Company Registration Number 07572128

WRIGHT LEISURE LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2018

ArmstrongWatson®

Accountants, Business & Financial Advisers

WRIGHT LEISURE LIMITED

COMPANY INFORMATION

Directors	H L Gauden (appointed 11 October 2018) P W Wright (appointed 30 July 2018)
Registered number	07572128
Registered office	Unit 1 Kirkstall Industrial Estate Kirkstall Road Burley Leeds West Yorkshire LS4 2AZ
Independent auditors	BDO LLP Chartered Accountants Central Square 29 Wellington Street Leeds LS1 4DL
Accountants	Armstrong Watson LLP 10 South Parade Leeds LS1 5QS
Bankers	Lloyds TSB Bank PLC 6-7 Park Row Leeds West Yorkshire LS1 1NX

WRIGHT LEISURE LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

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

Principal Activities

The Principal activity of the Company 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 Company operates across the UK, opening 7 days per week. The Ultimate Parent Company of the Group is Wright Leisure Topco Limited referred to in the proceeding paragraphs as 'the Group'. Consolidated accounts of the Group encompass the trading results of Wright Leisure Limited and all other subsidiaries of the Group.

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 £2m to £8.7m.

As highlighted in last year's strategic report, 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 KPI's

The Company 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 Company. A summary table is provided below:

	2018	2017 (restated)
	£000s	£000s
Underlying EBITDA *	**5,646**	**4,136**
Pre-opening costs	(1,069)	(787)
Adjusted EBITDA UK GAAP	**4,577**	**3,349**
IFRS adjustments	(1,447)	(1,584)
EBITDA IFRS	**3,130**	**1,764**
Less		
Group management charges	(6,807)	(2,031)
Exceptionals	(1,091)	(1,768)
Depreciation & Impairment charge	(4,513)	(4,319)
Interest	(1,198)	(2,303)
Tax	-	-
Loss for the year	**(10,479)**	**(8,656)**

*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. The Company 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 Company 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 £9.3m (2017 restated: £6.4m) is after charging £1.1m (2017 restated: £1.8m) 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 Company.

Group management charges are transactions with other Group companies of the Wright Leisure Topco Limited Group. Losses arising in the subsidiaries are eliminated by way of a management charge to the immediate parent Company Wright Leisure Limited, with the exception of IFRS and other Company specific provisions which remain in the Company to which they relate. The growth in Group management charges in 2018 is driven by the Group refinancing in April 2018 which changed both the Group structure and the debt contracting Company.

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.

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 Company 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 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.

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

H L Gauden
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Directors' responsibilities statement

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 judgements 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 year, after taxation, amounted to £10,478,706 *(2017 - restated loss £8,656,440).*

No Dividends have been paid by the Company in the current or previous period.

Directors

The Directors who served during the year were:

H L Gauden (appointed 11 October 2018)
P W Wright (appointed 30 July 2018)
S J Perrin (resigned 28 February 2019)
S P Tutt (resigned 27 July 2018)
C J Storr (resigned 11 October 2018)
P A Boddy (resigned 30 October 2019)
P Wright (resigned 30 October 2019)
J C Wright (resigned 30 October 2019)
R Taylor (resigned 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 YEAR ENDED 31 DECEMBER 2018

Policy Regarding Employment of Disabled Persons and Employee Involvement

Wright Leisure Limited T/A Xercise4Less 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.

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

Unit 1 Kirkstall Industrial Estate
Kirkstall Road
Burley
Leeds
West Yorkshire
LS4 2AZ

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WRIGHT LEISURE LIMITED

Opinion

We have audited the financial statements of Wright Leisure Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 Company 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 Company's 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. 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.

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

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 year 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 5, 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.

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.

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

Use of our report

This report is made solely to the Company's members 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 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

WRIGHT LEISURE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	*Restated* *2017* *£*
Turnover	5	**39,997,494**	*36,224,730*
Cost of sales		**(955,644)**	*(927,604)*
Gross profit		**39,041,850**	*35,297,126*
Administrative expenses		**(48,396,025)**	*(41,618,461)*
Other operating income	6	**73,370**	*53,911*
Net impairment losses on financial and contract assets		**-**	*(86,011)*
Operating loss	7	**(9,280,805)**	*(6,353,435)*
Interest payable and expenses	11	**(1,197,901)**	*(2,303,005)*
Loss before tax		**(10,478,706)**	*(8,656,440)*
Loss for the financial year		**(10,478,706)**	*(8,656,440)*

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

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

The notes on pages 13 to 42 form part of these financial statements.

WRIGHT LEISURE LIMITED
REGISTERED NUMBER: 07572128

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note		2018 £		*Restated 2017 £*
Fixed assets					
Tangible assets	13		**30,297,742**		*30,393,630*
Investments			**10**		*10*
			30,297,752		*30,393,640*
Current assets					
Stocks	14	**97,855**		*180,262*	
Debtors: amounts falling due within one year	15	**2,626,720**		*2,694,101*	
Cash at bank and in hand	16	**3,057,417**		*1,660,277*	
		5,781,992		*4,534,640*	
Creditors: amounts falling due within one year	17	**(16,537,171)**		*(28,609,704)*	
Provisions for liabilities	25	**(856,366)**		*(609,174)*	
Net current liabilities			**(11,611,545)**		*(24,684,238)*
Total assets less current liabilities			**18,686,207**		*5,709,402*
Creditors: amounts falling due after more than one year	18		**(48,206,332)**		*(24,259,070)*
Net liabilities			**(29,520,125)**		*(18,549,668)*
Capital and reserves					
Called up share capital	21		**2**		*2*
Profit and loss account	22		**(29,520,127)**		*(18,549,670)*
			(29,520,125)		*(18,549,668)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
6th December 2019

H L Gauden
Director

The notes on pages 13 to 42 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018 (as previously stated)	2	(16,493,446)	(16,493,444)
Prior year adjustment	-	(2,056,224)	(2,056,224)
IFRS 15 transition adjustment	-	(491,751)	(491,751)
At 1 January 2018 (as restated)	2	(19,041,421)	(19,041,419)
Comprehensive income for the year			
Loss for the year	-	(10,478,706)	(10,478,706)
Total comprehensive income for the year	-	(10,478,706)	(10,478,706)
Total transactions with owners	-	-	-
At 31 December 2018	2	(29,520,127)	(29,520,125)

Refer to notes 24 and 32 for details of prior year adjustment and IFRS 15 transition adjustment.

COMPANY STATEMENT OF CHANGES IN EQUITY (RESTATED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017 (as previously stated)	2	(9,861,265)	(9,861,263)
Prior year adjustment (note 24)	-	(31,965)	(31,965)
At 1 January 2017 (as restated)	2	(9,893,230)	(9,893,228)
Comprehensive income for the year			
Loss for the year	-	(8,656,440)	(8,656,440)
Total comprehensive income for the year	-	(8,656,440)	(8,656,440)
Total transactions with owners	-	-	-
At 31 December 2017	2	(18,549,670)	(18,549,668)

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

1. General information

The principal activity of the Company 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

These financial statements 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

The Directors have undertaken a thorough review of financial forecasts for the consolidated position of the Group as a whole in assessing the Going Concern of the Company. References below to "the Group" refers to the Wright Leisure Topco Limited Group which is the Ultimate Controlling Party of Wright Leisure Limited.

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 consolidated borrowings at 31 December 2018 are presented in note 18 to the financial statements of Wright Leisure Topco Limited.

With a new management team in place, a turnaround strategy agreed and the financial backing of its third-

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

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.

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

The Directors acknowledge that these factors represent a material uncertainty that may cast significant doubt over the ability of 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.

New standards adopted

New standards impacting the Company for the year ended 31 December 2018, and which have given rise to changes in the Company'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.

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The full impact of the transition adjustment has been disclosed in note 15.

This was the first time that the Company has adopted IFRS 9. There was no material impact on the adoption of this standard to the Company.

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 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 Company 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 and IAS 11. The details of the significant changes and quantitative impact of the changes are set out below:

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

Had the Company 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	39,997,494	410,092	40,407,586
Loss for the period	(10,478,706)	410,092	(10,068,614)
Total equity	(29,520,125)	410,092	(29,110,033)

As the Company has no taxable profits for corporation tax purposes there is no material impact from a tax perspective for the Company as a result of the transition adjustment other than to increase the Company 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 Company is 12 months with the minimum being 1 day.

2. Accounting policies (continued)

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 IFRS 7 Financial Instruments: Disclosures
- 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;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- 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

This information is included in the consolidated financial statements of Wright Leisure Topco Limited as at 31 December 2018 and these financial statements may be obtained from the Registrar of Companies.

2.3 Turnover

Turnover, 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.

Turnover 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 Company's performance obligations.

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

Turnover 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 Company's performance obligations.

Contracts with customers are non-complex and do not require any significant accounting judgements or estimates. Furthermore, there are no significant financing components within revenue.

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

2. Accounting policies (continued)

2.4 Tangible fixed assets

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.

Depreciation is provided on the following basis:

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.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value.

2.7 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.

2.8 Financial instruments

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

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

The Company measures its trade and other debtors, cash and cash equivalents and accrued income at amortised cost under IFRS 9. Subsequent to initial recognition these assets are carried at

2. Accounting policies (continued)

2.8 Financial instruments (continued)

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 Company'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.

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

2.9 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.

2.10 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. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company 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 Company in independently administered funds.

2.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company 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 Company 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 the relevant risks and uncertainties.

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

2.13 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 Company 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. Accounting policies (continued)

2.14 Onerous contracts

The Company 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.

2.15 Dilapidations

The Company 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 company 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.

2.16 Prior year adjustments

This is covered in note 24 in the financial statements.

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

The preparation of the Financial Statements in accordance of FRS 101 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 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.

Depreciation and impairment of fixed assets

The Company 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 Company'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 2.4.

Lease classification

The Company is required to assess whether operating leases to which the Company 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;

3. Judgements in applying accounting policies (continued)

* 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 one site 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 Company 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. One club 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 Company 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 Company's management as to how it will respond to the litigation, claim or assessment. Details of provision movements is included in note 25.

4. Fixed asset investments

Subsidiary undertakings

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 Xercise4Less (Stockton) Limited who's registered office is 35 Park Row, Leeds, Yorkshire, LS1 5JL.

Wright Leisure Limited has 100% of the voting rights of the subsidiary undertakings listed above and obtain audit exemption under section 479A of the Companies Act 2006 due to guarantees given by the Ultimate Parent Company, Wright Leisure Topco Limited.

5. Turnover

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

Most of the revenue is derived from contracts with gym members apart from income derived from the Company's ancillary revenue streams such as vending, room rental 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.

	2018	*Restated 2017*
	£	*£*
Major products/ service lines		
Membership income	**38,831,165**	*34,788,327*
Rental income	**487,419**	*496,927*
Other income	**678,910**	*939,476*
	39,997,494	*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	**39,405,725**	*35,378,994*
	39,997,494	*36,224,730*

Assets and liabilities relating to contracts with customers

	2018 £	*Restated 2017 £*
Contract assets (note 15)	**153,570**	*165,513*
Contract liabilities (note 17)	**(1,821,439)**	*(1,350,937)*
	(1,667,869)	*(1,185,424)*

Turnover 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 company 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 Company is 12 months with the minimum being one-day.

6. Other operating income

	2018 £	*2017* *£*
Other operating income	**73,370**	*53,911*
	73,370	*53,911*

7. Operating loss

The operating loss is stated after charging:

	2018 £	*Restated* *2017* *£*
Depreciation of tangible fixed assets	**4,505,092**	*3,664,469*
Loss on disposal of fixed assets	**8,348**	*890*
Impairment loss	**-**	*653,812*
Defined contribution pension cost	**90,627**	*43,438*

8. Auditors' remuneration

	2018 £	*2017* *£*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**50,000**	*45,000*

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

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

9. Employees

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 year was as follows:

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

10. 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 Company'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).

11. Interest payable and similar expenses

	2018 £	*Restated* *2017* *£*
Bank interest payable	**258,654**	*1,129,487*
Other interest payable	**149,276**	*46,103*
HP Interest	**366,807**	*361,078*
Loan note interest	**423,164**	*766,337*
	1,197,901	*2,303,005*

12. Taxation

	2018 £	*2017* *£*
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the 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 £	2017 £
Loss on ordinary activities before tax	**(10,478,706)**	*(8,656,440)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	**(1,990,954)**	*(1,666,365)*
Effects of:		
Expenses not deductible for tax purposes	**501,305**	*392,555*
Deferred tax not recognised	**1,349,746**	*1,109,953*
Tax rate differences	**143,221**	*93,897*
Group relief	**12,197**	*69,960*
Transition adjustment - IFRS 15	**(15,515)**	-
Total tax charge for the year	**-**	-

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.

13. Tangible fixed assets (restated)

	Leasehold improvements £	Motor vehicles £	Fixtures and fittings £	Gym equipment £	Other fixed assets £	Total £
Cost (restated)						
At 1 January 2018	25,709,978	301,283	2,116,518	13,600,847	208,593	41,937,219
Additions	2,621,579	-	533,356	1,263,178	-	4,418,113
Disposals	-	(24,750)	-	-	-	(24,750)
Transfers between classes	160,602	-	16,765	31,226	(208,593)	-
At 31 December 2018	28,492,159	276,533	2,666,639	14,895,251	-	46,330,582
Depreciation						
At 1 January 2018	6,136,901	164,043	784,936	4,457,708	-	11,543,588
Charge for the year on owned assets	2,086,431	43,899	488,229	1,886,533	-	4,505,092
Disposals	-	(15,840)	-	-	-	(15,840)
At 31 December 2018	8,223,332	192,102	1,273,165	6,344,241	-	16,032,840
Net book value						
At 31 December 2018	20,268,827	84,431	1,393,474	8,551,010	-	30,297,742
At 31 December 2017	*19,573,077*	*137,240*	*1,331,581*	*9,143,139*	*208,593*	*30,393,630*

See note 24 for further details on the prior year adjustment note to fixed assets.

13. Tangible fixed assets (restated) (continued)

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

	2018 £	*Restated* *2017* *£*
Land and buildings leasehold	-	*12,437*
Gym equipment	-	*5,685,448*
Motor vehicles	45,785	*102,818*
Furniture, fittings and equipment	-	*100,889*
	45,785	*5,901,592*

14. Stocks

	2018 £	*2017* *£*
Consumables	49,702	*84,517*
Goods for resale	48,153	*95,745*
	97,855	*180,262*

Stock recognised in cost of sales £430,757 (2017: £404,984).

Stock impairment recognised £nil (2017: £nil).

15. Debtors

	2018 £	*Restated* *2017* *£*
Trade debtors	110,127	*198,236*
Amounts owed by group undertakings	-	*568,223*
Other debtors	226,712	*215,970*
Prepayments	2,049,860	*1,426,159*
Accrued income	153,570	*165,513*
Directors loans	86,451	*120,000*
	2,626,720	*2,694,101*

15. Debtors (continued)

Trade Debtors

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

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

A reconciliation of the movement in the impairment allowance for trade debtors 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 provided	68,623
Expected credit loss provision as at 31 December 2018	123,028

Accrued income

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 (£)	2,991,138	2,772,841	6,090,827	**11,854,806**
Expected Credit Loss rate %	96%	99%	100%	
Expected Credit Loss Allowance (£)	(2,885,807)	(2,748,171)	(6,090,827)	**(11,724,806)**
Net Carrying Amount (£)	**105,329**	**24,670**	**-**	**130,000**

16. Cash and cash equivalents

	2018 £	*2017 £*
Cash at bank and in hand	**3,057,417**	*1,660,276*
	3,057,417	*1,660,276*

17. Creditors: Amounts falling due within one year (Includes provisions for liabilities)

	2018 £	*Restated 2017 £*
Bank loans	-	*9,952,772*
Other loans	-	*833,333*
Trade creditors	**4,984,709**	*5,512,370*
Provisions for liabilities (see note 25)	**856,366**	*609,174*
Contract liabilities	**1,821,439**	*1,350,937*
Operating lease incentives	**6,492,740**	*6,113,051*
Other taxation and social security	**1,513,800**	*1,492,364*
Obligations under finance lease and hire purchase contracts	**5,123**	*2,064,411*
Accruals	**1,719,360**	*1,290,467*
	17,393,537	*29,218,879*

The hire purchase and finance lease obligations are secured over the assets which they relate to.

The Company 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 Company 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. Creditors: Amounts falling due after more than one year

	2018 £	*Restated* *2017* *£*
Bank loans	-	*7,118,058*
Other loans	-	*12,032,276*
Net obligations under finance leases and hire purchase contracts	-	*1,843,802*
Operating lease incentives	**3,048,202**	*3,264,934*
Amounts owed to group undertakings	**45,158,130**	-
	48,206,332	*24,259,070*

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19. Loans

Analysis of the maturity of loans is given below:

	2018 £	*Restated* *2017* *£*
Amounts falling due within one year		
Bank loans	-	*9,952,772*
Other loans	-	*833,333*
	-	*10,786,105*
Amounts falling due 1-2 years		
Bank loans	-	*7,118,058*
Other loans	-	*4,084,214*
	-	*11,202,272*
Amounts falling due 2-5 years		
Other loans	-	*4,614,729*
	-	*4,614,729*
Amounts falling due after more than 5 years		
Other loans	-	*3,333,333*
	-	*3,333,333*
	-	*29,936,439*

19. Loans (continued)

Bank loans

On 12 September 2016 the Company 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 Company 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 Company entered into a loan agreement with Lloyds TSB Bank PLC, 'Facility B', available facility of £9.1m. The Company 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).

The bank loans had connected to them a debenture and charge over the assets of the Company.

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 £nil (2017: £9.5m) of unsecured fixed rate loan notes in issue from BGF. The loan notes had accrued interest of £nil (2017: £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 was 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

19. Loans (continued)

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 the 10 November 2017 the Company issued £1m of unsecured fixed rate loan notes, due 10 November 2022 to a director and majority shareholder of the Company. 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).

20. Hire purchase and finance leases

Future minimum lease payments for:

	2018	*2017*
	£	*£*
Within one year	**5,200**	*2,364,283*
Between 1-5 years	**-**	*1,474,830*
Over 5 years	**-**	*513,492*
	5,200	*4,352,605*

	2018	*2017*
	£	*£*
The present value of the finance lease liabilities is as follows:		
Within one year	**5,123**	*2,064,411*
Between 1-5 years	**-**	*1,351,577*
Over 5 years	**-**	*492,225*
	5,123	*3,908,213*

21. Share capital

	2018 £	*Restated* *2017* *£*
Allotted, called up and fully paid		
410 *(2017 - 410)* Ordinary A shares of £0.001 each	**0.410**	*0.410*
50 *(2017 - 50)* Ordinary B shares of £0.001 each	**0.050**	*0.050*
80 *(2017 - 80)* Ordinary C shares of £0.001 each	**0.080**	*0.080*
40 *(2017 - 40)* Ordinary C1 shares of £0.001 each	**0.040**	*0.040*
1,410 *(2017 - 1,410)* Ordinary D shares of £0.001 each	**1.410**	*1.410*
10 *(2017 - 10)* Ordinary shares of £0.001 each	**0.010**	*0.010*
	2.000	*2.000*

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.

22. Reserves

Profit and loss account

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

23. Transactions with Directors

At 31 December 2018 a balance of £86,451 (2017 - £120,000) was owed by one Director 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 Company conditional upon criteria having being met.

24. Prior year adjustment

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

(a) The Company has identified an adjustment to the operating lease incentives resulting in a write back to the income statement of £386,742. This is following detailed review of the lease portfolio of the Company 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 £204,485, reduction in rent charge in the year end 31 December 2017 by £182,257 and reduction in rent free liability of £386,742 as at 31 December 2017.

(b) The Company identified that the other loans had not been correctly measured under the amortised

24. Prior year adjustment (continued)

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 Company has identified assets within leasehold improvements which require an impairment charge to be recognised against them in the income statement of £653,812 in the year ended 31 December 2017. 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 Company 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 Company identified the need for an onerous lease provision to be recognised against one site where the contractual liabilities exceeded the economic benefits of the contract. The Company 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 £47,430 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 £47,430 and increase provisions in the balance sheet by £47,430.

(e) The Company has identified that the depreciation charge on all classes of assets was inconsistent with the Company's accounting policy and a write back to depreciation of £469,884 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 Company'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 being to reduce depreciation charge in the income statement and balance sheet by £469,884 in the year ended 31 December 2017.

As part of the overall review of the Company's fixed asset register, a total combined error of £57,625 was identified across four of the subsidiary Companies for which Wright Leisure Limited was the parent Company and 100% shareholder until 30 April 2018. The adjustment to depreciation has created a loss in the subsidiary company accounts in the year ended 31 December 2017. This is inconsistent with the Company's policy on intercompany recharges with all losses arising in the subsidiary (other than IFRS related adjustments) being adjusted through a management charge with Wright Leisure Limited. This has increased the management charge within administration expenses in the year ended 31 December 2017 by £57,625 and reduced the intercompany debtor by the same.

(f) The Company 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 Company operates within. Management consider that the previous methodology was inappropriate. The restatement has arisen through applying a more robust, logical approach to identifying the Company'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.

24. Prior year adjustment (continued)

(g) The Company identified balances within its Balance sheet 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 Balance sheet 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 Balance sheet. 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 Company 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 Balance sheet by £92,979.

(i) The Company identified an overstatement of its bad debt provision of £12,983. The overstatement has arisen from provisions being made against trade debtors that had been paid as at 31 December 2017 but the allocation of cash had not been posted to the correct debtor 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 Balance Sheet as at 31 December 2017.

Overall impact of the prior year adjustments is summarised below.

Income statement - 2017	a	b	c	d	e	f	g	h	i	**Total**
Revenue						963,763	80,166			1,043,929
Administration expenses	(182,257)			47,430	57,625		624,625	92,979	(12,983)	627,419
Finance costs		168,983								168,983
Depreciation			653,812		(469,884)					183,928
Total	**(182,257)**	**168,983**	**653,812**	**47,430**	**(412,259)**	**963,763**	**704,791**	**92,979**	**(12,983)**	**2,024,259**
Balance sheet at 31 Dec 2017										
Fixed assets			(653,812)		469,884		(71,172)			(255,100)
Debtors		(92,542)			(57,625)	(361,935)	(617,914)		12,983	(1,117,033)
Creditors	386,742	(312,891)		(47,430)		(601,828)	(15,705)	(92,979)		(684,091)
Equity	(204,485)	236,450								31,965
Total	**182,257**	**(168,983)**	**(653,812)**	**(47,430)**	**412,259**	**(963,763)**	**(704,791)**	**(92,979)**	**12,983**	**(2,024,259)**

25. Provisions

	Onerous contracts	Dilapidations	Legal claims	Total
	£	£	£	£
At 1 January 2018 (restated)	(47,430)	-	(561,744)	(609,174)
Charged to income statement	(282,651)	(6,208)		(288,859)
Released in year	-	-	41,667	41,667
As at 31 December 2018	**(330,082)**	**(6,208)**	**(520,077)**	**(856,366)**

Onerous lease provision

The Company 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.

Dilapidation provision

The Company 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 provision

The Company has two outstanding legal claims currently ongoing. The Company has provided against one of the claims in full. The second claim, although the Company 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 balance sheet at 31 December 2018 £78,333 (2017:£100,000).

26. Contingent liabilities

At the balance sheet date, the Company recognises there is a possible obligation in respect of an ongoing legal dispute. The duration, timing and outcome of the dispute are currently unknown.

27. Pension commitments

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

28. Commitments under operating leases

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

	2018	*Restated 2017*
	£	*£*
Not later than 1 year	**6,036,168**	*5,291,586*
Later than 1 year and not later than 5 years	**24,893,706**	*24,993,668*
Later than 5 years	**33,693,426**	*40,118,077*
	64,623,300	*70,403,331*

Leases include property, car leases and photocopiers.

29. Other financial commitments

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

30. Related party transactions

The Company 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 £34,545 (2017 - £49,990).

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

31. Controlling party

The ultimate controlling party is Wright Leisure Topco Limited by virtue of its entire holding in the issued share capital of Wright Leisure Midco Limited. Wright Leisure Topco Limited has the same registered office address as this Company. Wright Leisure Midco Limited owns the entire share capital of Wright Leisure Limited.

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

32. First time adoption of IFRS 15: Revenue contracts with customers

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

The date of transition to IFRS was 1 January 2018.

The following tables summarise the effects on the Company's equity and total comprehensive income of applying IFRS for the first tim

	Company Equity as at 1 January 2018 £	Company Profit for the year ended 31 December 2018 £	Company Equity as at 31 December 2018 £
As previously stated	(16,493,446)	(10,478,706)	(26,972,172)
Prior year adjustment 2016 (see note 24)	(31,965)	-	(31,965)
Prior year adjustment 2017 (see note 24)	(2,024,259)	-	(2,024,259)
As restated for prior year adjustments	(18,549,670)	(10,478,706)	(29,028,376)
Transitional adjustment			
IFRS 15 modified retrospective application	(491,751)	-	(491,751)
	(19,041,421)	(10,478,706)	(29,520,127)

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 Company 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.

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

The company 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 Company on restatement.

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