

Pinnacle Bidco PLC

Interim Financial Report for the three months ended 31 March 2021

PUREGYM

Contents

Business Overview	2
Q1 2021 Financial Review	4
Key Performance Indicators	9
Reconciliation from Loss to Adjusted EBITDA and Run Rate Adjusted EBITDA	10
Disclaimers and Further Information for Noteholders	11
Glossary	12
Pinnacle Bidco plc Condensed Consolidated Interim Financial Statements	14



Business Overview

Pinnacle Bidco PLC and its subsidiaries form the PureGym Group ("the Group"), which is the second largest gym and fitness operator in Europe (by number of sites). At its pre COVID-19 peak in February 2020, the combined business had approximately 1.9 million members across circa 500 gyms.

The Group provides high quality, low cost, flexible physical fitness facilities and has market leading positions across the UK, Denmark and Switzerland operating under the PureGym, Fitness World and Basefit brands respectively.

While the financial performance of the Group has been impacted by the worldwide COVID-19 crisis, the business entered the pandemic in early 2020 from a position of real financial strength. This was enhanced in September 2020 by a significant equity injection (£100m), an increase in available facilities (£50m) and covenant relaxation. Furthermore, following the announcement at the end of 2020 of the latest lockdown in all territories, €45m (circa £40m) was raised from Bondholders to replace cash burnt during the new Q1 2021 closures. This additional funding, together with management's swift actions and controls, ensures the Group has a strong financial platform with available liquidity of £231 million as at the end of Q1 2021 and no leverage or interest cover covenant tests until August 2024.

Strategy and business model

The core vision is to provide members with affordable access to the benefits that activity and exercise can offer. The business does this by focusing investment on what most people want and use in gyms and by putting innovative technology that makes the process of being a member and the experience of activity as easy and straightforward as possible. This focus on affordable, flexible, and "value-for-money" memberships has fundamentally changed the gym industry over the past few years and opened up access to more activity, fitness and exercise to hundreds of thousands more people. We are proud of the environment we have created with our inclusive philosophy and the diversity of our membership across all our gyms.

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. Key elements of the proposition include low cost membership fees, no obligation to sign a 'locked in' contract, excellent standards of hygiene and cleanliness and "24x7" access to high quality, well maintained gyms. The proposition is underpinned by the Group's differentiated capital efficient and technology-enabled gym operating model, which enables our gyms to support high levels of membership, operate on low costs, and generate strong unit economics, cash flow conversion, and ROCE.

Our brands...

PureGym

PureGym is the UK's largest private gym operator, both by number of gyms and members. As of 31 March 2021 the company operated 273 gyms. Despite the impact of COVID-19 the member volumes have remained robust, with 939,000 members at the period end.

PUREGYM

273 gyms

Fitness World

Fitness World is the leading operator in Denmark, both by number of gyms and members. As of 31 March 2021 the company operated 179 gyms with 383,000 members. Fitness World is a household name, with membership accounting for close to 10% of the adult population in Denmark.

FITNESS WORLD

179 gyms

Basefit

Basefit is the second largest gym operator and the leading high value low cost operator in Switzerland. In 2019, Basefit was the first player in the Swiss market to offer a flexible monthly membership option. As at 31 March 2021, Basefit operated 39 gyms with 63,000 members.

basefit.ch

39 gyms

Business Overview (continued)

While we have been taking a cautious approach during the COVID-19 crisis, we will continue to roll out new gyms in geographies where we can achieve our targeted return on capital, and we will continue to drive the operational and financial performance of our existing gym estate.

Our ability to deliver on this strategy is underpinned by a strong business model:

- The world's population is more aware than ever of the importance of looking after physical and mental health, avoiding conditions such as obesity and ensuring a good immune system. In a post COVID-19 world we therefore believe that there will continue to be attractive and resilient fitness markets with significant growth opportunities in the value segment.
- The merit to consumers of having access to a fully-equipped, conveniently-located, always-open, well-maintained, safe and secure shared use facility is very considerable and this merit is close to impossible for most consumers to replicate at home or in any other way.
- Benefits from being a diversified, scale operator with sites spread across countries and continents.
- Strong, differentiated customer proposition supported by technology which both improves the effectiveness from a consumer point of view and reduces operating costs.
- Low cost, capital efficient, technology-enabled operating model.
- Strong and experienced leadership team.
- Significant financial capacity to support ongoing expansion and estate rollout.

The fitness market

The Group operates in the value segment of the fitness market, which has grown quickly over the past several years. The expanding footprint of value gyms has increased the availability of fitness facilities to a larger proportion of the population.

The value gym market has demonstrated resilience during periods of economic decline in the past and can also support growth in these conditions as consumers consider cost-conscious alternatives. While the COVID-19 pandemic has caused unprecedented disruption to our everyday way of life, and to our business, we firmly believe we have the right business model, operating in the most attractive segment, for weathering this challenging period and the tougher economic environment which will remain for some time after.

The re-openings across the value gym sector in Q2 2020 underpin this belief. While still early days, the initial member dynamics seen since reopening (both in terms of net joiners and volume of visits) are very encouraging and further point to a market proposition that is inherently robust and well placed.



Q1 2021 Financial Review

COVID-19 update

Through-out the first quarter of 2021 the whole estate has been closed due to government enforced lockdowns in all our operating territories. Despite this, our colleagues across the business have remained resilient and acted swiftly to this new "Lockdown 3.0" to safely mothball sites and once again minimise our underlying cash burn.

We continue to be supported by our key stakeholders in the period, with a further €45 million of Euro Notes issued in March 2021, and our lenders extending the covenant waiver on our banking facility for the remainder of the term (August 2024).

With effectively no revenue, the lockdown has had a material impact on Q1 performance and, as expected, distorts all normal financial and non-financial KPIs. The results in Q1 are not reflective of our underlying business.

However, we are well capitalised, have a proven track record of quickly rebuilding the business following the reopening of our gyms and are excited about the opportunities in the post COVID-19 trading environment. Closing members of 1.4 million at the end of the quarter is encouraging and we are confident that we can regain the strong profitability levels previously achieved.

A successful reopening

Post period end our estate has now successfully reopened, with gyms welcoming members back across all territories at various stages between 12 April and 6 May. Our focus, as always, is very much on the health and wellbeing of our members and colleagues and we continue to work tirelessly to ensure our gyms are a safe place to work and a safe place to workout.

The successful measures which were previously implemented through our TrainSafe initiative have once again been put in place and are working well with our members. The feedback we have received since reopening has been extremely positive and our initial views are that we are seeing stronger underlying 'joiner' trends than after the original reopening in 2020. The combination of these factors supports our belief that the demand for our high quality but low cost model will remain strong as society continues to reopen.

Looking forward

Despite the lockdown in Q1 we retain our position of strength, both in terms of available liquidity (£231 million at 31 March 2021) and our leading market position. We have navigated our way through the crisis well, showing discipline and resilience, and now look forward to building on this with revitalised confidence beyond the successful initial reopening to both rebuild profitability and continue our organic expansion strategy.



Q1 2021 Financial Review (continued)

Presentation of financial information

The Group has prepared consolidated financial statements as of and for the 3 months ended 31 March 2021 in accordance with IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board and adopted by the European Union.

Funding

At the start of the period the Group had £430 million of Senior Secured Notes ("the Sterling Notes") and €445 million of Senior Secured Notes ("the Euro Notes") in issue (together, "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 on the Sterling Notes accrues at a rate of 6.375% and interest on the Euro Notes accrues at a rate of 5.500% both payable at half-yearly intervals. The Notes are due to be repaid in full on 15 February 2025.

On 4 March 2021, the Group issued an additional €45 million of Euro Notes on the same terms as the existing Euro Notes bringing the total repayment value of Euro Notes in issue as at the end of the period to €490 million.

In addition, the Group has a £145 million revolving credit facility (the "RCF Facility") with eight international institutions, of which £10 million is designated as an overdraft facility. The RCF Facility is repayable on 15 August 2024. As at 31 March 2021, the facility was undrawn.

Following amendments to the terms of the RCF Facility during the period, the Lenders granted a waiver of the Group's financial covenants for the remainder of the term and instead replaced it with a £30 million minimum liquidity test on the last day of March, June, September and December each year.

The RCF Facility and covenant environment provides protection from the impact of ongoing COVID-19 disruption, headroom for the Group's working capital requirements and additional capacity for the roll out of new gyms post COVID-19, in line with the Group's underlying strategy.

Going Concern

In light of the on-going impact of COVID-19 on the performance of the Group, the Directors have carefully evaluated the Group's Going Concern status as at the date of this report.

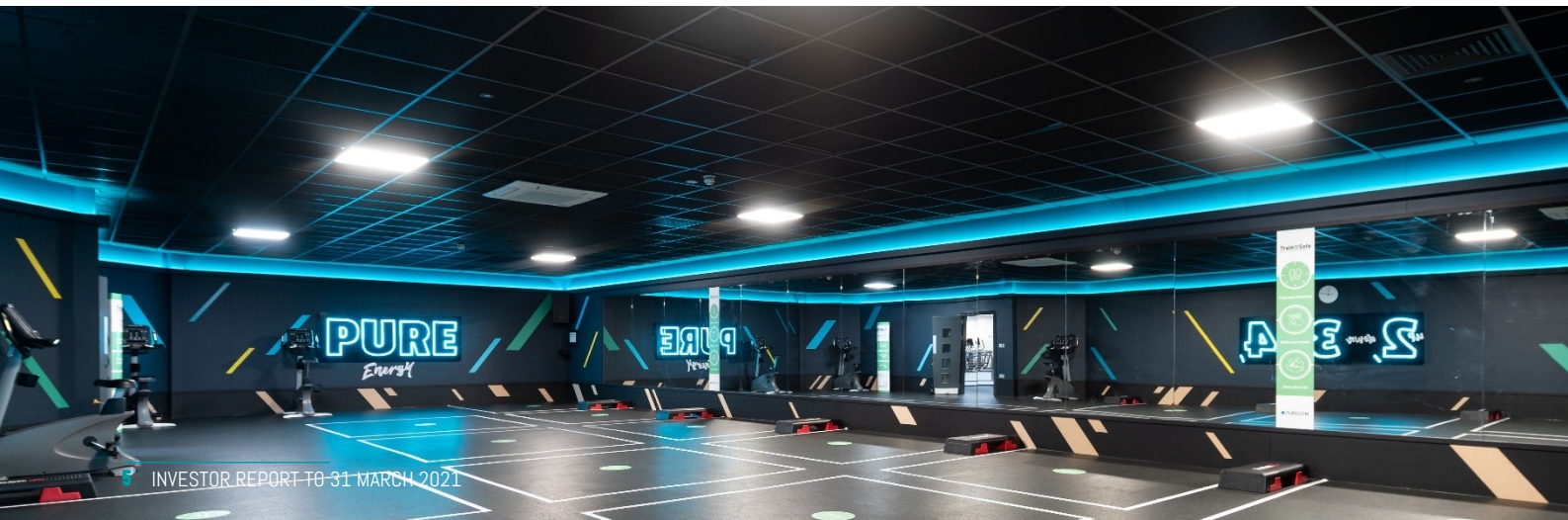
The Group meets its day to day working capital requirements, capex and funding of new sites through its cash reserves and credit facilities, as detailed in the funding section. Available liquidity as at 31 March 2021 stood at £231 million.

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.

The Group's gyms have now fully re-opened following COVID-19 closure periods and are expected to remain open for the foreseeable future.

Nevertheless, the Group has taken into account the possibility of severe but plausible downside scenarios in its forecasts and modelling, including the following factors: the impact on revenue of further localised and total Group lockdowns, the unwind of deferred payments from past closure periods, mitigation measures announced by our governments, 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 following the reopening of our gyms.

Based on these scenarios, and with no leverage or cash flow covenants until 2024, the Directors have concluded that there is no material uncertainty that the Group has adequate resources to continue to remain a going concern for the foreseeable future.



Q1 2021 Financial Review (continued)

Operating results

£m	For the three months ended 31 March 2021	2020[1]
Revenue	0.5	95.8
Operating expenses (exc. separately disclosed items)	(7.6)	(57.1)
Group Reported EBITDA (exc. discontinued ops)[2]	**(7.1)**	**38.7**
Depreciation, amortisation and impairment	(36.4)	(32.6)
Profit / (Loss) on disposal of PPE	0.2	(0.1)
Exceptional items	5.6	(1.5)
Operating (loss) / profit	**(37.7)**	**4.5**
Net finance cost	(23.0)	(41.2)
Loss before tax	(60.7)	(36.7)
Income tax credit	6.0	1.3
Loss for the period from continuing operations	(54.7)	(35.4)
Loss from discontinued operation	-	(0.2)
Loss for the period	**(54.7)**	**(35.6)**

Note: Fitness World results have been included in the Group 2020 results since the acquisition on 14 January 2020.
[1] The Polish business was sold on 14 December 2020. As such, the 2020 results have been restated to present the results of the Polish business as a discontinued operation.
[2] 2020 Group Reported EBITDA presented in this table excludes Group Reported EBITDA contributed by the discontinued operation (£0.3 million).

Revenue

All of the Group's gyms in Denmark and Switzerland, as well as most of the Group's gyms in the UK, were closed for the entire 3 months ended 31 March 2021. The remaining UK gyms closed on 4 January 2021. As such, close to zero revenue was recognised during the quarter. In the prior year, following the acquisition of the Fitness World group on 14 January 2020, our gyms operated normally until COVID-19 related lockdowns forced their closure between 12 and 23 March 2020.

Operating Expenses (exc. separately disclosed items)

Operating expenses were down £49.5 million for the period at £7.6 million reflecting both the hard work of our colleagues in minimising costs while closed and the benefits of government support across all territories.

UK government payroll support (Job Retention Scheme benefits) of £5.5 million has been offset against payroll, while Business Rates Relief savings of £4.8 million are a direct reduction in normal costs. In addition, the UK government provided general property-based grants of £4.0 million. In Denmark, government support consisted of a combination of payroll support of £6.7 million and contribution towards fixed costs of £10.3 million. Payroll support in Switzerland totalled £1.6 million.

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment of £36.4 million is up £3.8 million on the prior period, primarily due to impairment losses recognised in 2021 of £3.8 million following the business reaching a conclusion on its choice of technology infrastructure for the newly combined group after the acquisition of Fitness World.

Also included within depreciation, amortisation and impairment in the quarter is £14.6 million of depreciation on the Group's leased properties, and £4.6 million of amortisation of customer lists and brands recognised following the Group's acquisitions.

Q1 2021 Financial Review (continued)

Exceptional items

Net exceptional income of £5.6 million is primarily due to the benefit arising on settlement of a lease break at one of our sites (£5.9 million), offset by costs incurred in integrating and restructuring the Fitness World operations (£0.2 million), and one-off costs reacting to the COVID-19 crisis (£0.1 million). More details are provided in note 5 of the interim financial statements.

Net finance costs

Net finance costs comprise £12.8 million of interest and commitment fees on the Group's borrowing facilities and £1.0 million of amortisation of arrangement fees incurred in entering into these arrangements. A further £11.0 million relates to costs associated with the Group's property rentals, where a proportion of property rental costs are recorded as interest under IFRS 16 with the remaining expense recognised as depreciation.

£8.4 million of finance cost relates to interest accruing on loans from group undertakings which represent the pass down of the proceeds of issues of preference shares by the Group's ultimate UK parent company, Pinnacle Topco Limited. The preference shares have no fixed date of repayment and are only repayable under specific circumstances.

Also included within net finance costs is an £11.4 million foreign exchange gain, primarily due to favourable movements on the Group's Euro-denominated borrowings, which act as a natural hedge against the translated value of the Group's non-UK subsidiaries.

Tax charge

Our income tax credit of £6.0m is primarily a result of the large losses made in the period.

Q1 2021 Financial Review (continued)

Cashflow and Liquidity

£m	For the three months ended 31 March 2021	2020
Net cash (used in) / generated from operating activities	**(23.0)**	**6.2**
Net cash used in investing activities	(10.1)	(241.2)
Net cash generated from financing activities	28.9	341.2
Net (decrease) / increase in cash and cash equivalents	**(4.2)**	**106.2**
Cash and cash equivalents on the first day of the period	91.1	51.6
Effect of exchange rates on cash held	(1.0)	0.8
Cash and cash equivalents at end of period	**86.0**	**158.6**
Undrawn RCF Facility (including overdraft)	145.0	10.0
Available liquidity at 31 March[1]	**231.0**	**168.6**

Note: Fitness World results have been included in the 2020 Group results since the acquisition on 14 January 2020.
[1] Subject to a £30 million minimum liquidity test at each quarter end.

Net cash (used in) / generated from operating activities

Net cash used in operating activities totalled £23.0 million, which represents a £29.2 million adverse movement versus the prior period. The significant fall in cash generation is as a direct result of the closure of gyms for almost the entire 3 months ended 31 March 2021.

The cost of the COVID-19 impact would have been worse without the positive cash contribution from government support packages in each of our territories (totalling £33.4 million).

Net cash used in investing activities

For the 3 months ended 31 March 2021, net cash used in investing activities of £10.1 million relates entirely to investments in Capex. In the prior period, net cash used in investing activities included investments in Capex totalling £14.6 million and £226.4 million relating to the Fitness World acquisition.

Net cash generated from financing activities

The Group issued a further €45 million of Senior Secured Notes during the period, resulting in a cash inflow from financing activities of £38.9 million.

Offsetting this inflow was £10.1 million of lease capital payments. These lease capital payments represent a proportion of the property rental costs as accounted for under IFRS 16, with the remaining rental cost accounted for within net cash used in operating activities.

Cash and liquidity

As at 31 March 2021 the Group had cash and cash equivalents of £86.0 million and access to undrawn facilities of £145.0 million, providing total liquidity headroom of £231.0 million, an increase of £62.4 million versus the position at 31 March 2020.

Cash flow - capital expenditure

The following table shows our cash flows from capital expenditure for the periods indicated. Expansionary Capital Expenditure mainly comprised investment in the completion of sites started in Q4 2020, including 10 new UK sites and 1 new Swiss site, all opened in April 2021.

£m	For the three months ended 31 March 2021	2020
Expansionary Capital Expenditure	8.7	10.6
Maintenance and Refurbishment Capital Expenditure	1.4	3.7
Total Capital Expenditure	**10.1**	14.3

Note: Fitness World results have been included in the Group 2020 results since the acquisition on 14 January 2020.

Key Performance Indicators

£m	For the three months ended 31 March 2021	2020
Total number of PureGyms	273	266
Total number of Fitness World gyms	218	243
Total number of gyms	491	509
Total number of members ('000s)	1,384	1,789
Average number of members ('000s)	1, 411	1,764
Average number of members per gym	2,869	3,667
Average revenue per member per month (£)	0.13	18.32
Reported EBITDA (£ million)	(7.1)	39.0
Adjusted EBITDA (£ million)[1]	(25.4)	20.2
Adjusted EBITDA margin	n/a	20.8%
Gym Site Adjusted EBITDA (£ million)	(18.8)	31.8
Gym Site Adjusted EBITDA margin	n/a	32.8%
LTM Run Rate Adjusted EBITDA (£ million)[2]	(10.9)	151.2
Operating Cash Flow (£ million)	(28.9)	26.4
Operating Cash Flow Conversion	n/a	130.4%
Senior Secured Net Debt (£ million)	777.8	753.4
Ratio of Senior Secured Net Debt to LTM Run Rate Adjusted EBITDA[2]	n/a[3]	5.0x
Ratio of LTM Run Rate Adjusted EBITDA[2] to Pro Forma Net Interest Expense	n/a[3]	3.1x

Note: Fitness World results have been included in the 2020 Group results since the acquisition on 14 January 2020.

1. In 2021, the cash rent adjustment excludes the impact of COVID-19 rent deferments. Therefore, Adjusted EBITDA more closely reflects the underlying trading results of the Group for the period.
2. Q1 2020 LTM Run Rate Adjusted EBITDA represents the Combined Group on a pro forma basis.
3. As Q1 2021 Run Rate Adjusted EBITDA is negative, the ratios calculated with this KPI do not provide useful benchmarks and are therefore not applicable. If the ratios were to be calculated in line with the definitions, the Ratio of Senior Secured Net Debt to LTM Run Rate Adjusted EBITDA would be (71.3)x and the Ratio of LTM Run Rate Adjusted EBITDA to Pro Forma Net Interest Expense would be (0.2)x.

Reconciliation from Loss to Adjusted EBITDA and Run-Rate Adjusted EBITDA

£m	For the three months ended 31 March 2021	2020
Loss for the period from continuing operations	**(54.7)**	**(35.4)**
Income tax	(6.0)	(1.3)
Net finance cost	23.0	41.2
Operating Loss from discontinued activities	-	(0.2)
Deprecation and impairment of PPE	27.1	27.8
Amortisation and impairment of intangible assets	9.3	5.3
(Profit) / loss on disposal of property, plant & equipment	(0.2)	0.1
Exceptional administrative items	(5.6)	1.5
Group Reported EBITDA [1]	**(7.1)**	**39.0**
Other extraordinary items [2]	1.4	0.5
Share based payment charge [3]	0.1	0.1
Pre-opening costs [4]	0.4	0.5
Cash rent adjustment [5]	(20.2)	(19.8)
Adjusted EBITDA	**(25.4)**	**20.2**
Head office costs	6.5	11.6
Gym Site Adjusted EBITDA	**(18.8)**	**31.8**
LTM Adjusted EBITDA[6]	(41.8)	122.6
Run-Rate Adjustment	30.9	24.1
Adjustment for synergies[7]	-	4.5
Run-Rate Adjusted EBITDA (LTM)[8]	**(10.9)**	**151.2**

Note: Fitness World results have been included in the Group 2020 results since the acquisition on 14 January 2020.

[1] Group Reported EBITDA is defined as earnings before net finance cost, taxation, depreciation, amortisation, profit/loss on sale of property, plant & equipment, impairment, profit/loss on lease modifications and exceptional items.
[2] Other extraordinary items includes the net impact of various one-off items not included in "Exceptional items" but which are not reflective of the underlying trade of the Group.
[3] The share based payment charge relates to shares in the ultimate parent company, Pinnacle Topco Limited, issued to directors and certain employees.
[4] Pre-opening costs represent the total of all gym site operating costs incurred prior to the opening of a new gym and primarily consist of staff costs and marketing.
[5] Under IFRS 16, most lease costs are excluded from Group Reported EBITDA. To produce a comparable and more relevant EBITDA figure, the contractual property rent payments due during the accounting period are deducted and any property rent-related expenses included in Group Reported EBITDA are added back. Management believes that adjusting EBITDA to reflect cash rent is a better reflection of actual earnings. In 2021, the cash rent adjustment excludes the impact of COVID-19 rent deferments. Therefore, Adjusted EBITDA more closely reflects the underlying trading results of the Group for the period.
[6] Q1 2020 LTM Adjusted EBITDA represents the Combined Group on a pro forma basis
[7] Q1 2020 Run-Rate Adjusted EBITDA (LTM) includes £4.5 million of synergy benefits for the acquisition of Fitness World. Management still believe that these synergies will be delivered but in the context of reporting on the COVID impacted period can no longer be separated out from the underlying operations of the combined group.
[8] The Run-Rate adjustment reflects the impact of 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. Run-Rate Adjusted EBITDA therefore seeks to reflect the anticipated mature Adjusted EBITDA potential of those gyms which were trading at the end of the relevant period. Management forecasts EBITDA on a gym-specific basis and updates forecasts quarterly based on current and anticipated performance, taking into account seasonality and location-specific factors.

Disclaimers and Further Information for Noteholders

Further information for noteholders

This report was prepared in accordance with the indentures dated 24 January 2018 and 17 November 2020, 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 12.

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 2021 financial year remain substantially the same as those stated on pages 16 to 17 of our Annual Report and Accounts for the period ended 31 December 2020, 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 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). From 2021 onwards, the Cash Rent Adjustment excludes the cash impact of COVID-19 rent deferments. Therefore, Adjusted EBITDA more closely reflects the underlying trading results of the Group for the period.

"Combined Group"
Refers to PureGym and 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 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.

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

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

"Mature Gyms"
The gyms that have been open as Pure Gyms for 24 months or more or as Fitness World clubs 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.

Glossary continued

"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.

"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.

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

Pinnacle Bidco PLC
Condensed Consolidated Interim Financial Statements
for the 3 months ended 31 March 2021

Condensed Consolidated Statement of Comprehensive Income
for the 3 months ended 31 March 2021

	Note	**3 months ended 31 March 2021 (Unaudited) £'000**	3 months ended 31 March 2020 (Unaudited) £'000
Revenue	2,3	**540**	95,811
Cost of sales		**(784)**	(1,718)
Other administrative expenses		**(43,076)**	(88,128)
Exceptional administrative income / (expenses)	5	**5,645**	(1,460)
Administrative expenses		**(37,431)**	(89,588)
Operating (loss) / profit	4	**(37,675)**	4,505
Finance income	6	**11,455**	111
Finance costs	6	**(34,494)**	(41,319)
Loss before income tax		**(60,714)**	(36,703)
Income tax credit	7	**6,047**	1,275
Loss for the period from continuing operations		**(54,667)**	(35,428)
Loss from discontinued operation		**-**	(230)
Loss for the period		**(54,667)**	(35,658)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		**(9,401)**	10,843
Other comprehensive (expense) / income for the period, net of tax		**(9,401)**	10,843
Total comprehensive expense for the period		**(64,068)**	(24,815)

Condensed Consolidated Statement of Financial Position
as at 31 March 2021

	Note	**31 March 2021 (Unaudited) £'000**	31 December 2020 (Audited) £'000
Non-current assets			
Intangible assets	8	**822,532**	846,913
Property, plant and equipment	9	**684,769**	717,556
Deferred tax assets		**34,913**	31,069
Other receivables		**6,922**	7,216
		1,549,136	1,602,754
Current assets			
Inventories		**4,145**	4,388
Trade and other receivables		**26,009**	37,554
Income taxes receivable		**658**	686
Cash and cash equivalents		**85,966**	91,134
		116,778	133,762
TOTAL ASSETS		**1,665,914**	1,736,516
Current liabilities			
Trade and other payables		**(129,903)**	(143,646)
Lease liabilities		**(97,822)**	(96,430)
Provisions		**(855)**	(2,500)
Income taxes payable		**(1,086)**	(1,290)
		(229,666)	(243,866)
Non-current liabilities			
Deferred tax liabilities		**(34,679)**	(37,572)
Other liabilities		**(1,909)**	(2,013)
Lease liabilities		**(474,037)**	(491,652)
Borrowings	10	**(1,293,213)**	(1,264,661)
Provisions		**(10,123)**	(10,486)
		(1,813,961)	(1,806,384)
TOTAL LIABILITIES		**(2,043,627)**	(2,050,250)
NET LIABILITIES		**(377,713)**	(313,734)
Equity			
Share capital		**50**	50
Share premium		**3,863**	3,863
Translation reserve		**2,378**	11,779
Accumulated losses		**(384,004)**	(329,426)
TOTAL EQUITY		**(377,713)**	(313,734)

Condensed Consolidated Cash Flow Statement

for the 3 months ended 31 March 2021

	Note	3 months ended 31 March 2021 (Unaudited) £'000	3 months ended 31 March 2020 (Unaudited) £'000
Cash flows from operating activities			
Cash (used in) / generated from operations	13	**(10,364)**	48,831
Exceptional income received / (costs paid)		**10,699**	(5,960)
Bank interest and similar charges paid		**(754)**	(799)
Bank interest received		**19**	74
Senior secured notes interest paid		**(13,069)**	(13,706)
Interest element of lease liability payments		**(8,232)**	(10,949)
Issue costs from borrowings		**(490)**	(10,096)
Net exchange differences		**(680)**	17
Corporation tax paid		**(123)**	(1,257)
Net cash generated from operating activities of discontinued operation		**-**	73
Net cash (used in) / generated from operating activities		**(22,994)**	6,228
Cash flows from investing activities			
Purchase of subsidiary undertakings, net of cash acquired		**-**	(226,350)
Purchase of property, plant & equipment		**(7,387)**	(11,757)
Purchase of intangible assets		**(2,759)**	(2,803)
Net cash used in investing activities of discontinued operation		**-**	(292)
Net cash used in investing activities		**(10,146)**	(241,202)
Cash flows from financing activities			
Capital element of lease liability payments		**(10,056)**	(6,645)
Issue of senior secured notes	10	**38,924**	-
Proceeds from bank borrowings		**-**	465,912
Repayments of bank borrowings		**-**	(117,963)
Proceeds from intercompany borrowings		**59**	4
Net cash used in financing activities of discontinued operation		**-**	(140)
Net cash generated from financing activities		**28,927**	341,168
Net (decrease) / increase in cash and cash equivalents		**(4,213)**	106,194
Cash and cash equivalents at beginning of the period		**91,134**	51,626
Effect of exchange rates on cash held		**(955)**	758
Cash and cash equivalents at end of period		**85,966**	158,578

Condensed Consolidated Statement of Changes in Equity

for the 3 months ended 31 March 2021

	Share capital £'000	Share premium £'000	Translation reserve £'000	Accumulated losses £'000	Total Equity £'000
Balance as at 1 January 2020	**50**	**3,863**	**-**	**(131,325)**	**(127,412)**
Loss for the period	**-**	**-**	-	(35,658)	(35,658)
Other comprehensive income for the period	**-**	**-**	10,843	-	10,843
Credit to equity for equity settled share-based payments	-	-	-	89	89
Balance as at 31 March 2020	**50**	**3,863**	**10,843**	**(166,894)**	**(152,138)**
Balance as at 1 January 2021	**50**	**3,863**	**11,779**	**(329,426)**	**(313,734)**
Loss for the period	**-**	**-**	-	(54,667)	(54,667)
Other comprehensive expense for the period	**-**	**-**	(9,401)	-	(9,401)
Credit to equity for equity settled share-based payments	-	-	-	89	89
Balance as at 31 March 2021	**50**	**3,863**	**2,378**	**(384,004)**	**(377,713)**

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 18 May 2021.

This financial information for the three months ended 31 March 2021, including comparative financial information for the three months ended 31 March 2020, 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. 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 2020.

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 2020

Going concern assumption

In light of the on-going impact of COVID-19 on the performance of the Group, the Directors have carefully evaluated the Group's Going Concern status as at the date of this report.

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 10.

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.

The Group's gyms have now fully re-opened following COVID-19 closure periods and are expected to remain open for the foreseeable future.

Nevertheless, the Group has taken into account the possibility of severe but plausible downside scenarios in its forecasts and modelling, including the following factors: the impact on revenue of further localised and total Group lockdowns, the unwind of deferred payments from past closure periods, mitigation measures announced by our Governments, 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 following the reopening of our gyms.

Based on these scenarios, and with no leverage or cash flow covenants until 2024, the Directors have concluded that there is no material uncertainty that the Group has adequate resources to continue to remain a going concern for the foreseeable future.

Information extracted from 2020 Annual Report

The financial figures for the year ended 31 December 2020, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 31 December 2020 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.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

2 Operating segments

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker, identified as the Executive Management Team of the Group. 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 and consequently, it is not necessary to segregate operating segments by service or product. The Executive Management Team use the measures of Revenue and Adjusted EBITDA as key performance indicators in assessing the performance of the operating segments. A definition of Adjusted EBITDA is included below.

The Group's material reportable segments are the United Kingdom and Denmark. The results from operations in all other countries in which the Group operates are included in "All other segments", as they are deemed to be individually immaterial.

Segmental information presented to the Executive Management Team for the 3 months ended 31 March 2021 is presented in the below tables, alongside comparative information:

	3 months ended 31 March 2021 (Unaudited)			
	United Kingdom £'000	**Denmark £'000**	**All other segments £'000**	**Total £'000**
Revenue	**400**	**130**	**10**	**540**
Adjusted EBITDA	**(13,705)**	**(8,859)**	**(2,800)**	**(25,364)**

	3 months ended 31 March 2020 (Unaudited)					
	United Kingdom £'000	Denmark £'000	All other segments £'000	Total from continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	63,448	26,900	5,463	95,811	1,138	96,949
Adjusted EBITDA	17,931	2,425	(228)	20,128	82	20,210

Adjusted EBITDA is derived by adjusting operating profit for depreciation, amortisation, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications, impairment of property, plant and equipment and intangible assets, exceptional costs, other extraordinary items, share based payment charges, pre-opening costs and the cash rent adjustment. Other extraordinary items relates to items of a one-off nature which are not included within exceptional costs, but which are not reflective of the underlying trade of the Group. The cash rent adjustment includes an add-back of any property rent-related expenses charged in the statement of comprehensive income and a deduction of contractual property rent payments due in the period (whether or not paid in cash in the period). In 2021, the cash rent adjustment excludes the impact of COVID-19 rent deferments. Therefore, Adjusted EBITDA more closely reflects the underlying trading results of the Group for the period.

The Adjusted EBITDA KPI is typically used within the industry as it is more effective than operating profit in representing the results of the Group's trade 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 Statements (continued)

3 Revenue

Revenue is analysed below segregated by service or product.

	3 months ended 31 March 2021 (Unaudited) £'000	3 months ended 31 March 2020 (Unaudited) £'000
Member income	**(22)**	88,105
Vending and consumables income	**270**	3,763
Other income	**292**	3,943
	540	95,811

As a result of the COVID-19 pandemic, the Group has been forced to close all of its gyms for almost the entire 3 months ended 31 March 2021, resulting in close to nil revenue throughout this period. For the 3 months ended 31 March 2020, gyms across the Group were closed for between 11 and 20 days.

The majority of member income is recognised over time to reflect the period over which the member receives the services provided. Vending and consumables income is recognised at a point in time. Other income includes revenue from personal trainers, recognised over time to reflect the period over which the personal trainer is operating and sales of day passes to non-members and personal training services which are both recognised at a point in time.

4 Operating (loss) / profit

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

	3 months ended 31 March 2021 (Unaudited) £'000	3 months ended 31 March 2020 (Unaudited) £'000
Operating (loss) / profit	**(37,675)**	4,505
Operating loss from discontinued activities	**-**	(188)
Depreciation (note 9)	**27,100**	27,839
Amortisation (note 8)	**5,486**	5,271
(Profit) / loss on disposal of property, plant and equipment	**(158)**	140
Impairment of intangible assets	**3,814**	-
Exceptional (income) / costs (note 5)	**(5,645)**	1,460
EBITDA	**(7,078)**	39,027
Other extraordinary items	**1,429**	461
Share based payment charge	**89**	89
Pre-opening costs	**411**	478
Cash rent adjustment	**(20,215)**	(19,845)
Adjusted EBITDA	**(25,364)**	20,210

Notes to the Condensed Consolidated Interim Financial Statements (continued)

4 Operating (loss) / profit (continued)

During the 3 months ended 31 March 2021, the Group has applied the practical expedient to rent concessions as permitted in the COVID-19-Related Rent Concessions amendment to IFRS 16. Included within operating loss for the period is a credit of £1,390,000 (2020: £nil) reflecting the change in lease payments that has arisen from rent concessions agreed in the period.

5 Exceptional administrative income / 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:

	3 months ended 31 March 2021 (Unaudited) £'000	3 months ended 31 March 2020 (Unaudited) £'000
Integration, transition and restructuring costs	**170**	657
One-off costs related to the COVID-19 pandemic	**61**	-
Exploration of acquisition and expansion opportunities	**55**	600
Settlement on break of lease	**(5,931)**	-
Other one-off costs	**-**	203
Exceptional administrative (income) / expenses	**(5,645)**	1,460

Integration, transition and restructuring costs include the costs associated with the integration of Fitness World into the Group (£146,000) and major internal restructuring projects.

One-off costs related to the COVID-19 pandemic were incurred in the process of closing gyms during the pandemic or in the preparation for reopening of the gyms in line with government guidance.

On 3 November 2020, the landlord of one site exercised their lease break option and agreed settlement consideration of £10,950,000. The settlement was paid at the break date of the lease on 8 March 2021. The settlement was recognised on a straight line basis over the period from the activation of the break clause to the break date of the lease, with £5,931,000 recognised during the 3 months ended 31 March 2021.

Exploration of acquisition and expansion opportunities relates to costs incurred in exploring opportunities for mergers and acquisitions, organic expansion or diversification. The directors remain focussed on the success of the existing business in the Group's core geographies while being open to opportunities which would contribute to and complement that success.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

6 Finance income and costs

	3 months ended 31 March 2021 (Unaudited) £'000	3 months ended 31 March 2020 (Unaudited) £'000
Bank interest received	**19**	75
Interest income on finance lease receivables	**33**	36
Foreign exchange gain	**11,403**	-
Total finance income	**11,455**	111

	3 months ended 31 March 2021 (Unaudited) £'000	3 months ended 31 March 2020 (Unaudited) £'000
Interest on bank loans and overdrafts	**72**	3,644
Interest payable on lease liabilities	**11,242**	10,984
Commitment fees	**376**	181
Unwind of discount on provisions	**13**	-
Amortisation of capitalised finance costs	**991**	2,846
Unwind of discount on issue of senior secured notes	**994**	-
Interest on senior secured notes	**12,374**	6,853
Interest payable to group undertakings	**8,429**	6,777
Foreign exchange loss	**-**	9,971
Other	**3**	63
Total finance costs	**34,494**	41,319

Notes to the Condensed Consolidated Interim Financial Statements (continued)

7 Income tax

	3 months ended 31 March 2021 (Unaudited) £'000	3 months ended 31 March 2020 (Unaudited) £'000
Current tax:		
- Corporation tax charge on loss for the period	**-**	139
- Adjustments in respect of prior periods	**(17)**	-
Total current tax (credit) / charge	**(17)**	139
Deferred tax:		
- Origination and reversal of temporary differences	**(6,030)**	(1,683)
- Effect of changes in tax rates	**-**	269
Total deferred tax credit	**(6,030)**	(1,414)
Total tax credit in the condensed consolidated statement of comprehensive income	**(6,047)**	(1,275)

The credit for taxation for the 3 months to 31 March 2021 is based on the estimated effective rate of 19% (3 months ended 31 March 2020: 19%).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

8 Intangible assets

	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
Transfer from property, plant and equipment (note 9)	-	-	-	-	5,952	5,952
Acquired through business combinations	239,134	32,621	66,527	1,619	7,151	347,052
Additions	-	-	-	7,387	5,496	12,883
Disposals	-	-	-	-	(6)	(6)
Disposal of subsidiary	-	(502)	(387)	-	(36)	(925)
Foreign exchange differences	12,988	1,738	3,588	194	422	18,930
31 December 2020	714,894	92,526	77,932	9,200	18,979	913,531
Accumulated amortisation						
1 January 2020	-	6,111	8,204	-	-	14,315
Transfer from property, plant and equipment (note 9)	-	-	-	-	3,013	3,013
Charge for the period	-	4,949	13,889	-	5,624	24,462
Impairment	12,949	-	-	9,070	2,472	24,491
Disposals	-	-	-	-	-	-
Disposal of subsidiary	-	(96)	(124)	-	(8)	(228)
Foreign exchange differences	145	24	180	130	86	565
31 December 2020	13,094	10,988	22,149	9,200	11,187	66,618
Net book value						
31 December 2020	701,800	81,538	55,783	-	7,792	846,913

Notes to the Condensed Consolidated Interim Financial Statements (continued)

8 Intangible assets (continued)

	Goodwill £'000	Brands £'000	Customer Relationships £'000	Development Projects in Progress £'000	Software £'000	Total £'000
Cost						
1 January 2021	714,894	92,526	77,932	9,200	18,979	**913,531**
Additions	-	-	-	3,140	483	**3,623**
Foreign exchange differences	(14,558)	(1,871)	(3,932)	(536)	(541)	**(21,438)**
31 March 2021	**700,336**	**90,655**	**74,000**	**11,804**	**18,921**	**895,716**
Accumulated amortisation						
1 January 2021	13,094	10,988	22,149	9,200	11,187	**66,618**
Charge for the period	-	1,206	3,390	-	890	**5,486**
Impairment	-	-	-	2,310	1,504	**3,814**
Foreign exchange differences	(834)	(127)	(887)	(537)	(349)	**(2,734)**
31 March 2021	**12,260**	**12,067**	**24,652**	**10,973**	**13,232**	**73,184**
Net book value						
31 March 2021	**688,076**	**78,588**	**49,348**	**831**	**5,689**	**822,532**

A full impairment review of goodwill was performed as at 31 December 2020, which included the impact of the most recent closures in 2021. There have been no further indicators of impairment since that review.

The Group continues to invest in technology to evolve and improve the quality of its product offering to members and to optimise the efficiency of its operating model. Having reached a conclusion on the Group's choice of technology infrastructure, an impairment charge in relation to Development Projects in Progress and Software totalling £3,814,000 has been recognised in the period (2019: £nil).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

9 Property, plant and equipment

	Right of use assets	Leasehold costs	Leasehold improv-ements	Assets under construc-tion	Fixtures & fittings	IT equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
1 January 2020	269,580	9,661	189,062	-	74,712	9,038	552,053
Transfer to intangible assets (note 8)	-	-	-	-	-	(5,952)	(5,952)
Transfers	-	-	1,702	(1,702)	-	-	-
Additions	48,468	1,730	23,456	3,306	14,148	2,023	93,131
Acquired through business combinations	221,981	-	21,843	1,702	24,698	1,670	271,894
Disposals	(708)	(117)	(5,652)	-	(4,641)	(39)	(11,157)
Disposal of subsidiary	(5,164)	-	(3,131)	-	(1,696)	-	(9,991)
Foreign exchange differences	11,655	(46)	1,122	47	1,258	89	14,125
31 December 2020	545,812	11,228	228,402	3,353	108,479	6,829	904,103
Accumulated depreciation							
1 January 2020	20,782	1,277	28,275	-	22,697	3,685	76,716
Transfer to intangible assets (note 8)	-	-	-	-	-	(3,013)	(3,013)
Charge for the year	65,706	765	25,068	-	20,222	1,970	113,731
Impairment	5,104	45	1,569	-	175	5	6,898
Disposals	(686)	(43)	(3,030)	-	(2,652)	(32)	(6,443)
Disposal of subsidiary	(1,110)	-	(319)	-	(582)	-	(2,011)
Foreign exchange differences	579	-	46	-	42	2	669
31 December 2020	90,375	2,044	51,609	-	39,902	2,617	186,547
Net book value							
31 December 2020	455,437	9,184	176,793	3,353	68,577	4,212	717,556

Notes to the Condensed Consolidated Interim Financial Statements (continued)

9 Property, plant and equipment (continued)

	Right of use assets	Leasehold costs	Leasehold improv-ements	Assets under construc-tion	Fixtures & fittings	IT equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
1 January 2021	545,812	11,228	228,402	3,353	108,479	6,829	**904,103**
Additions	5,340	103	1,754	(12)	1,396	412	**8,993**
Disposals	(745)	-	-	-	-	-	**(745)**
Foreign exchange differences	(14,267)	(11)	(1,233)	(172)	(1,451)	(142)	**(17,276)**
31 March 2021	**536,140**	**11,320**	**228,923**	**3,169**	**108,424**	**7,099**	**895,075**
Accumulated depreciation							
1 January 2021	90,375	2,044	51,609	-	39,902	2,617	**186,547**
Charge for the year	16,092	190	5,782	-	4,506	530	**27,100**
Disposals	(203)	-	-	-	-	-	**(203)**
Foreign exchange differences	(2,718)	**-**	(220)	-	(148)	(52)	**(3,138)**
31 March 2021	**103,546**	**2,234**	**57,171**	**-**	**44,260**	**3,095**	**210,306**
Net book value							
31 March 2021	**432,594**	**9,086**	**171,752**	**3,169**	**64,164**	**4,004**	**684,769**

Notes to the Condensed Consolidated Interim Financial Statements (continued)

10 Borrowings

	31 March 2021 (Unaudited) £'000	31 December 2020 (Audited) £'000
€490m 5.500% Senior Secured Notes at principal value (2020: €445m)	**417,473**	399,899
Discount on issue of Senior Secured Notes	**(17,544)**	(19,524)
€490m 5.500% Senior Secured Notes (2020: €445m)	**399,929**	380,375
£430m 6.375% Senior Secured Notes	**430,000**	430,000
Capitalised issue costs	**(16,327)**	(16,837)
Senior secured notes net of issue costs	**813,602**	793,538
Amounts owed to Group undertakings	**479,611**	471,123
	1,293,213	1,264,661

Of the amounts owed to Group undertakings, £376,550,000 (2020: £369,166,000) accrue interest at 8% and £103,061,000 (2020: £101,957,000) accrue interest at 4.375%. All amounts owed to Group undertakings are repayable on 30 November 2027.

Bank loans and overdrafts

The Group has £430 million of Senior Secured Notes ("the Sterling Notes") and €490 million of Senior Secured Notes ("the Euro Notes") in issue as at the period end (together, "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 on the Sterling Notes accrues at a rate of 6.375%, payable half yearly in February and August and interest on the Euro Notes accrues at a rate of 5.500%, payable half yearly in May and November. The Notes are due to be repaid in full on 15 February 2025.

On 4 March 2021, the Group issued an additional €45 million of Euro Notes on the same terms as the existing Euro Notes bringing the total repayment value of Euro Notes in issue to €490 million.

The original €445 million of Euro Notes were initially recognised at fair value of €422,750,000 on the date of issue of 17 November 2020, representing a discount on issue of the Euro Notes of €22,250,000. The Euro Notes are subsequently held at amortised cost with changes in the carrying amount recognised within finance cost as an unwind of discount on issue of senior secured notes.

Capitalised issue costs are amortised over the period to the repayment date of the Notes.

In addition, the Group has a £145 million revolving credit facility (the "RCF 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 RCF Facility is repayable on 15 August 2024. As at 31 March 2021 and 31 December 2020, the facility was undrawn.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

10 Borrowings (continued)

The Notes and the RCF Facility are secured by fixed and floating charges over the assets and undertakings of certain subsidiaries of the Group. Following amendments to the terms of the RCF Facility on 18 September 2020, and further amendments on 7 January 2021, the Lenders granted a waiver of the pre-existing financial covenants on the facility for the remainder of the term. The financial covenant is replaced with a £30 million minimum liquidity test on the last day of March, June, September and December each year.

The Group has been in compliance with all such covenants and tests during the current and previous financial periods.

11 Financial instruments

	31 March 2021 (Unaudited) £'000	31 December 2020 (Audited) £'000
Financial assets measured at amortised cost		
Cash and cash equivalents	**85,966**	91,134
Trade receivables	**6,631**	8,710
Other debtors	**17,670**	27,552
Finance lease receivable	**1,428**	1,452
	111,695	128,848
Financial liabilities measured at amortised cost		
Trade creditors	**33,290**	29,515
Other liabilities	**4,536**	3,857
Accruals	**43,185**	52,693
Lease liabilities	**571,859**	588,082
Amounts owed to group undertakings	**479,611**	471,123
Senior secured notes	**829,929**	810,375
	1,962,410	1,955,645

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 finance leases, 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 Statements (continued)

11 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	
	31 March 2021 (Unaudited) £'000	31 December 2020 (Audited) £'000	**31 March 2021 (Unaudited) £'000**	31 December 2020 (Audited) £'000
Financial liabilities				
€445m 5.500% Senior Secured Notes	**399,929**	380,375	**423,735**	396,220
£430m 6.375% Senior Secured Notes	**430,000**	430,000	**435,375**	425,657

12 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 Euro Notes. At 31 March 2021, the €490 million Euro Notes had a carrying amount of £399,929,000 based on an amortised cost of €469,409,000 and an exchange rate of 0.852.

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.

As at 31 March 2021 and 31 December 2020, the Group had 100% of its borrowings in fixed rate instruments by way of senior secured loan notes, amounts owed to group undertakings and lease liabilities. The Group has access to a £145m revolving credit facility with floating interest rates but was not drawn down on this facility at the end of the period.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12 Financial risk management objectives and policies (continued)

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 and includes contractual future interest payments:

	31 March 2021 (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	79,102	1,909	-	**81,011**	**81,011**
Lease liabilities	125,516	324,327	422,674	**872,517**	**571,859**
Borrowings	49,619	1,004,333	778,499	**1,832,451**	**1,309,540**
Total financial liabilities	**254,237**	**1,330,569**	**1,201,173**	**2,785,979**	**1,962,410**

	31 December 2020 (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	84,052	2,013	-	86,065	86,065
Lease liabilities	124,201	336,805	438,248	899,254	588,082
Borrowings	49,285	977,801	778,455	1,805,541	1,281,498
Total financial liabilities	257,538	1,316,619	1,216,703	2,790,860	1,955,645

Credit risk

The Group's principal financial assets are 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.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

13 Reconciliation of loss before tax to cash generated from operations

	3 months ended 31 March 2021 (Unaudited) £'000	3 months ended 31 March 2020 (Unaudited) £'000
Loss before income tax	**(60,714)**	(36,703)
Adjustments for:		
Net finance cost	**23,039**	41,208
Depreciation	**27,100**	27,357
Amortisation	**5,486**	5,216
Impairment of intangible assets	**3,814**	-
Share based payments	**89**	89
(Profit) / loss on disposal of property, plant and equipment	**(158)**	141
Non-cash adjustment to lease liabilities due to rent concessions	**(1,390)**	-
Exceptional costs	**(5,645)**	1,460
Changes in working capital		
Inventories	**99**	(760)
Trade and other receivables	**3,694**	3,527
Trade and other payables	**(4,268)**	7,296
Provisions	**(1,510)**	-
Cash (used in) / generated from operations	**(10,364)**	48,831

Notes to the Condensed Consolidated Interim Financial Statements (continued)

14 Analysis of net debt

	1 January 2020 (Audited) £'000	Acquisitions £'000	Cash flow (continuing) £'000	Cash flow (discon-tinued) £'000	Non-cash £'000	31 March 2020 (Unaudited) £'000
Cash at bank and in hand	51,626	7,000	99,553	(359)	758	158,578
Lease liabilities – property and vehicles	(334,270)	(203,675)	5,430	139	(12,697)	(545,073)
Lease liabilities – equipment	(2,694)	(16,767)	1,215	1	(2,104)	(20,349)
Senior secured notes	(430,000)	-	-	-	-	(430,000)
Senior secured bank loans	-	-	(380,912)	-	(16,037)	(396,949)
Revolving credit facility	-	-	(85,000)	-	-	(85,000)
Term loan	-	(117,963)	117,963	-	-	-
Intercompany loans capital	(288,733)	-	(4)	-	-	(288,737)
Intercompany loans accrued interest	(52,171)	-	-	-	(6,756)	(58,927)
	(1,056,242)	(331,405)	(241,755)	(219)	(36,836)	(1,666,457)

The provisional fair values applied to lease liabilities acquired as part of the acquisition of the Fitness World Group on 14 January 2020 were finalised in the 2020 annual report. This resulted in a restatement of lease liabilities acquired. As such, the acquired lease liabilities, and lease liabilities at 31 March 2020 included in the table above, are restated from those included in the condensed consolidated interim financial statements of Pinnacle Bidco PLC for the 3 months ended 31 March 2020.

	1 January 2021 (Audited) £'000	**Cash flow £'000**	**Non-cash £'000**	**31 March 2021 (Unaudited) £'000**
Cash at bank and in hand	91,134	(4,213)	(955)	**85,966**
Lease liabilities – property	(567,485)	8,229	5,406	**(553,850)**
Lease liabilities - equipment	(20,597)	1,827	761	**(18,009)**
Sterling notes	(430,000)	-	-	**(430,000)**
Euro notes	(380,375)	(38,924)	19,370	**(399,929)**
Intercompany loans capital	(389,422)	(59)	-	**(389,481)**
Intercompany loans accrued interest	(81,701)	-	(8,429)	**(90,130)**
	(1,778,446)	**(33,140)**	**16,153**	**(1,795,433)**

Notes to the Condensed Consolidated Interim Financial Statements (continued)

15 Government grants

Government grants recognised in the statement of comprehensive income during the period are as follows:

	3 months ended 31 March 2021 (Unaudited) £'000	3 months ended 31 March 2020 (Unaudited) £'000
Government contributions towards wages and salaries	**13,739**	-
Government compensation towards fixed costs	**10,254**	-
Other government grants	**4,612**	-

Government compensation towards fixed costs was provided to compensate the Danish business for non-salary related costs incurred while gyms were closed.

Other government grants includes non-specific support received from governments as compensation for losses incurred during COVID-19 closures.

In addition to the grants included in the above table, the Group received relief from payment of business rates, resulting in a total benefit for the 3 months ended 31 March 2021 of £4,800,000 (2020: £nil).

16 Events after the end of the reporting period

At 31 March 2021, all of the Group's gyms were closed as a result of COVID-19 related lockdowns. After the end of the reporting period, between 12 April 2021 and 6 May 2021 all gyms across the estate were re-opened following an improvement in COVID-19 infection rates and vaccinations progress in the Group's geographies. All the Group's gyms remain open as at the date of signing these financial statements.



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