
The effect of changes in foreign exchange rates	16.3	-	16.3
Amortisation of debt issue costs	1.4	0.6	2.0
Gain on recognition to fair value of loans from related parties	-	(8.7)	(8.7)
Interest expense	46.2	2.8	49.0
Interest accrued transferred from creditors	-	1.4	1.4
Interest paid	(47.5)	-	(47.5)
Total other changes	16.5	(3.9)	12.5
Balance as at 31 December 2022	505.2	54.5	559.7

Bank loans are secured by a fixed and floating charge over the assets of the Group and the share capital of certain subsidiary undertakings. Information about the Group's exposure to interest rate fluctuations is included in Note 23.

Notes to the consolidated financial statements *(continued)*

18 Trade and other payables

	Group	
	2022	2021
	£m	£m
Non-current		
Other payables	33.1	35.4
	33.1	35.4
Current		
Trade payables	29.0	24.5
Trade payables due to related parties (Note 26)	6.4	4.9
Accruals	40.8	46.3
Contract liabilities	17.9	16.9
Other payables	11.6	9.2
	105.7	101.8
	138.8	137.2

Included within non-current other payables is £32.9m (2021: £35.2m) and within current other payables is £2.2m (2021: £2.2m) of prepaid licence fee subsidy received in relation to the renegotiation of the Group's licence agreement with Virgin Enterprises Limited. The amount is recognised in the profit or loss account over the term of the licence agreement.

19 Employee benefit plans

Defined contribution plans

UK defined contribution schemes

The Group operates defined contribution retirement benefit plans for all qualifying employees in the United Kingdom. The pension cost charge for the year represents contributions payable by the Group to the funds and amount to £0.9m (2021: £0.8m).

Overseas defined contribution schemes

Virgin Active South Africa (Proprietary) Limited, Virgin Active Australia Pty Limited and Virgin Active Singapore Pte Limited provide retirement benefits for permanent employees through defined contribution pension schemes.

The employer contributions to the funds during the year total £4.5m (2021: £3.5m).

Notes to the consolidated financial statements *(continued)*

19 Employee benefit plans *(continued)*

Defined benefit plan

The Group sponsors a funded defined benefit plan for qualifying past employees of its subsidiary Esporta Health and Fitness Limited. The scheme was closed to new entrants and ceased future service accruals on 1 November 2003.

This pension plan is an HMRC-registered pension plan and subject to standard UK pension and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the plan is subject to the scheme funding requirements outlined in section 224 of the Pensions Act 2004.

In accordance with UK trust and pensions law, the pension plans have appointed trustees who are independent of the Group. The trustees of the pension plan are required by law to act in the best interests of the plan's participants and are responsible for setting certain policies (e.g. investment contribution and indexation policies) of the plans.

Esporta Health and Fitness Limited

Esporta Health and Fitness Limited operates a pension scheme providing benefits based on final pensionable pay. The scheme is run by trustees of the Scheme who ensure that the scheme is run in accordance with the Trust Deed and Rules of the Scheme and complies with legislation. The trustees are required by law to fund the scheme on prudent funding assumptions under the Trust Deed and Rules of the Scheme. The contributions payable by the employer to fund the scheme are set by the trustees after consulting the employer.

The assets of the scheme are invested in managed funds. The managed funds are diversified by fund and by investment strategy. A significant proportion of the scheme liabilities are in respect of pensioners whose liabilities are best matched by bonds.

The latest actuarial valuation of the scheme was carried out for the period ended 31st December 2021. The IAS 19 valuation has been performed by a qualified independent actuary based on membership data as at 31st December 2022.

Defined benefit pension plan – valuation and disclosure

Valuations of the defined benefit pension plan have been provided on an IAS 19 basis at 31 December 2022 and 31 December 2021 by the Group's professionally qualified external actuary.

Minimum funding requirements

As at 31 December 2020, the Group is not committed to make further contributions to the defined benefit plan. The Group has recognised a minimum funding liability at 31 December 2021 of £2.2m (2021: *£nil*). Since the 1 January 2020 the Group has contributed £162,000 per annum to meet the costs of administering the plan.

Notes to the consolidated financial statements *(continued)*

19 Employee benefit plans *(continued)*

Risks

The pension plan exposes the Group to several key risks, the most significant of which are detailed below:

Investment return risk

There is a risk that the assets of the scheme underperform, therefore increasing the deficit and potentially requiring further contributions from the Group at the next funding valuation. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the longer term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

Investment matching risk

The scheme invests significantly in equity type assets, whereas the solvency target is closely related to the return on bonds. If equity type assets have fallen in value relative to the matching assets of bonds, additional contributions may be required.

Longevity risk

The assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Scheme and consequently an increase in the liability. The Group review the mortality assumptions on a regular basis to minimise the risk of using an inappropriate assumption.

Scheme assets and liabilities

The amounts recognised on the statement of financial position as at 31 December are:

	Group	
	2022	2021
	£m	£m
Present value of the obligations	(14.1)	(23.4)
Fair value of plan assets	11.9	29.1
Surplus in the scheme	(2.2)	5.7
Amounts not recognised as a result of the asset ceiling	-	(5.7)
Defined benefit pension liability recognised	(2.2)	-

The fair values of the scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities which are derived from cash flow projections over long periods and thus are inherently uncertain.

None of the scheme assets include any of the Group's own financial instruments and property occupied, or other assets used by the Group.

Notes to the consolidated financial statements *(continued)*

19 Employee benefit plans *(continued)*

The amounts recognised in employee benefits expense in the statement of profit or loss are:

	Group	
	2022	2021
	£m	£m
Financial expenses	(0.1)	0.1
Total included in the statement of profit and loss	(0.1)	0.1

During the year administrative expenses of £140,000 (2021: £135,000) were paid by the scheme fund.

Analysis of amounts recognised in other comprehensive income and the employee benefits reserve are:

	Group	
	2022	2021
	£m	£m
Actual return less expected return on pension scheme assets	(17.5)	2.0
Experience gains and losses arising on scheme liabilities	(1.2)	0.4
Actuarial gain / (loss) arising from changes in assumptions underlying present value of scheme liabilities		
- Financial	10.8	1.4
- Demographic	-	-
Asset ceiling	5.7	(3.8)
Actuarial loss recognised in the employee benefit reserve	(2.2)	-

The movement in the surplus in the year to 31 December are as follows

	Group	
	2022	2021
	£m	£m
Surplus at 1 January	5.7	1.8
Expenses	-	(0.1)
Contributions	0.1	0.2
Actuarial gain / (loss)	(8.0)	3.8
Surplus at 31 December	(2.2)	5.7

Reconciliation of change in present value of funded obligations

	Group	
	2022	2021
	£m	£m
Present value of funded obligations at 1 January	23.4	25.4
Interest on obligation	0.5	0.4
Actuarial loss	(9.5)	(1.8)
Pension payments and other outgoings	(0.3)	(0.6)
Present value of funded obligations at 31 December	14.1	23.4

Notes to the consolidated financial statements (continued)

19 Employee benefit plans (continued)

Reconciliation of change in scheme assets

	Group	
	2022	2021
	£m	£m
Fair value of scheme assets at 1 January	29.1	27.2
Expected return on assets	0.4	0.4
Actual less expected return on assets	(17.5)	2.0
Employer contribution	0.2	0.2
Pension payments and other outgoings	(0.3)	(0.7)
Fair value of scheme assets at 31 December	11.9	29.1

The breakdown of assets into various asset classes was:

	Group	
	2022	2021
	£m	£m
Fair value of shares and participations of quoted companies	4.0	11.9
Fair value of interest-bearing securities	7.9	17.2
Fair value of scheme assets at 31 December	11.9	29.1

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	Group	
	2022	2021
Discount rate	4.75%	1.90%
Expected long-term rate of return on scheme assets	4.75%	1.90%
RPI inflation assumption	3.20%	3.40%
CPI inflation assumption	2.70%	2.80%
LPI pension increases (minimum 3%, maximum 5% p.a.)	3.65%	3.70%
Life expectancy at age 65 of male member aged 65 at year end	23.4 years	23.4 years
Life expectancy at age 65 of male member aged 45 at year end	24.6 years	24.6 years
Life expectancy at age 65 of female member aged 65 at year end	24.8 years	24.7 years
Life expectancy at age 65 of female member aged 45 at year end	25.9 years	25.8 years

Members are assumed to retire at the plan normal retirement plan.

The underlying mortality assumption is based upon the standard table known as S3PxA Light normal retirement pensioner base table on a year of birth usage with CMI_2021 future improvement factors with a long term annual rate of future improvement of 1.25% p.a. for males and 1.00% p.a. for females, with a standard smoothing factor of 7.0, and with an additional mortality improvement rate of 0.25% p.a (2021: S3PxA Light normal retirement pensioner base table on a year of birth usage with CMI_2020 future improvement factors with a long term annual rate of future improvement of 1.25% p.a. for males and 1.00% p.a. for females, with a standard smoothing factor of 7.0, and with an additional mortality improvement rate of 0.25% p.a 3PxA Light normal retirement pensioner base table on a year of birth usage with CMI_2019 future improvement factors with a long term annual rate of future improvement of 1.25% per annum).

No adjustments have been made to mortality assumptions at year end to reflect the potential effects of Covid 19 as the actual plan experience is not yet available as it is too soon to make a judgement on the impact of the pandemic on future mortality improvements. The mortality experience analysis for the scheme will be carried out in the future as part of the 31st December 2023 full actuarial valuation.

Notes to the consolidated financial statements (continued)

19 Employee benefit plans (continued)

Sensitivity analysis

Changes in the following principal actuarial assumptions would have the following effect on the defined benefit obligations

	Increase / (decrease) £m
Discount rate 0.5% p.a. lower	1.3
Inflation rate 0.5% p.a. higher	0.7
Minimum rate of improvement of mortality 0.5% p.a. higher	0.2

20 Provisions

	Group	
	2022	2021
	£m	£m
Onerous leases	6.1	8.2
Other provisions	1.5	1.3
	7.6	9.5
Non-current	6.1	8.4
Current	1.5	1.1
	7.6	9.5

	Group		
	Onerous leases	Other provisions	Total
	£m	£m	£m
Balance at 1 January 2021	15.0	1.2	16.2
Provisions made during the year	-	0.2	0.2
Provisions used during the year	(0.8)	-	(0.8)
Unused amounts reversed during the year	(6.2)	-	(6.2)
Unwinding of discounted amount	0.2	-	0.2
Effect of movements in foreign exchange	-	(0.1)	(0.1)
Balance at 31 December 2021	8.2	1.3	9.5
Balance at 1 January 2022	8.2	1.3	9.5
Provisions released during the year	(1.9)	-	(1.9)
Provisions used during the year	(0.3)	0.1	(0.2)
Unwinding of discounted amount	0.1	-	0.1
Effect of movements in foreign exchange	-	0.1	0.1
Balance at 31 December 2022	6.1	1.5	7.6

Notes to the consolidated financial statements (continued)

20 Provisions (continued)

Onerous lease provision

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The onerous lease provision includes dilapidations.

The provision for onerous lease contracts represents the present value of future property related payments in relation to closed clubs that the Group is obliged to make (any liability directly related to closed club property leases are included within the lease liability).

Other provisions

Other provisions represent the provision for employee benefits such as long-service leave.

21 Other financial assets/ (Liabilities)

	Group	
	2022	2021
	£m	£m
Financial assets carried at fair value through profit or loss		
Loan to associate (Dusit Real Foods Company limited)	0.3	-
Interest rate caps and swaps (Note 23)	3.9	0.4
	4.2	0.4
Financial liabilities carried at fair value through profit or loss		
Interest rate caps and swaps (Note 23)	-	(1.6)
	-	(1.6)
Net financial assets and liabilities carried at fair value through profit or loss	4.2	(1.2)

22 Issued capital and reserves

	Company	
	2022	2021
	£m	£m
701,590,159,731 Ordinary shares of £0.001 (2021: 277,762,335,510 ordinary shares of £0.001)	701.6	277.8
Share premium	8.5	-
	710.1	277.8

Issued capital comprises fully paid ordinary shares, which have a par value of £0.001p and carry one vote per share and a right to dividends.

Notes to the consolidated financial statements *(continued)*

22 Issued capital and reserves *(continued)*

Translation reserve

The translation reserve comprises all foreign exchange differences arising since incorporation of VAIL, from the translation of the financial statements of foreign operations, as well as any foreign currency differences arising from hedges of a net investment in a foreign operation.

Employee benefits reserve

The employee benefits reserve relates to the defined benefit plan held by the Group and includes the net change in fair value of the financial assets of the scheme and any actuarial gains or losses.

Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes to the consolidated financial statements *(continued)*

23 Financial instruments

Financial risk management objectives

The board of directors of VAIL (the "Board") monitor and manage the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risk. These risks include market risk (credit risk, interest rate risk, foreign currency risk and liquidity risk).

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitor compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risks of changes in interest rates (refer to interest rate risk management section below) and foreign currency exchange rates (refer to foreign currency risk management section below). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risks. Such transactions are carried out within the guidelines set by the Board.

The Group is exposed to foreign currency risk on equipment purchases and certain licensing costs as well as certain borrowings that are denominated in a currency other than the Great British Pound (GBP). The currencies in which these transactions primarily are denominated are the Euro (EUR), South African Rand (ZAR), Australian Dollar (AUD), Singapore Dollars (SGD) and Thai Baht (THB).

Management have developed a comprehensive hedging strategy in order to dynamically manage market and interest rate risk in the business. This is based on the interest rate risk associated with the financing arrangements as well as a more comprehensive view of the potential impact of market conditions and interest rate movements on the revenue and Underlying EBITDA aspects of the business.

Notes to the consolidated financial statements (continued)

23 Financial instruments (continued)

Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's principal financial assets are cash and cash equivalents, trade and other receivables and other financial assets. The Group limits its exposure to credit risk from cash and cash equivalents and other financial assets by only dealing with investment grade financial institutions. Credit risk arises principally from the Group's trade accounts receivable, however, as exposure is spread over a large number of members, there is no significant concentration of credit risk.

Trade receivables

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and accounts receivable. This allowance consists of specific loss components related to individual exposures.

Age of receivables

Group	Gross	Doubtful	Total	Gross	Doubtful	Total
	amount	debt		amount	debt	
	2022	provision		2021	provision	
	£m	£m	£m	£m	£m	£m
Less than three months	11.9	(6.3)	5.6	11.6	(7.5)	4.1
Three to six months	5.7	(4.7)	1.0	7.6	(7.2)	0.4
Six to twelve months	32.3	(28.9)	3.4	22.1	(21.3)	0.8
	49.9	(39.9)	10.0	41.3	(36.0)	5.3

Management believe that the unimpaired amounts that are past due are still collectable in full, based on historic payment behaviour and analysis of customer credit risk.

An analysis of the Group's trade receivables by geographical market is as follows:

	Group	
	2022	2021
	£m	£m
United Kingdom	1.3	1.4
Italy	2.5	1.6
Africa	5.7	1.8
Asia Pacific	0.5	0.5
	10.0	5.3

Notes to the consolidated financial statements (continued)

23 Financial instruments (continued)

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by the use of interest rate caps and interest rate swaps. Hedging activities are evaluated regularly to align with interest rate views and the risk appetite of the Group, ensuring the most cost-effective hedging strategies are applied.

Interest rate caps and interest rate swaps

Interest rate caps and interest rate swaps have been entered into to manage the Group's exposure to interest rate risk. Interest rate caps provide an interest rate ceiling for the Group should interest rates increase in future periods. Interest rate swaps provide a fixed interest rate for the Group whether interest rates increase or decrease in the future. At 31 December 2022 the Group had interest rate caps and interest rate swaps as set out in the table below:

	Maturity date	Rate type	Strike rate	Nominal value		Net fair values	
				2022 £m	2021 £m	2022 £m	2021 £m
SWAP - SA 1	Jun-22	JIBAR	6.84%	-	24.5	-	(0.7)
SWAP - SA 2	Jun-22	JIBAR	6.84%	-	24.5	-	(0.7)
SWAP - SA 3	Jun-23	JIBAR	5.65%	65.1	7.4	0.6	(0.1)
SWAP - SA 4	Jun-23	JIBAR	5.65%	65.1	7.4	0.6	(0.1)
Cap - SA 1	Sep-23	JIBAR	6.13%	-	-	0.3	-
Cap - SA 2	Sep-23	JIBAR	6.13%	-	-	0.3	-
Cap - SA 3	Mar-24	JIBAR	6.75%	-	-	0.3	-
Cap - SA 4	Mar-24	JIBAR	6.75%	-	-	0.3	-
Cap - SA 5	Sep-24	JIBAR	8.75%	-	-	0.3	-
Cap - UK 1	Jun-23	SONIA	0.19%	26.0	26.0	0.5	0.4
Cap - UK 2	Jun-23	EURIBOR	0.00%	26.6	25.2	0.3	-
Cap - UK 3	Sep-23	SONIA	2.25%	27.1	-	0.4	-
				209.9	115.0	3.9	(1.2)

Notes to the consolidated financial statements (continued)

23 Financial instruments (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel, and represents management's assessment of the reasonably possible change in interest rates.

A change of 100 basis points in interest rates at the balance sheet date would have increased / (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss with fixed interest rates and the fixed rate element of interest rate swaps.

The table below shows the impact if interest rates had been 100 points higher / lower and all other variables were held constant:

	Group		Other comprehensive	
	Profit or loss		income	
	100 bp increase £m	100 bp decrease £m	100 bp increase £m	100 bp decrease £m
31 December 2022				
Cash flow sensitivity (net)	(5.1)	5.1	-	-
31 December 2021				
Cash flow sensitivity (net)	(4.6)	4.6	-	-

Notes to the consolidated financial statements *(continued)*

23 Financial instruments *(continued)*

Foreign currency risk management

The Group is exposed to foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of individual entities within the Group. The functional currencies of Group entities are dependent on their geographical location and match the local currency of the location in which they operate. As such, the extent to which each Group entity is exposed to foreign currency risk is limited to those entities which hold cash accounts or loan balances in a currency other than the subsidiary's functional currency.

Management believe that even though there are risks involved with foreign exchange movements, the Group is naturally hedged against these risks. This is due to operations of the Group being spread across multiple currencies and dealing in local currency wherever possible. The Group has also structured its facilities with banks and other lenders to be available denominated in Rand, Euro, Australian Dollars, Singapore Dollars, Thai Baht and Sterling.

As such, the carrying amounts of the Group companies' foreign currency denominated assets and liabilities at the end of the reporting period are as follows:

Group	31 Dec 2022		31 Dec 2021	
	EUR £m	ZAR £m	EUR £m	ZAR £m
Cash and cash equivalents	-	-	-	-
Secured bank loans	(61.6)	-	(58.3)	-
Balance sheet exposure	(61.6)	-	(58.3)	-

Forward exchange contracts

The Group enters into forward exchange contracts to manage the risk associated with anticipated purchases of certain equipment. There were no forward exchange contracts to buy foreign currency outstanding at the end of the current or previous reporting period.

Notes to the consolidated financial statements *(continued)*

23 Financial instruments *(continued)*

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the GBP against the EUR and ZAR with respect to the net balance sheet exposure outlined above. 10% is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit or equity where the GBP strengthens 10% against the relevant currency. For a 10% weakening of the GBP against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	Group			
	Profit or loss		Equity, net of tax	
	Strengthening £m	Weakening £m	Strengthening £m	Weakening £m
31 December 2022				
Euro	5.6	(6.8)	5.5	(6.7)
South African Rand	-	-	(0.1)	0.2
31 December 2021				
Euro	5.3	(6.5)	5.5	(6.7)
South African Rand	-	-	(0.1)	0.2

Notes to the consolidated financial statements (continued)

23 Financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its cash flow requirements on an ongoing basis. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Bank covenants are monitored on a monthly basis to ensure compliance with lending agreements and an authorised certificate of compliance is provided to each lending institution on a quarterly basis which states compliance with the terms of the lending agreement.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	2022				2021			
	Contractual cash flows				Contractual cash flows			
	5 years				5 years			
Carrying amount £m	1 year or less £m	2 to < 5years £m	and over £m		Carrying amount £m	1 year or less £m	2 to < 5years £m	and over £m
Non-derivative financial liabilities								
Secured bank loans ¹	505.2	0.1	505.1	-	463.2	-	463.2	-
Loan from related party ²	54.5	-	54.5	-	345.2	277.6	67.6	-
Trade and other payables ³	80.2	47.1	8.9	24.2	69.1	33.7	8.9	26.5
	639.9	47.2	568.5	24.2	877.5	311.3	539.7	26.5

¹ As disclosed in Note 17 the Group has secured bank loans which contain loan covenants. A future breach of covenants may require the Group to repay the loan earlier than stated in the above table.

² The terms of the loans from related party are outlined in Note 26.

³ Accruals and contract liabilities have been removed from the trade and other payables carrying amount.

Notes to the consolidated financial statements (continued)

23 Financial instruments (continued)

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	2022				2021			
	Carrying amount £m	Contractual cash flows 1 year or less £m	Contractual cash flows 2 to < 5 years £m	Contractual cash flows 5 years and over £m	Carrying amount £m	Contractual cash flows 1 year or less £m	Contractual cash flows 2 to < 5 years £m	Contractual cash flows 5 years and over £m
Non-derivative financial assets								
Cash and cash equivalents	75.6	75.6	-	-	46.0	46.0	-	-
Trade and other receivables	31.2	17.0	1.4	12.8	46.3	35.9	1.7	8.7
	106.8	92.6	1.4	12.8	92.3	81.9	1.7	8.7

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in the variable interest rates differ to those estimates of interest rates determined at the end of the reporting year.

Fair value measurements of financial assets and financial liabilities

The following table analyses the carrying amounts and fair values of financial assets and financial liabilities held by the Group into a fair value hierarchy based on the valuation techniques used to determine fair value. Except as detailed below, the directors of VAIL consider that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements to approximate their fair values.

31 December 2022

Group

	Carrying amount			Fair value		
	At fair value £m	Loans and receivables £m	Other financial liabilities £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets not measured at fair value						
Cash and cash equivalents (Note 15)	-	75.6	-			
Trade and other receivables (Note 11)	-	31.2	-			
	-	106.8	-			
Financial liabilities not measured at fair value						
Secured bank loans (Note 17)	-	-	(505.2)	-	(505.2)	-
Loan to related party (Note 17)	-	-	(54.5)			
Trade and other payables (Note 18) ⁽¹⁾	-	-	(80.2)			
	-	-	(639.9)			

¹ Accruals and contract liabilities have been removed from the trade and other payables carrying amount.

Notes to the consolidated financial statements (continued)

23 Financial instruments (continued)

Fair value measurements of financial assets and financial liabilities

The following table analyses the carrying amounts and fair values of financial assets and financial liabilities held by the Group into a fair value hierarchy based on the valuation techniques used to determine fair value. Except as detailed below, the directors of VAIL consider that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements to approximate their fair values.

31 December 2021

Group

	Carrying amount			Fair value		
	At fair value £m	Loans and receivables £m	Other financial liabilities £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets not measured at fair value						
Cash and cash equivalents (Note 15)	-	46.0	-			
Trade and other receivables (Note 11)	-	46.3	-			
	-	92.3	-			
Financial liabilities not measured at fair value						
Secured bank loans (Note 17)	-	-	(463.2)	-	(463.2)	-
Loan to related party (Note 17)	-	-	(345.2)			
Trade and other payables (Note 18) ⁽¹⁾	-	-	(69.1)			
	-	-	(877.5)			

¹ Accruals and contract liabilities have been removed from the trade and other payables carrying amount.

■ Fair value hierarchy

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The valuation techniques used in measuring Level 2 fair values, as well as significant unobservable inputs used are as follows:

Financial instrument	Valuation techniques and key inputs
Interest rate swaps	Discounted cash flow where future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Forward exchange contracts	Discounted cash flow where future cash flows are estimated based on forward currency rates (from observable yield curves at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Notes to the consolidated financial statements *(continued)*

24 Commitments

Capital commitments for the purchase of property, plant and equipment at the end of the financial period, for which no provision has been made, are as follows:

Group	2022 £m	2021 £m
Contracted	-	-

The Group entered into an intellectual property agreement with Virgin Enterprises Limited in 2011. The agreement includes a minimum licence fee commitment. Minimum licence fee commitments less than one year are £6.2m (2021: £2.6m); between two and five years is £30.9m (2021: £46.1m) and greater than five years is £232.8m (2021: £206.6m).

Company

The Company had no capital commitments (2021: £nil).

25 Contingencies

Bank guarantees and similar instruments on issue at the period end totalled £6.8m (2021: £7.7m).

Notes to the consolidated financial statements *(continued)*

26 Related party transactions

The Group enters into transactions with its owners and fellow Group entities which are controlled by the same ultimate parent company. Brait Mauritius Limited is the ultimate controlling party.

On 10 August 2022, the Group acquired all of the Ordinary shares in Kauai Juice Proprietary Limited, Nu Health Café Proprietary Limited and Kauai Smart Meals Proprietary Limited. Details of the transaction are set out in note 2. Dean Kowarski who joined Virgin Active as the Chief Executive Officer in March 2022 was a significant shareholder in the vender, Real Foods Pty Limited.

Loans to related parties

	Group		Company	
	2022	2021	2022	2021
	£m	£m	£m	£m
Virgin Active International Investments Limited	-	20.8	-	-
Virgin Active Health Club Holdings Limited	-	-	-	555.4
	-	20.8	-	555.4

All loans above are repayable on demand and do not accrue interest.

Loans from related parties

	Group		Company	
	2022	2021	2022	2021
	£m	£m	£m	£m
Virgin Enterprises Limited	13.6	10.2	-	-
Virgin Holdings Limited	7.2	11.9	-	-
Brait Jersey Limited	28.7	47.8	-	-
Semley Holdings Limited	1.4	-	-	-
Titan Premier Investments Proprietary Limited	3.4	-	-	-
Eaton Capital Limited	0.6	-	-	-
Shimkidz Investments Proprietary Limited	0.1	-	-	-
Calculus Capital Proprietary Limited	0.6	-	-	-
ZBT Holdings Proprietary Limited	0.6	-	-	-
Goldmill Investments International Limited	-	277.6	-	277.6
	56.2	347.5	-	277.6

The terms of loans from related parties are set out in note 17.

Other payables to related parties

	Group		Company	
	2022	2021	2022	2021
	£m	£m	£m	£m
Virgin Enterprises Limited	6.4	4.9	-	-
	6.4	4.9	-	-

Notes to the consolidated financial statements (continued)

26 Related party transactions (continued)

Transactions with related parties

	Group		Company	
	2022	2021	2022	2021
	£m	£m	£m	£m
Virgin Enterprises Limited	9.9	7.0	-	-
	9.9	7.0	-	-

The Group pays an annual fee to Virgin Enterprises Limited for use of the Virgin brand under an intellectual property agreement.

27 Compensation of key management personnel

The remuneration of the directors of VAIL and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. The remuneration of the directors of VAIL and other members of key management personnel during the year were as follows:

	Group	
	2022	2021
	£m	£m
Executive directors		
Short-term benefits	1.4	1.4
Post-employment benefits	0.1	0.1
Termination benefits	0.1	-
	1.6	1.5
Other members of key management personnel		
Short-term benefits	1.8	2.5
Post-employment benefits	-	0.1
Termination benefits	0.3	-
	2.1	2.6
	3.7	4.1

The highest paid director in 2022 received £606,000 (2021: £852,000) in emoluments, which included Group company pension contributions of £43,000 (2021: £72,000). Retirement benefits under defined contribution schemes are accruing to two (2021: two) directors of VAIL.

Emoluments totalling £125,000 were paid to non-statutory non-executive directors of VAIL (2021: £113,000).

There are no loans payable to or receivable from the Group's members of key management personnel (2021: £nil).

Notes to the consolidated financial statements *(continued)*

28 Share based payments

In August 2015, November 2015 and July 2016, key personnel in the Group were offered participation in an Employee Share Scheme with shares in Virgin Active International Investments Limited (VAIIL), a subsidiary undertaking of the ultimate parent company Brait PLC, gifted to employees at the discretion of the board of directors of VAIIL. Each employee was gifted a number of C1, C2 or D ordinary shares, or a mixture of each class of shares (the Employee Share Scheme).

The shares have a number of vesting profiles ranging from immediately and up to 5 years.

Details of the number of shares in the scheme during the period are as follows:

	Group	
	2022	2021
	No. shares	No. shares
Outstanding at the beginning of the period	43,600	43,600
Forfeited in the period	(12,500)	-
Outstanding at the end of the period	31,100	43,600

The value of the shares granted is calculated with reference to the Brait Published Rate (which is derived from Brait's investment value in the Group) at the date of grant. The value of shares granted is then recognised in the consolidated statement of profit or loss and other comprehensive income over the vesting period.

A charge of £nil has been recognised in the consolidated statement of profit or loss and other comprehensive income (2021: £nil) in relation to the services provided by participants in the scheme to the Group. The Company treats the cost of these services as a capital contribution to the Group and therefore a credit of £nil (2021: £nil) has been recognised in the consolidated statement of changes in equity.

Notes to the consolidated financial statements *(continued)*

29 Subsequent events

At the date of approval of these statutory consolidated financial statements there have been no material events that occurred after the reporting date that required adjustments to the amounts recognised in the statutory consolidated financial statements.

On 4 July 2023 the Group agreed an amendment to its European and APAC Senior Facilities Agreement. Between May 2023 and within five working days of the date of the amendment agreement the shareholders provided £45m of additional funding to the banking group. In addition, the shareholders committed to providing a further £25m of funding before the termination of the facilities agreement.

The amendments made to the European and APAC Senior Facilities Agreement included:

- The term of the facilities was extended by 2 years to 30 June 2027.
- The margin payable on all facilities is to increase by 50 bps from June 2026 onwards.
- EBITDA covenant values were restated, and the first test date was moved from June 2024 to September 2025.

On 4 July 2023 the Company issued 50,000,904,000 ordinary shares of £0.001 each to its parent company for total subscription proceeds of £50,000,904. The proceeds from the issue of ordinary shares were received in cash on the same date.

On 4 December 2023 the Company issued 20,000,000 ordinary shares of £0.001 each to its parent company for total subscription proceeds of £20,000,000. The proceeds from the issue of ordinary shares were received in cash on the same date.

On 23 February 2024 the Company issued 15,000,000 ordinary shares of £0.001 each to its parent company for total subscription proceeds of £15,000,000. The proceeds from the issue of ordinary shares were received in cash on the same date.

On 5 January 2024 the Group agreed to amend and extend its Southern African Senior Facilities Agreement. The terms of the amendment required ZAR400m of funding to be paid by shareholders into the Southern Africa banking group. This payment was made in December 2023 using part of the proceeds received from the ordinary share issue on 4 December 2023.

The amendments to be made to the Southern African Senior Facilities agreement included:

- The maturity date was extended from March 2025 to June 2025.
- All remaining financial covenants were replaced with a quarterly revenue covenant and a monthly minimum liquidity covenant.
All de-gearing requirements were removed from the remaining facility period and no capital repayments are due until the maturity date.

30 Ultimate parent company and parent company of larger group

Virgin Active International Limited is a subsidiary undertaking of ActiveTopCo Limited, a company registered in the British Virgin Islands. The ultimate parent company is Brait PLC, which is registered at Brait PLC, c/o Maitland (Mauritius) Limited, Suite 420, 4th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, SGN 2805, Mauritius.