

Company Registration No. 09631514 (England and Wales)

Digme Fitness Limited

Annual Report And Financial Statements
For The Period Ended 31 December 2019



Digme Fitness Limited

Company Information

Directors	Mr G Bamber Mrs C B Bamber Mrs A N Murty Mr R J G Lowe
Company number	09631514
Registered office	The Carriage House Mill Street Maidstone Kent ME15 6YE
Auditor	Loucas The Carriage House Mill Street Maidstone Kent ME15 6YE
Business address	Spencer House 23 Sheen Road Richmond Surrey TW9 1BN
Solicitors	Humphreys Law Limited 2 Eastbourne Terrace London W2 6LG

Digme Fitness Limited

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Digme Fitness Limited

Strategic Report

For The Period Ended 31 December 2019

The directors present the strategic report for the period ended 31 December 2019.

Fair review of the business

The principal activity of the Company is as a provider of group exercise facilities.

The 6 month period to 31 December 2019 was a continued period of growth and development for the Company as the business continued to invest in internal technology development and senior headcount to prepare the business well for future growth.

Turnover for the 6 month period of £1,434,135 [Company: £1,307,335] represented 57.1% [Company: 60.6%] of the previous 12 months, demonstrating robust growth in the estate, reflecting increased attendances and price increases.

Group EBITDA was (£1,398,124) [Company: (£937,360)] compared to an EBITDA loss of (£2,395,767) [Company: (£2,283,011)] in the 12 month period to June 2019. As expected, Group EBITDA continued to be negative due to ongoing investment in internal resources, non-capital improvements to the business infrastructure and non-capital costs associated with the rebranding, integration and ramp-up of newly acquired studios.

Losses in the 6 months to 31 December 2019 includes £0.1m [Company £0.1m] exceptional items relating to over recorded property costs relating to prior periods and £nil [Company:£0.6m] in respect of impairment of subsidiary investments.

Other key performance indicators monitored by the Group include:

- Number of member registrations and active members (Total members +113% vs Dec 18)
- Total class attendances, split by concept (+50% vs 6 months to Dec 2018)
- Members who attend >8 classes, demonstrating habit formation (+49% vs 6 months to Dec 2018)
- Instructor ratings (Dec 2019 Net Promoter score >88%)

2020 and Covid-19

As a consequence of the Covid-19 pandemic, 2020 has become an extraordinary challenge for us. Our team have shown incredible determination and motivation to weather the storm. Having hunkered down and re-examined the cost base during the crisis, we expect to exit the pandemic stronger as a business and, as with every crisis, there will be many opportunities for bargain growth opportunities that will arise.

In addition, the Company has taken advantage of the crisis and made a rapid strategic pivot to become an omni-channel fit-tech business. The company, going forward, will now have two key and distinct business units: Digme at Home (our digital fitness business) and the Studios business (traditional bricks and mortar boutique studios).

The two businesses work exceptionally well alongside one another due to the key synergies around product, talent and the requirement to have permanent broadcasting studios.

The directors are satisfied with the Company performance and have placed the Company in the best possible position to navigate further headwinds. We are well positioned to take advantage of the opportunities in our fragmented marketplace and grow both through organic growth and acquisition over the coming 12-18 months, as well as highly excited by the opportunity to penetrate the huge and growing at-home fitness market with our unique offering.

Digme Fitness Limited

Strategic Report (Continued)

For The Period Ended 31 December 2019

Principal risks and uncertainties

Membership risk:

The Company faces potential risk from attrition within the customer base. The business actively monitors member numbers and seeks to engage in positive steps to retain customers and meet their expectations from both a quality and value perspective. A significant change in member/customer numbers would have a material impact on revenue, EBITDA and cash.

Price risk:

The Company is exposed to price risk due to normal inflationary pressures of goods and services in the UK.

Liquidity risk:

The Company maintains a mixture of short and long term debt facilities that are designed to fund the capital investments of the business and to ensure that the business has sufficient cash for operations and expansion plans.

Investment impairment risk:

The directors understanding of the risks associated with the investments held relate to the potential impairment of those investments. As part of the short accounting period to December 2019, an impairment review was conducted on the investment in the subsidiary Fit Together (UK) Limited and the subsequent impairment of the investment has been reported herein.

Such impairment reviews will continue to be conducted in a timely manner across all investments held by the Company.

On behalf of the board



Mr G Bamber

Director

4 December 2020

Digme Fitness Limited

Directors' Report

For The Period Ended 31 December 2019

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

Principal activities

The principal activity of the company and group continued to be that of operation of cycling fitness studios.

Results and dividends

The results for the period are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

No preference dividends were paid.

Directors

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

Mr G Bamber
Mrs C B Bamber
Mr V W West
Mrs A N Murty
Mr R J G Lowe
Mr R A Rowland

(Resigned 15 October 2019)

(Resigned 15 October 2019)

Auditor

In accordance with the company's articles, a resolution proposing that Loucas be reappointed as auditor of the group will be put at a General Meeting.

Statement of disclosure to auditor

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

On behalf of the board



Mr G Bamber
Director

4 December 2020

Digme Fitness Limited

Directors' Responsibilities Statement

For The Period Ended 31 December 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Digme Fitness Limited

Independent Auditor's Report

To The Members Of Digme Fitness Limited

Opinion

We have audited the financial statements of Digme Fitness Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2019 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Digme Fitness Limited

Independent Auditor's Report (Continued)

To The Members Of Digme Fitness Limited

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other matters which we are required to address

The prior periods financial statements were not audited.

Digme Fitness Limited

Independent Auditor's Report (Continued) **To The Members Of Digme Fitness Limited**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mr Athos Louca FCCA, ICPAC (Senior Statutory Auditor)
For and on behalf of Loucas

5 December 2020

Chartered Certified Accountants
Statutory Auditor

The Carriage House
Mill Street
Maidstone
Kent
ME15 6YE

Digme Fitness Limited

Group Profit And Loss Account

For The Period Ended 31 December 2019

		Period ended 31 December 2019 £	Year ended 30 June 2019 £
	Notes		
Turnover	3	1,434,135	2,511,877
Cost of sales		(1,076,838)	(1,704,783)
Gross profit		357,297	807,094
Administrative expenses		(1,922,408)	(3,394,987)
Other operating income		92,607	192,126
Exceptional item	4	74,380	-
Operating loss	5	(1,398,124)	(2,395,767)
Interest receivable and similar income	9	211	2,145
Interest payable and similar expenses	10	(20,975)	(37,408)
Loss before taxation		(1,418,888)	(2,431,030)
Tax on loss	11	46,554	49,667
Loss for the financial period		(1,372,334)	(2,381,363)

Loss for the financial period is all attributable to the owners of the parent company.

Digme Fitness Limited

Group Statement Of Comprehensive Income For The Period Ended 31 December 2019

	Period ended 31 December 2019 £	Year ended 30 June 2019 £
Loss for the period	(1,372,334)	(2,381,363)
Other comprehensive income	-	-
Total comprehensive income for the period	<u>(1,372,334)</u>	<u>(2,381,363)</u>

Total comprehensive income for the period is all attributable to the owners of the parent company.


Digme Fitness Limited

Group Balance Sheet

As At 31 December 2019

	Notes	2019 £	2019 £
Fixed assets			
Goodwill	12	1,191,978	1,337,934
Other intangible assets	12	117,576	106,819
Total intangible assets		1,309,554	1,444,753
Tangible assets	13	3,240,597	3,372,319
		4,550,151	4,817,072
Current assets			
Stocks	16	36,849	12,442
Debtors	17	1,060,868	692,050
Cash at bank and in hand		111,690	863,320
		1,209,407	1,567,812
Creditors: amounts falling due within one year	18	(1,998,935)	(2,038,320)
Net current liabilities		(789,528)	(470,508)
Total assets less current liabilities		3,760,623	4,346,564
Creditors: amounts falling due after more than one year	19	(1,176,795)	(676,746)
Provisions for liabilities			
Provisions	22	168,549	148,119
		(168,549)	(148,119)
Net assets		2,415,279	3,521,699
Capital and reserves			
Called up share capital	25	200,093	200,091
Share premium account		9,042,331	8,776,419
Profit and loss reserves		(6,827,145)	(5,454,811)
Total equity		2,415,279	3,521,699

The financial statements were approved by the board of directors and authorised for issue on 4 December 2020 and are signed on its behalf by:


Mr G Bamber
Director

Digme Fitness Limited

Company Balance Sheet

As At 31 December 2019

	Notes	2019		2019	
		£	£	£	£
Fixed assets					
Intangible assets	12		117,576		106,819
Tangible assets	13		3,194,456		3,168,190
Investments	14		109,500		700,596
			<u>3,421,532</u>		<u>3,975,605</u>
Current assets					
Stocks	16	36,849		12,442	
Debtors	17	1,767,473		955,402	
Cash at bank and in hand		110,984		843,347	
		<u>1,915,306</u>		<u>1,811,191</u>	
Creditors: amounts falling due within one year	18	(1,937,579)		(1,870,492)	
Net current liabilities			<u>(22,273)</u>		<u>(59,301)</u>
Total assets less current liabilities			<u>3,399,259</u>		<u>3,916,304</u>
Creditors: amounts falling due after more than one year	19		(829,871)		(130,594)
Provisions for liabilities					
Provisions	22	168,549		148,119	
		<u>(168,549)</u>		<u>(148,119)</u>	
Net assets			<u>2,400,839</u>		<u>3,637,591</u>
Capital and reserves					
Called up share capital	25		200,093		200,091
Share premium account			9,042,331		8,776,419
Profit and loss reserves			(6,841,585)		(5,338,919)
Total equity			<u>2,400,839</u>		<u>3,637,591</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,502,666 (2019 - £2,265,471 loss).

The financial statements were approved by the board of directors and authorised for issue on 4 December 2020 and are signed on its behalf by:



Mr G Bamber
Director

Company Registration No. 09631514

Digme Fitness Limited

Group Statement Of Changes In Equity For The Period Ended 31 December 2019

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 July 2018		200,074	6,435,928	(3,073,448)	3,562,554
Year ended 30 June 2019:					
Loss and total comprehensive income for the year		-	-	(2,381,363)	(2,381,363)
Issue of share capital	25	17	2,340,491	-	2,340,508
Balance at 30 June 2019		200,091	8,776,419	(5,454,811)	3,521,699
Period ended 31 December 2019:					
Loss and total comprehensive income for the period		-	-	(1,372,334)	(1,372,334)
Issue of share capital	25	2	265,912	-	265,914
Balance at 31 December 2019		200,093	9,042,331	(6,827,145)	2,415,279

Digme Fitness Limited

Company Statement Of Changes In Equity For The Period Ended 31 December 2019

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 July 2018		200,074	6,435,928	(3,073,448)	3,562,554
Year ended 30 June 2019:					
Loss and total comprehensive income for the year		-	-	(2,265,471)	(2,265,471)
Issue of share capital	25	17	2,340,491	-	2,340,508
Balance at 30 June 2019		200,091	8,776,419	(5,338,919)	3,637,591
Period ended 31 December 2019:					
Loss and total comprehensive income for the period		-	-	(1,502,666)	(1,502,666)
Issue of share capital	25	2	265,912	-	265,914
Balance at 31 December 2019		200,093	9,042,331	(6,841,585)	2,400,839

Digme Fitness Limited

Group Statement Of Cash Flows

For The Period Ended 31 December 2019

	Notes	2019 £	£	2019 £	£
Cash flows from operating activities					
Cash absorbed by operations	30	(1,276,350)		(1,257,845)	
Interest paid		(16,975)		(29,408)	
Income taxes refunded/(paid)		49,666		-	
Net cash outflow from operating activities		(1,243,659)		(1,287,253)	
Investing activities					
Purchase of intangible assets		(25,827)		(56,341)	
Purchase of tangible fixed assets		(60,213)		(1,137,491)	
Purchase of subsidiaries		-		14,240	
Interest received		211		2,145	
Net cash used in investing activities		(85,829)		(1,177,447)	
Financing activities					
Proceeds from issue of shares		265,914		1,992,008	
Proceeds from borrowings		550,000		-	
Repayment of borrowings		(199,228)		(175,001)	
Payment of finance leases obligations		(38,828)		(86,656)	
Net cash generated from financing activities		577,858		1,730,351	
Net decrease in cash and cash equivalents		(751,630)		(734,349)	
Cash and cash equivalents at beginning of period		863,320		1,597,669	
Cash and cash equivalents at end of period		111,690		863,320	

Digme Fitness Limited

Company Statement Of Cash Flows

For The Period Ended 31 December 2019

	Notes	2019 £	£	2019 £	£
Cash flows from operating activities					
Cash absorbed by operations	31	(1,479,052)		(1,126,513)	
Interest paid		(16,975)		(26,272)	
Income taxes refunded/(paid)		49,666		-	
Net cash outflow from operating activities		(1,446,361)		(1,152,785)	
Investing activities					
Purchase of intangible assets		(25,827)		(56,340)	
Purchase of tangible fixed assets		(37,472)		(1,111,626)	
Purchase of subsidiaries		-		(700,596)	
Interest received		211		2,145	
Net cash used in investing activities		(63,088)		(1,866,417)	
Financing activities					
Proceeds from issue of shares		265,914		2,340,508	
Proceeds from borrowings		550,000		-	
Payment of finance leases obligations		(38,828)		(75,628)	
Net cash generated from financing activities		777,086		2,264,880	
Net decrease in cash and cash equivalents		(732,363)		(754,322)	
Cash and cash equivalents at beginning of period		843,347		1,597,669	
Cash and cash equivalents at end of period		110,984		843,347	

Digme Fitness Limited

Notes To The Group Financial Statements For The Period Ended 31 December 2019

1 Accounting policies

Company information

Digme Fitness Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is The Carriage House, Mill Street, Maidstone, Kent, ME15 6YE.

1.1 Accounting convention

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

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

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

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Digme Fitness Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Fit Together (UK) Limited has been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of Fit Together (UK) Limited for the period from its acquisition on 29 January 2019. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

1 Accounting policies

(Continued)

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Investments in joint ventures and associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

1.4 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Reporting period

The company and group are reporting a period of shorter than one year as the company and group wish to align the year ends of all group companies. The company and group intend to report to 31 December each year.

1.6 Turnover

The group earns revenue from the sale of credits or monthly subscriptions to use its fitness studios. Credit revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured; this is when the customers use up their credits. Revenue in respect of sold but unused credits as at the year end is treated as deferred revenue. The company also earns revenue through third parties such as Class Pass who sell credits on behalf of the company. Revenue is measured as the fair value of the considerations received or receivable, excluding discounts, rebates and Value Added Tax. The fair value of credit revenue is the price of a class pass. The company also earns revenue from the sale of merchandise at its fitness studios. Merchandise revenue is recognised when the goods are sold. The company also earns rental income from the sublet of its premises. Rental income is recognised in accordance with the terms of the rental agreement.

1.7 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least 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 the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

1 Accounting policies

(Continued)

1.8 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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

Software	20% on cost
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1.9 Tangible fixed assets

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

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

Leasehold improvements	Straight line over 10-12 years
Fixtures and fittings	20% on cost
Office equipment	20% on cost
Training equipment	20% on cost

Assets in the course of construction are not depreciated.

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

1.10 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Digme Fitness Limited

Notes To The Group Financial Statements (Continued) For The Period Ended 31 December 2019

1 Accounting policies

(Continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.11 Impairment of fixed assets

At each reporting period end date, 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 such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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

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

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

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

1 Accounting policies

(Continued)

1.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

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

1.13 Cash and cash equivalents

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

1.14 Financial instruments

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

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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

Other financial assets

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

Digme Fitness Limited

Notes To The Group Financial Statements (Continued) For The Period Ended 31 December 2019

1 Accounting policies

(Continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

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

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.15 Equity instruments

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

1.16 Taxation

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

Current tax

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

Deferred tax

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

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

1.17 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that 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 reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

1 Accounting policies

(Continued)

1.18 Employee benefits

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

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

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

1.19 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.20 Leases

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

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

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

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.21 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

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

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

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

3 Turnover and other revenue

	2019 £	2019 £
Turnover analysed by class of business		
Class revenue	1,389,368	2,438,611
Retail revenue	42,135	73,266
Other revenue	2,632	-
	<u>1,434,135</u>	<u>2,511,877</u>

	2019 £	2019 £
Other significant revenue		
Interest income	211	2,145
	<u>211</u>	<u>2,145</u>

4 Exceptional item

	2019 £	2019 £
Expenditure		
Exceptional items	(74,380)	-
	<u>(74,380)</u>	<u>-</u>

Exceptional items relates to a number of property costs which were over provided in relation to prior periods.

5 Operating loss

	2019 £	2019 £
Operating loss for the period is stated after charging:		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	-	14
Depreciation of owned tangible fixed assets	316,284	640,705
Depreciation of tangible fixed assets held under finance leases	39,474	-
Loss on disposal of tangible fixed assets	149,037	-
Amortisation of intangible assets	161,026	143,532
Operating lease charges	414,130	679,895
	<u>919,921</u>	<u>1,464,146</u>

6 Auditor's remuneration

	2019 £	2019 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	5,000	-
	<u>5,000</u>	<u>-</u>

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

7 Employees

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

	Group 2019 Number	2019 Number	Company 2019 Number	2019 Number
Directors	5	6	5	6
Managers	8	4	7	3
Front of House and Instructors	76	64	55	42
Admin and Other Staff	6	5	6	5
Total	95	79	73	56

Their aggregate remuneration comprised:

	Group 2019 £	2019 £	Company 2019 £	2019 £
Wages and salaries	653,273	1,109,978	590,751	1,062,549
Social security costs	57,201	80,477	53,065	73,503
Pension costs	12,881	18,482	11,829	17,029
	723,355	1,208,937	655,645	1,153,081

8 Directors' remuneration

	2019 £	2019 £
Remuneration for qualifying services	60,000	293,334
Company pension contributions to defined contribution schemes	2,846	6,096
	62,846	299,430

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2).

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

8 Directors' remuneration

(Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 £	2019 £
Remuneration for qualifying services	n/a	81,898
Company pension contributions to defined contribution schemes	n/a	4,095

As total directors' remuneration was less than £200,000 in the current period, no disclosure is provided for that period.

9 Interest receivable and similar income

	2019 £	2019 £
Interest income		
Interest on bank deposits	190	2,145
Other interest income	21	-
Total income	211	2,145

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	190	2,145
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10 Interest payable and similar expenses

	2019 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	4,000	8,000
Other finance costs:		
Interest on finance leases and hire purchase contracts	16,975	29,237
Other interest	-	171
Total finance costs	20,975	37,408

11 Taxation

	2019 £	2019 £
Current tax		
UK corporation tax on profits for the current period	(19,746)	-
Adjustments in respect of prior periods	(26,808)	(49,667)
Total current tax	(46,554)	(49,667)

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

11 Taxation

(Continued)

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

	2019 £	2019 £
Loss before taxation	(1,418,888)	(2,431,030)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(269,589)	(461,896)
Tax effect of expenses that are not deductible in determining taxable profit	104,153	138,353
Unutilised tax losses carried forward	144,469	299,120
Research and development tax credit	(26,808)	(22,859)
Intangible asset tax adjustment for R&D	(4,907)	(10,705)
Difference in tax rate on R&D losses surrendered	6,128	8,320
Taxation credit	(46,554)	(49,667)

12 Intangible fixed assets

Group	Goodwill £	Software £	Total £
Cost			
At 1 July 2019	1,459,564	136,728	1,596,292
Additions	-	25,827	25,827
At 31 December 2019	1,459,564	162,555	1,622,119
Amortisation and impairment			
At 1 July 2019	121,630	29,909	151,539
Amortisation charged for the period	145,956	15,070	161,026
At 31 December 2019	267,586	44,979	312,565
Carrying amount			
At 31 December 2019	1,191,978	117,576	1,309,554
At 30 June 2019	1,337,934	106,819	1,444,753

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

12 Intangible fixed assets

(Continued)

Company	Software £
Cost	
At 1 July 2019	136,728
Additions	25,827
At 31 December 2019	162,555
Amortisation and impairment	
At 1 July 2019	29,909
Amortisation charged for the period	15,070
At 31 December 2019	44,979
Carrying amount	
At 31 December 2019	117,576
At 30 June 2019	106,819

13 Tangible fixed assets

Group	Leasehold improvements £	Assets under construction £	Fixtures and fittings £	Office equipment £	Training equipment £	Total £
Cost						
At 1 July 2019	3,553,827	2,400	616,752	64,412	1,120,705	5,358,096
Additions	270,367	-	6,009	3,531	93,166	373,073
Disposals	(948,756)	-	(18,889)	(10,018)	(9,965)	(987,628)
At 31 December 2019	2,875,438	2,400	603,872	57,925	1,203,906	4,743,541
Depreciation and impairment						
At 1 July 2019	1,287,548	-	255,183	30,601	412,445	1,985,777
Depreciation charged in the period	169,274	-	61,198	5,737	119,549	355,758
Eliminated in respect of disposals	(811,195)	-	(16,821)	(10,018)	(557)	(838,591)
At 31 December 2019	645,627	-	299,560	26,320	531,437	1,502,944
Carrying amount						
At 31 December 2019	2,229,811	2,400	304,312	31,605	672,469	3,240,597
At 30 June 2019	2,266,279	2,400	361,569	33,811	700,280	3,372,319

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

13 Tangible fixed assets

(Continued)

Company	Leasehold improvements £	Assets under construction £	Fixtures and fittings £	Office equipment £	Training equipment £	Total £
Cost						
At 1 July 2019	2,578,181	2,400	597,008	53,616	1,094,984	4,326,189
Additions	270,367	-	6,009	3,531	70,425	350,332
Disposals	-	-	(2,449)	-	(9,965)	(12,414)
At 31 December 2019	2,848,548	2,400	600,568	57,147	1,155,444	4,664,107
Depreciation and Impairment						
At 1 July 2019	489,582	-	236,665	20,021	411,731	1,157,999
Depreciation charged in the period	131,288	-	60,604	5,608	115,117	312,617
Eliminated in respect of disposals	-	-	(408)	-	(557)	(965)
At 31 December 2019	620,870	-	296,861	25,629	526,291	1,469,651
Carrying amount						
At 31 December 2019	2,227,678	2,400	303,707	31,518	629,153	3,194,456
At 30 June 2019	2,088,599	2,400	360,343	33,595	683,253	3,168,190

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

	Group 2019 £	2019 £	Company 2019 £	2019 £
Fixtures and fittings	33,086	42,717	33,086	42,717
Training equipment	153,445	123,581	153,445	123,581
Leasehold improvements	253,154	-	253,154	-
	439,685	166,298	439,685	166,298

14 Fixed asset investments

	Notes	Group 2019 £	2019 £	Company 2019 £	2019 £
Investments in subsidiaries	15	-	-	109,500	700,596

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

14 Fixed asset investments (Continued)

Movements in fixed asset investments Company

Shares in
group
undertakings
£

Cost or valuation

At 1 July 2019 and 31 December 2019 700,596

Impairment

At 1 July 2019 -

Impairment losses 591,096

At 31 December 2019 591,096

Carrying amount

At 31 December 2019 109,500

At 30 June 2019 700,596

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Fit Together (UK) Limited	The Carriage House, Mill Street, Maidstone, Kent, ME15 6YE	Provision of fitness facilities	Ordinary	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves £	Profit/(Loss) £
Fit Together (UK) Limited	(1,068,040)	(119,267)

The company has provided a guarantee in respect of the liabilities of Fit Together (UK) Limited with effect from the accounting period ended 31 December 2019. In providing this guarantee of the liabilities of Fit Together (UK) Limited, the subsidiary company is eligible for exemption from audit under section 479A of Companies Act 2006.

16 Stocks

	Group 2019 £	2019 £	Company 2019 £	2019 £
Finished goods and goods for resale	36,849	12,442	36,849	12,442

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

17 Debtors

	Group 2019 £	2019 £	Company 2019 £	2019 £
Amounts falling due within one year:				
Trade debtors	41,127	39,192	41,126	39,192
Corporation tax recoverable	46,555	49,667	46,555	49,667
Amounts owed by group undertakings	-	-	745,877	322,212
Other debtors	91,242	117,159	92,727	135,429
Prepayments and accrued income	305,188	151,276	264,432	74,146
	<u>484,112</u>	<u>357,294</u>	<u>1,190,717</u>	<u>620,646</u>
Amounts falling due after more than one year:				
Prepayments and accrued income	<u>576,756</u>	<u>334,756</u>	<u>576,756</u>	<u>334,756</u>
Total debtors	<u>1,060,868</u>	<u>692,050</u>	<u>1,767,473</u>	<u>955,402</u>

18 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2019 £	Company 2019 £	2019 £
Obligations under finance leases	21	125,012	70,874	125,012	70,874
Other borrowings	20	41,667	-	41,667	-
Trade creditors		471,682	319,843	446,612	258,915
Other taxation and social security		30,086	23,091	30,086	19,946
Other creditors		711,139	652,225	711,139	650,182
Accruals and deferred income		619,349	972,287	583,063	870,575
		<u>1,998,935</u>	<u>2,038,320</u>	<u>1,937,579</u>	<u>1,870,492</u>

Included in other creditors is £80,000 (June 2019: £80,000) of £1 convertible loan notes. Interest of £4,000 (June 2019: £8,000) was charged to the Profit and Loss Account on the loan notes during the year. As at the year end, interest of £14,000 (June 2019: £10,000) was outstanding and included in accruals. The loan notes are redeemable at a future date.

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

19 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2019 £	Company 2019 £	2019 £
Obligations under finance leases	21	321,538	101,644	321,538	101,644
Other borrowings	20	855,257	546,152	508,333	-
Other creditors		-	28,950	-	28,950
		<u>1,176,795</u>	<u>676,746</u>	<u>829,871</u>	<u>130,594</u>

20 Loans and overdrafts

	Group 2019 £	2019 £	Company 2019 £	2019 £
Other loans	896,924	546,152	550,000	-
Payable within one year	41,667	-	41,667	-
Payable after one year	855,257	546,152	508,333	-

21 Finance lease obligations

	Group 2019 £	2019 £	Company 2019 £	2019 £
Future minimum lease payments due under finance leases:				
Within one year	125,012	70,874	125,012	70,874
In two to five years	321,538	101,644	321,538	101,644
	<u>446,550</u>	<u>172,518</u>	<u>446,550</u>	<u>172,518</u>

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

22 Provisions for liabilities

	Group 2019 £	2019 £	Company 2019 £	2019 £
	<u>168,549</u>	<u>148,119</u>	<u>168,549</u>	<u>148,119</u>

Digme Fitness Limited

Notes To The Group Financial Statements (Continued) For The Period Ended 31 December 2019

22 Provisions for liabilities (Continued)

Movements on provisions:

Group	£
At 1 July 2019	148,119
Additional provisions in the year	20,430
At 31 December 2019	<u>168,549</u>
Company	£
At 1 July 2019	148,119
Additional provisions in the year	20,430
At 31 December 2019	<u>168,549</u>

A provision has been included in the accounts to cover the estimated present value of the expenditure required to cover repairs to leasehold interests payable at the end of the individual leases.

23 Retirement benefit schemes

	2019 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>12,881</u>	<u>18,482</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

24 Share-based payment transactions

During the year, the reporting entity granted options under an Enterprise Management Incentive (EMI) scheme and an unapproved options scheme.

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

24 Share-based payment transactions

(Continued)

Group and company	Number of share options		Weighted average exercise price	
	2019 Number	2019 Number	2019 £	2019 £
Outstanding at 1 July 2019	8,320	9,132	14.29	13.02
Forfeited	-	(812)	-	0.01
Outstanding at 31 December 2019	<u>8,320</u>	<u>8,320</u>	<u>14.29</u>	<u>14.29</u>
Exercisable at 31 December 2019	<u>8,255</u>	<u>8,255</u>	<u>14.40</u>	<u>14.40</u>

The exercisable approved and unapproved scheme options outstanding at 31 December 2019 had a weighted average exercise price of £14.40, and remaining contractual lives of between 8 and 10 years.

25 Share capital

	2019 Number	2019 Number	2019 £	2019 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 0.025p each	<u>376,055</u>	<u>368,234</u>	<u>94</u>	<u>92</u>
Preference share capital				
Issued and fully paid				
Non redeemable preference shares of £1 each	<u>199,999</u>	<u>199,999</u>	<u>199,999</u>	<u>199,999</u>
Preference shares classified as equity			<u>199,999</u>	<u>199,999</u>
Total equity share capital			<u>200,093</u>	<u>200,091</u>

During the period the company allotted the following shares

7,821 Ordinary 0.025p shares for consideration of £34 each.

The Non redeemable preference shares confer the right to a cumulative preferential dividend of 0.5% as in the opinion of the directors, the profits of the company justify. The said dividend shall rank for payment in priority to the payment of a dividend on any other shares of the company and shall be payable annually (in arrears) and will not be paid out but will be added to the principal amount each year.

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

26 Financial commitments, guarantees and contingent liabilities

During the period, the company guaranteed loans on behalf of its subsidiary company. The value of these guarantees for any outstanding loans at the year end have an estimated maximum value of £346,924 (June 2019: £546,152). The amounts only become due in the event that the subsidiary company is unable to repay the loans itself.

27 Operating lease commitments

Lessee

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

	Group 2019 £	2019 £	Company 2019 £	2019 £
Within one year	894,763	893,251	769,763	768,251
Between two and five years	3,583,360	3,583,360	3,083,360	3,083,360
In over five years	5,362,330	5,812,733	4,055,823	4,443,726
	<u>9,840,453</u>	<u>10,289,344</u>	<u>7,908,946</u>	<u>8,295,337</u>

Lessor

At the reporting end date the group had contracted with tenants for the following minimum lease payments:

	Group 2019 £	2019 £	Company 2019 £	2019 £
Within one year	72,375	96,500	72,375	96,500
Between two and five years	-	386,000	-	386,000
In over five years	-	569,218	-	569,218
	<u>72,375</u>	<u>1,051,718</u>	<u>72,375</u>	<u>1,051,718</u>

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

28 Events after the reporting date

Acquisition of Another Space entities

On 13 January 2020 for a consideration of £1.25m the company acquired 100% of the issued share capital of Another Space Holdings Limited and its subsidiaries, Another Space (Seven Dials) Limited and Another Space (Bank) Limited, companies registered in England and Wales.

COVID-19

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases in the UK, resulting in wide-ranging implications for the economy and workforce.

COVID-19 had an immediate impact on Digme's business activity, as the Governments placed restrictions on fitness centres and the Group closed its studios on 16th March 2020.

The business took the following key actions to mitigate the impact of the closure of the studios on financial performance:

- Utilisation of the Government's Job Retention Scheme to furlough over 100 staff across studio 'front of house' and operationally focused 'head office'
- Applied for the Non Domestic Rates relief for 2020/21 for this industry
- Accessed a £50,000 BBLs over a 6 year period
- Suspended all non-essential overheads, established payment plans and payment holidays across its supplier base
- Entered into estate-wide negotiations with all Landlords whilst also taking advantage of the [Moratorium] preventing legal action against the Company for non-payment of rent

The business identified the opportunity to launch Digme on Demand, a digital fitness offering whereby customers could access workouts from their own homes with instructors they already loved from the bricks and mortar Digme studios. Revenue of c.£0.2m was generated from April to July from this section of the business and encouraged the business to permanently segment this digital offering as a separate business unit, Digme at Home, with dedicated internal resource and financial targets.

Digme at Home has a unique offering in this highly competitive market due to a long-standing relationship with Keiser (manufacturer and distributor of Digme's top of the range in-studio stationary bikes). The business is able to offer either a purchase option or a flexible bike rental scheme to subscribers to Digme At Home, with the additional benefit of access to the dedicated live and on-demand teaching from Digme's world class instructors across cycle, HIIT and yoga. Despite having only officially launched on 12 October there are currently over 600 subscriptions for Digme At Home and Management expects this business unit to deliver in excess of £2m revenues by end 2021.

After the Government allowed the re-opening of the sector in late July the business gradually re-opened its physical studios, initially opening its community focused studios in Richmond, Oxford and Ealing. The remainder of the estate in London was opened in phases to align with footfall in the West End and City with returning workers and visitors, with the final studios opening on 1 September 2020.

Whilst capacity at all studios has been reduced by half, in line with Government guidelines, attendance figures have been very promising, with Richmond and Ealing typically delivering weekly average occupancies in line with 'normal' expectations. The City has been slower to pick up, but the business has been dynamic and adjusted opening hours and shift patterns to maximise the core trading hours of the day.

As a consequence of the positive trade and agile nature of the business over the last 6 months, the directors do not believe there is uncertainty about the entity's ability to continue as a going concern and we would refer you to note 1.4.

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

29 Directors' transactions

During the period, the directors made interest free loans to the company as follows:

Description	% Rate	Opening balance £	Closing balance £
Mrs C B Bamber -	-	24,444	24,444
Mr G Bamber -	-	933	933
		<u>25,377</u>	<u>25,377</u>

30 Cash absorbed by group operations

	2019 £	2019 £
Loss for the period after tax	(1,372,334)	(2,381,363)
Adjustments for:		
Taxation credited	(46,554)	(49,667)
Finance costs	20,975	37,408
Investment income	(211)	(2,145)
Loss/(gain) on disposal of tangible fixed assets	149,037	(69)
Amortisation and impairment of intangible assets	161,026	143,532
Depreciation and impairment of tangible fixed assets	355,758	640,705
Increase in provisions	20,430	10,334
Movements in working capital:		
Increase in stocks	(24,407)	(9,714)
Increase in debtors	(341,115)	(14,209)
(Decrease)/increase in creditors	(198,955)	367,343
Cash absorbed by operations	<u>(1,276,350)</u>	<u>(1,257,845)</u>

Digme Fitness Limited

Notes To The Group Financial Statements (Continued)

For The Period Ended 31 December 2019

31 Cash absorbed by operations - company

	2019 £	2019 £
Loss for the period after tax	(1,502,666)	(2,265,471)
Adjustments for:		
Taxation credited	(46,554)	(49,667)
Finance costs	20,975	34,272
Investment income	(211)	(2,145)
Loss on disposal of tangible fixed assets	11,449	-
Amortisation and impairment of intangible assets	15,070	21,902
Depreciation and impairment of tangible fixed assets	312,617	577,691
Amounts written off investments	591,096	-
Increase in provisions	20,430	10,334
Movements in working capital:		
Increase in stocks	(24,407)	(9,714)
Increase in debtors	(815,183)	(267,675)
(Decrease)/increase in creditors	(61,668)	823,960
Cash absorbed by operations	(1,479,052)	(1,126,513)

32 Analysis of changes in net funds/(debt) - group

	1 July 2019 £	Cash flows £	New finance leases £	31 December 2019 £
Cash at bank and in hand	863,320	(751,630)	-	111,690
Borrowings excluding overdrafts	(546,152)	(350,772)	-	(896,924)
Obligations under finance leases	(172,518)	38,828	(312,860)	(446,550)
	<u>144,650</u>	<u>(1,063,574)</u>	<u>(312,860)</u>	<u>(1,231,784)</u>

33 Analysis of changes in net funds/(debt) - company

	1 July 2019 £	Cash flows £	New finance leases £	31 December 2019 £
Cash at bank and in hand	843,347	(732,363)	-	110,984
Borrowings excluding overdrafts	-	(550,000)	-	(550,000)
Obligations under finance leases	(172,518)	38,828	(312,860)	(446,550)
	<u>670,829</u>	<u>(1,243,535)</u>	<u>(312,860)</u>	<u>(885,566)</u>