

Pinnacle Bidco plc

Interim Financial Report for the six months ended 30 June 2020

PUREGYM

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Business Overview

With over 500 gyms and 1.7 million members as at 30 June 2020, the group is now the 2nd largest value gym operator in Europe – trading under the "PureGym" brand in the UK, "Basefit" in Switzerland and "Fitness World" in Denmark and Poland.

Our low cost, flexible and high-quality fitness model appeals to a broad range of customers across the 4 geographies. Our vision is to provide members with affordable access to the benefits that exercise can offer by focusing on what most people want from gyms and by putting innovative technology at the heart of everything we do. This focus and drive has fundamentally changed the European gym industry and opened up access to fitness to hundreds of thousands more people. We are proud of the inclusive environment we have created and the diversity of membership across all of our gyms.



Strategy and business model

The Group has a powerful and highly disruptive customer proposition, which is differentiated from traditional gym operators and appeals to a broad range of consumers. The group's strategy is to occupy market leading positions in the value segment, whilst delivering profitable growth for our stakeholders. We plan to continue to roll out new gyms in geographies where we can achieve a high return on capital, as well as driving the operational and financial performance of our existing gym estate. Our ability to deliver on this strategy is underpinned by a strong business model:

- Attractive and resilient fitness markets and a growing value segment
- Benefits from being a diversified, scale operator
- Strong, differentiated customer proposition supported by technology
- Low cost, capital efficient, technology-enabled operating model
- Strong and experienced leadership team

The fitness market

The group operates in the growing value segment of the fitness market and our business model has continued to benefit from a more health-conscious population and from government and health sector initiatives designed to promote healthy living and active lifestyles. The growing availability of value gyms has increased the availability of fitness facilities to a larger proportion of the population. While the value gym segment has grown quickly over the past several years, we believe there remains significant opportunity for further growth due to value gyms' broad consumer appeal and the continued shift in consumer trends towards 'value for money'.

During the first half of the year, the COVID-19 pandemic caused unprecedented disruption to our everyday way of life and to our industry. Only those operators with the strongest balance sheets have been able to withstand a period of extended closure and therefore we anticipate supply will exit the market as weaker operators fail. We believe demand will continue to be strong given the increased focus on health and well-being post COVID-19. The value gym segment grew significantly during periods of economic recession in the past.

As we move into the second half of the year and beyond, we firmly believe we have the right business model, operating in the right market segment to be highly successful in this post-COVID-19 environment.

Q2 2020 Financial Review

COVID-19 update

We had an excellent start to 2020. In addition to the acquisition of Fitness World, we had a very strong trading performance in January and February and combined group membership numbers peaked at 1.9 million. However, in March, the governments of the countries in which we operate imposed total lockdown measures to control the spread of COVID-19 and in doing so forced the temporary closure of all of our gyms.

During lockdown, we acted swiftly to minimise our cash burn and, as a result of these actions, our liquidity reduced by only £18 million over the 14-week closure period. For further information on the impact of COVID-19, the Group's weekly cash burn and liquidity position, please refer to our website corporate.puregym.com.

The business entered lockdown from a position of real strength, which gives us confidence that our core product and proposition was performing well and resonating strongly with members. As expected, our trading performance was severely impacted in the last two weeks of the first quarter and throughout the second quarter. However, it has been extremely pleasing to see how rapidly our business units have returned to profitability, with both Switzerland and Denmark returning to profit in the month of reopening – a clear benefit of our membership model.

We have also benefited from our geographical diversification, with a range of reopening dates: Switzerland (11 May), Poland (6 June), Denmark (11 June), Northern Ireland (10 July), England (25 July) and Wales (10 August). Following the recent announcement of Scotland's reopening, we're delighted that our entire estate will be open from 31 August.

The health and wellbeing of our members and staff remains of paramount importance and we've worked tirelessly to ensure our gyms are a safe place to work and a safe place to workout. We have implemented new standards and protocols which are being put in place across the industry. These measures, including great sanitization, a limit on attendees, social distancing and excellent cleaning facilities, reduce the risk of transmission for members attending a gym and for our colleagues who work in them.

Member feedback upon reopening has been key to building a good understanding of our performance in this area and to date this has been extremely positive. It is pleasing to see positive member experience translating into encouraging member trends in like for like member volumes and gym visits in our reopened sites, giving us many reasons to be positive about the future.



Q2 2020 Financial Review

Presentation of financial information

The Group has prepared consolidated financial statements as of and for the 6 months ended 30 June 2020 in accordance with IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board and adopted by the European Union.

The results of the Fitness World group have been consolidated from the date of acquisition, 14 January 2020.

Funding

The group has £430 million of Senior Secured Notes in issue as at the period end ("the Notes"). The Notes are listed on The International Stock Exchange, for which Pinnacle Bidco plc is the Issuer and certain subsidiaries of the group are guarantors. Interest accrues at a rate of 6.375%, payable half yearly in February and August and the Notes are due to be repaid in full on 15 February 2025.

On 14 January 2020, the group acquired Fitness World for a consideration of DKK 2,037,110,000 (£233 million[1]) and the acquisition was funded through a €445 million (£381 million[2]) Senior Secured bridge facility. In general, the key terms of this debt and maximum interest rate are consistent with our existing sterling notes. It is the group's intention to refinance this facility during 2020, however should it remain in place on 14 January 2021 then the bridge facility agreement provides for automatic conversion to a term loan, repayable in February 2025.

The group also has a £95 million revolving credit facility, of which £10 million is a designated overdraft facility, repayable on 30 November 2024. The bridge and revolving credit facilities are financed by eight international institutions (Barclays Bank PLC, Jefferies Finance LLC, Royal Bank of Canada, Credit Suisse AG, Credit Suisse International, ING Bank N.V. Lloyds Bank plc and Danske Bank A/S, collectively "the Lenders").

Going Concern

The group meets its day to day working capital requirements, capex and funding of new sites through its cash reserves and credit facilities, as detailed in the funding section. In considering its assessment of going concern the group has carried out extensive financial modelling, taking into account the potential impact of the COVID-19 pandemic on the cashflows and liquidity of the group over the next 12 month period. This has included; the unwind of deferred payments, significantly reduced revenue during any further COVID-19 closure periods (including both localised closures and a further total group lockdown), mitigation measures announced by our governments (including the potential reduction of certain mitigation measures in future), measures put in place by the group to preserve cash and to reduce discretionary expenditure (including capex) and potential reductions in revenues resulting from changes in the behaviours of members upon reopening of our gyms.

Having completed this thorough analysis, the directors are confident that the business will continue as a going concern for a period of at least 12 months from the balance sheet date. The group has sufficient liquidity to ensure full compliance with its financial covenants and retains significant flexibility over capital expenditure to manage liquidity, including in a reasonably plausible second wave scenario. As at the date of this report, our cash balance was £70 million, having drawn £37 million (39%) of our £95 million revolving credit facility.

1 Converted using DKK/GBP of 0.1146 as of 14 January 2020.
2 Converted using EUR/GBP of 0.8560 as of 14 January 2020.



Q2 2020 Financial Review

Results of operations

	For the three months ending 30 June			For the six months ending 30 June		
£m	2020	2019	Change	2020	2019	Change
Revenue	14.2	64.3	(77.9)%	111.1	125.9	(11.7)%
Administrative expenses	(50.3)	(44.8)	12.4%	(141.5)	(90.3)	56.7%
Exceptional administrative expenses	(1.6)	(0.7)	139.6%	(3.0)	(1.0)	196.2%
Operating profit	**(37.7)**	**18.9**	**(299.9)%**	**(33.4)**	**34.5**	**(196.7)%**
Net finance cost	(39.7)	(22.0)	80.5%	(81.0)	(43.1)	87.8%
Loss before tax	**(77.4)**	**(3.1)**	**n/a**	**(114.4)**	**(8.6)**	**n/a**
Income tax credit/(charge)	7.3	(0.1)	n/a	8.6	(0.3)	n/a
Loss for the year / period	**(70.1)**	**(3.3)**	**n/a**	**(105.8)**	**(8.9)**	**n/a**

Revenue

Our results were severely impacted when our entire estate closed temporarily in March 2020 and only 3 of our geographies (Switzerland, Poland and Denmark) reopened by the end of the current period.

Revenue reduced by 77.9% to £14.2 million in Q2 2020 (Q2 2019: £64.3 million) and by 11.7% to £111.1 million for the year to date (H1 2019: £125.9 million), with the impact of COVID-19 closures being partially offset by the positive benefit of the Fitness World acquisition.

Member income, comprising membership fees and joining fees, was £12.3 million for Q2 2020 and £101.4 million for H1 2020. Memberships were automatically frozen upon the temporary closure of our gyms and switched back on as gyms reopened.

Administrative expenses

Administrative expenses before exceptional items were £50.3 million for Q2 2020 (up 12.4% compared to Q2 2019) and £141.5 million for H1 2020 (up 56.7% compared to H1 2019). This increase was primarily due to the acquisition of Fitness World, offset by cost reductions achieved during the closure period due to a combination of Government mitigation and swift management actions.

Adjusted EBITDA

Following the severe impact of the COVID-19 closures, Adjusted EBITDA was a loss of £20.6 million for the quarter (Q2 2019: profit of £24.1 million) and a loss of £0.3 million for the year to date (H1 2019: profit of £44.9 million).

Exceptional items

Exceptional items were £1.6 million in Q2 2020 and £3.0 million in H1 2020, which primarily related to transition and integration costs relating to the Fitness World acquisition.

Exceptional items were £0.7 million in Q2 2019 and £1.0m in H1 2019, associated with exploration of potential future acquisitions, the integration and transition of Soho gyms and restructuring of the existing business.

Net finance costs

Net finance costs increased to £39.7 million in Q2 2020 (Q2 2019: £22.0 million) and to £81.0 million for the year to date (H1 2019: £43.1 million).

The quarter on quarter increase is primarily due to the acquisition of Fitness World and consists of bridging loan interest, amortisation of associated capitalised finance costs, additional finance leasing acquired with the Fitness World group and foreign exchange losses.

Tax charge

Our income tax was a credit of £7.3 million for Q2 2020 (Q2 2019: charge of £0.1 million) and £8.6 million for the year to date (H1 2019: charge £0.3 million). The tax credits arise due to the significant losses incurred due to the COVID-19 closures.

Note: Figures presented on a reported basis, therefore the current period results represent the results of the Combined Group, including Fitness World from 14 January 2020. The prior period represents the results of PureGym only.

Q2 2020 Financial Review

Cashflow and Liquidity

£m	For the three months ending 30 June 2020	2019	For the six months ending 30 June 2020	2019
Net cash generated from/(used in) operating activities	(5.0)	22.3	1.2	27.0
Net cash generated from/(used in) investing activities	(12.8)	(10.7)	(254.0)	(21.7)
Net cash generated from/(used in) financing activities	(52.4)	38.6	288.8	37.0
Net increase/(decrease) in cash and cash equivalents	**(70.2)**	**50.1**	**36.0**	**42.3**
Cash and cash equivalents on the first day of the period	158.6	15.5	51.6	23.3
Effect of exchange rates	0.2	-	1.0	-
Cash and cash equivalents at end of period	**88.6**	**65.6**	**88.6**	**65.6**

Net cash generated from operating activities

Net cash used in operating activities for the quarter was £5.0 million and net cash generated for the half year was £1.2 million, a decline on prior periods of £27.3 million and £25.8 million respectively.

Operating cash flows of the group were significantly reduced by COVID-19. Membership subscriptions were frozen during the closure period, but this lost revenue was offset in part by Government mitigation combined with swift management action to reduce costs and preserve cash.

Net cash outflow from investing activities

Net cash outflow from investing activities was £12.8 million in Q2 2020 compared to £10.7 million in Q2 2019 and related to capital expenditure.

Net cash outflow from investing activities was £254.0 million in H1 2020 compared to £21.7 million in H1 2019 and related to the acquisition of Fitness World, net of cash acquired.

Net cash generated from financing activities

Net cash used in financing activities in Q2 2020 was £52.4 million and primarily relates to the repayment of £48 million of the revolving credit facility.

Net cash generated from financing activities in H1 2020 was £288.8 million and consists of £380.9 million of proceeds from the senior secured bridge facility obtained to acquire Fitness World, net of the repayment of £118 million debt acquired, in addition to the net drawings on the revolving credit facility of £37.0 million and finance lease capital payments of £13.2 million.

Net cash generated from financing activities in prior periods primarily relates to the issue of £40 million of Senior Secured Notes in May 2019.

Capital expenditure

The following table shows our capital expenditure cash flows for the periods indicated.

£m	For the three months ending 30 June 2020	2019	For the six months ending 30 June 2020	2019
Expansionary Capital Expenditure	7.4	8.9	18.6	18.9
Maintenance and Refurbishment Capital Expenditure	5.5	2.1	9.2	3.0
Total Capital Expenditure	**12.9**	**11.0**	**27.8**	**22.0**

During H1 2020, the estate increased by 241 gyms as a result of the Fitness World acquisition in January 2020 and by 6 gyms as a result of organic openings (4 in the UK and 2 in Switzerland).

Prior to lockdown, a further 8 organic PureGym sites were developed in the UK ready for opening, of which 4 have now opened post-period end, with the remaining 4 to follow in due course.

The group has not closed or relocated any organic gyms in the UK during the period, however as part of an estate optimisation plan in Denmark, 4 Fitness World gyms were closed with members successfully migrated to alternative nearby gyms within our estate.

Key Performance Indicators

£m	For the quarter ending 30 June 2020	For the quarter ending 30 June 2019	For the six months ending 30 June 2020	For the six months ending 30 June 2019
Total number of PureGyms	266	238	266	238
Total number of Fitness World gyms	239	-	239	-
Total number of gyms	505	238	505	238
Total number of members ('000s)	1,697	1,128	1,697	1,128
Average number of members ('000s)	1,720	1,130	1,654	1,112
Average number of members per gym	3,392	4,802	3,528	4,816
Average revenue per member per month (£)	2.75	18.92	11.20	18.79
Reported EBITDA (£ million)	(2.5)	33.4	36.5	62.7
Adjusted EBITDA (£ million)	(20.6)	24.1	(0.3)	44.9
Adjusted EBITDA margin	n/a	37.5%	n/a	35.7%
Gym Site Adjusted EBITDA (£ million)	(14.5)	30.0	17.3	56.4
Gym Site Adjusted EBITDA margin	n/a	46.6%	15.5%	44.8%
LTM Run Rate Adjusted EBITDA (£ million)[1]	n/a	n/a	101.4	97.8
Operating Cash Flow (£ million)	(19.7)	19.1	6.6	35.9
Operating Cash Flow Conversion	n/a	79.2%	n/a	79.9%
Senior Secured Net Debt (£ million)	n/a	n/a	784.6	364.4
Ratio of Senior Secured Net Debt to LTM Run Rate Adjusted EBITDA[1]	n/a	n/a	7.7x	3.7x
Ratio of LTM Run Rate Adjusted EBITDA[1] to Pro Forma Net Interest Expense	n/a	n/a	2.1x	3.5x

Note: Q2 2020 represents the results of the Combined Group, including Fitness World from 14 January 2020. Q2 2019 includes the results of PureGym only.
1. Q2 2020 LTM Run Rate Adjusted EBITDA represents the Combined Group on a pro forma basis and includes £4.5m of expected synergies.

Reconciliation from Loss to Adjusted EBITDA and Run Rate Adjusted EBITDA

£m	For the quarter ending 30 June 2020	For the quarter ending 30 June 2019	For the six months ending 30 June 2020	For the six months ending 30 June 2019
Loss for the year/period	(70.1)	(3.3)	(105.8)	(8.9)
Income tax	(7.3)	0.1	(8.6)	0.3
Net finance cost	39.7	22.0	81.0	43.1
Depreciation of property, plant and equipment	28.0	13.1	55.8	25.7
Amortisation of intangible fixed assets	5.7	0.7	10.9	1.5
Impairment of property, plant and equipment	-	-	-	-
(Profit) / loss on disposal of property, plant & equipment	-	-	0.1	-
(Profit) / loss on lease modifications	-	-	-	-
Exceptional administrative expenses	1.6	0.7	3.0	1.0
Reported EBITDA	(2.5)	33.4	36.5	62.7
Other extraordinary items	(0.5)	-	-	-
Share based payment charge	0.1	0.1	0.2	0.1
Pre-opening Costs	0.3	0.6	0.8	1.5
Cash Rent Adjustment	(18.0)	(9.9)	(37.8)	(19.4)
Adjusted EBITDA	(20.6)	24.1	(0.3)	44.9
Head office costs	6.0	5.9	17.6	11.4
Gym Site Adjusted EBITDA	(14.5)	30.0	17.3	56.4
LTM Adjusted EBITDA[1]	n/a	n/a	67.7	83.9
Run Rate Adjustment	n/a	n/a	28.8	13.9
Synergies	n/a	n/a	4.9[2]	-
Pro Forma Run Rate Adjusted EBITDA (LTM)	n/a	n/a	101.4	97.8

Note: Q2 2020 represents the results of the Combined Group, including Fitness World from 14 January 2020. Q2 2019 includes the results of PureGym only.

1. Q2 2020 LTM Adjusted EBITDA represents the Combined Group on a pro forma basis as if the acquisition of Fitness World occurred on the first day of the period.
2. Synergies of DKK 39.7m converted using DKK/GBP of 0.1225 as of 30 June 2020.

Disclaimers and Further Information for Noteholders

Further information for noteholders

This report was prepared in accordance with the indenture dated 24 January 2018 among Pinnacle Bidco plc, as issuer, the guarantors named therein, Deutsche Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as paying agent and security agent and Deutsche Bank Luxembourg SA as transfer agent and registrar.

This report may include forward-looking statements. All statements other than statements of historical facts included in this report, including those regarding the group's financial position, business and acquisition strategy, plans and objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the group's present and future business strategies and the environment in which the group will operate in the future. Many factors could cause the group's actual results, performance or achievements to differ materially from those in the forward-looking statements. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this report. The group expressly disclaims any obligations or undertaking, except as required by applicable law and applicable regulations to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the group's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Use of non-IFRS financial information

Certain parts of this report contain non-IFRS measures and ratios. We believe that these measures are useful indicators of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. Because all companies do not calculate these measures on a consistent basis, our presentation of these measures may not be comparable to measures under the same or similar names used by other companies. Accordingly, undue reliance should not be placed on these measures in this report. In particular, Adjusted EBITDA and Run Rate Adjusted EBITDA are not measures of our financial performance or liquidity under IFRS and should not be considered as an alternative to (a) net income/(loss) for the period as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS. We define our non-IFRS measures as set forth in the glossary on page 10.

Risks

The Directors are responsible for the group's risk management and monitor risks on an on-going basis to ensure these are being appropriately mitigated in line with its risk appetite. The Directors consider that the principal risks and uncertainties which could have a material impact on the group's performance over the 2020 financial year remain substantially the same as those stated on pages 11 to 14 of our Annual Report and Accounts for the period ended 31 December 2019, which is available on our website corporate.puregym.com.

Glossary

"Adjusted EBITDA"
As the profit or loss for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment and right of use assets, amortisation of intangible fixed assets, impairment of property, plant and equipment, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications, exceptional administrative expenses, and other extraordinary items, after adding back Pre-Opening Costs and share based payment charges, and subtracting the Cash Rent Adjustment.

"Adjusted EBITDA Margin"
As Adjusted EBITDA for that period divided by revenue for that period.

"Average Continuous Membership Tenure"
The average monthly tenure of all active and paying members, including members who have frozen their membership, as of a given point in time. This includes previous memberships where the gap in membership was 30 days or less but excludes the period(s) of non-membership.

"Average Initial Capital Investment for Mature Gyms"
The Initial Capital Investment for all Mature Gyms for a certain period divided by the number of Mature Gyms in that period.

"Average Gym ROCE"
Gym Site Adjusted EBITDA for the relevant portfolio of gyms for that period divided by the Initial Capital Investment attributable to that portfolio of gyms.

"Average Mature Gym Adjusted EBITDA"
Mature Gym Adjusted EBITDA for a certain period divided by the number of Mature Gyms in that period.

"Average Mature Gym Adjusted EBITDA Margin"
Mature Gym Adjusted EBITDA for a certain period divided by the revenue attributable to Mature Gyms for that period.

"Average Mature Gym ROCE"
Mature Gym Adjusted EBITDA for a certain portfolio of gyms for a certain period divided by the Initial Capital Investment attributable to that portfolio of gyms.

"Average Number of Members"
The average of the number of members as at the beginning of the first month and the end of every month in that period.

"Average Revenue Per Member Per Month"
Revenue for that period divided by the number of months in that period and further divided by the average number of members during that period. The average number of members during that period is calculated as the average of the number of members as of the beginning of the first month and the end of every month in that period.

"Basefit"
Refers to Basefit.ch AG, the brand that Fitness World operates under in Switzerland.

"Cash Rent Adjustment"
The deduction of the cash rent payable during the period which otherwise was not reflected in EBITDA (as reported on an IFRS16 basis).

"Combined Group"
Refers to PureGym and Fitness World.

"Combined Group EBITDA"
EBITDA of PureGym plus EBITDA of Fitness World.

"Combined Group Adjusted EBITDA"
Adjusted EBITDA of PureGym plus Adjusted EBITDA of Fitness World.

"Combined Group Adjusted EBITDA Margin"
Combined Group Adjusted EBITDA for a certain period divided by the Combined Group Revenue.

"Combined Group Gym Site Adjusted EBITDA Margin"
Gym Site Adjusted EBITDA of PureGym plus Gym Site Adjusted EBITDA of Fitness World.

"Combined Group Revenue"
Revenue of PureGym plus revenue of Fitness World.

"Combined Group Run Rate Adjusted EBITDA Margin"
Run Rate Adjusted EBITDA of PureGym plus Run Rate Adjusted EBITDA of Fitness World.

"Combined Group Operating Cash Flow"
Operating Cash Flow of PureGym plus Operating Cash Flow of Fitness World.

"EBITDA"
The profit or loss for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment and right of use assets, amortisation of intangible fixed assets, impairment of property, plant and equipment, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications and exceptional administrative expenses.

"Expansionary Capital Expenditure"
The Initial Capital Investment and the capital costs of expanding gym sites incurred in that period.

"Fitness World" or "Fitness World Group"
Refers to Forward TopCo A/S and its subsidiaries.

"Gym Cohorts"
Groups of PureGym or Fitness World clubs, as applicable, that opened during a specified period.

"Gym Site Adjusted EBITDA"
Adjusted EBITDA for that period, excluding Head Office Costs.

"Gym Site Adjusted EBITDA Margin"
As Gym Site Adjusted EBITDA divided by revenue for that period.

"Head Office Costs"
All non-gym specific costs, other than depreciation and amortisation, related to the operation of head office functions in a given period.

Glossary continued

"Initial Capital Investment"
The capital cost of bringing a new gym into operation or extending a gym, including expenditures on site fit out, fixtures, fittings and equipment and excluding the cost of any right of use property assets, ongoing maintenance and refurbishment capex.

"Large Box Format (LBF)"
Large Box Format (LBF) gyms are gyms that are typically over 12,000 square feet in size.

"Maintenance and Corporate Capital Expenditures"
The total capital expenditure incurred in a period less Expansionary Capital Expenditure incurred in that period.

"Mature Gym Adjusted EBITDA"
Profit for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment and right of use assets, amortisation of intangible fixed assets, impairment of property, plant and equipment, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications and exceptional administrative expenses for Mature Gyms, after adding back other extraordinary items, Pre-Opening Costs for Mature Gyms and Head Office Costs and subtracting the Cash Rent Adjustment for Mature Gyms.

"Mature Gym EBITDA"
Profit for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment and right of use assets, amortisation of intangible fixed assets, impairment of property, plant and equipment, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications, exceptional administrative expenses and Head Office Costs for Mature Gyms. Mature Gym EBITDA does not include the Cash Rent Adjustment or adjustments for Pre-Opening Costs or other extraordinary items that were added back to Adjusted EBITDA and Gym Site Adjusted EBITDA.

"Mature Gyms"
The gyms that have been open as Pure Gyms for 24 months or more or as Fitness World clubs open as for 24 months or more as of the end of the relevant reporting period.

"Net Debt"
As total indebtedness of the group including finance lease liabilities as reported under IAS17 (excluding property lease liabilities recognised under IFRS 16) less cash and cash equivalents.

"New Gyms"
The gyms that have been open as Pure Gyms for less than 24 months or Fitness World clubs for less than 24 months as of the end of the relevant reporting period.

"Number of Gyms"
As the total number of gyms that are open and trading as of the specified date or the end date of the relevant period.

"Operating Cash Flow"
Adjusted EBITDA plus Working Capital Cash Flow and less Maintenance and Corporate Capital Expenditures for that period.

"Operating Cash Flow Conversion"
The Operating Cash Flow for that period divided by Adjusted EBITDA for that period.

"Pre-Opening Costs"
The total of all gym site operating costs incurred during the pre-opening periods of gyms in that period. Pre-Opening Costs primarily consist of staff and marketing expenses.

"Pro Forma Run Rate Adjusted EBITDA"

Run Rate Adjusted EBITDA for the twelve months ended on the reporting date, after giving pro forma effect to the recent acquisition of Fitness World as if the acquisition occurred on the first day of the period and including synergies expected to be realised from the combined group.

"Pro Forma Net Interest Expense"

The net of interest payable/receivable for the twelve months ended on the reporting date after giving pro forma effect to borrowings as at the balance sheet date, as if those borrowings occurred on the first day of the period.

"ROCE"
Adjusted EBITDA divided by Initial Capital Investment and refers to return on capital employed.

"Run Rate Adjusted EBITDA"
The Adjusted EBITDA including any Run Rate Adjustment.

"Run Rate Adjusted"
The adjustment made to those gyms which are less than three years old at the end of the reporting period. These adjustments replace the Adjusted EBITDA earned by these sites in the last twelve month period with the projected Adjusted EBITDA for their third year of operation.

"Senior Secured Net Debt"
The total senior secured indebtedness of the group (excluding finance lease liabilities as reported under IAS17), less cash and cash equivalents.

"Small Box Format (SBF)"
Small Box Format (SBF) gyms are gyms that are typically 6,000-9,000 square feet in size.

"Soho Gyms"
The trading name of Ovalhouse Limited.

"Working Capital Cash Flow"
Cash movements in working capital.

Pinnacle Bidco PLC
Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2020

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Condensed Consolidated Statement of Comprehensive Income
for the 6 months ended 30 June 2020

	Note	**6 months ended 30 June 2020 (Unaudited) £'000**	6 months ended 30 June 2019 (Unaudited) £'000
Revenue	2,3	**111,149**	125,856
Other administrative expenses		**(141,489)**	(90,302)
Exceptional administrative expenses	5	**(3,038)**	(1,026)
Administrative expenses		**(144,527)**	(91,328)
Operating (loss) / profit	4	**(33,378)**	34,528
Finance income		**177**	79
Finance costs		**(81,170)**	(43,202)
Loss before income tax		**(114,371)**	(8,595)
Income tax credit / (charge)	6	**8,575**	(289)
Loss for the period		**(105,796)**	(8,884)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		**15,929**	-
Total comprehensive expense for the period		**(89,867)**	(8,884)

Condensed Consolidated Statement of Financial Position
as at 30 June 2019

	Note	**30 June 2020 (Unaudited) £'000**	31 December 2019 (Audited) £'000
Non-current assets			
Intangible assets	7	**877,974**	515,330
Property, plant and equipment	8	**749,945**	475,337
Deferred tax asset		**18,113**	10,600
Trade and other receivables		**7,498**	1,450
		1,653,530	1,002,717
Current assets			
Inventories		**7,566**	1,952
Trade and other receivables		**35,891**	21,923
Cash and cash equivalents		**88,581**	51,626
		132,038	75,501
TOTAL ASSETS		**1,785,568**	1,078,218
Current liabilities			
Trade and other payables		**(146,319)**	(90,794)
Provisions		**(1,678)**	-
Borrowings	9	**(2,172)**	-
Lease liabilities		**(90,039)**	(21,621)
Income taxes payable		**(1,438)**	(1,332)
		(241,646)	(113,747)
Non-current liabilities			
Deferred tax liability		**(35,298)**	(12,890)
Other payables		**(1,915)**	-
Provisions		**(5,451)**	-
Lease liabilities		**(501,970)**	(315,343)
Borrowings	9	**(1,216,389)**	(763,650)
		(1,761,023)	(1,091,883)
TOTAL LIABILITIES		**(2,002,669)**	(1,205,630)
NET LIABILITIES		**(217,101)**	(127,412)
Equity			
Share capital	12	**50**	50
Share premium		**3,863**	3,863
Translation reserve		**15,929**	-
Accumulated losses		**(236,943)**	(131,325)
TOTAL EQUITY		**(217,101)**	(127,412)

Condensed Consolidated Cash Flow Statement
for the 6 months ended 30 June 2020

	Note	**6 months ended 30 June 2020 (Unaudited) £'000**	6 months ended 30 June 2019 (Unaudited) £'000
Cash flows from operating activities			
Cash generated from operations	13	**52,852**	56,861
Exceptional costs paid		**(7,539)**	(1,026)
Bank interest and similar charges paid		**(4,935)**	(311)
Bank interest received		**142**	79
Senior secured notes interest paid		**(13,706)**	(11,730)
Interest element of lease liability payments		**(14,763)**	(16,859)
Issue costs from borrowings		**(9,892)**	(285)
Premium received on issue of senior secured notes		**-**	800
Net exchange differences		**(284)**	-
Corporation tax paid		**(678)**	(550)
Net cash generated from operating activities		**1,197**	26,979
Cash flows from investing activities			
Purchase of subsidiary undertakings, net of cash acquired	15	**(226,350)**	-
Purchase of property, plant & equipment	8	**(24,790)**	(21,711)
Purchase of intangible assets	7	**(2,952)**	-
Proceeds from disposals of assets		**57**	4
Net cash used in investing activities		**(254,035)**	(21,707)
Cash flows from financing activities			
Issue of senior secured notes		**-**	40,000
Capital element of lease liability payments		**(13,228)**	(3,126)
Proceeds from bank borrowings	14	**417,912**	-
Repayments of bank borrowings	14	**(117,963)**	-
Proceeds from short term borrowings	14	**2,080**	
Proceeds from intercompany borrowings		**-**	123
Outflows from intercompany borrowings		**(1)**	-
Net cash generated from financing activities		**288,800**	36,997
Net increase in cash and cash equivalents		**35,962**	42,269
Cash and cash equivalents at beginning of the period		**51,626**	23,320
Effect of exchange rates on cash held		**993**	-
Cash and cash equivalents at end of period		**88,581**	65,589

Condensed Consolidated Statement of Changes in Equity
for the 6 months ended 30 June 2020

	Share capital £'000	Share premium £'000	Translation reserve £'000	Accumulated losses £'000	Total Equity £'000
Balance as at 31 December 2018	**50**	**3,863**	**-**	**(33,982)**	**(30,069)**
Change in accounting policy	-	-	-	(70,701)	**(70,701)**
Balance as at 1 January 2019	**50**	**3,863**	**-**	**(104,683)**	**(100,770)**
Loss and total comprehensive expense for the period	-	-	-	(8,884)	(8,884)
Credit to equity for equity settled share-based payments	-	-	-	135	135
Balance as at 30 June 2019	**50**	**3,863**	**-**	**(113,432)**	**(109,519)**
Balance as at 1 January 2020	**50**	**3,863**	**-**	**(131,325)**	**(127,412)**
Loss for the period	**-**	**-**	**-**	**(105,796)**	**(105,796)**
Other comprehensive income for the period	**-**	**-**	**15,929**	**-**	**15,929**
Credit to equity for equity settled share-based payments	**-**	**-**	**-**	**178**	**178**
Balance as at 30 June 2020	**50**	**3,863**	**15,929**	**(236,943)**	**(217,101)**

Notes to the Condensed Consolidated Interim Financial Statements

1 General information

Pinnacle Bidco PLC is a company incorporated in England and Wales under the Companies Act 2006 and is a public limited company. The address of the company's registered office is Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY. The condensed financial statements are unaudited and were approved by the Board of Directors on 26 August 2020.

This financial information for the six months ended 30 June 2020, including comparative financial information for the six months ended 30 June 2019, has been prepared on the basis of the accounting policies set out in the last annual report and accounts and in accordance with IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board and adopted by the European Union. This report does not include all the notes of the type normally included in an annual financial report and accordingly should be read in conjunction with the annual report for the year ended 31 December 2019.

In preparing the condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 31 December 2019.

Going concern assumption

The group meets its day to day working capital requirements, capex and funding of new sites through its cash reserves and credit facilities, as detailed in note 9.

In considering its assessment of going concern the group has carried out extensive financial modelling, taking into account the potential impact of the COVID-19 pandemic on the cashflows and liquidity of the group over the next 12 month period. This has included; the unwind of deferred payments, significantly reduced revenue during any further COVID-19 closure periods (including both localised closures and a further total group lockdown), mitigation measures announced by our governments (including the potential reduction of certain mitigation measures in future), measures put in place by the group to preserve cash and to reduce discretionary expenditure (including capex) and potential reductions in revenues resulting from changes in the behaviours of members upon reopening of our gyms.

Having completed this thorough analysis, the directors are confident that the business will continue as a going concern for a period of at least 12 months from the balance sheet date. The group has sufficient liquidity to ensure full compliance with its financial covenants and retains significant flexibility over capital expenditure to manage liquidity, including in a reasonably plausible second wave scenario. As at the date of this report, our cash balance was £70 million, having drawn £37 million (39%) of our £95 million revolving credit facility.

Notes to the Condensed Consolidated Interim Financial Information (continued)

Information extracted from 2019 Annual Report

The financial information for the year ended 31 December 2019, as set out in this report, does not constitute statutory accounts but is derived from the audited financial statements for that financial year.

The statutory accounts for the year ended 31 December 2019 were prepared under IFRS and have been delivered to the Registrar of Companies. The audit report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified to be the Executive Management Team of the Pinnacle Bidco group of companies. The Executive Management Team primarily consider the business from a geographical perspective, by country of operation. The group's operations consist solely of the provision of high quality health and fitness facilities and associated services. Consequently, it is not necessary to segregate operating segments by service or product.

The group's material reportable segments are United Kingdom and Denmark. The results from operations in all other countries in which the group operates are included in "All other segments". Segmental information presented to the Executive Management Team for the 6 months ended 30 June 2020 is presented in the below tables, alongside comparative information:

	6 months ended 30 June 2020 (Unaudited)			
	United Kingdom £'000	**Denmark £'000**	**All other segments £'000**	**Total £'000**
Revenue	**64,242**	**35,457**	**11,450**	**111,149**
Adjusted EBITDA	**(995)**	**1,377**	**(727)**	**(345)**

	6 months ended 30 June 2019 (Unaudited)			
	United Kingdom £'000	Denmark £'000	All other segments £'000	Total £'000
Revenue	125,856	-	-	125,856
Adjusted EBITDA	44,922	-	-	44,922

Adjusted EBITDA is derived from adjusting operating profit. This KPI is typically used within the industry as it is more effective than operating profit in representing the results of the group's trade from ongoing gyms and, as such, is a key focus of our stakeholders, including our investors, our bondholders and our banking partners. A reconciliation from operating profit to Adjusted EBITDA is included in note 4.

Notes to the Condensed Consolidated Interim Financial Information (continued)

3 Revenue

Revenue is analysed below segregated by service or product.

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000
Member income	**101,395**	116,142
Vending and consumables income	**5,184**	3,720
Other income	**4,570**	5,994
	111,149	125,856

The group experiences small degrees of seasonality. The majority of members join in January, February and March, and joiner rates also increase in September and October. Seasonality is generally positively driven by consumers' desire to improve their fitness at the start of the year and the start of new university and school terms, and is negatively driven by Christmas and summer holidays. Marketing expenditure is generally focused around peak joining periods, particularly the January/February period.

During the 6 months ended 30 June 2020, the group was forced to close its gyms across the entire estate as a result of the COVID-19 pandemic. This caused a significant reduction in revenue during the closure period. All gyms in the estate initially closed between 12 and 21 March 2020. Gyms in Switzerland reopened on 11 May 2020, in Poland on 6 June 2020, and in Denmark on 11 June 2020. Subsequent to the period end, most gyms in UK have also reopened.

The majority of member income and other income is recognised over time to reflect the period over which the customer receives the services provided. Vending and consumables income is recognised at a point in time.

Notes to the Condensed Consolidated Interim Financial Information (continued)

4 Operating (loss) / profit

A reconciliation from operating (loss) / profit to EBITDA and Adjusted EBITDA is as follows:

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000
Operating (loss) / profit	**(33,378)**	34,528
Depreciation	**55,815**	25,718
Amortisation	**10,940**	1,467
Profit on disposal of property, plant and equipment	**122**	(4)
Exceptional costs (note 5)	**3,038**	1,026
EBITDA	**36,537**	62,735
Share based payment charge	**178**	135
Pre-opening costs	**760**	1,460
Cash rent adjustment	**(37,820)**	(19,408)
Adjusted EBITDA	**(345)**	44,922

5 Exceptional administrative expenses

Items that are material either because of their size or their nature, and that are non-recurring are considered as exceptional items and are presented within the line items to which they best relate. These items are analysed further below:

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000
Integration, transition and restructuring costs	**2,056**	599
Exploration of acquisition opportunities	**662**	427
Costs relating to acquisitions	**39**	-
Other one-off costs	**281**	-
	3,038	1,026

In the 6 month period ended 30 June 2020, £2,056,000 of costs were incurred relating to the restructuring of certain operations in the existing business and the transition and integration of Fitness World into the PureGym business (6 months ended 31 March 2019: £599,000).

In addition, the group incurred costs of £662,000 in relation to the exploration of acquisition and expansion opportunities (6 months ended 30 June 2019: £427,000).

In the 6 month period ended 30 June 2020, the group also incurred costs related to the acquisition of the Fitness World group (see note 15). Total costs related to these acquisitions in the period were £39,000 (6 months ended 30 June 2019: £nil).

Notes to the Condensed Consolidated Interim Financial Information (continued)

5 Exceptional administrative expenses (continued)

Other one-off costs of £281,000 incurred in the period consist of one off legal and regulatory expenses (6 months ended 30 June 2019: £nil).

6 Income tax

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000
Current tax:		
- Corporation tax (credit) / charge on loss for the period	**(1,981)**	79
- Prior year adjustment	**(1,314)**	-
Total current tax (credit) / charge	**(3,295)**	79
Deferred tax:		
- Origination and reversal of temporary differences	**(5,549)**	210
- Effect of changes in tax rates	**269**	-
Total deferred tax (credit) / charge	**(5,280)**	210
Total tax (credit) / charge in the condensed consolidated statement of comprehensive income	**(8,575)**	289

The (credit) / charge for taxation for the 6 months to 30 June 2020 is based on the estimated effective rate of 19% (6 months ended 30 June 2019: 19%).

Notes to the Condensed Consolidated Interim Financial Information (continued)

7 Intangible assets

	Goodwill £'000	Brands £'000	Customer Relationships £'000	Total £'000
Cost				
1 January 2019	460,215	58,669	8,204	527,088
Acquired through business combinations	2,557	-	-	2,557
31 December 2019	462,772	58,669	8,204	529,645
Accumulated amortisation				
1 January 2019	-	3,178	8,204	11,382
Charge for the period	-	2,933	-	2,933
31 December 2019	-	6,111	8,204	14,315
Net book value				
31 December 2019	462,772	52,558	-	515,330

	Goodwill £'000	**Brands £'000**	**Customer Relationships £'000**	**Development Projects in Progress £'000**	**Software £'000**	**Total £'000**
Cost						
1 January 2020	462,772	58,669	8,204	-	-	529,645
Acquired through business combinations (note 15)	238,236	32,550	66,527	1,619	7,151	346,083
Additions	-	-	-	2,899	53	2,952
Foreign exchange differences	17,197	2,289	4,743	241	498	25,021
30 June 2020	718,205	93,508	79,474	4,759	7,702	903,648
Accumulated amortisation						
1 January 2020	-	6,111	8,204	-	-	14,315
Charge for the period	-	2,457	6,851	-	1,632	10,940
Foreign exchange differences	-	43	303	-	73	419
30 June 2020	-	8,611	15,358	-	1,705	25,674
Net book value						
30 June 2020	**718,205**	**84,897**	**64,116**	**4,759**	**5,997**	**877,974**

Notes to the Condensed Consolidated Interim Financial Information (continued)

7 Intangible assets (continued)

Intangible assets are analysed below segregated by geographical location and category:

	31 December 2019 (Audited)			
	Goodwill £'000	Brands £'000	Customer Relationships £'000	Total £'000
United Kingdom	462,772	52,558	-	515,330
Total intangible assets	462,772	52,558	-	515,330

	30 June 2020 (Unaudited)					
	Goodwill £'000	**Brands £'000**	**Customer Relationships £'000**	**Development Projects in Progress £'000**	**Software £'000**	**Total £'000**
United Kingdom	462,773	51,091	-	-	-	513,864
Denmark	191,968	28,512	51,360	4,759	5,759	282,358
Other countries	63,464	5,294	12,756	-	238	81,752
Total intangible assets	**718,205**	**84,897**	**64,116**	**4,759**	**5,997**	**877,974**

A full impairment review of goodwill was performed as at 31 December 2019. During the period ended 30 June 2020, the group's full estate of gyms were forced to temporarily close as a result of the Covid-19 pandemic. This has significantly reduced the forecast cash flows which were used to perform the impairment review for the 2019 Annual Report. As such, an interim impairment review was performed over the group's intangible assets as at 31 March 2020.

Goodwill was reviewed for impairment with reference to the group of cash generating units (CGUs) to which it relates. The recoverable amount of a CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations used cash flow projections based on financial budgets reviewed by management covering a four-year period.

There is sufficient headroom such that any reasonable sensitivity performed does not reduce the recoverable amount to lower than carrying value.

Notes to the Condensed Consolidated Interim Financial Information (continued)

8 Property, plant and equipment

	Right of use assets	Leasehold costs	Leasehold improvements	Fixtures & Fittings	IT equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
1 January 2019	218,807	8,562	148,642	55,903	4,473	436,387
Additions	50,773	1,099	41,379	19,515	4,634	117,400
Acquired through business combinations	-	-	-	271	-	271
Disposals	-	-	(959)	(977)	(69)	(2,005)
31 December 2019	269,580	9,661	189,062	74,712	9,038	552,053
Accumulated depreciation						
1 January 2019	-	614	12,449	9,574	1,533	24,170
Charge for the year	20,782	600	16,076	14,055	2,221	53,734
Impairment	-	63	268	-	-	331
Disposals	-	-	(518)	(932)	(69)	(1,519)
31 December 2019	20,782	1,277	28,275	22,697	3,685	76,716
Net book value						
1 January 2019	218,807	7,948	136,193	46,329	2,940	412,217
31 December 2019	248,798	8,384	160,787	52,015	5,353	475,337

Notes to the Condensed Consolidated Interim Financial Information (continued)

8 Property, plant and equipment (continued)

	Right of use assets	Leasehold costs	Leasehold improvements	Fixtures & Fittings	IT equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
1 January 2020	269,580	9,661	189,062	74,712	9,038	552,053
Additions	28,708	374	11,675	8,105	2,252	51,114
Acquired through business combinations (note 15)	214,190	-	20,583	24,748	1,670	261,191
Disposals	(474)	-	-	(215)	-	(689)
Foreign exchange differences	16,034	21	1,406	1,802	136	19,399
30 June 2020	**528,038**	**10,056**	**222,726**	**109,152**	**13,096**	**883,068**
Accumulated depreciation						
1 January 2020	20,782	1,277	28,275	22,697	3,685	76,716
Charge for the year	31,599	384	11,772	10,134	1,925	55,815
Disposals	(456)	-	-	(54)	-	(510)
Foreign exchange differences	878	-	99	116	9	1,102
30 June 2020	**52,803**	**1,662**	**40,146**	**32,893**	**5,619**	**133,123**
Net book value						
1 January 2020	248,798	8,384	160,787	52,015	5,353	475,337
30 June 2020	**475,235**	**8,394**	**182,580**	**76,259**	**7,477**	**749,945**

Property, plant and equipment are analysed below segregated by geographical location and category:

	31 December 2019 (Audited)					
	Right of use assets £'000	Leasehold costs £'000	Leasehold improvements £'000	Fixture & Fittings £'000	IT equipment £'000	Total £'000
United Kingdom	248,798	8,384	160,787	52,015	5,353	475,337
Total property, plant and equipment	248,798	8,384	160,787	52,015	5,353	475,337

Notes to the Condensed Consolidated Interim Financial Information (continued)

8 Property, plant and equipment (continued)

	30 June 2020 (Unaudited)					
	Right of use assets £'000	**Leasehold costs £'000**	**Leasehold improvements £'000**	**Fixture & Fittings £'000**	**IT equipment £'000**	**Total £'000**
United Kingdom	245,827	7,521	160,273	51,147	5,956	470,724
Denmark	160,939	-	19,483	14,265	-	194,687
Other countries	68,469	873	2,824	10,847	1,521	84,534
Total property, plant and equipment	**475,235**	**8,394**	**182,580**	**76,259**	**7,477**	**749,945**

9 Borrowings

	30 June 2020 (Unaudited) £'000	31 December 2019 (Audited) £'000
Senior secured notes	**430,000**	430,000
Senior secured bank loans	**406,219**	-
Senior secured revolving credit facility	**37,000**	-
Capitalised issue costs	**(11,474)**	(7,254)
Senior secured notes and bank loans net of issue costs	**861,745**	422,746
Short term financing	**2,172**	-
Amounts owed to group undertakings	**354,644**	340,904
	1,218,561	763,650

Maturity profile (excluding capitalised issue costs)

	30 June 2020 (Unaudited) £'000	31 December 2019 (Audited) £'000
Within 1 year	**2,172**	-
Between 1 and 2 years	**-**	-
Between 2 and 5 years	**873,219**	-
After 5 years	**354,644**	770,904
	1,230,035	770,904

Notes to the Condensed Consolidated Interim Financial Information (continued)

9 Borrowings (continued)

Amounts owed to group undertakings accrue interest at 8% and are repayable on 30 November 2027. Included within amounts owed to group undertakings at 30 June 2020 is accrued interest of £65,910,00 (31 December 2019: £52,171,000).

Bank loans and overdrafts

The group has £430 million of Senior Secured Notes in issue as at the period end (“the Notes”). The Notes are listed on The International Stock Exchange, for which Pinnacle Bidco plc is the Issuer and certain subsidiaries of the group are guarantors. Interest accrues at a rate of 6.375%, payable half yearly in February and August and the Notes are due to be repaid in full on 15 February 2025.

On 14 January 2020, the group acquired Fitness World for a consideration of DKK 2,037,110,000 (£233 million) and the acquisition was funded through a €445 million (£381 million) Senior Secured bridge facility. In general, the key terms of this debt and maximum interest rate are consistent with the group’s existing sterling notes. It is the group’s intention to refinance this facility during 2020, however should it remain in place on 14 January 2021 then the bridge facility agreement provides for automatic conversion to a term loan, repayable in February 2025.

In addition, the group has a £95 million revolving credit facility with eight international institutions (Barclays Bank PLC, Jefferies Finance LLC, Royal Bank of Canada, Credit Suisse AG, Credit Suisse International, ING Bank N.V. Lloyds Bank plc and Danske Bank A/S, collectively "the Lenders"), of which £10 million is designated as an overdraft facility.

The revolving credit facility is repayable on 30 November 2024, secured by fixed and floating charges over the assets and undertakings of Pinnacle Bidco PLC and certain of its subsidiaries and subject to a financial covenant of net leverage ratio lower than or equal to 7.7 when amounts drawn down on the facility are greater than 40%.

On 17 March 2020, the group drew down £85 million on the facility in order to provide readily available liquidity, if required as a result of the COVID-19 gym closures. £48 million was repaid on 23 June 2020 such that the amount drawn down at the balance sheet date was £37 million.

The group has been in compliance with all covenants during the current and previous financial period.

Capitalised issue costs are amortised over the period to the repayment dates of the notes and loan.

Short term financing represents amounts owed to financing institutions in relation to supply chain financing arrangements. All amounts are due for repayment in less than one year. The amount borrowed at 30 June 2020 was £2,172,000 (31 December 2019: £nil).

Notes to the Condensed Consolidated Interim Financial Information (continued)

10 Financial instruments

	30 June 2020 (Unaudited) £'000	31 December 2019 (Audited) £'000
Financial assets measured at amortised cost		
Cash and cash equivalents	**88,581**	51,626
Trade receivables	**11,129**	865
Other debtors	**17,766**	5,324
Finance lease receivable	**1,499**	1,541
	118,975	59,356
Financial liabilities measured at amortised cost		
Trade creditors	**31,092**	14,584
Other liabilities	**10,507**	2,217
Accruals	**49,486**	53,656
Lease liabilities	**592,009**	336,964
Amounts owed to group undertakings	**354,644**	340,904
Senior secured bank loans	**406,219**	-
Senior secured revolving credit facility	**37,000**	-
Senior secured notes	**430,000**	430,000
Short term financing	**2,172**	-
	1,913,129	1,178,325
Financial liabilities measured at fair value through profit and loss		
Derivative financial instruments	**-**	265

Set out below is a comparison of carrying amounts and fair values of all the financial instruments as carried in the financial statements, other than lease liabilities and those for which the fair value approximates closely with their carrying value. The fair value of senior secured notes is taken from the quoted market price. This is a Level 1 valuation. The fair value of all other borrowings are calculated by discounting the future cash flows at prevailing market interest rates, categorised as a Level 2 valuation.

Notes to the Condensed Consolidated Interim Financial Information (continued)

10 Financial instruments (continued)

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

- Level 1: inputs are quoted prices in active markets
- Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets; and
- Level 3: a valuation using unobservable inputs i.e. a valuation technique.

There were no transfers between levels throughout the period under review.

	Carrying Value		Fair Value	
	30 June 2020 (Unaudited) £'000	31 December 2019 (Audited) £'000	**30 June 2020 (Unaudited) £'000**	31 December 2019 (Audited) £'000
Financial liabilities				
Amounts owed to group undertakings	**354,644**	340,904	**362,081**	348,421
Senior secured notes	**430,000**	430,000	**361,200**	448,813

11 Financial risk management objectives and policies

The group has exposure to the following risks from its use of financial instruments: liquidity risk, credit risk, and market risk arising from interest rate risk.

This note presents information about the group's exposure to each of the above risks and the group's objectives, policies and procedures for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The key market risks affecting the group are interest rate risk and foreign exchange rate risk. Financial instruments affected by market risk include certain borrowings and deposits. Financial instruments affected by exchange rate risk include the senior secured bridge facility. At 30 June 2020, the €445 million senior secured bridge facility had a carrying amount of £406,219,000 based on an exchange rate of 0.913. A 5% increase in the rate at 31 December 2020 would increase the carrying amount of the facility to £426,529,000 and cause an increase of £20,311,000 in loss for the period.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. During the period, the group's exposure to the risk of changes in market interest rates related primarily to the group's bank borrowings with floating interest rates.

Notes to the Condensed Consolidated Interim Financial Information (continued)

11 Financial risk management objectives and policies (continued)

As at 30 June 2020, the group had the majority of its borrowing in fixed rate instruments by way of senior secured loan notes, a senior secured bridge facility, amounts owed to group undertakings, and lease liabilities. The group has drawn down £37m of the £95m revolving credit facility which has floating interest rates. As such, the group has exposure to movements in the London interbank offered rate (LIBOR), and the group's leverage ratio.

As at 31 December 2019 the group had 100% of its borrowings in fixed rate instruments.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and operational liabilities and by maintaining adequate cash reserves. The table below summaries the maturity profile of the group's financial liabilities:

	30 June 2020 (Unaudited)				
	Within 1 year £'000	**Between 1-5 years £'000**	**More than 5 years £'000**	**Total contractual cash flows £'000**	**Carrying amount £'000**
Trade and other payables	**89,170**	**1,915**	**-**	**91,085**	**91,085**
Lease liabilities	**118,731**	**349,527**	**443,545**	**911,803**	**592,009**
Borrowings	**2,172**	**873,219**	**354,644**	**1,230,035**	**1,230,035**
Total financial liabilities	**210,073**	**1,224,661**	**798,189**	**2,232,923**	**1,913,129**

	31 December 2019 (Audited)				
	Within 1 year £'000	Between 1-5 years £'000	More than 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade and other payables	70,457	-	-	70,457	70,457
Derivative financial instruments	265	-	-	265	265
Lease liabilities	47,108	189,480	345,457	582,045	336,964
Borrowings	-	-	770,904	770,904	770,904
Total financial liabilities	117,830	189,480	1,116,361	1,423,671	1,178,590

Notes to the Condensed Consolidated Interim Financial Information (continued)

11 Financial risk management objectives and policies (continued)

Credit risk

The group's principal financial assets are bank balances and cash, and trade receivables. The group's credit risk is low as it has limited trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

12 Share capital

	30 June 2020 (Unaudited) £'000	**30 June 2020 (Unaudited) No.**	31 December 2019 (Audited) £'000	31 December 2019 (Audited) No.
Allotted, authorised, called up and fully paid				
Ordinary shares of £0.01	**50**	**5,000,002**	50	5,000,002

Each ordinary share entitles the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. Each ordinary share entitles the holder to one vote.

Notes to the Condensed Consolidated Interim Financial Information (continued)

13 Reconciliation of loss before tax to cash generated from operations

	6 months ended 30 June 2020 (unaudited) £'000	6 months ended 30 June 2019 (unaudited) £'000
Loss before income tax	**(114,371)**	(8,595)
Adjustments for:		
Net finance cost	**80,993**	43,123
Depreciation	**55,815**	25,718
Amortisation	**10,940**	1,467
Share based payments	**178**	135
Profit on disposal of property, plant and equipment	**122**	(4)
Exceptional costs	**3,038**	1,026
Changes in working capital		
Inventories	**(1,364)**	(964)
Trade and other receivables	**(207)**	(4,653)
Trade and other payables	**17,708**	(392)
Cash generated from operations	**52,852**	56,861

14 Analysis of net debt

	1 January 2019 (Unaudited) £'000	Cash flow £'000	Non-cash £'000	30 June 2019 (Unaudited) £'000
Cash at bank and in hand	23,320	42,269	-	65,589
Lease liabilities – property	(302,355)	2,610	(16,035)	(315,780)
Lease liabilities – equipment	(3,534)	516	(224)	(3,242)
Senior secured notes	(390,000)	(40,000)	-	(430,000)
Intercompany loans capital	(288,581)	123	-	(288,458)
	(961,150)	5,518	(16,259)	(971,891)

Notes to the Condensed Consolidated Interim Financial Information (continued)

14 Analysis of net debt (continued)

	1 January 2020 (Audited) £'000	Acquisitions £'000	Cash flow £'000	Non-cash £'000	30 June 2020 (Unaudited) £'000
Cash at bank and in hand	51,626	7,000	28,962	993	**88,581**
Lease liabilities – property and vehicles	(334,270)	(196,168)	10,507	(51,916)	**(571,847)**
Lease liabilities – equipment	(2,694)	(16,767)	2,721	(3,422)	**(20,162)**
Senior secured notes	(430,000)	-	-	-	**(430,000)**
Senior secured bank loans	-	-	(380,912)	(25,307)	**(406,219)**
Revolving credit facility	-	-	(37,000)	-	**(37,000)**
Other bank loans	-	(117,963)	117,963	-	**-**
Short term financing	-	-	(2,080)	(92)	**(2,172)**
Intercompany loans capital	(288,733)	-	(1)	-	**(288,734)**
	(1,004,071)	**(323,898)**	**(259,840)**	**(79,744)**	**(1,667,553)**

15 Business combinations

On 14 January 2020, the group acquired 100% of the issued share capital of Forward Topco A/S (known, together with its subsidiaries, as "the Fitness World Group") for DKK 2,037,110,000 (£233,350,000). The principal activity of the Fitness World Group is the provision of physical fitness facilities in Denmark, Switzerland and Poland.

The goodwill of £238,235,000 arising from the acquisition is attributable to the acquired workforce, and anticipated future earnings from future new customers. None of the goodwill recognised is expected to be deductible for income tax purposes.

Notes to the Condensed Consolidated Interim Financial Information (continued)

15 Business combinations (continued)

The following table summarises the consideration paid for Forward Topco A/S and the fair value of assets and liabilities acquired:

	14 January 2020 Provisional fair value £'000
Cash paid	**233,350**
Total consideration	**233,350**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	**7,000**
Property, plant and equipment	**261,191**
Intangibles (software, customer relationships and brands)	**107,847**
Inventories	**3,928**
Trade and other receivables	**17,860**
Trade and other payables	**(44,476)**
Provisions	**(6,371)**
Borrowings	**(117,963)**
Lease liabilities	**(212,935)**
Net deferred tax liabilities	**(20,967)**
Total identifiable net liabilities	**(4,886)**
Residual goodwill arising on acquisition	**238,236**

Revenue included in the Consolidated Statement of Comprehensive Income for the 6 month period ended 30 June 2020 contributed by the Fitness World Group was £46,907,000 and loss for the period was £23,550,000 over the same period.

Had the Fitness World Group been consolidated from 1 January 2020 then the Consolidated Statement of Comprehensive Income would include revenue of £54,730,000 and loss for the period of £22,116,000.

Acquisition-related costs charged to administrative expenses in the Consolidated Statement of Comprehensive Income for the 6 month period ended 30 June 2020 were £39,000, and acquisition-related costs of £4,507,000 were charged to administrative expenses in the Consolidated Statement of Comprehensive Income in the year ended 31 December 2019.

Notes to the Condensed Consolidated Interim Financial Information (continued)

16 Subsequent events

During the 6 month period ended 30 June 2020, all of the group's gyms were temporarily closed as a result of the COVID-19 pandemic. Gyms in Denmark, Switzerland and Poland all reopened during the same period. Subsequent to the end of the period, most of the group's remaining closed gyms reopened with a range of reopening dates: Northern Ireland (10 July), England (25 July) and Wales (10 August). As at the date of this report, the final group of closed gyms in Scotland are expected to reopen on 31 August.

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