

Pinnacle Bidco PLC

Interim Financial Report for the three months ended 31 March 2023

PUREGYM

Contents

Business Overview	2
Q1 2023 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

The PureGym Group ("the Group", being Pinnacle Bidco PLC and its subsidiaries) 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 current macro-environment remains a challenging time for all, but the business has continued to perform well against this backdrop with healthy progression during the first quarter.

The Group has a robust capital and liquidity position with £208m of cash on the balance sheet and £353m of available liquidity at 31 March 2023. This, coupled with the support of its key shareholders, Leonard Green & Partners LP and KKR, puts the Group in a good position to fund expansion and investment in its estate whilst also being well placed to explore refinancing options in advance of the maturity of its Senior Secured Notes in February 2025.

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.



United Kingdom

PureGym is the UK's largest private gym operator, both by number of gyms and members. As of 31 March 2023 the Group operated 346 UK gyms (Q1 2022: 301 gyms) with 1,398,000 members (Q1 2022: 1,214,000).



Denmark

Currently 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 2023, with a programme of estate optimisation under way, the Group operated 168 gyms in Denmark (Q1 2022 : 171 gyms) with 380,000 members (Q1 2022 : 385,000). Plans are underway to rebrand the Danish business as PureGym during the second quarter of 2023.



Switzerland

The Group operates under the PureGym brand in Switzerland. As at 31 March 2023, PureGym operated 42 gyms in Switzerland (Q1 2022 : 39 gyms) with 82,000 members (Q1 2022 : 72,000). PureGym AG 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 three gyms in the USA during 2022, operating under the Pure Fitness brand. As at 31 March 2023, the Group had 10,000 members in the USA (Q1 2022: 3,000). These gyms bring PureGym's proven blend of affordable and flexible fitness offerings, combined with innovative technology, to a new and potentially lucrative market.



The Middle East

The Group recently launched a franchise model with the first franchised sites opening in the Kingdom of Saudi Arabia in 2021. In Q1 2023, the franchise has expanded to a second country with its first 2 sites opening in the UAE during the quarter. As at 31 March 2023, there are 13 franchised gyms in operation (Q1 2022: 4) with a total of 32,000 members (Q1 2022: 13,000 members). This model brings the Group's affordable, accessible gym proposition to a number of exciting new markets and provides a platform for expanding the franchised offering to other territories in the future.

Business Overview continued

Whilst driving the operational and financial performance of our existing gym estate across all of our geographies, we will continue to roll out new gyms in the UK and Switzerland in a measured and controlled way, where we can achieve our targeted return on capital, and will continue to progress our estate optimisation programme in Denmark.

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 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.

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. Whilst it's clear that the current macro-economic environment and cost of living crisis is challenging for consumers and for operators, we firmly believe the long-run outlook for our business remains bright – we have the right business model, operating in the most attractive segment, to be highly successful.



Q1 2023 Financial Review

Presentation of financial information

The Group has prepared consolidated financial statements as of and for the 3 months ended 31 March 2023 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 seven international institutions, repayable 15 August 2024. Included within the total RCF is a £10 million overdraft facility. As at 31 March 2023, 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 and covenant-light environment provides headroom for the Group's working capital requirements, additional capacity for the roll out of new gyms, and downside protection from the unexpected impact of macroeconomic factors including cost and utility price inflation.



Q1 2023 Financial Review (continued)

- Revenue growth +17% vs Q1 2022 – consistent momentum despite the headwinds.
- RR Adj EBITDA showing continued healthy progression to £120m.
- Cash on the balance sheet of £208m & available liquidity of £353m.
- 15 new corporate owned sites opened in Q1 2023 & 4 new franchise sites across the Middle East.
- Q1 results are ahead of expectations with the UK LFL revenue increasing to 100%[1] of 2019 levels.
- Good momentum & EBITDA "tailwind" from excellent new site openings in 2022 & early 2023.
- Visible progression in EBITDA performance & outlook – an important consideration for refinancing.
- Excellent support from & alignment with Leonard Green & KKR as we start to explore refinancing options.



Notes
1. UK LFL revenue recovery of 100% based on gyms open 2018 and prior. 96% based on 2017 and prior cohort

Q1 2023 Financial Review (continued)

Operating results

£m	For the three months ended 31 March 2023	2022
Revenue	133.5	114.4
Operating expenses (exc. separately disclosed items)	(83.3)	(69.1)
Group Reported EBITDA	**50.2**	**45.3**
Depreciation, amortisation and impairment	(36.2)	(32.2)
Profit on disposal of PPE	0.1	-
Exceptional items	(0.6)	-
Operating profit	**13.5**	**13.1**
Net finance cost	(34.3)	(36.8)
Loss before tax	(20.8)	(23.7)
Income tax credit	1.0	1.4
Loss for the period	**(19.8)**	**(22.3)**

Revenue

Revenue of £134m grew by 17% (£19m) in Q1 2023 vs Q1 2022. This improvement reflected a 12% increase in members and 6% increase in the average revenue per member. These improvements were achieved through measured price increases in existing gyms and the opening of 52 new corporate-owned gyms in the 12 months to to March 2023.

Operating Expenses (exc. separately disclosed items)

Operating expenses of £83m increased by 21% (£14m) in Q1 2023 vs Q1 2022. The increase is largely due to the increase in the number of corporate sites year on year (from 514 to 559) and investments in the Group's head office cost base as the Group prepares for further growth in the business.

The Group has also incurred some inflationary cost increases but these have been kept to a minimum due to the benefits of fixed utility contracts for most of the estate throughout 2022 and for the majority of 2023.

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment for Q1 2023 was £36 million, an increase of £4 million on Q1 2022. The figure includes £16 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 2022: £15 million).

Exceptional Items

Exceptional items of £1 million (Q1 2022: £nil) relate to costs incurred in rebranding the Danish estate to PureGym.

Q1 2023 Financial Review (continued)

Net finance costs

Net finance costs have decreased by £3 million in Q1 2023 versus Q1 2022. There are 2 main drivers of the decrease. Firstly, the Group has received £2 million of interest income on cash deposits in the period (Q1 2022: £nil). Secondly, the Group has benefited from favourable movements in exchange rates in the period with a foreign exchange gain of £1 million in Q1 2023 vs a loss of £1 million in Q1 2022. Foreign exchange movements occur in relation to the Group's Euro-denominated senior secured notes and Danish-Krone denominated intercompany loans. These loan balances act as a partial natural hedge against the value of the Group's non-UK subsidiaries.

Net finance costs also comprise £1 million of amortisation of issuance costs incurred in entering into financing arrangements (Q1 2022: £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 2022: £11 million).

Finally, £10 million of finance cost relates to interest accruing on the Group's borrowings from its ultimate parent Pinnacle Topco Limited (Q1 2022: £9 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 unwind of deferred tax balances acquired on acquisition of the PureGym group.

Q1 2023 Financial Review (continued)

Cashflow and Liquidity

£m	For the three months ended 31 March 2023	2022
Net cash generated from operating activities	**17.6**	**4.3**
Net cash used in investing activities	(29.1)	(11.9)
Net cash (used in) / generated from financing activities	(16.4)	250.1
Net (decrease) / increase in cash and cash equivalents	**(27.9)**	**242.5**
Cash and cash equivalents on the first day of the period	204.6	31.9
Effect of exchange rates on cash held	0.5	0.2
Cash and cash equivalents at end of period	**177.2**	**274.6**
Cash held by Pinnacle Topco	30.5	30.0
Available cash at 31 March	**207.7**	**304.6**
Undrawn RCF Facility (including overdraft)	145.0	145.0
Availably liquidity at 31 March[1]	**352.7**	**449.6**

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

Net cash generated from operating activities

Net cash generated from operating activities totalled £18 million which represents a £13 million favourable movement on Q1 2022. The increase is primarily driven by the £5 million favourable movement in Group Reported EBITDA.

Cash generated from operating activities have also improved due to £2 million of interest income on the Group's cash deposits in Q1 2023 and a £3 million decrease in interest payments on the Group's lease liabilities. The higher amount paid towards lease liabilities in Q1 2022 reflected the settlement of property rent amounts deferred during COVID-19 closures periods in earlier years.

Net cash used in investing activities

Net cash used in investing activities of £29 million has increased by £17 million vs Q1 2022 as the Group has significantly increased the level of investment in new sites and refurbishments.

Net cash (used in) / generated from financing activities

In Q1 2023, net cash used in financing activities of £16 million relates entirely to the capital element of lease payments representing the remaining part of the Group's rent payments under IFRS 16. This is a £2 million decrease compared to Q1 2022 when the Group was continuing to settle rent amounts deferred during COVID-19 closure periods.

The Q1 2022 cash flow from financial activities also includes a £270 million issue of share capital, representing the down-streaming of the majority of the £300 million investment received from KKR in January 2022.

Cash and liquidity

As at 31 March 2023 the Group has cash and cash equivalents of £208 million, including £31 million held by parent company, Pinnacle Topco Limited. The Group also has access to undrawn facilities of £145 million, giving total liquidity headroom of £353 million (31 March 2022: £450 million).



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 15 new corporate-owned sites opened in the quarter plus additional expenditure on sites due to open in Q2 2023.

£m	For the three months ended 31 March 2023	2022
Expansionary Capital Expenditure	21.4	9.6
Maintenance and Refurbishment Capital Expenditure	7.9	2.4
Total Capital Expenditure Cash Flow	**29.3**	12.0

Key Performance Indicators

	For the three months ended 31 March		For the twelve months ended 31 Dec
	2023	2022[1]	2019PF
Total number of corporate-owned gyms	559	514	484
Total number of franchise gyms	13	4	-
Total number of gyms	572	518	484
Total number of members ('000s)	1,871	1,677	1,699
Average number of members ('000s)	1,812	1, 649	1,682
Average number of members per gym	3,285	3,234	3,683
Average revenue per member per month (£)	24.56	23.11	21.90
Reported revenue (£ million)	133.5	114.4	442.0
Reported EBITDA (£ million)	50.2	45.3	206.9
Adjusted EBITDA (£ million)	27. 6	23.7	131.1
Adjusted EBITDA margin	20.7%	20.7%	29.7%
Gym Site Adjusted EBITDA (£ million)	44.2	39.8	170.7
Gym Site Adjusted EBITDA margin	33.1%	34.8%	38.6%
Run-Rate Adjusted EBITDA (£ million)	120.2	99.2	160.6
Operating Cash Flow (£ million)	12.5	11.9	101.2
Operating Cash Flow Conversion	45.3%	50.2%	77.2%
Senior Secured Net Debt (£ million)	645.2[2]	542.8[2]	744.6
Ratio of Senior Secured Net Debt to LTM Run-Rate Adjusted EBITDA	5.4x	5.5x	4.6x
Ratio of LTM Run-Rate Adjusted EBITDA to Pro Forma Net Interest Expense	2.3x	1.9x	3.1x

Notes: All 2019 figures have been adjusted to exclude Poland as it was a discontinued operation exited in 2021

(1) As adjusted for the restatement of the results of Switzerland. See note 30 of the 2022 Pinnacle Bidco PLC Annual Report & Accounts.

(2) Q1 2022 includes £30 million and Q1 2023 includes £31 million cash held by parent company, Pinnacle Topco Limited.

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

£m	For the three months ended 31 March 2023	2022[7]	For the twelve months ended 31 Dec 2019 PF
Loss for the period	**(19.8)**	**(22.3)**	**(28.5)**
Income tax	(1.0)	(1.4)	(3.7)
Net finance cost	34.3	36.8	101.5
Deprecation and impairment of PPE	30.9	27.1	99.1
Amortisation and impairment of intangible assets	5.3	5.1	19.7
(Profit) / loss on disposal of property, plant & equipment	(0.1)	-	0.1
Profit on lease modifications	-	-	(0.4)
Exceptional administrative items	0.6	-	11.6
Group Reported EBITDA [1]	**50.2**	**45.3**	**206.9**
Other adjustments[2]	1.5	1.5	0.8
Share based payment charge [3]	0.1	0.1	0.3
Pre-opening costs [4]	1.2	1.1	3.6
Cash rent adjustment [5]	(25.4)	(24.3)	(80.4)
Adjusted EBITDA	**27.6**	**23.7**	**131.1**
Head office costs	16.6	16.1	39.5
Gym Site Adjusted EBITDA	**44.2**	**39.8**	**170.7**
LTM Adjusted EBITDA	99.0	83.1	131.1
Run-Rate Adjustment[6]	21.1	16.1	29.5
Run-Rate Adjusted EBITDA (LTM)	**120.2**	**99.2**	**160.6**

(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 & 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 & certain employees.
(4) Pre-opening costs represent the total of all gym site operating costs incurred prior to the opening of a new gym & primarily consist of staff costs & marketing.
(5) Under IFRS 16, most lease costs are excluded from Group Reported EBITDA. To produce a comparable & more relevant EBITDA figure, the contractual property rent payments due during the accounting period are deducted & 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) 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 & updates forecasts quarterly based on current & anticipated performance, taking into account seasonality & location-specific factors.
(7) As adjusted for the restatement of the results of Switzerland. See note 30 of the 2022 Pinnacle Bidco PLC Annual Report & Accounts.

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 2023 financial year remain substantially the same as those stated on pages 14 to 18 of our Annual Report and Accounts for the period ended 31 December 2022, 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.

"Medium Box Format (MBF)"
Medium Box Format (MBF) gyms are gyms that are typically 9,000-12,000 square feet in size.

"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

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

"ROCE"
Return on capital employed. Gym site Adjusted EBITDA for that period

"Run Rate Adjustment"
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.

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

"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 2023

Contents

Condensed Consolidated Statement of Comprehensive Income 16
Condensed Consolidated Statement of Financial Position 17
Condensed Consolidated Cash Flow Statement 18
Condensed Consolidated Statement of Changes in Equity 19
Notes to the Condensed Consolidated Interim Financial Statements 20

Condensed Consolidated Statement of Comprehensive Income
for the 3 months ended 31 March 2023

	Note	**3 months ended 31 March 2023 (Unaudited) £m**	3 months ended 31 March 2022 Restated (Unaudited) £m
Revenue	2,3	**133.5**	114.4
Cost of sales		**(4.6)**	(3.6)
Other administrative expenses		**(114.8)**	(97.7)
Exceptional administrative expense	5	**(0.6)**	-
Administrative expenses		**(115.4)**	(97.7)
Operating profit	4	**13.5**	13.1
Finance income	6	**2.3**	0.1
Finance costs	6	**(36.6)**	(36.9)
Loss before income tax		**(20.8)**	(23.7)
Income tax credit	7	**1.0**	1.4
Loss for the period		**(19.8)**	(22.3)
Other comprehensive (expense) / income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences, net of tax		**(0.4)**	1.0
Other comprehensive (expense) / income for the period, net of tax		**(0.4)**	1.0
Total comprehensive expense for the period		**(20.2)**	(21.3)

Condensed Consolidated Statement of Financial Position
as at 31 March 2023

	Note	**31 March 2023 (Unaudited) £m**	31 December 2022 (Audited) £m
Non-current assets			
Intangible assets	8	**777.7**	783.3
Property, plant and equipment	9	**683.2**	681.0
Deferred tax assets		**65.8**	65.8
Other receivables		**7.5**	7.2
		1,534.2	1,537.3
Current assets			
Inventories		**5.7**	5.0
Trade and other receivables		**35.0**	28.7
Income taxes receivable		**1.1**	0.8
Cash and cash equivalents		**177.2**	204.6
		219.0	239.1
TOTAL ASSETS		**1,753.2**	1,776.4
Current liabilities			
Trade and other payables		**(123.4)**	(132.6)
Lease liabilities		**(71.9)**	(74.4)
Provisions		**(4.4)**	(4.5)
Income taxes payable		**(0.1)**	(0.1)
		(199.8)	(211.6)
Non-current liabilities			
Deferred tax liabilities		**(18.3)**	(19.2)
Other liabilities		**(2.0)**	(2.0)
Lease liabilities		**(455.8)**	(455.2)
Borrowings	10	**(1,397.6)**	(1,388.5)
Provisions		**(14.6)**	(14.7)
		(1,888.3)	(1,879.6)
TOTAL LIABILITIES		**(2,088.1)**	(2,091.2)
NET LIABILITIES		**(334.9)**	(314.8)
Equity			
Share capital		**2.8**	2.8
Share premium		**271.2**	271.2
Translation reserve		**7.0**	7.4
Accumulated losses		**(615.9)**	(596.2)
TOTAL EQUITY		**(334.9)**	(314.8)

Condensed Consolidated Cash Flow Statement

for the 3 months ended 31 March 2023

	Note	3 months ended 31 March 2023 (Unaudited) £m	3 months ended 31 March 2022 (Unaudited) £m
Cash flows from operating activities			
Cash generated from operations	13	**43.1**	33.9
Exceptional expenses paid		**(0.6)**	(0.2)
Bank interest and similar charges paid		**(0.5)**	(0.5)
Bank interest received		**1.7**	-
Senior secured notes interest paid		**(13.7)**	(13.7)
Interest element of lease liability payments		**(12.2)**	(15.2)
Corporation tax paid		**(0.2)**	-
Net cash generated from operating activities		**17.6**	4.3
Cash flows from investing activities			
Purchase of property, plant & equipment		**(26.7)**	(10.7)
Purchase of intangible assets		**(2.5)**	(1.3)
Proceeds from disposals of assets		**0.1**	0.1
Net cash used in investing activities		**(29.1)**	(11.9)
Cash flows from financing activities			
Issue of ordinary share capital		**-**	270.0
Capital element of lease liability payments		**(16.4)**	(17.5)
Repayment of short term borrowings		**-**	(0.8)
Outflows from intercompany borrowings		**-**	(0.4)
Outflows from intercompany receivables		**-**	(1.2)
Net cash (used in) / generated from financing activities		**(16.4)**	250.1
Net (decrease) / increase in cash and cash equivalents		**(27.9)**	242.5
Cash and cash equivalents at beginning of the period		**204.6**	31.9
Effect of exchange rates on cash held		**0.5**	0.2
Cash and cash equivalents at end of period		**177.2**	274.6

Condensed Consolidated Statement of Changes in Equity

for the 3 months ended 31 March 2023

	Share capital £m	Share premium £m	Translation reserve £m	Accumulated losses £m	Total Equity £m
Balance as at 1 January 2022	0.1	3.9	3.2	(474.8)	(467.6)
Correction of error (net of tax)	-	-	-	(9.5)	(9.5)
Restated balance as at 1 January 2022	**0.1**	**3.9**	**3.2**	**(484.3)**	**(477.1)**
Proceeds from shares issued	**2.7**	**267.3**	**-**	**-**	**270.0**
Loss for the period (restated)	**-**	**-**	-	(22.3)	(22.3)
Other comprehensive income for the period	**-**	**-**	1.0	-	1.0
Credit to equity for equity settled share-based payments	-	-	-	0.1	0.1
Balance as at 31 March 2022 (restated)	**2.8**	**271.2**	**4.2**	**(506.5)**	**(228.3)**
Balance as at 1 January 2023	**2.8**	**271.2**	**7.4**	**(596.2)**	**(314.8)**
Loss for the period	**-**	**-**	**-**	**(19.8)**	**(19.8)**
Other comprehensive expense for the period	**-**	**-**	**(0.4)**	**-**	**(0.4)**
Credit to equity for equity settled share-based payments	**-**	**-**	**-**	**0.1**	**0.1**
Balance as at 31 March 2023	**2.8**	**271.2**	**7.0**	**(615.9)**	**(334.9)**

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 16 May 2023.

This financial information for the 3 months ended 31 March 2023, including comparative financial information for the 3 months ended 31 March 2022, 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 2022.

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 2022.

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 at 31 March 2023 totalled £177m, and it has an additional £31 million of cash available in its parent company, Pinnacle Topco Limited. Combining these with the available RCF facility gives total available liquidity for the Group at 31 March 2023 of £353m.

The Group's forecasts and projections taking account of reasonably possible changes in trading performance, 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 at least August 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 2022 Annual Report

The financial figures for the year ended 31 December 2022, 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 2022 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 2023, 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 2023 is presented in the below tables, alongside comparative information:

	3 months ended 31 March 2023 (Unaudited)				
	United Kingdom £m	**Denmark £m**	**Switzerland £m**	**All other segments £m**	**Total £m**
Revenue	**86.7**	**36.7**	**9.2**	**0.9**	**133.5**
Adjusted EBITDA	**22.9**	**4.8**	**0.3**	**(0.4)**	**27.6**

	3 months ended 31 March 2022 (Unaudited) (Restated)				
	United Kingdom £m	Denmark £m	Switzerland £m	All other segments £m	Total £m
Revenue	74.3	33.3	6.7	0.1	114.4
Adjusted EBITDA	19.9	4.7	(0.3)	(0.6)	23.7

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 2023 (Unaudited) £m	3 months ended 31 March 2022 Restated (Unaudited) £m
Member income	**119.0**	101.5
Vending and consumables income	**6.7**	6.1
Other revenue	**7.8**	6.8
	133.5	114.4

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

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 revenue 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

A reconciliation from operating profit to EBITDA and Adjusted EBITDA is as follows:

	3 months ended 31 March 2023 (Unaudited) £m	3 months ended 31 March 2022 Restated (Unaudited) £m
Operating profit	**13.5**	13.1
Depreciation (note 9)	**30.9**	26.7
Amortisation (note 8)	**5.3**	5.1
Profit on disposal of property, plant and equipment	**(0.1)**	-
Impairment of property, plant and equipment	**-**	0.4
Exceptional expense (note 5)	**0.6**	-
Group EBITDA	**50.2**	45.3
Other adjustments	**1.5**	1.5
Share based payment charge	**0.1**	0.1
Pre-opening costs	**1.2**	1.1
Cash rent adjustment	**(25.4)**	(24.3)
Adjusted EBITDA	**27.6**	23.7

Notes to the Condensed Consolidated Interim Financial Statements (continued)

5 Exceptional administrative expense

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 2023 (Unaudited) £m	3 months ended 31 March 2022 (Unaudited) £m
Costs relating to the rebrand of the Danish business to PureGym	**0.6**	-
Exceptional administrative expense	**0.6**	-

6 Finance income and costs

	3 months ended 31 March 2023 (Unaudited) £m	3 months ended 31 March 2022 (Unaudited) £m
Bank interest received	**1.7**	-
Interest income on finance lease receivables	**-**	0.1
Foreign exchange gain	**0.6**	-
Total finance income	**2.3**	0.1
Interest on bank loans and overdrafts	**0.2**	0.1
Interest payable on lease liabilities	**11.3**	11.5
Commitment fees	**0.4**	0.4
Amortisation of capitalised finance costs	**1.0**	1.0
Unwind of discount on issue of senior secured notes	**1.1**	1.0
Interest on senior secured notes	**12.8**	12.5
Interest payable to group undertakings	**9.8**	9.1
Foreign exchange loss	**-**	1.3
Total finance costs	**36.6**	36.9

Notes to the Condensed Consolidated Interim Financial Statements (continued)

7 Income tax

	3 months ended 31 March 2023 (Unaudited) £m	3 months ended 31 March 2022 (Unaudited) £m
Current tax:		
- Corporation tax charge on loss for the period	**-**	0.1
Total current tax charge	**-**	0.1
Deferred tax:		
- Origination and reversal of temporary differences	**(1.0)**	(1.5)
Total deferred tax credit	**(1.0)**	(1.5)
Total tax credit in loss after tax	**(1.0)**	(1.4)

8 Intangible assets

	Goodwill £m	**Brands £m**	**Customer Relationships £m**	**Development Projects in Progress £m**	**Software £m**	**Total £m**
Cost						
1 January 2023	717.0	92.5	78.1	6.3	24.0	917.9
Additions	-	-	-	2.4	0.1	2.5
Foreign exchange differences	(2.6)	(0.3)	(0.7)	-	(0.1)	(3.7)
31 March 2023	714.4	92.2	77.4	8.7	24.0	916.7
Accumulated amortisation						
1 January 2023	13.5	48.8	50.1	-	22.2	134.6
Charge for the period	-	0.7	3.4	-	1.2	5.3
Foreign exchange differences	(0.1)	(0.3)	(0.4)	-	(0.1)	(0.9)
31 March 2023	13.4	49.2	53.1	-	23.3	139.0
Net book value						
1 January 2023	703.5	43.7	28.0	6.3	1.8	783.3
31 March 2023	**701.0**	**43.0**	**24.3**	**8.7**	**0.7**	**777.7**

Notes to the Condensed Consolidated Interim Financial Statements (continued)

8 Intangible assets (continued)

	Goodwill £m	Brands £m	Customer Relationships £m	Development Projects in Progress £m	Software £m	Total £m
Cost						
1 January 2022	700.7	90.5	73.8	8.9	23.2	897.1
Additions	-	-	-	6.0	0.5	6.5
Disposals	-	-	-	(8.7)	(0.3)	(9.0)
Foreign exchange differences	16.3	2.0	4.3	0.1	0.6	23.3
31 December 2022	717.0	92.5	78.1	6.3	24.0	917.9
Accumulated amortisation						
1 January 2022	12.5	19.6	34.4	8.6	17.1	92.2
Charge for the year	-	4.3	13.4	-	4.4	22.1
Impairment	-	23.3	-	-	0.4	23.7
Disposals	-	-	-	(8.7)	(0.3)	(9.0)
Foreign exchange differences	1.0	1.6	2.3	0.1	0.6	5.6
31 December 2022	13.5	48.8	50.1	-	22.2	134.6
Net book value						
1 January 2022	688.2	70.9	39.4	0.3	6.1	804.9
31 December 2022	**703.5**	**43.7**	**28.0**	**6.3**	**1.8**	**783.3**

Brands represents the PureGym brand acquired as part of a business combination 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
	£m	£m	£m	£m	£m	£m	£m
Cost							
1 January 2023	616.2	17.6	304.0	8.3	137.3	8.7	1,092.1
Additions	17.0	0.6	7.4	-	9.4	0.7	35.1
Disposals	(0.4)	-	(0.3)	-	(0.4)	-	(1.1)
Transfers	(0.9)	-	2.1	(2.1)	0.9	-	-
Foreign exchange differences	(2.8)	(0.1)	(0.2)	(0.2)	-	-	(3.3)
31 March 2023	**629.1**	**18.1**	**313.0**	**6.0**	**147.2**	**9.4**	**1,122.8**
Accumulated depreciation							
1 January 2023	233.1	4.1	101.4	-	66.8	5.7	411.1
Charge for the year	16.8	0.3	7.8	-	5.5	0.5	30.9
Disposals	(0.4)	-	(0.2)	-	(0.3)	-	(0.9)
Foreign exchange differences	(1.3)	-	(0.1)	-	(0.1)	-	(1.5)
31 March 2023	**248.2**	**4.4**	**108.9**	**-**	**71.9**	**6.2**	**439.6**
Net book value							
1 January 2023	383.1	13.5	202.6	8.3	70.5	3.0	681.0
31 March 2023	**380.9**	**13.7**	**204.1**	**6.0**	**75.3**	**3.2**	**683.2**

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 construction	Fixtures & fittings	IT equipment	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
1 January 2022	586.1	16.0	245.0	0.4	120.0	6.5	974.0
Additions	71.2	1.1	62.0	16.0	28.9	2.2	181.4
Transfers	(3.4)	-	6.7	(8.1)	4.8	-	-
Disposals	(55.2)	(0.1)	(11.5)	-	(18.3)	(0.2)	(85.3)
Foreign exchange differences	17.5	0.6	1.8	-	1.9	0.2	22.0
31 December 2022	**616.2**	**17.6**	**304.0**	**8.3**	**137.3**	**8.7**	**1,092.1**
Accumulated depreciation							
1 January 2022	157.8	3.0	74.4	-	58.9	3.9	298.0
Transfers	(4.1)	-	-	-	4.1	-	-
Charge for the year	64.9	1.0	26.7	-	18.8	1.8	113.2
Impairment	10.8	0.2	8.1	-	2.3	-	21.4
Disposals	(3.6)	(0.1)	(8.4)	-	(17.9)	(0.1)	(30.1)
Foreign exchange differences	7.3	-	0.6	-	0.6	0.1	8.6
31 December 2022	**233.1**	**4.1**	**101.4**	**-**	**66.8**	**5.7**	**411.1**
Net book value							
1 January 2022	428.3	13.0	170.6	0.4	61.1	2.6	676.0
31 December 2022	**383.1**	**13.5**	**202.6**	**8.3**	**70.5**	**3.0**	**681.0**

An impairment loss of £21.4m was recognised in the year ended 31 December 2022. 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

Non-current

	31 March 2023 (Unaudited) £m	31 December 2022 (Audited) £m
€490m 5.500% Senior Secured Notes at principal value	**431.0**	**434.1**
Discount on issue of Senior Secured Notes	**(9.2)**	**(10.6)**
€490m 5.500% Senior Secured Notes	**421.8**	**423.5**
£430m 6.375% Senior Secured Notes	**430.0**	**430.0**
Capitalised issue costs	**(7.8)**	**(8.8)**
Senior secured notes net of issue costs and discount	**844.0**	**844.7**
Amounts owed to Group undertakings	**553.6**	**543.8**
	1,397.6	1,388.5

Of the amounts owed to Group undertakings, £441.3m (31 December 2022: £432.7m) accrue interest at 8% and £112.3m (31 December 2022: £111.1m) 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.

On issue of the Euro Notes in 2020, these were recognised at fair value of €422.8 million representing a discount on issue of €22.3 million. 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 revolving credit facility (the “RCF”) with seven international institutions (Barclays Bank PLC, Jefferies Finance LLC, Royal Bank of Canada, Credit Suisse International, ING Bank N.V. Lloyds Bank plc and Danske Bank A/S, collectively "the Lenders"), repayable 15 August 2024. Included within the total RCF is a £10 million overdraft facility. As at 31 March 2023 and 31 December 2022, the facility was undrawn.

Following amendments to the terms of the RCF on 18 September 2020, and further amendments on 7 January 2021, the Lenders granted a waiver of the pre-existing financial covenants on the RCF 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.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

11 Financial instruments

	31 March 2023 £m	31 December 2022 £m
Financial assets measured at amortised cost		
Cash and cash equivalents	**177.2**	204.6
Trade receivables	**9.0**	6.6
Other debtors	**17.2**	14.3
Amounts owed by Group undertakings	**1.1**	1.1
	204.5	226.6
Financial liabilities measured at amortised cost		
Trade creditors	**30.6**	42.0
Other liabilities (current)	**2.0**	1.6
Other liabilities (non-current)	**2.0**	2.0
Accrued expenses	**45.2**	47.9
Interest and commitment fee accruals	**12.6**	13.5
Lease liabilities	**527.7**	529.6
Amounts owed to Group undertakings	**553.6**	543.8
Senior secured notes	**851.8**	853.5
	2,025.5	2,033.9

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 2023 (Unaudited) £m	31 December 2022 (Audited) £m	**31 March 2023 (Unaudited) £m**	31 December 2022 (Audited) £m
Financial liabilities				
€490m 5.500% Senior Secured Notes	**421.8**	423.5	**396.9**	378.5
£430m 6.375% Senior Secured Notes	**430.0**	430.0	**394.5**	371.4

Notes to the Condensed Consolidated Interim Financial Statements (continued)

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 2023, the €490.0m Euro Notes had a carrying amount of £421.8m based on an amortised cost of €479.4 and an exchange rate of 0.8796.

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 2023 and 31 December 2022, 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 2023 (Unaudited)				
	Within 1 year £m	**Between 1-5 years £m**	**More than 5 years £m**	**Total contractual cash flows £m**	**Carrying amount £m**
Trade and other payables	90.4	2.0	-	**92.4**	**92.4**
Lease liabilities	108.3	324.3	371.6	**804.2**	**527.7**
Borrowings	38.7	1,696.1	-	**1,734.8**	**1,405.4**
Total financial liabilities	**237.4**	**2,022.4**	**371.6**	**2,631.4**	**2,025.5**

	31 December 2022 (Audited)				
	Within 1 year £m	Between 1-5 years £m	More than 5 years £m	Total contractual cash flows £m	Carrying amount £m
Trade and other payables	105.0	2.0	-	**107.0**	**107.0**
Lease liabilities	109.6	322.3	371.0	**802.9**	**529.6**
Borrowings	37.9	1,713.2	-	**1,751.1**	**1,397.3**
Total financial liabilities	**252.5**	**2,037.5**	**371.0**	**2,661.0**	**2,033.9**

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12 Financial risk management objectives and policies (continued)

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.

13 Reconciliation of loss before tax to cash generated from operations

	3 months ended 31 March 2023 (Unaudited) £m	3 months ended 31 March 2022 Restated (Unaudited) £m
Loss before income tax	**(20.8)**	(23.7)
Adjustments for:		
Net finance cost	**34.3**	36.8
Depreciation	**30.9**	26.7
Amortisation	**5.3**	5.1
Impairment of property, plant and equipment	**-**	0.4
Share based payments	**0.1**	0.1
Profit on disposal of property, plant and equipment	**(0.1)**	-
Non-cash adjustment to lease liabilities due to rent concessions	**-**	(2.2)
Exceptional costs	**0.6**	-
Changes in working capital		
Inventories	**(0.8)**	(2.0)
Trade and other receivables	**(3.7)**	(1.8)
Trade and other payables	**(2.3)**	(5.5)
Provisions	**(0.4)**	-
Cash generated from operations	**43.1**	33.9

Notes to the Condensed Consolidated Interim Financial Statements (continued)

14 Changes in liabilities arising from financing activities

	Lease liabilities £m	Borrowings £m	Total £m
Liabilities arising from financing activities at 1 January 2023	**529.6**	**1,397.3**	**1,926.9**
Financing cash flows	(16.4)	-	**(16.4)**
New leases and lease modifications	17.0	-	**17.0**
Foreign exchange adjustments	(1.6)	(2.8)	**(4.4)**
Interest expense	11.3	10.9	**22.2**
Interest payments (presented as operating cash flows)	(12.2)	-	**(12.2)**
Liabilities arising from financing activities at 31 March 2023	**527.7**	**1,405.4**	**1,933.1**

	Lease liabilities £m	Borrowings £m	Total £m
Liabilities arising from financing activities at 1 January 2022	**575.0**	**1,341.9**	**1,916.9**
Financing cash flows	(17.5)	(1.2)	**(18.7)**
New leases and lease modifications	23.2	-	**23.2**
Foreign exchange adjustments	0.1	3.4	**3.5**
Interest expense	11.5	10.1	**21.6**
Interest payments (presented as operating cash flows)	(15.2)	-	**(15.2)**
Liabilities arising from financing activities at 31 March 2022	**577.1**	**1,354.2**	**1,931.3**



PureGym
Town Centre House
Merrion Centre
Leeds
LS2 8LY
United Kingdom