Vacancy 99's

Company Registration Number 8395210 11331128

WRIGHT LEISURE TOPCO LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2018

ArmstrongWatson®
Accountants, Business & Financial Advisers

WRIGHT LEISURE TOPCO LIMITED

COMPANY INFORMATION

Directors	A Fort (appointed 30 October 2019) R D Taylor (appointed 30 April 2018) P W Wright (appointed 30 July 2018) H L Gauden (appointed 11 October 2018) J C Wright (appointed 26 April 2018)
Registered number	11331128
Registered office	Unit 1 Kirkstall Industrial Estate Kirkstall Road Burley Leeds West Yorkshire LS4 2AZ
Independent auditors	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL
Accountants	Armstrong Watson LLP Third Floor 10 South Parade Leeds LS1 5QS

WRIGHT LEISURE TOPCO LIMITED

CONTENTS

GROUP STRATEGIC REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for the Group for the period ended 31 December 2018.

Principal Activities

The Principal activity of the Group is the operation of great value gyms, offering a breadth of classes and facilities appealing to all members, regardless of their fitness goals and ambitions. The Group operates across the UK, opening 7 days per week.

Business Review

2018 saw substantial changes within the Group. In the first half of the year, the Group refinanced its debt facilities, with Proventus Capital Partners replacing Lloyds Bank as the Group's Lenders. The £42m facility provides the long-term debt capital of the Group alongside a growth capital facility for the roll out of new gyms.

As part of the refinancing in 2018, the Group's legal structure was revised through the formation of two new holding companies with Wright Leisure Limited and all subsidiaries being ultimately acquired by Wright Leisure Topco Limited on 30 April 2018.

The Group opened 4 new clubs during the first half of 2018, taking the club footprint to 52 across the UK. Two of these clubs were in Scotland, further enhancing the presence in that region, taking it to 9 clubs. In a recent market report commissioned by The Gym Group and compiled by PWC, the UK gym market was estimated to be able to support over 1,200 low cost gyms, pointing to significant growth opportunities.

The summer of 2018, following the refinancing of the Group, saw significant changes to the composition of the executive team. Peter Wright joined the Group in July 2018 as CEO moving from Turkish health club chain Mars Sportif, where he grew the business from 6 to 86 clubs during his tenure. Peter has a breadth of experience in improving gym and fitness clubs having held senior roles across the globe. Helen Gauden joined the business as CFO in September 2018. Prior to joining the Group, Helen worked at the Wilko Retail Group. Helen brings vast experience of the financial and operational controls necessary in a multisite, consumer focused organisation.

Under the stewardship of the new executive management team, the Group conducted a full review of all aspects of the business and identified areas to be addressed to ensure the future success of the business.

New auditors have been appointed and as a result, in conjunction with the full review conducted by management, 2016 and 2017 comparative results have been restated to reflect a true and fair view. These are summarised in note 24 with the overall impact of the prior year adjustments being to increase the loss in the year ended 31 December 2017 by £2.2m to £8.8m

As highlighted in last year's strategic report of Wright Leisure Limited, 2017 saw a substantial change to the personal training model This did not deliver the expected results in 2018 and had a negative impact on our membership numbers.

The impact of the personal training model, alongside the lack of an appropriate control environment resulted in the breach of financial covenants under the Proventus facilities in September 2018. The Directors presented a turnaround strategy to the shareholders and lenders in quarter 4 2018 focusing on the core elements of the proposition and the business model, demonstrating how the business could return to sustainable growth. As a result of this strategic plan, the Group successfully secured further investment from the shareholders in December 2018 and Proventus agreed to waive all covenant breaches.

Financial Review and KPIs

The Group uses a variety of financial and non-financial KPIs to assess performance. Notably, the primary purpose of the business is that of selling gym membership. The number of members paying an appropriate subscription each month is the primary driver of business success.

Despite 4 new club openings in 2018, total membership declined by 7,713 (2.6%) members to 289,568 at December 2018. This reflected a comparative decline of 10.4%. Despite the reduction in member numbers, turnover grew 10.4% over the year driven by the annualised effect of 2017 club openings and an increase in average revenue per member (2018: +4.6%, 2017: +3.2%).

	2018	2017
Closing Members	289,568	297,281
No. of Gyms	52	48

Another measure that is used to assess performance, is underlying EBITDA* which measures the trading performance of the Group. A summary table is provided below:

	2018	2017 (restated)
	£000s	£000s
Underlying EBITDA *	**3,484**	**2,751**
Pre-opening costs	(1,069)	(787)
Adjusted EBITDA UK GAAP	**2,415**	**1,964**
IFRS adjustments	(1,244)	(1,710)
EBITDA IFRS	**1,171**	**254**
Less		
Exceptionals	(1,005)	(2,019)
Depreciation & Impairment charge	(4,747)	(4,740)
Interest	(5,868)	(2,303)
Tax	(37)	17
Loss for the year	**(10,484)**	**(8,790)**

*Underlying EBITDA is defined as earnings before net finance costs, taxation, depreciation and amortisation and one-off costs not associated with the ongoing running of the business. As disclosed in note 2.5, the Group presents its internal management reporting information under UK GAAP principles excluding the impact of IFRS adjustments. Management consider this to better reflect the trading performance of the Group than operating profit. The internal management numbers are adjusted for the impact of IFRS as part of the statutory account preparation. IFRS adjustments are required on operating lease incentives and for the first time in the current year the application of IFRS 15 on revenue.

The operating loss of £4.6m (2017 restated: £6.5m) is after charging £1.0m (2017 restated: £2m) of exceptional costs and £1.0m (2017 restated: £0.8m) of new club pre-opening costs to the profit and loss account during the year. Exceptional costs are those costs which are outside the normal trading activities of the business due to their size and/or nature. Preopening costs are those directly attributable to the opening of the 4 new clubs in the year (2017: 3). These are separately analysed above as the opening of new clubs involves a significant cost outlay before earning a return in maturity and are not representative of the underlying operating result of the Group.

Post balance sheet events

Following the investment secured in December 2018, the Directors have continued to develop the turnaround strategy. Good progress has been made in a number of areas but further work remains in others.

In July 2019 the Group made the difficult decision to close the Stockton South club in light of continued poor performance and negative profit contribution after all efforts to transform the club unfortunately didn't succeed. This decision was made as part of a wider plan to address underperforming clubs and through the initiation of tailored club recovery plans the intention is to focus on the existing estate to ensure that the core network is fit for the future to underpin the growth aspirations.

Investment is needed in the infrastructure of the business such that the foundations can be laid to support the business turnaround and enable a platform for future growth.

In October 2019, the Directors secured further financial backing of both the shareholders and lenders, providing the time and financial security to deliver the turnaround. This reflects the belief in both the industry which continues to provide great growth opportunity and the turnaround strategy of the business. This refinancing included a change in shareholding, the debt facilities and a reset of the financial covenants. Further details can be found in note 2.1.

Principal risks and uncertainties

The Group is undergoing an operational and financial turnaround and as with any turnaround there remains risk and uncertainty. Post the balance sheet date, the Group continues to make good progress in the delivery of its plan which has three key elements: average price per member, cost to serve and volume of members.

Addressing the pricing strategy of the business has seen the revenue per member grow in line with our expectations. This will continue to be measured as a key performance indicator. A number of workstreams have commenced in order to address the cost base of the business. This has been all-encompassing including our people model, our property costs and all other costs. Work will continue to ensure the business has the right cost base to ensure it offers the best proposition, sustainably. The final aspect of the turnaround is that of member volumes.

As with all consumer businesses, the Group is exposed to the general economic environment and diminishing consumer confidence, compounded by ongoing BREXIT uncertainties. The value gym sector is a growing sector however and the consumer confidence uncertainty is mitigated to a degree by the increasing trend and growing awareness of the importance of physical and mental well-being. The number of people in the UK population with a gym membership is relatively low compared to other developed economies and this offers great opportunity for further penetration. Operating at the value end of the fitness industry also provides some degree of protection against any decline in consumer spending.

There is a wider sector specific trend that has seen increasing popularity of flexible non contractual memberships that customers are prepared to pay a premium for. This trend therefore requires greater emphasis on customer attrition management. Our proposition with its emphasis on accessibility for all, Group exercise classes and facilities that meet any fitness ambitions means we are well placed to succeed in this changing market.

There is an ongoing risk attributable to liquidity and this is managed through regular monitoring of the Group's cash flow requirements using short and long-term cash flow forecasting.

The Group is highly leveraged and debt financing is linked to LIBOR. This means that there is a risk associated with potential movements in interest rates driven by macroeconomic and geopolitical influences. While this is a risk facing many businesses, it is more pronounced in this Group given the fact that the Group is highly geared. In the short-medium term, the impact of interest rate risk resulting in liquidity risk is mitigated due to the debt and interest repayment structure.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

The Directors continue to consider the capital structure of the Group. The refinancing that concluded in October 2019 provides the business with sufficient headroom, both liquidity and time, to implement its immediate and longer-term plans. The Directors will continue to monitor the indebtedness of the Group, alongside assessing the financial performance generated from the turnaround to consider the appropriateness of the capital structure.

Going concern

As explained in note 2.1, the Directors recognise that the Group is to some extent dependent on external factors beyond management control in order to meet its financial covenants in the forecast period. As mentioned in note 2.1, the achievement of membership numbers and yield are not within the full direct control of management. The Directors acknowledge that these factors represent a material uncertainty that may cast significant doubt over the ability of the Group to continue as a going concern and therefore its ability to settle its liabilities in the ordinary course of business

The Directors have considered all information available to them when assessing whether the Group is a going concern, including sensitised forecasts extending beyond twelve months from the date of the signing of the financial statements, potential cashflow mitigations and upsides, and the continuing support of its third-party lenders. The financial statements have therefore been prepared on a going concern basis and do not include any adjustments that would result if the Group was unable to continue due to the circumstances described above.

This report was approved by the board on 6th December 2019 and signed on its behalf.

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H L Gauden
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for the period ended 31 December 2018.

Statement of Directors' responsibilities in respect of the strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Results and dividends

The loss for the period, after taxation, amounted to £10,484,032 (2017 – restated loss £8,790,413).

No dividends have been paid by the Group in the current or previous period.

Directors

The Directors who served during the period were.

P E Wright (appointed 30 April 2018, resigned 30 October 2019)
S J Perrin (appointed 30 April 2018, resigned 28 February 2019)
R D Taylor (appointed 30 April 2018)
S P Tutt (appointed 30 April 2018, resigned 27 July 2018)
C J Storr (appointed 30 April 2018, resigned 11 October 2018)
P W Wright (appointed 30 July 2018)
P Boddy (appointed 30 April 2018, resigned 30 October 2019)
H L Gauden (appointed 11 October 2018)
R Taylor (appointed 30 April 2018)
J C Wright (appointed 26 April 2018)
A Fort (appointed 30 October 2019)

Future developments

The Directors are not expecting to make any significant changes in the nature of the business in the near future.

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

Policy Regarding Employment of Disabled Persons and Employee Involvement

Wright Leisure Top Co Limited operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate based on sex, race, ethnic origin, age, disability or on any other basis. The Company's recruitment policy and practices are designed to provide for fair consideration and selection of applicants from all backgrounds, and to ensure that colleagues are properly trained to perform safely and effectively their work, and to provide career opportunities that allow them to fulfil their potential.

Where a colleague becomes disabled during employment, the Company will actively seek to retain them wherever possible by considering reasonable adjustments to their work and work environment or by retraining them to undertake alternative work, where possible.

The Company invests in employee involvement through a range of practices designed to increase employee and member engagement with the Company, particularly relating to Company performance and matters concerning colleagues.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

This is disclosed in note 34 in the financial statements.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 6th December 2019 and signed on its behalf.

H L Gauden
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WRIGHT LEISURE TOPCO LIMITED (CONTINUED)

Opinion

We have audited the financial statements of Wright Leisure Topco Limited ("the Parent Company") and its subsidiaries ("the Group") for the period ended 31 December 2018 which comprise consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cashflows, Company statement of financial position, Company statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 Reduced Disclosure Framework.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom General Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2.1 to the financial statements, which describes the resetting of financial covenants in relation to loan facilities and that the Group is to some extent dependent on external factors in order to meet these financial covenants. As stated in note 2.1, these events or conditions, along with other matters as set out in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group' ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WRIGHT LEISURE TOPCO LIMITED (CONTINUED)

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WRIGHT LEISURE TOPCO LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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

BDO LLP

Paul Davies (Senior Statutory Auditor)

for and on behalf of BDO LLP, Statutory Auditor
Leeds, UK

Date: 9 December 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018

	Note	2018 £	Restated 2017 £
Revenue	5	**39,997,489**	36,224,730
Cost of sales		**(955,644)**	(927,604)
Gross profit		**39,041,845**	35,297,126
Administrative expenses		**(43,694,692)**	(41,769,325)
Other operating income		**73,370**	53,911
Net impairment losses on financial and contract assets		-	(86,011)
Operating loss	6	**(4,579,477)**	(6,504,299)
Interest payable and expenses	10	**(5,867,782)**	(2,303,005)
Loss before tax		**(10,447,259)**	(8,807,304)
Tax on loss	11	**(36,773)**	16,891
Total comprehensive loss and loss for the financial period		**(10,484,032)**	(8,790,413)

There was no other comprehensive income for 2018 (2017:£NIL).

WRIGHT LEISURE TOPCO LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 £	Restated 2017 £	Restated 2016 £
Non-current assets				
Property, plant and equipment	12	**30,862,222**	31,193,713	33,178,358
Deferred tax asset	21	**356,737**	393,510	376,617
		31,218,959	31,587,223	33,554,975
Current assets				
Inventories	13	97,856	180,260	138,100
Trade and other receivables	14	2,626,720	2,125,881	2,843,657
Cash and cash equivalents	15	3,057,388	1,660,216	1,626,746
		5,781,964	3,966,357	4,608,503
Total assets		**37,000,923**	35,553,580	38,163,478
Current liabilities				
Other-interest bearing loans and borrowings	16	**(5,123)**	(12,850,516)	(4,925,521)
Trade and other payables	16	**(18,125,497)**	(17,524,127)	(19,034,025)
Total current liabilities		**(18,130,620)**	(30,374,643)	(23,959,546)
Non-current liabilities				
Other-interest bearing loans and borrowings	17	**(45,567,032)**	(20,994,136)	(22,050,205)
Other payables	17	**(3,595,540)**	(3,923,871)	(3,777,508)
Provisions for liabilities	25	**(1,097,706)**	(675,123)	-
Total non-current liabilities		**(50,260,278)**	(25,593,130)	(25,827,713)
Total liabilities		**(68,390,898)**	(55,967,773)	(49,787,259)
Net liabilities		**(31,389,975)**	(20,414,193)	(11,623,781)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	Restated 2017 £	Restated 2016 £
Capital and reserves				
Called up share capital	22	**2**	2	2
Revaluation reserve		**-**	-	-
Other reserves		**-**	-	148,741
Profit and loss account	23	**(31,389,977)**	(20,414,195)	(11,790,045)
		(31,389,975)	(20,414,193)	(11,623,781)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

HLG
....
H L Gauden
Director

Date: 6th December 2019

The notes on pages 16 to 53 form part of these financial statements.

WRIGHT LEISURE TOPCO LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018 (as previously stated)	2	(18,160,459)	(18,160,457)
Prior year adjustment	-	(2,253,735)	(2,253,735)
IFRS 15 Adjustment	-	(491,751)	(491,751)
At 1 January 2018 (as restated)	2	(20,905,945)	(20,905,943)
Total Comprehensive income for the period			
Loss for the period	-	(10,484,032)	(10,484,032)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(10,484,032)	(10,484,032)
At 31 December 2018	2	(31,389,977)	(31,389,975)

Refer to notes 24 and 33 for details of prior year adjustments and IFRS 15 transition adjustment.

WRIGHT LEISURE TOPCO LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (RESTATED) FOR THE PERIOD ENDED 31 DECEMBER 2017

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017 (as previously stated)	2	17,521	148,741	(11,725,883)	(11,559,619)
Prior year adjustment	-	-	-	(64,162)	(64,162)
At 1 January 2017 (as restated)	2	17,521	148,741	(11,790,045)	(11,623,781)
Total Comprehensive income for the period					
Loss for the year	-	-	-	(8,790,413)	(8,790,413)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(8,790,413)	(8,790,413)
Transfer between reserve classes	-	(17,521)	(148,741)	166,262	-
At 31 December 2017	2	-	-	(20,414,195)	(20,414,193)

Refer to note 24 for details of prior year adjustment.

WRIGHT LEISURE TOPCO LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2018

	2018 £	Restated 2017 £
Cash flows from operating activities		
Loss for the financial period	**(10,484,032)**	(8,790,413)
Adjustments for:		
Depreciation and impairment of tangible assets	**4,741,198**	4,738,084
Loss on disposal of tangible assets	**8,348**	23,945
Finance expense	**5,867,783**	2,303,005
Taxation charge	**36,773**	(16,891)
Decrease/(increase) in inventories	**82,404**	(42,161)
(Increase)/decrease in trade and other receivables	**(500,837)**	717,773
Increase/(decrease) in trade and other payables	**171,040**	(1,363,535)
Increase in provisions for liabilities	**422,583**	675,123
Net cash generated from operating activities	**345,260**	(1,755,070)
Cash flows from investing activities		
Purchase of plant and equipment	**(4,418,157)**	(2,762,564)
Sale of plant and equipment	**5,891**	39,723
Net cash from investing activities	**(4,412,266)**	(2,722,841)
Cash flows from financing activities		
Repayment of bank loans	**(20,332,158)**	-
Repayment of finance leases	**(4,275,021)**	(2,356,271)
Proceeds from new loans	**31,300,595**	5,545,834
Receipt of new finance contracts	-	2,644,388
Interest paid	**(1,229,238)**	(1,322,570)
Net cash used in financing activities	**5,464,178**	4,511,381
Net increase in cash and cash equivalents	**1,397,172**	33,470
Cash and cash equivalents at beginning of period	**1,660,216**	1,626,746
Cash and cash equivalents at the end of period	**3,057,388**	1,660,216
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	**3,057,388**	1,660,216
	3,057,388	1,660,216

The notes on pages 16 to 53 form part of these financial statements.

1. General information

The principal activity of the Group is that of operating low-cost Gym clubs with the aim of offering best value for money in the industry.

The registered address of the Group is Unit 1 Kirkstall Industrial Estate, Kirkstall Road, Burley, Leeds, LS4 2AZ. The accounts are prepared in Sterling (£).

2. Accounting policies

2.1 Basis of accounting

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRS IC') interpretations, as adopted by the European Union and with those parts of the Companies Act 2006 applicable to Companies reporting under IFRS. The Group financial statements have been prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to 31 December 2018. Uniform accounting policies are applied throughout the Group, unless otherwise stated.

Going concern

2018 saw the refinancing of the Group's debt facilities, settling all outstanding debt facilities with Lloyds and Close Brothers asset finance and refinancing with Proventus Capital Partners. This provided the Group with a £42.2m committed and £10m uncommitted facility and represented a significant investment to help meet growth strategies and consolidate its position within the low-cost Gym sector.

During the year, there was a major restructure of the Group's executive team with two key appointments in Peter Wright (CEO) and Helen Gauden (CFO). The new executive team bring with them a wealth of industry specific and large multi-site growth experience to deliver the business turnaround

Under the stewardship of the new executive management team, the Group conducted a full review of all aspects of the business. This review highlighted areas of focus that needed to be addressed to enable the business to be structured for sustainable success It also highlighted that as a result of the above, the Group breached the financial covenants stipulated under the agreement with Proventus Capital Partners. These covenants include a debt service measure alongside a net leverage test, assessing the EBITDA to net debt ratio. The Group breached its first covenant tests in September 2018.

During the final quarter of 2018, the Directors presented a turnaround plan that was accepted by the shareholders and lenders and resulted in further investment being made by the Business Growth Fund and Proventus Capital Partners agreeing to waive all covenant breaches in December 2018.

Post the balance sheet date, the management team have continued to develop the turnaround plan and have prepared a five year forward forecast to be used for both short-term business planning and longer-term strategic review. The model represents management's best estimate of the forward-forecast over the 5 years to December 2023. The model was built using both historic information available and forward-looking information that management believe to be reasonable and supportable, alongside industry and competitor information available at the time of preparation. The forecast demonstrates the Group's ability to settle external debts at the end of the loan term. Further details of the Group's borrowings at 31 December 2018 are presented in note 18 to the financial statements.

With a new management team in place, a turnaround strategy agreed and the financial backing of its third-party providers the Group has successfully reset its financial covenants and changed the structure of its current debt facilities post year end in October 2019, using the downside forecast to set the refinancing from.

The structure change has sought to consolidate the current debt facilities with both the Group's secured and unsecured lenders. The Group's £2m RCF facility with Proventus Capital Partners ("Proventus") has been consolidated into the Group's £25m term loan reducing the interest rate from 11.5% to 8% PIK in the first 12 months then 8% cash interest thereafter. Proventus facility B loan interest has been amended to 10% PIK Interest for the duration of the term loan. As well as the restructuring of the Proventus facilities, Proventus and the Business Growth Fund have invested further (split equally between the two investees) into the Group As part of the debt restructure, all historic financial covenants on Proventus loans have been waived and new covenants defined. Just two covenants have been set, those being a minimum cash look forward/look backwards and a minimum cash EBITDA test. The minimum cash test is effective from November 2019 and is tested fortnightly while the minimum cash EBITDA test is effective from June 2020 and is tested monthly. All future covenants are expected to be met under the various forecasts modelled.

The resetting of the financial covenants, along with the additional investment, reflects the support embedded in the new management team by its lenders, removing the constraints imposed on them by the existing covenants giving them the resource, time and ability to focus on enacting the turnaround plan.

Whilst the forecast has been prepared using all available information, there is obviously a degree of management judgement and assumptions, and as with all forecasts unforeseen challenges may arise following preparation presenting both upside and downside variances to the bank case. It is the view of management that the two primary uncertainties inherent within the plan are the acquisition of new members and the yield that is expected to be achieved from the membership base (the average price paid per member). The management team have built two forecast scenarios as part of their work. The first of these represents management's best view based on all available information (the "management view"). The second forecast scenario is the "bank case" which represents a more prudent view sensitised for a reduced number of new joiners and lower yields. Furthermore, the management team has had regard to various potential cashflow mitigations and improvement actions that are available to the Group in the event that the forecasts are not achieved in line with the turnaround plan.

As with all consumer businesses, the Group is exposed to the general economic environment and the diminishing consumer confidence, compounded by ongoing BREXIT uncertainties. The value gym sector is a growing sector however and the consumer confidence uncertainty is mitigated to a degree by the increasing trend and growing awareness of the importance of physical and mental well-being.

The first 6 months trading have been tough in 2019, impacted by increasing price competition and the rate of attracting new joiners which started slowly but has improved as the year has progressed. Management have reacted to this through introduction of further cost-saving strategies which have mitigated the impact of the member volumes to a degree. The full benefits are now starting to be evidenced in the Group's performance and continue into the longer-term forecast

With several new initiatives not yet fully implemented, management are confident that the performance of the Group will continue to improve and the five-year forecast is achievable.

On the basis of the above, management are confident that with the continued support from both Proventus Capital Partners and Business Growth Fund and with the reset of its covenants and change to its management team, the Group is in the best position to deliver on its turnaround plan, enabling it to realise it's potential in a growing market in both the short and longer term horizon

The Directors recognise that the Group is to some extent dependent on external factors beyond management control in order to meet its financial covenants in the forecast period As mentioned above, the achievement of membership numbers and yield are not within the full direct control of management. The Directors acknowledge that these factors represent a material uncertainty that may cast significant doubt over the ability of the Group to continue as a going concern and therefore its ability to settle its liabilities in the ordinary course of business.

The Directors have considered all information available to them when assessing whether the Group is a going concern, including sensitised forecasts extending beyond twelve months from the date of the signing of the financial statements, potential cashflow mitigations and upsides, and the continuing support of its third-party lenders. The financial statements have therefore been prepared on a going concern basis and do not include any adjustments that would result if the Group was unable to continue due to the circumstances described above.

2.2 New standards adopted and standards issued not yet effective

New standards impacting the Group for the year ended 31 December 2018, and which have given rise to changes in the Group's accounting policies are:

• IFRS 9 'Financial Instruments'; and
• IFRS 15 'Revenue from Contracts with Customers.'

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' ('IFRS 9') replaces IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39') for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment, and hedge accounting. The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the Financial Statements.

Classification and measurement: On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The full impact of the transition adjustment has been disclosed in note 14.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15') supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has applied IFRS 15 using the modified retrospective method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018 Therefore, the comparative information has not been restated and continues to be reported under IAS 18. The details of the significant changes and quantitative impact of the changes are set out below:

2. Accounting policies (continued)

Had the Group continued to report in accordance with IAS 18 'Revenue' for the year ended 31 December 2018, it would have reported the following amounts in these Financial Statements:

	As reported on IFRS 15 basis £	**Effect** £	**As would have been reported** £
Revenue	39,997,489	410,092	40,407,581
Loss for the period	(10,484,032)	410,092	(10,073,940)
Total equity	(31,389,975)	410,092	(30,979,883)

As the Group has no taxable profits for corporation tax purposes there is no material impact from a tax perspective for the Group as a result of the transition adjustment other than to increase the Group losses carried forward.

Upfront non-cancellable joining fees for which revenue was recognised previously at a point in time when a customer signed up for the contract under previous policies are now recognised over time under IFRS 15.

The impact is driven by the upfront non-cancellable joining fees being an advance payment for future goods and services (i.e. membership subscription) and therefore forms part of the overall transaction price of the membership contract. The revenue previously recognised at the point in time in the previous year is now recognised over time and performance obligation of such contracts has been satisfied as at 31 December 2018.

The maximum performance obligation period of the Group is 12 months with the minimum being one day.

Standards issued not yet effective

At the date of authorisation of these Financial Statements, the following new standards and interpretations which have not been applied in these Financial Statements were in issue but not yet effective:

IFRS 16 'Leases' (effective 1 January 2019)

IFRS 16 'Leases' ('IFRS 16') specifies the recognition, measurement, presentation and disclosure of leases and will be applied for the first time in the Financial Statements for the year ended 31 December 2019. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or fewer or the underlying asset has a low value. Given the significant leasing arrangements within the Group, the adoption of this standard will have a material impact on the Group's financial statements.

The Group will apply IFRS 16 using the modified retrospective application method. Under a modified retrospective approach, the Group will apply the new standard from the beginning of the accounting period 1 January 2019. The Group will:

2. Accounting policies (continued)

• Calculate lease liabilities as at 1 January 2019
• Will not restate comparatives – the financial statements for the year ended 31 December 2018 will continue to report under IAS 17
• Recognise an adjustment in equity at the beginning of the period i.e. 1 January 2019
• Make additional disclosures specified in the new standard

There will be no impact on cash flows, although the presentation of the cash flow statement will change significantly. In addition to the recognition and measurement impacts above, there will also be significantly increased disclosures when the Group adopts IFRS 16.

Whilst the Group is aware that the adoption of this new standard will have a material impact on its financial statements for the year ended 31 December 2019, at the date of signing the financial statements for the year ended 31 December 2018 a full assessment has not yet been reached as to the quantitative adjustments which will be required in the financial statements and therefore no disclosure is provided in these financial statements for this.

The Group's approach in assessment of the impact of IFRS 16 on the financial statements for the year ended 31 December 2019 is a key priority for the Group with careful consideration being given to all aspects of the standard and its impact on the Group. The Group's leasehold interests in its gyms will give rise to a material adjustment in the Group's financial statements and careful consideration is being given to deriving the appropriate discount rates to be used in the adjustment calculations.

The Group has dedicated members within its finance function currently working on assessing the impact of IFRS 16 on its financial statements. A detailed lease register in support of the calculations is currently being prepared internally with a full review of all current leases being undertaken providing a robust register to support the calculations and to account for all future leases in accordance with the principals of the new standard.

2.3 Going concern

As explained in note 2.1 to the financial statements, the Directors have considered all available information about the future available to them when assessing whether the Group is a going concern, including forecasts and sensitised forecasts extending beyond twelve months from the signing of the financial statements, potential cashflow mitigations and upsides, and the continuing support of its third-party lenders. The adoption of the going concern basis in preparing the financial statements is therefore considered appropriate.

2.4 Revenue

Revenue, which is stated excluding value added tax and other sales-related taxes, is measured at the fair value of the consideration receivable for goods and services supplied.

Revenue from membership income comprises monthly membership fees, non-refundable joining fees and longer-term membership fees. All membership income is recognised and spread over the period the membership relates to, being the period of the Group's performance obligations.

Other income is recognised at the point of sale as this reflects the fulfilment of all performance obligations.

Revenue from ancillary revenue streams including room rentals and vending machine rentals are recognised in the period to which they relate, being the period of the Group's performance obligations

2. Accounting policies (continued)

Contracts with customers are non-complex and do not require any significant accounting judgements or estimates.

Contract liabilities relate to membership fees received at the start of a contract, where the Group has the obligation to provide a gym membership over a period of time. Contract liabilities are disclosed within creditors.

Transaction price for membership income is the price paid by the member including all associated fees.

Transaction price for all other income is the amount agreed under the terms of the contract.

The maximum performance obligation of the Group is 12 months with the minimum being 1 day.

2.5 Segment reporting

The Group presents its results in accordance with internal management reporting information which means that the Group is reported as a single segment. The performance of the Group is monitored and measured and strategic decisions made by the Chief Operating Decision Maker, which is deemed to be the board, on the basis of the Group's results. The Group's results include all items presented under IFRS. The Group reports internally under UK GAAP ignoring the impact of IFRS accounting adjustments. At the year end, the Group's internal management numbers are adjusted to IFRS with the main impact of this being adjustments to operating lease incentives, revenues, finance costs and loans

2.6 Property plant and equipment

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method

The estimated useful lives range as follows:

Leasehold Improvements	- Equal instalments over the period to the end of the lease
Motor vehicles	- 5 years
Fixtures and fittings	- 5 years
Gym equipment	- 6 years
Other fixed assets	- *Not depreciated*

Other fixed assets relate to assets under construction Depreciation on assets under the course of construction does not commence until they are completely available for use.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2. Accounting policies (continued)

2.7 Inventories

Inventories are valued at the lower of cost and net realisable value.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.9 Financial instruments

The Group recognises financial instruments when it becomes a party to the contractual arrangements of the instrument Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Group's accounting policies in respect of financial instrument transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

The Group classifies its financial assets as those to be measured at amortised cost and those recognised at fair value through other comprehensive income.

The Group measures its trade and other receivables and cash and cash equivalents at amortised cost under IFRS 9. Subsequent to initial recognition these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

Financial assets are reviewed for impairment under the simplified approach to the expected credit loss model under IFRS 9. This is calculated through the use of a provision matrix by considering default rates by receivable age The movement in allowances for receivables is charged or credited through the income statement. Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

The Group's financial liabilities include trade payables, borrowings, finance lease liabilities, accruals and other creditors and are all categorised under amortised cost in accordance with IFRS 9.

Trade payables are not interest bearing and are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Borrowings, which comprised bank loans and other interest-bearing loans are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2. Accounting policies (continued)

Fees paid on the arrangement of the loan facilities are recognised as transaction costs over the life of the agreement.

2.10 Finance costs

Finance costs are charged to the statement of comprehensive over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

As per IFRS 9, any modification gain or loss arising from a modification to the contractual payments and receipts of a financial liability that does not result in the derecognition of the financial liability are recognised in the statement of comprehensive income at the date of the modification and disclosed within finance costs (see note 10).

The Group treats a modification that does not result in a derecognition of the financial liability as per IFRS 9. The Group recalculates the amortised cost of the financial liability by discounting the modified contractual cash flows using the original effective interest rate. The entity recognises any adjustment to the amortised cost of the financial liability in the statement of comprehensive as income or expense at the date of the modification.

2.11 Lease commitments

Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Finance leases

Assets acquired under finance leases are capitalised and depreciated over the lower of the useful lives and the terms of the lease. Rentals payable are apportioned between the finance element, which is charged to the income statement, and the capital element which reduces the outstanding obligation for future instalments.

2.12 Employee benefits

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2. Accounting policies (continued)

2.13 Borrowing costs

Borrowings are initially recognised net of borrowing costs incurred. Borrowing costs are released to the Statement of Comprehensive Income over the borrowing term using the effective interest rate method.

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.15 *Current and deferred taxation*

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.16 Onerous contracts

The Group provides for operating lease rentals where the contract obligations exceed the economic benefits expected to be received under it. The future cash flows are discounted at an appropriate rate reflective of inflation representing a risk-free rate of return adjusted for property risk applicable to the industry.

2. Accounting policies (continued)

2.17 Dilapidations

The Group has a leased asset portfolio. Management have assessed each lease to determine whether a provision is required for dilapidations and to what extent this equates to full reinstatement or a wear and tear provision. Provisions have been made based on management's estimate of the likely amount of dilapidations per gym and probability of incurring dilapidation charges on exit based on the lease terms. Management consider that a five-year look out on this provision is an appropriate timeframe in which to commence providing for future cash outflows in respect of its leased portfolio. The basis of this being, management have no past experience of the Group exiting leases more than five years from the expected lease end date; in the last five years the lease is well progressed with the final rent review/break clause surpassed and managements longer term strategic plans over the future direction of the estate likely to be agreed upon.

2.18 Prior year adjustment

This is covered in note 24 to the financial statements.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the Financial Statements in accordance of IFRS requires estimates and assumptions to be made that affect the value at which certain assets and liabilities are held at the balance sheet date and the amounts of revenue and expenditure recorded in the period. The Directors believe the accounting policies chosen are appropriate to the circumstances and that the estimates, judgements and assumptions involved in its financial reporting are reasonable.

Accounting estimates made by the Group's Directors are based on information available to management at the time each estimate is made. Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions. The estimates and assumptions for which there is a significant risk of a material adjustment to the Financial Statements within the next financial year are set out below.

Depreciation and impairment of fixed assets

The Group reviews the estimated useful lives and residual values of its fixed assets annually. The assets are depreciated over their estimated useful lives to their residual values. Given the significance of the carrying values of the fixed assets in the Group's financial position, relatively small changes in estimated useful lives and residual values could have a material effect on the Financial Statements. Details of the useful lives assigned to the Company's assets is included in note 2.6.

Lease classification

The Group is required to assess whether operating leases to which the Group is party have the characteristics of finance leases in which they are capitalised within property, plant and equipment and a lease liability recorded. In order to do this management, consider several indicators which require management to make estimates as follows:

* useful expected economic life;
* implicit interest rate under the lease: and
* present value of future cash flows under the lease.

Dilapidation Provision

The key sources of estimation uncertainty relate to whether a restoration obligation will arise and the amount and timing of future cash flows required to settle any restoration obligation assessed as arising Management have assessed the requirement for a liability to be recognised across its property portfolio, and at what stage of the lease a dilapidation provision should commence to be recognised. Management have assessed its property portfolio and have concluded that a dilapidation provision if required will commence to be recognised in the last five years of the lease term At this time, the final rent review discussions with the landlord are likely to be substantially underway or nearing conclusion with thought given to exit planning or extension of the site. Based on this criteria management have assessed a provision is required against three sites within the estate. Provisions have been made based on management's estimate of the expected cash outflow to restore the premises to the condition required as per the lease based on estimates provided by an independent third-party Details of dilapidations provision is included in note 25.

Onerous lease provisions

The Group provides for onerous contracts where the contract obligations exceed the economic benefits expected to be received under it. Management have assessed on a site-by-site basis whether there is evidence of sites being onerous with reference to its trading performance to date and allocation of central overheads. Three clubs have been assumed to be onerous based on the calculations prepared by management with the key estimates in determining the onerous amount being, allocation of central overhead costs and future expected gym performance, the period over the remaining lease term and the discount rate of 2% applied to future cash flows. Details of onerous lease provision is included in note 25.

Other provisions

The Group reviews outstanding legal cases following developments in the legal proceedings at each reporting date, in order to assess the need for a provision and disclosure in its financial statements Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and the potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before the sign off of the financial statements), the view of legal advisers party to any such legal proceedings and decisions of the Group's management as to how it will respond to the litigation, claim or assessment. Details of provision movements is included in note 25.

4. Merger accounting

Wright Leisure Topco Limited incorporated on 26 April 2018. On 30 April 2018 the Company acquired the entire share capital of Wright Leisure Limited by way of a share for share exchange with the shareholders of Wright Leisure Limited. The ultimate equity holders and the rights of each equity holder remain unchanged after this transaction.

The consolidated accounts have been prepared using the merger accounting method and comparative information includes the results of the Wright Leisure Group including all subsidiaries as reported in the comparative period adjusted for prior year adjustments and changes to accounting policies under IFRS, as if the group had always been in existence The consolidated accounts for the year ended 31 December 2018 also includes the results of Wright Leisure Midco Limited, which commenced trading on 30 April 2018

5. Revenue

The main revenue streams are membership income, rental income and other income.

Most of the revenue is derived from contracts with customers apart from income derived from the Group's ancillary activities such as vending, room rental income and other income streams.

Disaggregation of revenue

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition. All revenue arises in the United Kingdom.

Major products/service lines:

	2018	Restated 2017
	£	£
Membership income	**38,831,160**	34,788,327
Rental income	**487,419**	496,927
Other income	**678,910**	939,476
	39,997,489	36,224,730

Timing of revenue recognition:

	2018	Restated 2017
	£	£
Products transferred at a point in time	**591,769**	845,736
Products and services transferred over time	**39,405,720**	35,378,994
	39,997,489	36,224,730

Assets and liabilities relating to contracts with customers

	2018	Restated 2017
	£	£
Contract assets (note 14)	**153,570**	165,513
Contract liabilities (note 16)	**(1,821,439)**	(1,350,937)
	(1,667,869)	(1,185,424)

Revenue recognised that was included in contract liabilities in the prior year

	2018	Restated 2017
	£	£
Membership income	**1,826,196**	713,598
Other income	**16,492**	-
	1,842,688	713,598

Contract liabilities relate to membership fees received at the start of a contract, where the Group has the obligation to provide a gym membership or other membership related service over a period of time. The contract liability balance can be affected by changes in membership numbers, membership package and joining date. Despite a decrease in overall members between 2017 and 2018, the average price per package and increase in yield have contributed to an overall increase in contract liabilities between 2017 and 2018.

2018 also includes the impact of the new IFRS 15 revenue adjustment IFRS 15 revenue transition adjustment being an increase in revenue of £491,751, all of which has been recognised in revenue in 2018.

The maximum performance obligation period of the Group is 12 months with the minimum being one-day.

6. Expenses

The expenses are stated after charging:

	2018	Restated 2017
	£	£
Depreciation of property, plant and equipment	**4,741,198**	4,084,272
Defined contribution pension cost	**90,627**	43,438
Loss on disposal of fixed assets	**8,348**	890
Impairment losses	**-**	653,812

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

7. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements and subsidiaries	**71,000**	45,000

Fees payable to the Group's auditor and its associates in respect of:

Non-audit services	**430,500**	11,900
	430,500	11,900

8. Staff numbers and costs

Staff costs, including Directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	**12,048,891**	11,158,158
Social security costs	**881,411**	817,152
Cost of defined contribution scheme	**90,627**	43,438
	13,020,929	12,018,748

The average monthly number of employees, including the Directors, during the period was as follows:

	2018 No.	2017 *No.*
Administration	**69**	74
Operational	**629**	587
	698	661

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

9. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**652,060**	624,615
Company contributions to defined contribution pension schemes	**2,558**	1,462
	654,618	626,077

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £690 (2017: £366).

The highest paid Director received remuneration of £170,236 (2017: £174,322)

10. Finance expenses

	2018 £	2017 £
Loan note interest	**1,418,027**	1,129,487
Other interest payable	**149,276**	46,103
Modification loss expense	**1,604,344**	-
Unitranche interest expense	**2,070,674**	-
Bank interest payable	**258,654**	766,337
HP interest	**366,807**	361,078
	5,867,782	2,303,005

10. Finance expenses (continued)

During the period, a modification was made to the Group's loan notes and Unitranche facilities resulting in a modification loss arising under IFRS 9.

As part of the Group's review of the modifications to its loan facilities, consideration was given to the substantial modification test as set out in IFRS 9. For all amendments, future cashflows both pre and post modification were reviewed to ascertain whether the modification was substantial or non-substantial by reference to the 10% test.

Loan note modification

The terms of the Group's £2 5m 2013 loan notes were amended on 30 April 2018, increasing the interest rate to 11.5% and extending the repayment date to 30 April 2024. The modification resulted in a less than 10% modification to the contractual cashflows of the liability, with a modification loss recognised in the period of £104,657 in accordance with IFRS 9 substantial modification test.

The terms of the Group's £5m 2016 loan notes were amended on 30 April 2018, increasing the interest rate to 11.5% and reducing the repayment date to 30 April 2024. The modification resulted in a less than 10% modification to the contractual cashflows of the liability, with a modification loss recognised in the period of £117,558 in accordance with IFRS 9 substantial modification test.

The terms of the Group's £2m 2017 loan notes were amended on 30 April 2018, increasing the interest rate to 11.5% and repayment date to 30 April 2024. The modification resulted in a less than 10% modification to the contractual cashflows of the liability, with a modification loss recognised in the period of £142,750 in accordance with IFRS 9 substantial modification test.

The terms of the Group's £1m 2017 loan notes were amended on 30 April 2018, increasing the interest rate to 11.5% and repayment date to 30 April 2024. The modification resulted in a less than 10% modification to the contractual cashflows of the liability, with a modification loss recognised in the period of £69,232 in accordance with IFRS 9 substantial modification test.

Unitranche Loan modification

The terms of the Group's Facility A financial liability were amended on the 15th November 2018, increasing the interest rate on this loan from 9.5% to 11.5%. The modification resulted in a less than 10% modification to the contractual cashflows of the liability, with a modification loss recognised in the period of £874,212 in accordance with IFRS 9 substantial modification test.

The terms of the Group's Facility B financial liability were amended on the 15th November 2018, increasing the interest rate on this loan from 4.5% to 6.5%. The modification resulted in a less than 10% modification to the contractual cashflows of the liability, with a modification loss recognised in the period of £295,935 in accordance with IFRS 9 substantial modification test

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

11. Taxation

	2018 £	Restated 2017 £
Total current tax	**-**	-
Deferred tax		
Origination and reversal of timing differences	**36,773**	(16,891)
Total deferred tax	**36,773**	(16,891)
Taxation on profit/(loss) on ordinary activities	**36,773**	(16,891)

Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	Restated 2017 £
Loss on ordinary activities before tax	**(10,447,259)**	(8,807,303)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	**(1,984,979)**	(1,695,406)
Effects of:		
Expenses not deductible for tax purposes	**506,560**	466,784
Deferred tax not recognised (see below)	**1,389,375**	1,097,932
Tax rate differences	**142,719**	93,313
Unrelieved tax losses carried forward	**(1,387)**	3,420
Other differences leading to an increase (decrease) in the tax charge	**-**	17,066
Transition adjustment - IFRS 15	**(15,515)**	-
Total tax charge for the period/year	**36,773**	(16,891)

Factors that may affect future tax charges

The Group has tax losses of £11,278,090 (2017 - £9,525,577) that are available indefinitely for offset against future taxable profits of the companies in which they arise The 2017 losses have increased by £1,473,962 following restatements made to the 2016 and 2017 accounts. Included within deferred tax not recognised is £738,673 (2017: £68,096) relating to disallowed interest expenses under the Corporate Interest Restriction (CIR) rules. Further details of deferred tax not recognised on prior-year adjustments can be found in note 24.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

12. Property plant and equipment (restated)

	Leasehold Improvements £	Motor vehicles £	Fixtures and fittings £	Gym equipment £	Assets under the course of construction £	Total £
Cost						
At 1 January 2017 (as previously stated)	23,851,933	401,120	2,358,542	15,131,350	476,793	42,219,738
Prior year adjustment	155,607	-	(492,181)	(84,601)	(30,548)	(451,723)
Additions	1,680,369	24,234	49,696	836,007	192,258	2,782,564
Disposals	-	(110,425)	-	-	-	(110,425)
Transfers between addition classes	190,088	-	239,822	-	(429,910)	-
At 31 December 2017 (restated)	25,877,997	314,929	2,155,879	15,882,756	208,593	44,440,154
At 1 January 2018 (restated)	25,877,997	314,929	2,155,879	15,882,756	208,593	44,440,154
Additions	2,622,038	-	533,399	1,263,179	-	4,418,616
Disposals	-	(24,750)	-	-	-	(24,750)
Transfers between classes	160,602	-	16,765	31,226	(208,593)	-
At 31 December 2018 (restated)	28,660,637	290,179	2,706,043	17,177,161	-	48,834,020
Depreciation						
At 1 January 2017 (as previously stated)	3,632,129	170,979	989,805	4,248,467	-	9,041,380
Prior year adjustment	55,221	(47,648)	(728,246)	(155,494)	-	(876,167)
Impairment charge	653,812	-	-	-	-	653,812
Charge for the period on owned assets	1,887,264	97,662	561,461	1,927,790	-	4,474,177
Disposals	-	(46,761)	-	-		(46,761)
At 31 December 2017 (restated)	6,228,426	174,232	823,020	6,020,763	-	13,246,441
At 1 January 2018 (restated)	6,228,426	174,232	823,020	6,020,763	-	13,246,441
Charge for the period on owned assets	2,099,145	44,626	489,714	2,107,712	-	4,741,197
Disposals	-	(15,840)	-	-	-	(15,840)
At 31 December 2018 (restated)	8,327,571	203,018	1,312,734	8,128,475	-	17,971,798
Net book value						
At 31 December 2018	20,333,066	87,161	1,393,309	9,048,686	-	30,862,222
At 31 December 2017	19,649,031	140,697	1,332,859	9,861,993	208,593	31,193,713
At 31 December 2016	20,219,756	230,141	1,368,737	10,882,883	476,793	33,178,358

12. Property plant and equipment (restated) (continued)

Assets under the course of construction are set up costs of new gyms which are being developed but have not yet been opened. These assets are in line with Group policy and are not depreciated until the gym has been opened.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018	Restated 2017	Restated 2016
	£	£	£
Land and buildings leasehold	-	12,437	44,320
Gym equipment	-	5,685,448	5,693,390
Motor vehicles	**45,785**	102,818	223,925
Furniture, fittings and equipment	-	100,889	133,398
	45,785	5,901,592	6,095,033

13. Inventories

	2018	2017	2016
	£	£	£
Consumables	49,703	84,515	26,276
Goods for resale	48,153	95,745	111,824
	97,856	180,260	138,100

Stock recognised in cost of sales £430,757 (2017: £404,494).
Stock impairment recognised £Nil (2017: £Nil),

14. Trade and other receivables

	2018	Restated 2017	Restated 2016
	£	£	£
Due within one year			
Trade receivables	**110,126**	198,235	198,416
Other receivables	**226,711**	215,974	1,038,780
Prepayments	**2,049,862**	1,426,159	1,218,426
Contract assets	**153,570**	165,513	318,035
Directors loans	**86,451**	120,000	70,000
	2,626,720	2,125,881	2,843,657

Trade Receivables

The carrying value of trade receivables is considered a reasonable approximation of fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using expected loss rates. The expected loss rates are based on the Group's historical credit losses experienced The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

A reconciliation of the movement in the impairment allowance for trade receivables under the expected credit loss model is shown below.

	£
Provision for bad debts as at 31 December 2017	123,028
Amounts utilised	68,623
Amounts released	(68,623)
Expected credit loss provision as at 31 December 2018	123,028

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

Contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using expected loss rates Recoverability of outstanding membership debt is outsourced to a third-party service provider so management do not make decisions on a debt by debt basis.

	Debt originating Year			
	2018	**2017**	**Prior to 2017**	**Total**
Total Gross Carrying Value of Balances Outstanding (£)	2,991,137	2,772,841	6,090,827	**11,854,805**
Expected Credit Loss rate %	96%	99%	100%	
Expected Credit Loss Allowance (£)	(2,885,807)	(2,748,171)	(6,090,827)	**11,724,805**
Net Carrying Amount (£)	**105,330**	**24,670**	-	**130,000**

15. Cash and cash equivalents

	2018	2017	2016
	£	£	£
Cash at bank and in hand	**3,057,388**	1,660,216	1,626,746
	3,057,388	1,660,216	1,626,746

16. Current Liabilities

	2018	Restated 2017	Restated 2016
	£	£	£
Bank loans	-	9,952,772	2,977,776
Other loans	-	833,333	-
Obligations under finance lease and hire purchase contracts	**5,123**	2,064,411	1,947,745
	5,123	12,850,516	4,925,521

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

16. Current Liabilities (continued)

Trade and other payables

	2018	Restated 2017	Restated 2016
	£	£	£
Trade payables	**4,984,708**	5,512,368	9,543,528
Other taxation and social security	**1,513,800**	1,492,364	942,998
Other creditors and accruals	**1,719,560**	1,290,889	1,422,291
Contract liabilities	**1,821,439**	1,350,937	502,682
Operating lease incentives	**8,085,990**	7,877,569	6,622,526
	18,125,497	17,524,127	19,034,025

The hire purchase and finance lease obligations are secured over the assets which they relate to. The bank loans have connected to them a debenture and charge over the assets of the Group.

The Group leases its gym sites under non-cancellable operating leases. The leases have varying terms and renewal rights On renewal, the terms of the leases are renegotiated. A number of the lease agreements include rent free periods or discounts to market rates as incentives. Due to their variable nature all rent-related lease incentives are presented within current liabilities, consistent with other industry operators.

The Group at times also receives cash incentives from landlords to enter into lease arrangements with them. As these amounts are received up front in cash with a fixed value known from the start of the lease term and are separate to the cash flows under the terms of the lease agreements, the amounts are split between current and non-current liabilities and are presented in the financial statements under the relevant category.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

17. Non-current liabilities

	2018	Restated 2017	Restated 2016
	£	£	£
Other interest-bearing loans			
Bank loans	-	7,118,058	11,708,674
Other loans	**14,251,888**	12,032,276	8,669,180
Other loans- Unitranche	**31,315,144**	-	-
Net obligations under finance leases and hire purchase contracts	-	1,843,802	1,672,351
	45,567,032	20,994,136	22,050,205

	2018	Restated 2017	Restated 2016
	£	£	£
Other payables			
Other creditors	-	-	1,377
Operating lease incentives	**3,595,540**	3,923,871	3,776,131
	3,595,540	3,923,871	3,777,508

The Group leases its gym sites under non-cancellable operating leases The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated. A number of the lease agreements include rent free periods or discounts to market rates as incentives. Due to their variable nature all rent-related lease incentives are presented within current liabilities, consistent with other industry operators.

The Group at times also receives cash incentives from landlords to enter into lease arrangements with them. As these amounts are received up front in cash with a fixed value known from the start of the lease term and are separate to the cash flows under the terms of the lease agreements, the amounts are split between current and non-current liabilities and are presented in the financial statements under the relevant category.

18. Borrowings

Analysis of the maturity of loans is given below

	2018	Restated 2017	Restated 2016
	£	£	£
Amounts falling due within 1 year			
Bank loans	-	9,952,772	2,977,776
Other loans	-	833,333	-
	-	10,786,105	2,977,776
Amounts falling due 1-2 years			
Other loans	-	2,925,626	833,333
Bank loans	-	7,118,058	5,777,776
	-	10,043,684	6,611,109
Amounts falling due 2-5 years			
Bank loans	-		5,930,898
Other loans	-	5,537,534	3,669,180
	-	5,537,534	9,600,078
Amounts falling due after more than 5 years			
Other loans	**14,251,888**	3,569,116	4,166,667
Other loans - Unitranche	**31,315,144**	-	-
	45,567,032	3,569,116	
	45,567,032	29,936,439	23,355,630

Bank loans

On 12 September 2016 the Group entered into a loan agreement with Lloyds TSB Bank PLC, 'Facility A' initial drawdown of £10.25m. Fixed interest of 4.2% plus LIBOR applied to the drawn balance Interest is payable in quarterly instalments from the date of commencement The repayment of principal was to commence in January 2018, with monthly repayment of £0.25m, increasing to £0.5m in July 2018. The Group made voluntary repayments of principal in 2017 totalling £0.85m. As part of the Group restructure in April 2018, all outstanding Lloyds debt was repaid in full on 30 April 2018. Balance at 31 December 2018 of interest and capital £nil, (2017 - £9.47m).

On 12 September 2016 the Group entered into a loan agreement with Lloyds TSB Bank PLC, 'Facility B', available facility of £9.1m. The Group made an initial drawdown of £1.4m on 13 September 2016 with subsequent drawdowns of £1.4m 3 October 2016; £1.4m 4 November 2016; £1.4m 10 January 2017; £1.4m 3 April 2017 and £0.7m 2 May 2017. Undrawn facility at 2nd May to the date of repayment on 30 April 2018 continued to be £1.4m. Undrawn amounts are subject to non-utilisation fee of 1 68%. Fixed interest of 4.2% plus LIBOR applied to drawn balances Interest is payable in quarterly instalments from the date of drawdown payable in arrears. £7.55m (2017: £0.15m) principal was repaid during the year. As part of the Group restructure in April 2018, all outstanding Lloyds debt was repaid in full on 30 April 2018. Balance at 31 December 2018 of interest and capital £nil, (2017 - £7.6m).

18. Borrowings (continued)

The bank loan had connected to them a debenture and charge over the assets of the Group.

Other Loans

BGF is an investment Company that provides long-term equity funding to growing UK companies to enable them to execute their strategic plans.

At the year end the Group had £11.7m (2017: £9 5m) of unsecured fixed rate loan notes in issue from BGF. The loan notes had accrued interest of £1 38m (2017: £2.4m) at the balance sheet date. Details of the loan notes issued to BGF by the Group are noted below.

On 23 August 2013 the Group issued £2.5m of unsecured fixed rate loan notes, due 23 August 2020. The loan notes were subject to fixed interest of 10% for the duration of the term. On 30 April 2018, the loan notes were modified amending the interest rate applicable to 11.5% and extension of the loan period to 30 April 2024. Interest accrues on the loan notes monthly, with quarterly compounding intervals. A redemption premium of £230k was recognised at the date of modification, with all interest and principal repayable at the end of the loan term. The effective interest rate applicable to the loan note is 12% (11.3% pre the loan modification). As part of the Group restructure the loan notes in issue were transferred to Wright Leisure Topco Limited, the new parent Company of the Wright Leisure Group at their carrying value at the date of transfer. At the date of transfer, £1.1m of compounded interest and £833k principal was paid to the loan note holders. Balance at 31 December 2018 £2.12m (2017: £3.68m).

On 21 January 2016 the Group issued £5m of unsecured fixed rate loan notes, due 21 January 2026. The loan notes were subject to fixed monthly interest of 10% for the duration of the term, compounded quarterly. On 30 April 2018, the loan notes were modified amending the interest rate applicable to 11.5% and reducing the loan term to 30 April 2024. A redemption premium of £126k was recognised at the modification date with all compounded interest, principal and interest premium of £1.25m payable at the end of the loan term. The effective interest rate applicable to the loan note is 14.2% (13.4% pre the loan modification). As part of the Group restructure the loan notes in issue were transferred to Wright Leisure Topco Limited, the new parent Company of the Wright Leisure Group at their carrying value at the date of transfer. At the date of transfer, £1.3m of compounded interest was paid to the loan note holders. Balance at 31 December 2018 £5.82m (2017: £6.23m).

On 10 November 2017 the Group issued £2m of unsecured fixed rate loan notes, due 10 November 2022. The loan notes were subject to fixed monthly interest of 10% for the duration of the term, compounded quarterly. On 30 April 2018, the loan notes were modified amending the interest rate applicable to 11.5% and extending the loan term to 30 April 2024. All compounded interest and principal are payable at the end of the loan term. The effective interest rate applicable to the loan note is 11.2% (12% pre the loan modification). As part of the Group restructure the loan notes in issue were transferred to Wright Leisure Topco Limited, the new parent Company of the Wright Leisure Group at their carrying value at the date of transfer. At the date of transfer, £0.08m of compounded interest was paid to the loan note holders. Balance at 31 December 2018 £2.2m (2017: £2m).

On 12 December 2018 the Group issued £1m of unsecured fixed rate loan notes, due 30 April 2024. The loan notes were subject to fixed monthly interest of 16% for the duration of the term, compounded quarterly. Payment of principal and interest to be repaid at the end of the loan term. The effective interest rate applicable to the loan note is 17.6%. Balance at 31 December 2018 £0.98m (2017: £nil).

On 12 December 2018 the Group issued £2m of unsecured fixed rate loan notes, due 30 April 2024. The loan notes were subject to fixed monthly interest of 11.5% for the duration of the term, compounded quarterly. Payment of principal and interest to be repaid at the end of the loan term. The effective interest rate applicable to the loan note is 12.6%. Balance at 31 December 2018 £1.96m (2017: £nil).

18. Borrowings (continued)

Loan notes issued to Related Party

On the 10 November 2017 the Group issued £1m of unsecured fixed rate loan notes, due 10 November 2022 to a Director and majority shareholder of the Wright Leisure Group. The loan notes were subject to fixed monthly interest of 10% for the duration of the term, compounded quarterly. On 30 April 2018, the loan notes were modified amending the interest rate applicable to 11.5% and extending the loan term to 30 April 2024. All compounded interest and principal are payable at the end of the loan term. The effective interest rate applicable to the loan note is 11% (11.9% pre the loan modification). As part of the Group restructure the loan notes in issue were transferred to Wright Leisure Topco Limited, the new parent Company of the Wright Leisure Group at their carrying value at the date of transfer. At the date of transfer, £0.04m of compounded interest was paid to the loan note holder. Balance at 31 December 2018 £1.13m (2017: £1m).

Unitranche Loans

In April 2018 the Group secured Unitranche debt funding with Proventus Capital Partners. The refinancing provided the Group with a £42.2m committed and £10m uncommitted facility, ending April 2024. The Proventus debt is structured into three facilities with different interest rates attached.

Facility A loan of £25.2m is subject to PIK interest of 11.5% plus LIBOR (9 5% plus LIBOR between 30 April 2018 to 14 November 2018) to 30 April 2020. From 1 May 2020 the loan is subject to cash interest of 7 75% plus LIBOR payable in quarterly instalments with a bullet repayment of capital at the end of the term. The loan is subject to an effective interest rate of 11.6%. The facility was fully drawn during the year ended 31 December 2018. Balance at 31 December 2018, interest and capital amounted to £25.9m.

Facility B loan of £15m is subject to PIK and cash interest plus LIBOR over the loan term. PIK interest of 6.5% (4.5% between 30 April 2018 to 14 November 2018) and cash interest plus LIBOR at 4% apply to the drawn facility amounts. The loan is subject to an effective interest rate of 11.4% In the year ended 31 December 2018, £3m drawdown from the facility was made, at the 31 December 2018 the Group had an undrawn facility of £12m.

Non utilisation fees of 2% apply on a daily basis to any undrawn amounts. Cash and non-utilisation fees are paid quarterly in arrears. During the period, total cash outflows in respect of this facility amounted to £169,123 non utilisation fee and £76,819 cash interest. Balance at 31 December 2018, interest and capital £3.4m

Revolving credit facility (RCF) of £2m which was fully drawn in the period. Cash interest of 4.5% plus LIBOR and non-utilisation fee of 1.8% apply to the facility. The loan is subject to an effective interest rate of 5.3%. During the year ended 31 December 2018, total cash outflows in respect of this facility amounted to £3,107 non utilisation fee and £61,224 cash interest. Balance at 31 December 2018, interest and capital £2m.

The loan agreements are subject to compliance with financial covenants which measure cash flow to debt service and EBITDA, interest cover and leverage.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

19. Finance leases

Future minimum lease payments for:

	2018	2017	2016
	£	£	£
Future minimum lease payments for			
Within one year	**5,200**	2,364,283	2,211,089
Between 1-2 years	**-**	1,474,830	1,339,530
Between 2-5 years	-	513,492	448,916
	5,200	4,352,605	3,999,535

	2018	Restated 2017	Restated 2016
	£	£	£
Within one year	**5,123**	2,064,411	1,947,745
Between 1-2 years	**-**	1,351,577	1,239,119
Between 2-5 years	-	492,225	433,232
	5,123	3,908,213	3,620,096

20. Financial instruments

	2018 £	Restated 2017 £
Financial assets		
Cash and cash equivalents	**3,057,388**	1,660,216
Trade and other receivables	**423,288**	534,209
Contract assets	**153,570**	165,513
	3,634,246	2,359,938

	2018 £	Restated 2017 £
Financial liabilities		
Trade payables	**5,426,452**	5,954,112
Other creditors and accruals	**1,797,893**	1,410,889
Obligations under finance lease and hire purchase contracts	**5,123**	3,908,213
Onerous leases and dilapidations	**577,629**	113,379
Borrowings (Bank and other loans)	**45,567,032**	29,936,439
	53,374,129	41,323,032

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, contract assets, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair value. All financial assets and liabilities are level 3 based on IFRS 7 definitions.

21. Deferred taxation

	2018 £	Restated 2017 £	Restated 2016 £
At beginning of year	**393,509**	376,616	368,856
Charge in year	**(36,772)**	16,893	7,760
At end of year	**356,737**	393,509	376,616

The deferred taxation balance is made up as follows:

	2018 £	Restated 2017 £	Restated 2016 £
Operating lease incentives	**356,737**	393,509	376,616
	356,737	393,509	376,616

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

22. Share capital (Restated)

	2018	Restated 2017	Restated 2016
	£	£	£
Allotted, called up and fully paid			
410 (2017 - 410, 2016 - 350) Ordinary A shares of £0 001 each	**0.41**	0.41	0.35
50 (2016 and 2017 - 50) Ordinary B shares of £0.001 each	**0.05**	0.05	0.05
80 (2016 and 2017 - 80) Ordinary C shares of £0.001 each	**0.08**	0 08	0.08
40 (2016 and 2017 - 40) Ordinary C1 shares of £0.001 each	**0.04**	0.04	0.04
1,410 (2017 - 1,410, 2016 1,470) Ordinary D shares of £0.001 each	**1.41**	1.41	1 47
10 (2016 and 2017 - 10) Ordinary shares of £0.001 each	**0.01**	0.01	0.01
	2	2	2

On 26th April 2018 the Company issued 1 Ordinary share at par value of £0.001.

On 30th April 2018 1 Ordinary share was redesignated as D Ordinary share of £0.001. On 30th April 2018 410 A Ordinary Shares, 50 B Ordinary Shares, 80 C Ordinary Shares, 40 C1 Ordinary Shares, 1,410 D Ordinary Shares and 10 Ordinary Shares were issued at par in exchange for the entire share capital of Wright Leisure Limited.

The holders of all classes of shares in the Company have the right to receive notice of and to attend and vote and speak at any general meeting of the Company and shall be entitled to vote on any written resolution of the Company.

The voting rights conferred on the holders of A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and C1 Ordinary Shares shall be restricted to the lower of 40% of the voting rights attaching to all shares in the Company and the number of votes allocated to the holders of all classes of shares.

If any Enhanced Voting Event (as such term is defined in the Company's articles of association) occurs, then BGF may serve written notice on the Company of the Enhanced Voting Event and until such notice has been withdrawn by BGF, the voting rights attaching to the A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and C1 Ordinary Shares (as if they constituted one class) shall be increased to either 49.9% or 51% of the voting rights attaching to all the shares in the Company depending on the nature of the Enhanced Voting Event and in accordance with the Company's articles of association.

23. Reserves

Profit and loss account

This includes all current and prior period retained profits and losses.

24. Prior year adjustment

The Group has made the following adjustments to correct errors arising in prior periods:

(a) The Group has identified an adjustment to the rent-free provision resulting in a write back to the income statement of £82,899. This is following detailed review of the lease portfolio of the Group including lease terms, rent free periods and lease rentals which found substantial adjustments required to correct the liability at 31 December 2016 and 31 December 2017. The impact of this has been to increase opening equity at 1 January 2017 by £172,288, reduction in rent charge in the year end 31 December 2017 by £82,889 and reduction in rent free liability of £255,177 as at 31 December 2017.

(b) The Group identified that the BGF and JW loan notes had not been correctly measured under the amortised cost basis. Instead interest was recognised based on the prevailing rate of interest per the loan agreements rather than using the effective interest rate to calculate the finance charge. Initial transaction costs related to the obtaining of finance were recognised separately within prepayments and released to the income statement over the loan term as opposed to the correct treatment of offsetting the costs of borrowing against the original loan value to compute the correct effective rate of interest. The impact of this adjustment being to reduce opening equity at 1 January 2017 by £236,450, increase interest expense in the year to 31 December 2017 by £168,983, increase the loan liability by £312,891 and reduce debtors by £92,542 at 31 December 2017.

(c) The Group has identified assets within leasehold improvements which require an impairment charge to be recognised against them in the income statement of £653,812. The charge has been calculated by reference to sites which were underperforming at the 31 December 2017, had negative EBITDA and for which an onerous contract existed at 31 December 2017. The Group considers these sites not to be cash generative units and an impairment charge should be recognised against immovable assets held at these sites being assets held in leasehold improvements which are unable to be deployed to other locations or easily dismantled. The recoverable amount of the assets has been measured based on the assets value in use, as the assets are unable to be used outside of the site their value has been measured as nil, and fully impaired at the 31 December 2017. The impact of this adjustment has been to recognise an impairment charge of £653,812 in the income statement and reduce the carrying amount of leasehold improvements by £653,812 in the year ended 31 December 2017.

(d) The Group identified the need for an onerous lease provision to be recognised against three sites where the contractual liabilities exceeded the economic benefits of the contract. The Group considered the provision as at both 31 December 2017 and 31 December 2018 and to be consistent with the accounting policy have recognised a charge to the income statement of £113,379 in the year ended 31 December 2017. The impact of this adjustment in the year ended 31 December 2017 being to increase administrative expenses by £113,379 and reduce leasehold improvement assets in the Statement of financial position by £113,379.

(e) The Group has identified that the depreciation charge on all classes of assets was inconsistent with the Group's accounting policy and a write back to depreciation of £412,259 should be recorded in the income statement to correct the closing NBV of asset classes. This is following a full review and cleansing exercise undertaken by the new management team of the Group's fixed asset register. Over depreciation had occurred for a number of reasons including continuation of depreciation on assets that had previously being disposed of, assets that had been fully depreciated and assets not being depreciated in line with the accounting policy. The impact of this adjustment is to reduce depreciation charge in the income statement and increase NBV of fixed assets by £412,259 as at 31 December 2017.

(f) The Group has reviewed the calculation methodology relating to membership income for deferred and accrued income balances and identified an additional charge required to the income statement of £963,763. The historic calculation of these balances was based on a highly judgemental percentage approach which does not reflect the economic substance of the transactions or industry in which the Group operates within. Management consider that the previous estimation methodology was inappropriate. The restatement has arisen through applying a more robust, logical approach to identifying the Group's contract liabilities and aligning this with its revenue recognition policy The impact of the adjustment being a reduction in revenue of £963,763; increase in deferred income £601,828 and reduction in accrued income of £361,935 in the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

24. Prior year adjustment (continued)

(g) The Group identified balances within its statement of financial position which should have been released to the income statement in the prior year For all such balances, no reliable evidence or supporting documentation exists to support the view to keep these costs on the statement of financial position at 31 December 2017. The adjustment gives rise to an overall increase to the loss in the year ended 31 December 2017 of £704,791 being reduction in revenue £80,166 and additional charge to administrative expenses in the income statement of £624,625. The adjustment had the following impact on the statement of financial position. Reduction to fixed assets £71,172, trade debtors £80,166, other debtors £537,748, trade creditors £15,714 and social security taxes £38,572 and increases to accruals and other creditors £48,322 and provisions for liabilities £21,669.

(h) The Group identified revisions required to calculations of certain accruals which were not consistent with how management would expect the calculation of such accruals to be made. The impact of the adjustment in the year ended 31 December 2017 being to increase administration expenses in the income statement by £92,979 and increase accruals in the statement of financial position by £92,979.

(i) The Group identified an overstatement of its bad debt provision of £12,983. The overstatement has arisen from provisions being made against receivables that had been paid as at 31 December 2017 but the allocation of cash had not been posted to the correct receivable account. The impact of the adjustment in the year ended 31 December 2017 being a reduction in the bad debt charge in the income statement and reduction in the bad debt provision in the statement of financial position as at 31 December 2017.

Overall impact of the prior year adjustments is summarised below.

	a	b	c	d	e	f	g	h	i	**Total**
Income statement - 2017										
Revenue						963,763	80,166			1,043,929
Administration expenses	(82,889)			113,379			624,625	92,979	(12,983)	735,111
Finance costs		168,983								168,983
Depreciation			653,812		(412,259)					241,553
Total	**(82,889)**	**168,983**	**653,812**	**113,379**	**(412,259)**	**963,763**	**704,791**	**92,979**	**(12,983)**	**2,189,576**
Balance sheet at 31 December 2017										
Fixed assets			(653,812)		412,259		(71,172)			(312,725)
Debtors		(92,542)				(361,935)	(617,914)		12,983	(1,059,408)
Creditors	255,177	(312,891)		(113,379)		(601,828)	(15,705)	(92,979)		(881,605)
Equity	(172,288)	236,450								64,162
Total	**82,889**	**(168,983)**	**(653,812)**	**(113,379)**	**412,259**	**(963,763)**	**(704,791)**	**(92,979)**	**12,983**	**(2,189,576)**

25. Provisions

	Onerous leases £	Dilapidations £	Legal claims £	Total £
At 1 January 2018 (restated)	(113,379)	-	(561,744)	(675,123)
Charged to income statement	(396,835)	(67,416)	-	(464,251)
Released in year	-	-	41,667	41,667
As at 31 December 2018	**(510,214)**	**(67,416)**	**(520,077)**	**(1,097,707)**

Onerous lease provisions

The Group has provided for operating lease rentals where the contract obligations exceed the economic benefits expected to be received under it The key management judgements and estimation uncertainties regarding this provision can be found in note 3

Dilapidations

The Group has a leased property portfolio and under standard terms within the lease agreements have a constructive obligation to maintain in good repair and to the conditions as specified in the lease terms Provisions have been made based on management judgement and the use of an independent third-party contractor to determine the cash outflow likely to settle the obligation. The key management judgements and estimation uncertainties regarding this provision can be found in note 3.

Legal claims

The Group has two outstanding legal claims currently ongoing. The Group has provided against one of the claims in full. The second claim, although the Group recognises there is a possible obligation in respect of this claim management believe that the duration, timing and outcome of the dispute is currently unknown and therefore no provision has been recognised at 31 December 2018 in respect of this claim, but disclosed as contingent liability note 26. A provision has been made for the legal costs incurred in defence of the ongoing legal disputes, this provision is included in accruals in the Statement of financial position at 31 December 2018 £78,333 (2017: £100,000).

26. Contingent liabilities

At 31 December 2018, the Group recognises there is a possible obligation in respect of an ongoing legal dispute. The duration, timing and outcome of the dispute is currently unknown

27. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £90,627 (2017 - £43,438). £22,014 (2017 - £8,614) was payable to the fund at 31 December 2018.

28. Commitments under operating leases

At 31 December 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	2018	Restated 2017	Restated 2016
	£	£	£
Not later than 1 year	**7,886,945**	7,105,540	5,655,094
Later than 1 year and not later than 5 years	**31,121,597**	31,523,517	28,710,895
Later than 5 years	**36,406,922**	44,081,068	47,725,628
	75,415,464	82,710,125	82,091,617

Leases include property, car leases and photocopiers.

29. Financial Instruments Risk Management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies.

The overall objective of the Board is to set policies that seek to reduce the risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

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. Key market risks affecting Group include interest rate risk or other market factors (price risk). Financial instruments affected by market risk include borrowings and deposits.

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. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with elements of floating interest rates.

Where applicable the Group prefers fixed rate interest products to achieve a known interest charge.
The Group analyses the floating element of its long-term debt obligations on a quarterly basis by uplifting the forecast floating rate to actuals as at the quarter end and rolling this out to the end of the loan term to assess the impact on both the underlying liability, finance expense and cashflow impact.

The impact of a 10 basis-point increase on income statement and net assets (being the maximum reasonable expectation of changes in floating interest rates by management) would be an increase in the loss for the period of £30,366, an increase in liabilities of £26,326 and an increase in cash outflows of £4,919.

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

29. Financial Instruments Risk Management (continued)

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 to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of 13-weeks.

The Group prepares a rolling 13-weeks cash forecast for weekly distribution to the Board. Alongside the 13-week rolling cashflow the Group also prepares a long-term five-year forecast. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The table below sets out the contractual maturities (representing undiscounted contractual cashflows) of financial liabilities:

As at 31 December 2018	**Up to 1 year**	**Between 1 and 2 year**	**Between 2 and 5 year**	**Over 5 year**
	£'000	£'000	£'000	£'000
Trade and other payables	8,738	-	-	-
Loans and borrowings	255	2,085	8,994	66,052
Finance liabilities	5	-	-	-
Total	**8,998**	**2,085**	**8,994**	**66,052**

As at 31 December 2017	**Up to 1 year**	**Between 1 and 2 year**	**Between 2 and 5 year**	**Over 5 year**
	£'000	£'000	£'000	£'000
Trade and other payables	8,857	-	-	-
Loans and borrowings	10,786	10,044	5,538	3,569
Finance liabilities	2,364	1,475	513	-
Total	**22,007**	**11,519**	**6,051**	**3,569**

Credit risk

The Group's principle financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is low as it has limited trade receivables. The credit risk on liquid funds and financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit ratings agencies and the Business Growth Fund which has significant funds with which to make further investments.

Capital risk management

The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern.

The Group is financed through a mixture of both secured and unsecured facilities provided by its two investees Proventus Capital Partners and Business Growth Fund Like many others in the low-cost gym sector the Group operates with a highly leveraged Statement of Financial position given the fast pace and growth acquisitive industry which unpins this sector.

NOTES TO THE DETAILED ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

29. Financial Instruments Risk Management (continued)

Consistent with others in the industry, the Group monitors capital based on the debt to adjusted capital ratio. The ratio is calculated as net debt adjusted as defined below. Net debt is calculated as total debt (excluding other loan notes) as per the Statement of Financial Position less cash and cash equivalents.

	2018 £'000	2017 £'000
Loans and Borrowings (note 18)	(45,567)	(29,936)
Less other loan notes (note 18)	14,252	12,866
	(31,315)	**(17,070)**
Less cash and cash equivalents (note 15)	3,057	1,660
Net debt	**(28,258)**	**(15,410)**
Total Equity (page 12)	(31,390)	(20,414)
Add back other loan notes (note 18)	14,252	12,866
Total adjusted capital	**(17,138)**	**(7,548)**
Debt to adjusted Capital ratio %	165%	204%

The decrease in the debt to equity ratio is driven by the additional investment provided by the Business Growth Fund during the current year increasing the adjusted capital and cash balances.

30. Other financial commitments

The Group has capital commitments contracted but not provided for of £Nil at 31 December 2018 (2017: £3,562,328).

31. Transactions with Directors

At 31 December 2018 a balance of £86,451 (2017 - £120,000) was owed by one Director to the Group under a formal loan agreement. Interest is charged on the loan at a rate of 0.5% over the Lloyds Bank base rate and the loan is repayable at the discretion of the Group conditional upon criteria having been met.

32. Related party transactions

The Group has an annual rent expense to Arcus Ventures Limited, a company controlled by Mr J W Wright (Director) and Mrs P E Wright (secretary) totalling £485,045 (2017 - £485,045). The balance outstanding at the year end is £34,545 (2017 - £49,990)

During the year, Arcus Ventures Limited also paid for corporate sponsorship costs on behalf of the Group totalling £90,000 (2017 - £90,000). The balance outstanding at the year end £23,500 (2017 - £nil).

NOTES TO THE DETAILED ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

33. First time adoption of IFRS

This is the first time that the Group has adopted IFRS 15 having previously adopted the provisions of IAS 18.

The date of transition to IFRS was 1 January 2018.

The following table summarise the effects on the Group's equity and total comprehensive income of applying IFRS for the first time.

	Group Equity as at 1 January 2018 £	Group Profit for the year ended 31 December 2018 £	Group Equity as at 31 December 2018 £
As previously stated	**(18,160,458)**	**(10,484,031)**	**(28,644,489)**
Prior year adjustment 2016 (see note 24)	**(64,162)**	**-**	**(64,162)**
Prior year adjustment 2017 (see note 24)	**(2,189,573)**		**(2,189,573)**
As restated for prior year adjustments	**(20,414,193)**	**(10,484,031)**	**(30,898,224)**
Transitional adjustment			
IFRS 15 modified retrospective application	**(491,751)**	**-**	**(491,751)**
	(20,905,944)	**(10,484,031)**	**(31,389,975)**

IFRS 15, 'Revenues from Contracts with Customers' is effective for periods beginning on or after 1st January 2018. IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The Group has adopted IFRS 15 – Revenue from Contracts with Customers for the financial year starting 1st January 2018, applying the modified retrospective method of transition by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018 Under this approach, prior year comparatives are not adjusted.

No practical expedients were used by the Group in the calculation of the IFRS 15 transition adjustment.

The Group does not recognise deferred tax assets in respect of its trading losses given the remoteness at the current time for the asset to be released. As a result, for the purposes of the IFRS 15 adjustment to revenue in the prior year, this has no tax implications for the Group on restatement

This was the first time that the Group has adopted IFRS 9. There was no material impact on the adoption of the Standard to the Group.

34. Post balance sheet events

In July 2019 the Group made the decision to close Stockton South club in light of continued poor performance and negative profit contribution. This decision was made as part of a wider plan to address underperforming clubs and through the initiation of tailored club recovery plans the intention is to focus on the existing estate to ensure that the core network is fit for the future to underpin the growth aspirations. With a new management team in place and the financial backing of its third-party providers the Group has successfully reset its financial covenants and changed the structure of its current debt facilities post year end in October 2019.

The structure change has sought to consolidate the current debt facilities with both the Group's secured and unsecured lenders. The Group's £2m RCF facility with Proventus Capital Partners has been consolidated into the Group's £25m term loan reducing the interest rate from 11.5% to 8% PIK in the first 12 months; 8% cash interest thereafter. Proventus facility B loan interest has been amended to 10% PIK Interest. As well as the restructuring of the Proventus facilities, Proventus and Business Growth Fund have invested a further £5m (split equally between the two investees) into the Group in October 2019 providing the Group with a significant cash injection to facilitate its club reinvestment project and provide the working capital necessary for the Group's day-to-day operations. As part of the debt restructure, the financial covenants on Proventus loans have been waived, with the first test under the new facilities being deferred until September 2020.

The resetting of the financial covenants, along with the additional cash investment, reflects the support embedded in the new management team by its lenders, removing the constraints imposed on them by the existing covenants giving them the resource, time and ability to focus on enacting the turnaround plan

As part of the refinance, there was a change to the Group's share and loan capital. The share structure change resulted in the lenders Proventus Industries AB owning 30% of the share capital which is a reflection of their continued support. The restructure also entailed the creation of another Group entity Wright Leisure Manco Ltd.

35. Controlling party

The ultimate controlling parties are Mr & Mrs J C Wright by virtue of their majority interest in the Group's issued share capital.

36. Reconciliation of movements of liabilities to cashflow arising from financing activities

Net cashflow from financing activities

	Bank loans	Unitranche loans	Other loans	Finance lease liabilities	Total
Balance at 1 January 2018	**17,070,830**	**-**	**12,629,826**	**3,908,213**	**33,608,869**
Proceeds from new borrowings	-	30,200,000	3,000,000	-	33,200,000
Repayment of borrowings (capital & interest)	(17,329,484)	(310,273)	(3,208,950)	-	(20,848,707)
Repayment of finance leases (capital & interest)	-	-	-	(4,275,021)	(4,275,021)
Non-cash items:					
Interest	258,654	255,270	1,595,229	366,808	2,475,961
Modification expense under IFRS 9	-	1,170,147	235,783	-	1,405,930
Balance at 31 December 2018	**-**	**31,315,144**	**14,251,888**	**-**	**45,567,032**

WRIGHT LEISURE TOPCO LIMITED
REGISTERED NUMBER: 11331128

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note		2018 £
Investments	8		-
			-
Current assets			
Debtors	10	**11,081,520**	
		11,081,520	
Total assets less current liabilities			**11,081,520**
Non-current liabilities			
Other- interest bearing loans and borrowings	11		**(14,251,887)**
Net current assets			**(3,170,367)**
Net (liabilities)/assets			**(3,170,367)**
Capital and reserves			
Called up share capital	13		**2**
Profit and loss account	14		**(3,170,369)**
			(3,170,367)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
6th December 2019
The loss for the period was £3,170,369.

H L Gauden
Director

The notes on pages 56 to 70 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Comprehensive income for the period			
Loss for the period	-	(3,170,369)	(3,170,369)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(3,170,369)	(3,170,369)
Shares issued during the period	2	-	2
Total transactions with owners	2	-	2
At 31 December 2018	2	(3,170,369)	(3,170,367)

The notes on pages 56 to 70 form part of these financial statements.

1. General information

The principal activity of the Company is that of a holding Company to a wider Group whose principal activity is that of operating low-cost Gym clubs with the aim of offering best value for money in the industry.

The registered address of the Company is Unit 1, Kirkstall Industrial Estate, Kirkstall Road, Burley, Leeds, LS4 2AZ.

The accounts are prepared in Sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements for the individual Company have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 "Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act) FRS101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

Going concern

2018 saw the refinancing of the Group's debt facilities, settling all outstanding debt facilities with Lloyds and Close Brothers asset finance and refinancing with Proventus Capital Partners. This provided the Group with a £42.2m committed and £10m uncommitted facility and represented a significant investment to help meet growth strategies and consolidate its position within the low-cost Gym sector.

During the year, there was a major restructure of the Group's executive team with two key appointments in Peter Wright (CEO) and Helen Gauden (CFO). The new executive team bring with them a wealth of industry specific and large multi-site growth experience to deliver the business turnaround.

Under the stewardship of the new executive management team, the Group conducted a full review of all aspects of the business. This review highlighted areas of focus that needed to be addressed to enable the business to be structured for sustainable success. It also highlighted that as a result of the above, the Group breached the financial covenants stipulated under the agreement with Proventus Capital Partners These covenants include a debt service measure alongside a net leverage test, assessing the EBITDA to net debt ratio. The Group breached its first covenant tests in September 2018

During the final quarter of 2018, the Directors presented a turnaround plan that was accepted by the shareholders and lenders and resulted in further investment being made by the Business Growth Fund and Proventus Capital Partners agreeing to waive all covenant breaches in December 2018.

Post the balance sheet date, the management team have continued to develop the turnaround plan and have prepared a five year forward forecast to be used for both short-term business planning and longer-term strategic review. The model represents management's best estimate of the forward-forecast over the 5 years to December 2023 The model was built using both historic information available and forward-looking information that management believe to be reasonable and supportable, alongside industry and competitor information available at the time of preparation.

The forecast demonstrates the Group's ability to settle external debts at the end of the loan term.

Further details of the Group's borrowings at 31 December 2018 are presented in note 18 (page 39) to the financial statements.

With a new management team in place, a turnaround strategy agreed and the financial backing of its third-party providers the Group has successfully reset its financial covenants and changed the structure of its current debt facilities post year end in October 2019, using the downside forecast to set the refinancing from.

The structure change has sought to consolidate the current debt facilities with both the Group's secured and unsecured lenders. The Group's £2m RCF facility with Proventus Capital Partners ("Proventus") *has been consolidated into the Group's £25m term loan reducing the interest rate* from 11.5% to 8% PIK in the first 12 months then 8% cash interest thereafter. Proventus facility B loan interest has been amended to 10% PIK Interest for the duration of the term loan. As well as the restructuring of the Proventus facilities, Proventus and the Business Growth Fund have invested further (split equally between the two investees) into the Group. As part of the debt restructure, all historic financial covenants on Proventus loans have been waived and new covenants defined. Just two covenants have been set, those being a minimum cash look forward/look backwards and a minimum cash EBITDA test The minimum cash test is effective from November 2019 and is tested fortnightly while the minimum cash EBITDA test is effective from June 2020 and is tested monthly. All future covenants are expected to be met under the various forecasts modelled.

The resetting of the financial covenants, along with the additional investment, reflects the support embedded in the new management team by its lenders, removing the constraints imposed on them by the existing covenants giving them the resource, time and ability to focus on enacting the turnaround plan.

Whilst the forecast has been prepared using all available information, there is obviously a degree of management judgement and assumptions, and as with all forecasts unforeseen challenges may arise following preparation presenting both upside and downside variances to the bank case. It is the view of management that the two primary uncertainties inherent within the plan are the acquisition of new members and the yield that is expected to be achieved from the membership base (the average price paid per member) The management team have built two forecast scenarios as part of their work. The first of these represents management's best view based on all available information (the "management view"). The second forecast scenario is the "bank case" which represents a more prudent view sensitised for a reduced number of new joiners and lower yields. Furthermore, the management team has had regard to various potential cashflow mitigations and improvement actions that are available to the Group in the event that the forecasts are not achieved in line with the turnaround plan.

As with all consumer businesses, the Group is exposed to the general economic environment and the diminishing consumer confidence, compounded by ongoing BREXIT uncertainties. The value gym sector is a growing sector however and the consumer confidence uncertainty is mitigated to a degree by the increasing trend and growing awareness of the importance of physical and mental well-being.

The first 6 months trading have been tough in 2019, impacted by increasing price competition and the rate of attracting new joiners which started slowly but has improved as the year has progressed Management have reacted to this through introduction of further cost-saving strategies which have mitigated the impact of the member volumes to a degree. The full benefits are now starting to be evidenced in the Group's performance and continue into the longer-term forecast.

With several new initiatives not yet fully implemented, management are confident that the performance of the Group will continue to improve and the five-year forecast is achievable.

On the basis of the above, management are confident that with the continued support from both Proventus Capital Partners and Business Growth Fund and with the reset of its covenants and change to its management team, the Group is in the best position to deliver on its turnaround plan, enabling it to realise it's potential in a growing market in both the short and longer term horizon.

The Directors recognise that the Group is to some extent dependent on external factors beyond management control in order to meet its financial covenants in the forecast period. As mentioned above, the achievement of membership numbers and yield are not within the full direct control of management. The Directors acknowledge that these factors represent a material uncertainty that may cast significant doubt over the ability of the Group and therefore the Company to continue as a going concern and therefore its ability to settle its liabilities in the ordinary course of business.

The Directors have considered all information available to them when assessing whether the Company is a going concern, including sensitised forecasts extending beyond twelve months from the date of the signing of the financial statements, potential cashflow mitigations and upsides, and the continuing support of its third-party lenders. The financial statements have therefore been prepared on a going concern basis and do not include any adjustments that would result if the Company was unable to continue due to the circumstances described above.

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 Revenue

Revenue comprises of income from management charges to other Group companies.

2.4 New standards, amendments and IFRIC interpretations

The financial statements of the Company have been prepared in accordance with IFRS including IFRS 9 and IFRS 15 which are new accounting standards effective for the period ended 31 December 2018 As this is the first accounting period for the Company, no transition adjustments are required to these financial statements as a result of application of the new standards. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 December 2018.

Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This requires considerable judgement as to how changes in economic factors affect the ECL, which will be determined on a probability-weighted basis

The new impairment model will apply to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments) and to contract assets.

Credit losses are calculated as the present value of the difference between the contractual and expected cash flows (i e. the cash shortfalls) and ECL representing the weighted average of those credit losses based on the respective risks of a default occurring.

There are three different approaches to applying the ECL model; the General Approach, the Simplified Approach and the Purchased or Originated Credit Impaired (POCI) approach. Related Company loans that are not POCI and that are classified at amortised cost (or at FVOCI for debt) are subject to the General Approach and are not eligible for the Simplified Approach, irrespective of their maturity.

Under IFRS 9, loss allowances are measured on either of the following bases.

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Under the General Approach, at each reporting date, entities are required to determine whether there has been a Significant Increase in Credit Risk (SICR) since initial recognition and whether the loan is credit impaired This determines whether the loan is in Stage 1 (12-month ECL), Stage 2 (lifetime ECL) or Stage 3 (lifetime ECL), which in turn determines both:

- The amount of ECL to be recognised: 12-month ECL (stage 1) or Lifetime ECL (stage 2 and 3); and - The amount of interest income to be recognised in future reporting periods: EIR based on gross carrying amount of the loan which excludes ECL (stage 1 and 2) or the net carrying amount (i.e. the amortised cost) which includes ECL (stage 3).

Lifetime ECL are the ECL that result from all possible default events over the expected life of the loan whereas 12-month ECL are a portion of Lifetime ECL that represent the ECL that result from default events that are possible within 12 months of the reporting date. For loans with an expected life in excess of 12 months, Lifetime ECL will typically be greater than 12-month ECL because entities will need to factor in all possible default events rather than only those possible within the next 12 months Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

The Company has assessed the impact of the new standard on the financial statements at the reporting date which has resulted in a credit loss of £3,170,369 recognised in the period ended 31 December 2018.

There is no material impact on the financial statements of the Company as a result of IFRS 15 amendments as the Company has no revenue other than management income from other Group companies.

2.5 Borrowing costs

Borrowings are initially recognised net of borrowing costs incurred. Borrowing costs are released to the Statement of Comprehensive Income over the borrowing term using the effective interest rate method.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instrument transactions are explained below.

Financial assets

Intercompany loans

Intercompany loans are non-derivative financial assets that are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue. These are subsequently carried at amortised cost using the effective interest rate method, less provisions for impairment

Management use the principals as defined in IFRS 9 and explained in 2.4 above to determine what level of impairment should be recognised against the loans at the reporting date.

At initial recognition, all financial assets are deemed to be at stage 1 as defined by IFRS 9. Management use the 'general approach' as defined in the standard to determine whether there has been a SICR since initial recognition and whether the loan is credit impaired and as such whether it has moved to stage 2 or stage 3 respectively.

At initial recognition management define the parameters for what they consider to be a significant increase in credit risk ("SICR") and default to classify the intercompany loans at a future reporting date.

For subsequent measurement under the general approach, management reassess the intercompany loans at each reporting date to determine whether the intercompany loans are at stage 1, 2 or 3 ECL model is symmetrical in nature meaning a loan can move between the various stages throughout its term.

As part of the SICR review both a qualitative and a quantitative assessment of all available information is undertaken by management to assess whether there is evidence of SICR since initial recognition and therefore whether the loans are at stage 1, with 12 month ECL being recognised or stage 2, with lifetime ECL recognised The SICR assessment is based on comparison of the credit risk at initial recognition to the credit risk at the reporting date.

For a loan to transfer to stage 3, credit impaired, the Company determines whether the loans are credit impaired at each reporting date. In contrast to the SICR assessment, which focuses heavily on expected future events, the assessment of whether the loans are credit impaired focuses on events that have already taken place which provide evidence of impairment.

As defined in IFRS 9, to calculate the credit loss to be recognised in the financial statements the Company considers several scenarios to calculate a probability weighted measure of credit losses and the possibility of no credit loss.

The scenarios used in the calculation of credit loss are aligned to current budgeting and forecast horizons along with relevant working capital reviews undertaken by the Company. Forecasts have been sensitised for various possible outcomes and are built using both historic information available at the time of preparation and forward-looking information that management believe to be reasonable and supportable. Additionally, industry and competitor information is utilised where applicable and available to the Company. As the intention is for the intercompany loans to be repaid in full on settlement of the external loans, the Company's ability to repay loans with external parties is *inherent in the calculation of credit loss on the intercompany balances.*

Financial liabilities

The Company classifies all its financial liabilities at amortised cost

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

2.8 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

As per IFRS 9, any modification gain or loss arising from a modification to the contractual payments and receipts of a financial liability that does not result in the derecognition of the financial liability are recognised in the statement of comprehensive income at the date of the modification and disclosed within finance costs (see note 7).

The Company treats a modification that does not result in a derecognition of the financial liability as per IFRS 9. The Company recalculates the amortised cost of the financial liability by discounting the modified contractual cash flows using the original effective interest rate. The entity recognises any adjustment to the amortised cost of the financial liability in the statement of comprehensive as income or expense at the date of the modification.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the Financial Statements in accordance with IFRS requires estimates and assumptions to be made that affect the value at which certain assets and liabilities are held at the balance sheet date and also the amounts of revenue and expenditure recorded in the period. The Directors believe the accounting policies chosen are appropriate to the circumstances and that the estimates, judgements and assumptions involved in its financial reporting are reasonable.

Accounting estimates made by the Company's Directors are based on information available to management at the time each estimate is made Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions. The estimates and assumptions for which there is a significant risk of a material adjustment to the Financial Statements within the next financial year are set out below.

Intercompany loans

Judgements in applying accounting policies

At initial recognition management judgement is required in defining the parameters for what they consider to be a significant increase in credit risk ("SICR") and a default event to understand whether the loans are still considered to be at stage 1 (as at initial recognition date) or moved to stage 2 (SICR) or *stage 3 (credit impaired) as defined in IFRS 9.*

Given the underlying loan arrangements with external providers are inherently linked to intercompany loans, management consider the following to be crucial factors in assessing whether there has been a SICR or default since original recognition;

- Increased balance sheet leverage
- Liquidity challenges
- Declining EBITDA against budget and downward shift in KPI's used for management reporting
- Breach of covenants and interest waivers

Management are required to apply judgement in their assessment as to whether there is evidence to suggest that there has been a SICR since initial recognition. A qualitative assessment of all available information is undertaken by management as part of this assessment with the primary KPI being the EBITDA generated by the counterparty from continuing operations versus budget. Management consider a continuing adverse variance to budget for a period of 6 months or more to signify the potential existence of SICR.

Management consider a loan to be in default when there is evidence to suggest that the borrowing Company would have difficulty in repaying the loan due to insufficient liquid assets at the point the loan is due and/or a breach of debt covenants with their external providers.

Key sources of estimation uncertainty

The key estimation uncertainty in the calculation of credit loss impairment relates to the probabilities assigned by management to each scenario. In assigning probabilities, management have considered all information (both qualitative and quantitative) available to them at the time of the assessment and have modelled the expected cashflows due based on the various scenarios.

An EBITDA multiple methodology has been used to consider the enterprise value of the borrowing Company at the redemption date of the external loans in April 2024 based on the inherent link between the repayment of the intercompany loans and external debt. Management have assumed a multiple of 7x EBITDA is reasonable based on comparative information obtained on deals previously concluded within the fitness industry and the use of a third-party expert.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The discount factor used in the calculation of credit loss impairment has been determined using the weighted average of the effective interest rates of the Company's external debt facilities. Management consider this to be the most reasonable discount rate to use in the credit loss calculation given the intercompany loans inherent link to external loans.

4. Revenue

All revenue arose within the United Kingdom and comprises of income from management charges to other Group companies.

5. Auditors' remuneration

	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	15,000

6. Employees

The Company has no employees other than the Directors, who did not receive any remuneration.

7. Interest payable and similar expenses

	2018 £
Loan interest payable	994,863
Modification loss expense	434,197
	1,429,060

7. Interest payable and similar expenses (continued)

During the period, a modification was made to the Company's loan notes.

As part of the Company's review of the modifications to its loan facilities, consideration was given to the substantial modification test as set out in IFRS 9. For all amendments, future cashflows both pre and post modification were reviewed to ascertain whether the modification was substantial or non-substantial by reference to the 10% test.

Loan note modification

The terms of the Company's £2.5m 2013 loan notes were amended on 30 April 2018, increasing the interest rate to 11.5% and extending the repayment date to 30 April 2024. The modification resulted in a less than 10% modification to the contractual cashflows of the liability, with a modification loss recognised in the period of £104,657 in accordance with IFRS 9 substantial modification test.

The terms of the Company's £5m 2016 loan notes were amended on 30 April 2018, increasing the interest rate to 11.5% and reducing the repayment date to 30 April 2024. The modification resulted in a less than 10% modification to the contractual cashflows of the liability, with a modification loss recognised in the period of £117,558 in accordance with IFRS 9 substantial modification test.

The terms of the Company's £2m 2017 loan notes were amended on 30 April 2018, increasing the interest rate to 11.5% and repayment date to 30 April 2024. The modification resulted in a less than 10% modification to the contractual cashflows of the liability, with a modification loss recognised in the period of £142,750 in accordance with IFRS 9 substantial modification test.

The terms of the Company's £1m 2017 loan notes were amended on 30 April 2018, increasing the interest rate to 11.5% and repayment date to 30 April 2024. The modification resulted in a less than 10% modification to the contractual cashflows of the liability, with a modification loss recognised in the period of £69,232 in accordance with IFRS 9 substantial modification test.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

8. Fixed asset investments

The Company owns 100% of the issued share capital of Wright Leisure Midco Limited. The subsidiary Company owns 100% of the share capital of Wright Leisure Limited who has the same registered office as this Company.

Subsidiary undertakings of Wright Leisure Limited

Xercise Health & Fitness Club Limited
Xercise4Less (Wakefield) Limited
Xercise4Less (Stockton) Limited
Xercise4Less (Leeds) Limited
Xercise4Less (Wigan) Limited
Xercise4Less (Doncaster) Limited
Xercise4Less (Hull) Limited
Xercise4Less (Bolton) Limited
Xercise4Less Newcastle under Lyme Limited
Xercise4Less (Nottingham) Limited

All subsidiary companies are Health clubs based in England with the registered office being Unit 1, Kirkstall Industrial Estate, Kirkstall Road, Burley, Leeds, West Yorkshire, LS4 2AZ with the exception of Xervise4Less (Stockton) Limited who's registered office is 35 Park Row, Leeds, Yorkshire, LS1 5JL.

Wright Leisure Limited holds 100% of the voting rights of the subsidiaries. An audit exemption under section 479A of the Companies Act 2006 is due to all subsidiaries due to the guarantees given by the Ultimate Parent Company Wright Leisure Topco Limited.

9. Taxation

	2018 £
Total current tax	-
Deferred tax	
Total deferred tax	-
Taxation on profit on ordinary activities	-

9. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2018 £
Loss on ordinary activities before tax	(3,170,369)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(602,370)
Effects of:	
Disallowed expenses	602,370
Total tax charge for the period	-

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2018 has been calculated based on these rates.

10. Debtors

	2018 £
Due after more than one year	
Amounts owed by Group undertakings	11,081,520
	11,081,520

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

11. Non-current liabilities

	2018 £
Other loans	14,251,887
	14,251,887

Other loans

BGF is an investment company that provides long-term equity funding to growing UK companies to enable them to execute their strategic plans.

At the year end the Company had £12.5m (2017: £9.5m) of unsecured fixed rate loan notes in issue from BGF. The loan notes had accrued interest of £0.6m (2018: £2.4m) at the balance sheet date. Details of the loan notes issued by BGF to the Company are noted below.

On 23 August 2013 the Company issued £2.5m of unsecured fixed rate loan notes, due 23 August 2020. The loan notes were subject to fixed interest of 10% for the duration of the term. On 30 April 2018, the loan notes were modified amending the interest rate applicable to 11.5% and extension of the loan period to 30 April 2024. Interest accrues on the loan notes monthly, with quarterly compounding intervals. A redemption premium of £230k was recognised at the date of modification, with all interest and principal repayable at the end of the loan term. The effective interest rate applicable to the loan note is 12% (11.3% pre the loan modification). As part of the Group restructure the loan notes in issue were transferred to Wright Leisure Topco Limited, the new parent company of the Wright Leisure Group at their carrying value at the date of transfer. At the date of transfer, £1.1m of compounded interest and £833k principal were paid to the loan note holders. Balance at 31 December 2018 £nil (2017: £3.68m).

On 21 January 2016 the Company issued £5m of unsecured fixed rate loan notes, due 21 January 2026. The loan notes were subject to fixed monthly interest of 10% for the duration of the term, compounded quarterly. On 30 April 2018, the loan notes were modified amending the interest rate applicable to 11.5% and reducing the loan term to 30 April 2024. A redemption premium of £126k was recognised at the modification date with all compounded interest, principal and interest premium of £1.25m payable at the end of the loan term. The effective interest rate applicable to the loan note is 14.2% (13.4% pre the loan modification). As part of the Group restructure the loan notes in issue were transferred to Wright Leisure Topco Limited, the new parent Company of the Wright Leisure Group at their carrying value at the date of transfer At the date of transfer, £1.3m of compounded interest was paid to the loan note holders. Balance at 31 December 2018 £nil (2017: £6.23m).

On 10 November 2017 the Company issued £2m of unsecured fixed rate loan notes, due 10 November 2022. The loan notes were subject to fixed monthly interest of 10% for the duration of the term, compounded quarterly. On 30 April 2018, the loan notes were modified amending the interest rate applicable to 11.5% and extending the loan term to 30 April 2024 All compounded interest and principal are payable at the end of the loan term. The effective interest rate applicable to the loan note is 11.2% (12% pre the loan modification). As part of the Group restructure the loan notes in issue were transferred to Wright Leisure Topco Limited, the new parent Company of the Wright Leisure Group at their carrying value at the date of transfer. At the date of transfer, £0.08m of compounded interest was paid to the loan note holders. Balance at 31 December 2018 £nil (2017: £2m).

On 12 December 2018 the Company issued £1m of unsecured fixed rate loan notes, due 30 April 2024. The loan notes were subject to fixed monthly interest of 16% for the duration of the term, compounded quarterly. Payment of principal and interest to be repaid at the end of the loan term. The effective interest rate applicable to the loan note is 17.6%. Balance at 31 December 2018 £0.98m (2017: £nil).

On 12 December 2018 the Company issued £2m of unsecured fixed rate loan notes, due 30 April 2024. The loan notes were subject to fixed monthly interest of 11.5% for the duration of the term, compounded quarterly. Payment of principal and interest to be repaid at the end of the loan term. The effective interest rate applicable to the loan note is 12.6%. Balance at 31 December 2018 £1.96m (2017: £nil).

Loan notes issued to Related Party

On the 10 November 2017 the Company issued £1m of unsecured fixed rate loan notes, due 10 November 2022 to a company and majority shareholder of the Wright Leisure Group. The loan notes were subject to fixed monthly interest of 10% for the duration of the term, compounded quarterly. On 30 April 2018, the loan notes were modified amending the interest rate applicable to 11.5% and extending the loan term to 30 April 2024. All compounded interest and principal are payable at the end of the loan term. The effective interest rate applicable to the loan note is 11% (11.9% pre the loan modification). As part of the Group restructure the loan notes in issue were transferred to Wright Leisure Topco Limited, the new parent Company of the Wright Leisure Group at their carrying value at the date of transfer. At the date of transfer, £0.04m of compounded interest was paid to the loan note holder. Balance at 31 December 2018 £nil (2017: £1m).

The loans have connected to them a debenture and charge over the assets of the Group.

12. Non-current liabilities

Analysis of the maturity of loans is given below.

	2018 £
Amounts falling due after more than 5 years	
Other loans	**14,251,887**
	14,251,887

13. Share capital

	2018 £
Allotted, called up and fully paid	
410- Ordinary A shares of £0.001 each	**0.410**
50- Ordinary B shares of £0.001 each	**0.050**
80- Ordinary C shares of £0.001 each	**0.080**
40- Ordinary C1 shares of £0.001 each	**0.040**
1,410- Ordinary D shares of £0.001 each	**1.410**
10- Ordinary shares of £0.001 each	**0.010**
	2.000

13. Share capital (continued)

On 26th April 2018 the Company issued 1 Ordinary share at par value of £0.001.

On 30th April 2018 1 Ordinary share was redesignated as D Ordinary share of £0.001.

On 30th April 2018 410 A Ordinary Shares, 50 B Ordinary Shares, 80 C Ordinary Shares, 40 C1 Ordinary Shares, 1,410 D Ordinary Shares and 10 Ordinary Shares were issued at par in exchange for the entire share capital of Wright Leisure Limited.

The holders of all classes of shares in the Company have the right to receive notice of and to attend and vote and speak at any general meeting of the Company and shall be entitled to vote on any written resolution of the Company.

The voting rights conferred on the holders of A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and C1 Ordinary Shares shall be restricted to the lower of 40% of the voting rights attaching to all shares in the Company and the number of votes allocated to the holders of all classes of shares.

If any Enhanced Voting Event (as such term is defined in the Company's articles of association) occurs, then BGF may serve written notice on the Company of the Enhanced Voting Event and until such notice has been withdrawn by BGF, the voting rights attaching to the A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and C1 Ordinary Shares (as if they constituted one class) shall be increased to either 49.9% or 51% of the voting rights attaching to all the shares in the Company depending on the nature of the Enhanced Voting Event and in accordance with the Company's articles of association.

14. Reserves

Profit and loss account

This includes all current period retained profits and losses.

15. Related party transactions

The Company has taken advantage of the Financial Reporting Standard 101 disclosure exemption to not disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

16. Post balance sheet events

In July 2019 the Group made the decision to close Stockton South club in light of continued poor performance and negative profit contribution. This decision was made as part of a wider plan to address underperforming clubs and through the initiation of tailored club recovery plans the intention is to focus on the existing estate to ensure that the core network is fit for the future to underpin the growth aspirations.

With a new management team in place and the financial backing of its third-party providers the Group has successfully reset its financial covenants and changed the structure of its current debt facilities post year end in October 2019.

The structure change has sought to consolidate the current debt facilities with both the Group's secured and unsecured lenders The Group's £2m RCF facility with Proventus Capital Partners has been consolidated into the Group's £25m term loan reducing the interest rate from 11.5% to 8% PIK in the first

12 months; 8% cash interest thereafter. Proventus facility B loan interest has been amended to 10% PIK Interest As well as the restructuring of the Proventus facilities, Proventus and Business Growth Fund have invested a further £5m (split equally between the two investees) into the Group in October 2019 providing the Group with a significant cash injection to facilitate its club reinvestment project and provide the working capital necessary for the Group's day-to-day operations. As part of the debt restructure, the financial covenants on Proventus loans have been waived, with the first test under the new facilities being deferred until September 2020.

The resetting of the financial covenants, along with the additional cash investment, reflects the support embedded in the new management team by its lenders, removing the constraints imposed on them by the existing covenants giving them the resource, time and ability to focus on enacting the turnaround plan.

As part of the refinance, there was a change to the Group's share and loan capital. The share structure change resulted in the lenders Proventus Industries AB owning 30% of the share capital which is a reflection of their continued support. The restructure also entailed the creation of another Group entity Wright Leisure Manco Ltd.

17. Controlling party

The ultimate controlling party are Mr & Mrs J C Wright by virtue of their majority holding in the issued share capital of Wright Leisure Topco Limited.

18. Parent Company guarantee of subsidiaries

The subsidiary Companies listed below have taken the audit exemption under Section 479A of the Companies Act 2006. Wright Leisure Topco Limited, the Ultimate Parent Company has guaranteed all liabilities of these subsidiaries.

Xercise Health & Fitness Club Limited
Xercise4Less (Wakefield) Limited
Xercise4Less (Stockton) Limited
Xercise4Less (Leeds) Limited
Xercise4Less (Wigan) Limited
Xercise4Less (Doncaster) Limited
Xercise4Less (Hull) Limited
Xercise4Less (Bolton) Limited
Xercise4Less Newcastle under Lyme Limited
Xercise4Less (Nottingham) Limited