

Pinnacle Bidco PLC

Interim Financial Report for the three months ended 31 March 2022

PUREGYM

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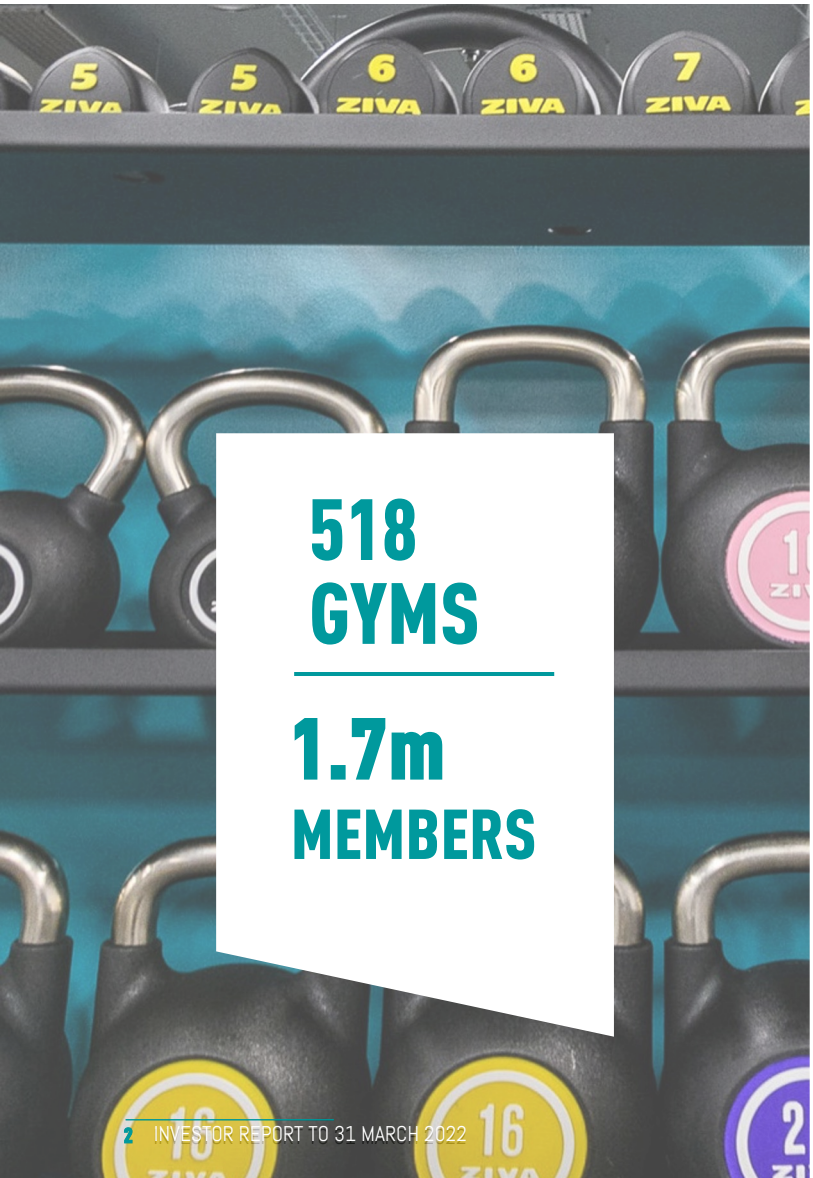
Business Overview

The PureGym Group is the second largest gym and fitness operator in Europe - with over 500 sites. 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 and Fitness World brands.

The Group has continued its recovery trajectory from COVID-19 during Q1 2022, with member numbers reaching 100% of equivalent 2019 levels and revenue for the quarter at 107% of 2019 levels, both on a pro forma basis for the Fitness World acquisition. The Group has also continued its international expansion during the quarter with 5 new UK sites, its first 3 gyms opening in the USA, and a 4th franchise site opening in the Kingdom of Saudi Arabia.

The Group has a very robust capital and liquidity position having completed a £300m preferred equity investment from leading global investment firm KKR during the quarter. This, coupled with the existing strong support of the Group's majority shareholder Leonard Green & Partners LP, puts the Group in an excellent position to fund expansion and investment in its estate whilst taking advantage of market opportunities as they arise.



United Kingdom

PureGym is the UK's largest private gym operator, both by number of gyms and members. As of 31 March 2022 the company operated 301 gyms (31 March 2021: 273). Member volumes have increased significantly over the last year to 1,214,000 at 31 March 2022, up 29% on the volume at 31 March 2021 of 939,000.

Denmark

Operating under the Fitness World brand, the Group is the leading operator in Denmark, both by number of gyms and members. As of 31 March 2022, having undergone a programme of estate optimisation, the company operated 171 gyms (31 March 2021: 179) with 388,000 members (31 March 2021: 383,000). Fitness World is a household name, with membership accounting for over 8% of the adult population in Denmark.

Switzerland

The Group successfully completed a rebrand of its Swiss operations to PureGym in 2021. As at 31 March 2022, PureGym operated 39 gyms in Switzerland (31 March 2021: 39) with 72,000 members (31 March 2021: 63,000) and is the second largest gym operator and the leading high value, low cost operator in the country.

United States of America

The Group opened its first 3 gyms in the USA in Q1 2022. These bring PureGym's proven blend of affordable and flexible fitness offerings, combined with innovative technology, to a new and potentially lucrative market.

Kingdom of Saudi Arabia

During 2021, the Group launched a franchise model with the first franchised sites opening in Saudi Arabia in the fourth quarter. In Q1 2022 the Group opened its 4th franchised site in the territory, and continued to increase its membership base in the existing gyms. This model brings an affordable, accessible gym proposition to a population with limited access to such facilities and provides an exciting platform to expand the franchised offering to other territories.

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. We therefore believe that, in a post COVID-19 world, 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.
- Clear 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.
- A strong and experienced leadership team.
- Significant financial capacity to support ongoing expansion and estate rollout, enhanced by the successful £300m equity fundraise in January 2022.

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" membership has fundamentally changed the gym industry over the past few years and opened up increased access to activity, fitness and exercise for 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.



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, to be highly successful as we emerge from the pandemic.

Q1 2022 Financial Review

Presentation of financial information

The Group has prepared consolidated financial statements as of and for the 3 months ended 31 March 2022 in accordance with IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board.

Funding

The Group has £430 million of Senior Secured Notes ("the Sterling Notes") and €490 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.

In addition, the Group has a £145 million revolving credit facility (the "RCF") with eight international institutions, repayable 15 August 2024. Included within the total RCF is a £10 million overdraft facility. As at 31 March 2022, the RCF was undrawn.

The RCF is subject to a £30 million minimum liquidity test on the last day of March, June, September and December each year. All other financial covenants associated with the RCF have been waived for the remainder of the term.

The RCF provides protection from any further unexpected impact of COVID-19 on the Group's operations, headroom for the Group's working capital requirements and additional capacity for the roll out of new gyms, in line with the Group's underlying strategy.



Q1 2022 Financial Review (continued)

Financial highlights

- Revenue for Q1 recovered to £116m, up £115m vs Q1 2021
- Adj EBITDA was £25m for the quarter
- RR Adj EBITDA continues its upward trajectory to £106m
- £300m cash received in the quarter from new equity investment by KKR to fund expansion
- Available liquidity of £450m at the quarter end[1]

Operational highlights

- Group membership was 1.7 million at the quarter end, +21% ahead of Q1 2021
- 9 new sites opened across the group, including 3 sites in the USA & 1 in the KSA

Outlook

A focus on cost management & cost control

- While not immune to headwinds we are well placed to navigate cost inflation storm
- Property costs are contractual & largely bound by caps & collars
- PureGym has a low labour cost & low utility usage model
- Utilities are on forward contracts & are fixed through 2022 & part 2023

Yield management is a powerful tool

- PureGym has the technical ability to vary pricing on a per product & per gym basis, this facilitates increasing yield on a gym by gym basis where it is appropriate to do so
- Premium product penetration continues to grow across the group driving ARPM and so price progression is expected to continue

Building momentum in capital deployment & site roll out

- The Group is experiencing extended lead times on certain fit out items but in general this is being well managed



Notes
1. Includes £30m held by parent company, Pinnacle Topco Limited

Q1 2022 Financial Review (continued)

Operating results

£m	For the three months ended 31 March 2022	2021
Revenue	115.7	0.5
Operating expenses (exc. separately disclosed items)	(69.1)	(7.6)
Group Reported EBITDA (exc. discontinued ops)	**46.6**	**(7.1)**
Depreciation, amortisation and impairment	(32.2)	(36.4)
Profit on disposal of PPE	-	0.2
Exceptional items	-	5.6
Operating profit / (loss)	**14.4**	**(37.7)**
Net finance cost	(36.8)	(23.0)
Loss before tax	(22.4)	(60.7)
Income tax credit	1.4	6.0
Loss for the period	**(21.0)**	**(54.7)**

Revenue

The Group's revenue recovered very well during Q1 2022 to £116 million with all gyms open for the full quarter across the estate and member numbers recovering to 2019 levels (on a pro forma basis for the Fitness World acquisition) during the quarter. Conversely in Q1 2021 the Group's gyms were closed for almost the entire quarter resulting in close to nil revenue being recognised.

Operating Expenses (exc. separately disclosed items)

Operating expenses were up £61 million to £69 million for Q1 2022 as costs in Q1 2021 were kept low due to savings and government contributions achieved to mitigate the impacts of closures. This level of cost base reflects a return to normal levels of operation with our gyms.

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment for Q1 2022 was £32 million, an increase of £4 million on Q1 2021. The figure includes £15 million of depreciation of leased property assets which represents part of the Group's P&L rent charge under IFRS 16, with the remaining rent costs recognised within net finance costs (Q1 2021: £15 million). £0.4 million of impairment charges have been recognised in Q1 2022 (Q1 2021: £3.8 million).

Exceptional Items

The Group incurred no exceptional costs in Q1 2022. In Q1 2021, the Group recognised an exceptional income of £5.6 million, primarily relating to a £5.9 million benefit arising on settlement of a lease break at one of our sites.

Q1 2022 Financial Review (continued)

Net finance costs

Net finance costs have increased by £14 million in Q1 2022 versus Q1 2021. This is primarily due to exchange rate gains and losses. In Q1 2022 the Group incurred a £1 million foreign exchange loss, primarily due to a £3 million adverse exchange movement on the Group's Euro-denominated borrowings, offset by a £2 million favourable exchange movement on the Group's intercompany Danish Krone-denominated loans. This contrasts to Q1 2021 when larger movements in exchange rates led to an £11 million foreign exchange gain. The Euro and Danish Krone denominated balances act as a natural partial hedge against the translated value of the Group's non-UK subsidiaries.

Net finance costs also comprise £13 million of interest and commitment fees on the Group's funding arrangements (Q1 2021: £13 million), and £1 million of amortisation of issuance costs incurred in entering into these arrangements (Q1 2021: £1 million). A further £11 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 (Q1 2021: £11 million).

A further £9 million of finance cost relates to interest accruing on the Group's borrowings from its ultimate parent Pinnacle Topco Limited (Q1 2021: £8 million). These borrowings act as a pass through of equity investments raised by Pinnacle Topco and therefore the interest is not expected to be repaid until at least 2027.

Tax charge

The income tax credit of £1m is primarily a result of the losses made in the period.

Q1 2022 Financial Review (continued)

Cashflow and Liquidity

£m	For the three months ended 31 March 2022	2021
Net cash generated from / (used in) operating activities	**4.3**	**(23.0)**
Net cash used in investing activities	(11.9)	(10.1)
Net cash generated from financing activities	250.1	28.9
Net (decrease) / increase in cash and cash equivalents	**242.5**	**(4.2)**
Cash and cash equivalents on the first day of the period	31.9	91.1
Effect of exchange rates on cash held	0.2	(1.0)
Cash and cash equivalents at end of period	**274.6**	**86.0**
Cash held by Pinnacle Topco	30.0	-
Available cash at 31 March	**304.6**	**86.0**
Undrawn RCF Facility (including overdraft)	145.0	145.0
Availably liquidity at 31 March[1]	**449.6**	**231.0**

[1] Subject to a £30 million minimum liquidity test at each quarter end.

Net cash generated from / (used in) operating activities

Net cash generated from operating activities totalled £4 million which represents a £27 million favourable movement on Q1 2021. The increase was primarily driven by the £54 million favourable movement in Group Reported EBITDA. This was offset by a £16 million adverse movement in working capital items and finance lease interest payments (representing part of the Group's rent payments under IFRS 16). This movement has arisen due to the payment deferrals in 2020 and 2021 being settled in 2022.

There has also been an £11 million adverse movement in exceptional costs paid year on year as an £11 million exceptional settlement was received in Q1 2021 in relation to the breaking of a lease.

Net cash used in investing activities

Net cash used in investing activities has increased by £2 million in Q1 2022 to £12 million as the Group continues its investment in new site development and refurbishment of the existing estate.

Net cash generated from financing activities

The net cash generated from financing activities in Q1 2022 of £250 million includes £270 million received from an issue of share capital in the period. This represents the down-streaming of the majority of the £300 million investment received from KKR in January 2022. This is partially offset by an £18 million cash outflow for the capital element of lease payments representing the remaining part of the Group's rent payments under IFRS 16. This is an £8 million increase on Q1 2021 as a result of rent holidays and deferrals during the 2021 closure period. The Q1 2021 capital lease payments were offset by the issuance of £39 million of senior secured notes.

Cash and liquidity

As at 31 March 2022 the Group has cash and cash equivalents of £305 million, including £30 million held by parent company, Pinnacle Topco Limited. The Group also has access to undrawn facilities of £145 million, giving total liquidity headroom of £450 million, an increase of £219 million versus the position at 31 March 2021.



Capital expenditure cashflow

The following table shows our cash flows from capital expenditure for the periods indicated. Expansionary Capital Expenditure mainly comprised investment in the 8 new corporate-owned sites opened in the quarter plus additional expenditure on sites due to open in Q2 2022. The 8 corporate sites opened in Q1 included 5 in UK, and 3 in USA.

£m	For the three months ended 31 March 2022	2021
Expansionary Capital Expenditure	9.5	8.7
Maintenance and Refurbishment Capital Expenditure	2.5	1.5
Total Capital Expenditure	**12.0**	**10.1**

Key Performance Indicators

	For the three months ended 31 March		For the twelve months ended 31 Dec	
	2022	2021	2021	2020
Total number of corporate-owned gyms	514	491	509	492
Total number of franchise gyms	4	-	3	-
Total number of gyms	518	491	512	492
Total number of members ('000s)	1,677	1,384	1,535	1, 451
Average number of members ('000s)	1,649	1,411	1,526	1,609
Average number of members per gym	3,234	2,869	3,032	3,386
Average revenue per member per month (£)	23.38	0.13	16.8	14.0
Reported EBITDA (£ million)	46.6	(7.1)	118.2	87.5
Adjusted EBITDA (£ million)	25.0	(25.4)	39.8	11.4
Adjusted EBITDA margin	21.6%	n/a	12.9%	4.2%
Gym Site Adjusted EBITDA (£ million)	43.2	(18.8)	85.7	49.4
Gym Site Adjusted EBITDA margin	37.3%	n/a	27.9%	18.3%
Run-Rate Adjusted EBITDA (£ million)	106.3	(10.9)	59.1	38.1
Operating Cash Flow (£ million)	11.8	(28.9)	11.3	11.2
Operating Cash Flow Conversion	47.3%	n/a	28.5%	98.5%
Senior Secured Net Debt (£ million)	542.8[1]	777.8	819.9	733.9
Ratio of Senior Secured Net Debt to LTM Run-Rate Adjusted EBITDA	5.1x	n/a[2]	13.9x	19.3x
Ratio of LTM Run-Rate Adjusted EBITDA to Pro Forma Net Interest Expense	2.0x	n/a[2]	1.1x	0.8x

1. Includes £30 million cash held by parent company, Pinnacle Topco Limited
2. 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

	For the three months ended 31 March		For the twelve months ended 31 Dec	
£m	2022	2021	2021	2020
Loss for the period	**(21.0)**	**(54.7)**	**(146.3)**	**(193.8)**
Income tax	(1.4)	(6.0)	(19.7)	(20.8)
Net finance cost	36.8	23.0	126.2	128.5
Deprecation and impairment of PPE	27.1	27.1	118.7	111.7
Amortisation and impairment of intangible assets	5.1	9.3	29.3	55.6
(Profit) / loss on disposal of property, plant & equipment	-	(0.2)	3.3	2.5
Profit on lease modifications	-	-	(0.2)	(0.1)
Exceptional administrative items	-	(5.6)	6.9	3.8
Group Reported EBITDA [1]	**46.6**	**(7.1)**	**118.2**	**87.5**
Other adjustments[2]	1.5	1.4	6.9	-
Share based payment charge [3]	0.1	0.1	0.4	0.4
Pre-opening costs [4]	1.1	0.4	3.3	1.6
Cash rent adjustment [5]	(24.3)	(20.2)	(89.1)	(78.0)
Adjusted EBITDA	**25.0**	**(25.4)**	**39.8**	**11.4**
Head office costs	18.2	6.5	45.9	38.0
Gym Site Adjusted EBITDA	**43.2**	**(18.8)**	**85.7**	**49.4**
LTM Adjusted EBITDA[6]	90.1	(41.8)	39.8	12.8
Run-Rate Adjustment[7]	16.1	30.9	19.3	25.3
Run-Rate Adjusted EBITDA (LTM)	**106.3**	**(10.9)**	**59.1**	**38.1**

(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 adjustments 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.
(6) 2020 LTM Adjusted EBITDA represents the Combined Group on a proforma basis.
(7) 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 14 to 16 of our Annual Report and Accounts for the period ended 31 December 2021, 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 adjustments, 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.

"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.

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 2022

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Condensed Consolidated Statement of Comprehensive Income
for the 3 months ended 31 March 2022

	Note	**3 months ended 31 March 2022 (Unaudited) £'000**	3 months ended 31 March 2021 (Unaudited) £'000
Revenue	2,3	**115,665**	540
Cost of sales		**(3,579)**	(784)
Other income		**10**	-
Other administrative expenses		**(97,705)**	(43,076)
Exceptional administrative (expense) / income	5	**-**	5,645
Administrative expenses		**(97,705)**	(37,431)
Operating profit / (loss)	4	**14,391**	(37,675)
Finance income	6	**59**	11,455
Finance costs	6	**(36,843)**	(34,494)
Loss before income tax		**(22,393)**	(60,714)
Income tax credit	7	**1,363**	6,047
Loss for the period		**(21,030)**	(54,667)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences, net of tax		**1,017**	(9,401)
Other comprehensive income / (expense) for the period, net of tax		**1,017**	(9,401)
Total comprehensive expense for the period		**(20,013)**	(64,068)

Condensed Consolidated Statement of Financial Position
as at 31 March 2022

	Note	**31 March 2022 (Unaudited) £'000**	31 December 2021 (Audited) £'000
Non-current assets			
Intangible assets	8	**804,003**	804,852
Property, plant and equipment	9	**688,355**	677,194
Deferred tax assets		**42,577**	41,913
Other receivables		**7,551**	6,162
		1,542,486	1,530,121
Current assets			
Inventories		**5,661**	3,651
Trade and other receivables		**29,386**	27,459
Income taxes receivable		**701**	690
Cash and cash equivalents		**274,607**	31,945
		310,355	63,745
TOTAL ASSETS		**1,852,841**	1,593,866
Current liabilities			
Trade and other payables		**(110,130)**	(116,310)
Lease liabilities		**(71,694)**	(85,013)
Provisions		**(477)**	(162)
Borrowings	10	**(6,327)**	(5,780)
Income taxes payable		**(186)**	(71)
		(188,814)	(207,336)
Non-current liabilities			
Deferred tax liabilities		**(28,556)**	(29,346)
Other liabilities		**(1,942)**	(1,926)
Lease liabilities		**(505,409)**	(490,010)
Borrowings	10	**(1,335,787)**	(1,322,880)
Provisions		**(9,898)**	(10,035)
		(1,881,592)	(1,854,197)
TOTAL LIABILITIES		**(2,070,406)**	(2,061,533)
NET LIABILITIES		**(217,565)**	(467,667)
Equity			
Share capital		**2,750**	50
Share premium		**271,163**	3,863
Translation reserve		**4,244**	3,227
Accumulated losses		**(495,722)**	(474,807)
TOTAL EQUITY		**(217,565)**	(467,667)

Condensed Consolidated Cash Flow Statement

for the 3 months ended 31 March 2022

	Note	3 months ended 31 March 2022 (Unaudited) £'000	3 months ended 31 March 2021 (Unaudited) £'000
Cash flows from operating activities			
Cash generated from / (used in) operations	13	**33,869**	(10,364)
Exceptional (expenses paid) / income received		**(191)**	10,699
Bank interest and similar charges paid		**(548)**	(754)
Bank interest received		**29**	19
Senior secured notes interest paid		**(13,706)**	(13,069)
Interest element of lease liability payments		**(15,145)**	(8,232)
Issue costs from borrowings		**-**	(490)
Net exchange differences		**-**	(680)
Corporation tax paid		**(8)**	(123)
Net cash generated from / (used in) operating activities		**4,300**	(22,994)
Cash flows from investing activities			
Purchase of property, plant & equipment		**(10,741)**	(7,387)
Purchase of intangible assets		**(1,269)**	(2,759)
Proceeds from disposals of assets		**87**	-
Net cash used in investing activities		**(11,923)**	(10,146)
Cash flows from financing activities			
Issue of ordinary share capital		**270,000**	-
Capital element of lease liability payments		**(17,544)**	(10,056)
Issue of senior secured notes		**-**	38,924
Repayment of short term borrowings		**(744)**	-
Net (outflow) / inflow from intercompany borrowings		**(1,579)**	59
Net cash generated from financing activities		**250,133**	28,927
Net increase / (decrease) in cash and cash equivalents		**242,510**	(4,213)
Cash and cash equivalents at beginning of the period		**31,945**	91,134
Effect of exchange rates on cash held		**152**	(955)
Cash and cash equivalents at end of period		**274,607**	85,966

Condensed Consolidated Statement of Changes in Equity

for the 3 months ended 31 March 2022

	Share capital £'000	Share premium £'000	Translation reserve £'000	Accumulated losses £'000	Total Equity £'000
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)**
Balance as at 1 January 2022	**50**	**3,863**	**3,227**	**(474,807)**	**(467,667)**
Proceeds from shares issued	**2,700**	**267,300**	**-**	**-**	**270,000**
Loss for the period	**-**	**-**	**-**	**(21,030)**	**(21,030)**
Other comprehensive income for the period	**-**	**-**	**1,017**	**-**	**1,017**
Credit to equity for equity settled share-based payments	**-**	**-**	**-**	**115**	**115**
Balance as at 31 March 2022	**2,750**	**271,163**	**4,244**	**(495,722)**	**(217,565)**

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 C/O Pure Gym Limited, Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY, United Kingdom. The condensed financial statements are unaudited and were approved by the Board of Directors on 23 May 2022.

This financial information for the 3 months ended 31 March 2022, including comparative financial information for the 3 months ended 31 March 2021, 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 2021.

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 2021.

Going concern assumption

In preparing these financial statements, the Directors have carefully evaluated the Going Concern basis of preparation. The Group meets its day to day working capital requirements, capex and funding of new sites through its cash reserves and credit facilities, being an RCF facility of £145 million which includes an overdraft of £10 million. The Group's cash reserves have increased significantly during the quarter ended 31 March 2022 to £275 million, following an issue of equity.

The Group's forecasts and projections taking account of reasonably possible changes in trading performance, including any further potential impacts on the business of COVID-19, showed that the Group should be able to operate within its existing facilities.

Based on these forecasts, and with no leverage or cash flow covenants until 2024, the Directors have concluded that the Group has adequate resources to continue to remain a going concern for the foreseeable future and have therefore adopted the going concern basis in preparing its financial statements.

Information extracted from 2021 Annual Report

The financial figures for the year ended 31 December 2021, 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 2021 were prepared under IFRS and have been delivered to the Registrar of Companies. They are available to download from corporate.puregym.com. 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 as at 31 March 2022, are the United Kingdom, Denmark and Switzerland. 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 2022 is presented in the below tables, alongside comparative information:

	3 months ended 31 March 2022 (Unaudited)				
	United Kingdom £'000	**Denmark £'000**	**Switzerland £'000**	**All other segments £'000**	**Total £'000**
Revenue	**74,305**	**33,270**	**8,030**	**60**	**115,665**
Adjusted EBITDA	**19,875**	**4,663**	**1,105**	**(639)**	**25,004**

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

All operating segments derive revenue from all of the services and products included within note 3. All revenue included in the table above derives from external customers.

Adjusted EBITDA is a non-IFRS measure 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, exceptional costs, share based payment charges, pre opening costs, other adjustments and the cash rent adjustment.

The cash rent adjustment includes an add back of any property rent related expenses charged in the statement of comprehensive income (including COVID-related grant income on properties and rent-free concessions agreed) and a deduction of contractual property rent payments due in the period (whether or not paid in cash in the period). Adjusted EBITDA is stated before rent deferments which relate to property rent deferments agreed with landlords due to COVID-19 gym closures.

The Adjusted EBITDA KPI is typically used within the industry as it is more effective than operating profit in representing the performance of the business 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 2022 (Unaudited) £'000	3 months ended 31 March 2021 (Unaudited) £'000
Member income	**102,747**	(22)
Vending and consumables income	**9,200**	270
Other income	**3,718**	292
	115,665	540

The Group's gyms were open for the entirety of the 3 months ended 31 March 2022. As a result of the COVID-19 pandemic, the Group was forced to close all of its gyms for almost the entire first 3 months of 2021, and therefore recognise close to nil revenue in this period.

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 profit / loss

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

	3 months ended 31 March 2022 (Unaudited) £'000	3 months ended 31 March 2021 (Unaudited) £'000
Operating profit / (loss)	**14,391**	(37,675)
Depreciation (note 9)	**26,766**	27,100
Amortisation (note 8)	**5,067**	5,486
Profit on disposal of property, plant and equipment	**(18)**	(158)
Impairment of intangible assets	**-**	3,814
Impairment of property, plant and equipment	**362**	-
Exceptional costs / (income) (note 5)	**-**	(5,645)
Group EBITDA	**46,568**	(7,078)
Other adjustments	**1,506**	1,429
Share based payment charge	**115**	89
Pre-opening costs	**1,103**	411
Cash rent adjustment	**(24,288)**	(20,215)
Adjusted EBITDA	**25,004**	(25,364)

During the 3 months ended 31 March 2022, 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 £2,175,000 (3 months ended 31 March 2021: £1,390,000) reflecting the change in lease payments that has arisen from rent concessions agreed in the period. This is deducted as part of the cash rent adjustment in calculating Adjusted EBITDA.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

5 Exceptional administrative expense / income

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 2022 (Unaudited) £'000	3 months ended 31 March 2021 (Unaudited) £'000
Integration, transition and restructuring costs	**-**	170
Settlement on break of lease	**-**	(5,931)
Costs related to the COVID-19 pandemic	**-**	61
Exploration of acquisition and expansion opportunities	**-**	55
Exceptional administrative expense / (income)	**-**	(5,645)

No exceptional costs were incurred during the 3 months ending 31 March 2022.

In relation to the 3 months ended 31 March 2021, the landlord of one site exercised their lease break option and agreed settlement consideration of £10,950,000 in November 2020. 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.

6 Finance income and costs

	3 months ended 31 March 2022 (Unaudited) £'000	3 months ended 31 March 2021 (Unaudited) £'000
Bank interest received	**6**	19
Interest income on finance lease receivables	**31**	33
Other interest received	**22**	-
Foreign exchange gain	**-**	11,403
Total finance income	**59**	11,455

Notes to the Condensed Consolidated Interim Financial Statements (continued)

6 Finance income and costs (continued)

	3 months ended 31 March 2022 (Unaudited) £'000	3 months ended 31 March 2021 (Unaudited) £'000
Interest on bank loans and overdrafts	**94**	72
Interest payable on lease liabilities	**11,468**	11,242
Commitment fees	**375**	376
Unwind of discount on provisions	**13**	13
Amortisation of capitalised finance costs	**1,024**	991
Unwind of discount on issue of senior secured notes	**1,018**	994
Interest on senior secured notes	**12,492**	12,374
Interest payable to group undertakings	**9,086**	8,429
Foreign exchange loss	**1,273**	-
Other	**-**	3
Total finance costs	**36,843**	34,494

7 Income tax

	3 months ended 31 March 2022 (Unaudited) £'000	3 months ended 31 March 2021 (Unaudited) £'000
Current tax:		
- Corporation tax charge on profit for the period	**110**	**-**
- Adjustments in respect of prior periods	**3**	**(17)**
Total current tax charge / (credit)	**113**	**(17)**
Deferred tax:		
- Origination and reversal of temporary differences	**(1,476)**	**(6,030)**
Total deferred tax credit	**(1,476)**	**(6,030)**
Total tax credit in the condensed consolidated statement of comprehensive income	**(1,363)**	**(6,047)**

The credit for taxation for the 3 months to 31 March 2022 is based on the estimated effective rate of 19% (3 months ended 31 March 2021: 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 2022	700,667	90,491	73,857	8,898	23,199	897,112
Additions	-	-	-	1,269	-	1,269
Foreign exchange differences	2,533	311	667	72	97	3,680
31 March 2022	703,200	90,802	74,524	10,239	23,296	902,061
Accumulated amortisation						
1 January 2022	12,472	19,554	34,465	8,595	17,174	92,260
Charge for the period	-	1,070	3,281	-	716	5,067
Foreign exchange differences	159	110	302	71	89	731
31 March 2022	12,631	20,734	38,048	8,666	17,979	98,058
Net book value						
1 January 2022	688,195	70,937	39,392	303	6,025	804,852
31 March 2022	**690,569**	**70,068**	**36,476**	**1,573**	**5,317**	**804,003**

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	-	-	-	3,811	1,712	5,523
Transfer from property, plant and equipment	-	-	-	-	489	489
Disposals	-	-	-	(837)	-	(837)
Transfers	-	-	-	(2,672)	2,672	-
Foreign exchange differences	(14,227)	(2,035)	(4,075)	(604)	(653)	(21,594)
31 December 2021	700,667	90,491	73,857	8,898	23,199	897,112
Accumulated amortisation						
1 January 2021	13,094	10,988	22,149	9,200	11,187	66,618
Charge for the period	-	4,556	13,367	-	5,491	23,414
Impairment	-	4,086	-	791	971	5,848
Disposals	-	-	-	(791)	-	(791)
Foreign exchange differences	(622)	(76)	(1,051)	(605)	(475)	(2,829)
31 December 2021	12,472	19,554	34,465	8,595	17,174	92,260
Net book value						
1 January 2021	701,800	81,538	55,783	-	7,792	846,913
31 December 2021	**688,195**	**70,937**	**39,392**	**303**	**6,025**	**804,852**

Brands encompass the PureGym and Fitness World brands acquired as part of business combinations and valued at fair value at the date of acquisition.

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 construction	Fixtures & fittings	IT equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
1 January 2022	586,037	15,992	245,036	325	120,041	6,558	973,989
Additions	23,205	390	7,269	1,002	3,473	436	35,775
Reclassifications	9,220	669	17	26	(10,648)	-	(716)
Disposals	(110)	(33)	(129)	-	(11,999)	(12)	(12,283)
Foreign exchange differences	3,100	150	220	12	93	36	3,611
31 March 2022	**621,452**	**17,168**	**252,413**	**1,365**	**100,960**	**7,018**	**1,000,376**
Accumulated depreciation							
1 January 2022	157,351	3,003	74,446	-	58,121	3,874	296,795
Reclassifications	4,996	669	17	-	(6,398)	-	(716)
Charge for the year	16,283	527	5,507	-	3,998	451	26,766
Impairment	362	-	-	-	-	-	362
Disposals	(87)	(21)	(129)	-	(11,977)	-	(12,214)
Foreign exchange differences	1,008	4	82	-	(89)	23	1,028
31 March 2022	**179,913**	**4,182**	**79,923**	**-**	**43,655**	**4,348**	**312,021**
Net book value							
1 January 2022	428,686	12,989	170,590	325	61,920	2,684	677,194
31 March 2022	**441,539**	**12,986**	**172,490**	**1,365**	**57,305**	**2,670**	**688,355**

During the 3 months ended 31 March 2022, the Group reclassified certain assets into other categories within property, plant and equipment, as this better represented the nature of the assets. There is no impact on net book value.

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	59,026	4,694	18,784	561	14,334	274	97,673
Transfer to intangible assets	-	-	-	-	-	(489)	(489)
Transfers	-	-	3,405	(3,405)	-	-	-
Disposals	(4,691)	-	(4,104)	-	(1,419)	(5)	(10,219)
Foreign exchange differences	(14,110)	70	(1,451)	(184)	(1,353)	(51)	(17,079)
31 December 2021	**586,037**	**15,992**	**245,036**	**325**	**120,041**	**6,558**	**973,989**
Accumulated depreciation							
1 January 2021	90,375	2,044	51,609	-	39,902	2,617	186,547
Charge for the year	66,129	892	23,180	-	17,937	1,265	109,403
Impairment	6,167	67	1,833	-	1,226	5	9,298
Disposals	(1,954)	-	(1,860)	-	(704)	(5)	(4,523)
Foreign exchange differences	(3,366)	-	(316)	-	(240)	(8)	(3,930)
31 December 2021	**157,351**	**3,003**	**74,446**	**-**	**58,121**	**3,874**	**296,795**
Net book value							
1 January 2021	455,437	9,184	176,793	3,353	68,577	4,212	717,556
31 December 2021	**428,686**	**12,989**	**170,590**	**325**	**61,920**	**2,684**	**677,194**

An impairment loss of £9,298,000 was recognised in the year ended 31 December 2021 which is included within administrative expenses in the consolidated statement of comprehensive income. This impairment was allocated proportionately across asset classes and relates to a small number of gyms across the Group that had a value in use below the carrying amount of their non-financial assets.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

10 Borrowings

Current

	31 March 2022 (Unaudited) £'000	31 December 2021 (Audited) £'000
Government loans	**5,098**	3,813
Other short-term financing	**1,229**	1,967
	6,327	5,780

Non-current

	31 March 2022 (Unaudited) £'000	31 December 2021 (Audited) £'000
€490m 5.500% Senior Secured Notes at principal value	**414,731**	411,288
Discount on issue of Senior Secured Notes	**(13,357)**	(14,266)
€490m 5.500% Senior Secured Notes	**401,374**	397,022
£430m 6.375% Senior Secured Notes	**430,000**	430,000
Capitalised issue costs	**(12,069)**	(13,134)
Senior secured notes net of issue costs and discount	**819,305**	813,888
Amounts owed to Group undertakings	**515,057**	506,331
Government loans	**1,425**	2,661
	1,335,787	1,322,880

Of the amounts owed to Group undertakings, £407,460,000 (31 December 2021: £399,527,000) accrue interest at 8% and £107,597,000 (31 December 2021: £106,445,000) accrue interest at 4.375%. These amounts are repayable on 30 November 2027.

Financing

The Group has £430 million of Senior Secured Notes ("the Sterling Notes") and €490 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.

In addition, the Group has a £145 million revolving credit facility (the "RCF") with eight international institutions, repayable 15 August 2024. Included within the total RCF is a £10 million overdraft facility. As at 31 March 2022, the RCF was undrawn.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

10 Borrowings (continued)

The RCF is subject to a £30 million minimum liquidity test on the last day of March, June, September and December each year.

The RCF provides protection from any further unexpected impact of COVID-19 on the Group's operations, headroom for the Group's working capital requirements and additional capacity for the roll out of new gyms, in line with the Group's underlying strategy.

11 Financial instruments

	31 March 2022 (Unaudited) £'000	31 December 2021 (Audited) £'000
Financial assets measured at amortised cost		
Cash and cash equivalents	**274,607**	31,945
Trade receivables	**7,828**	6,388
Other debtors	**7,745**	10,651
Amounts owed by Group undertakings	**1,220**	-
	291,400	48,984
Financial liabilities measured at amortised cost		
Trade creditors	**21,556**	24,813
Other liabilities (current)	**1,947**	2,189
Other liabilities (non-current)	**1,942**	1,926
Accrued expenses	**41,267**	41,839
Interest and commitment fee accruals	**12,249**	13,410
Government loans	**6,523**	6,474
Other short term financing	**1,229**	1,967
Lease liabilities	**577,103**	575,023
Amounts owed to Group undertakings	**515,057**	506,331
Senior secured notes	**831,374**	827,022
	2,010,247	2,000,994

Notes to the Condensed Consolidated Interim Financial Statements (continued)

11 Financial Instruments (continued)

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.

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 2022 (Unaudited) £'000	31 December 2021 (Audited) £'000	**31 March 2022 (Unaudited) £'000**	31 December 2021 (Audited) £'000
Financial liabilities				
€490m 5.500% Senior Secured Notes	**401,374**	397,022	**414,731**	419,925
£430m 6.375% Senior Secured Notes	**430,000**	430,000	**428,925**	435,246

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 2022, the €490 million Euro Notes had a carrying amount of £401,374,000 based on an amortised cost of €474,438,000 and an exchange rate of 0.846.

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 Statements (continued)

12 Financial risk management objectives and policies (continued)

As at 31 March 2022 and 31 December 2021, 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.

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 2022 (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	77,019	1,942	-	**78,961**	**78,961**
Lease liabilities	120,679	329,410	417,400	**867,489**	**577,102**
Borrowings	44,441	952,303	778,117	**1,774,861**	**1,354,183**
Total financial liabilities	**242,139**	**1,283,655**	**1,195,517**	**2,721,311**	**2,010,247**

	31 December 2021 (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	82,251	1,926	-	84,177	84,177
Lease liabilities	121,636	330,371	418,139	870,146	575,023
Borrowings	42,579	963,497	778,493	1,784,569	1,341,794
Total financial liabilities	246,466	1,295,794	1,196,632	2,738,892	2,000,994

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 2022 (Unaudited) £'000	3 months ended 31 March 2021 (Unaudited) £'000
Loss before income tax	**(22,393)**	(60,714)
Adjustments for:		
Net finance cost	**36,784**	23,039
Depreciation	**26,766**	27,100
Amortisation	**5,067**	5,486
Impairment of intangible assets	**-**	3,814
Impairment of property, plant and equipment	**362**	-
Share based payments	**115**	89
Profit on disposal of property, plant and equipment	**(18)**	(158)
Non-cash adjustment to lease liabilities due to rent concessions	**(2,175)**	(1,390)
Exceptional costs	**-**	(5,645)
Changes in working capital		
Inventories	**(1,983)**	99
Trade and other receivables	**(1,825)**	3,694
Trade and other payables	**(6,814)**	(4,268)
Provisions	**(17)**	(1,510)
Cash generated from / (used in) operations	**33,869**	(10,364)

Notes to the Condensed Consolidated Interim Financial Statements (continued)

14 Analysis of net debt

	1 January 2022 (Audited) £'000	Cash flow £'000	Non-cash £'000	31 March 2022 (Unaudited) £'000
Cash at bank and in hand	31,945	242,510	152	**274,607**
Lease liabilities – property	(562,270)	15,889	(19,504)	**(565,885)**
Lease liabilities - equipment	(12,753)	1,655	(120)	**(11,218)**
Sterling notes	(430,000)	-	-	**(430,000)**
Euro notes	(397,022)	-	(4,352)	**(401,374)**
Government loans	(6,474)	6	(55)	**(6,523)**
Other short term financing	(1,967)	738	-	**(1,229)**
Intercompany loans capital	(389,524)	360	-	**(389,164)**
Intercompany loans accrued interest	(116,807)	-	(9,086)	**(125,893)**
	(1,884,872)	**261,158**	**(32,965)**	**(1,656,679)**

	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 2022 (Unaudited) £'000	3 months ended 31 March 2021 (Unaudited) £'000
Government contributions towards wages and salaries	**-**	13,739
Government compensation towards fixed costs	**-**	10,254
Other government grants	**-**	4,612
	-	28,605

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

Grants related to property rental costs are recognised as a credit in administrative expenses in the statement of comprehensive income. All other grants received are recognised as a credit to the related expense in the statement of comprehensive income.

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 2022 of £1,348,000 (3 months ended 31 March 2021: £4,800,000).



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