Company Registration Number 07572128

WRIGHT LEISURE LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2017

ArmstrongWatson®
Accountants, Business & Financial Advisers

WRIGHT LEISURE LIMITED

COMPANY INFORMATION

Directors	J C Wright P A Boddy S J Perrin R D Taylor S P Tutt (resigned 27 July 2018) C J Storr (appointed 24 April 2017) P W Wright (appointed 30 July 2018)
Company secretary	P E Wright
Registered number	07572128
Registered office	Unit 1 Kirkstall Industrial Estate Kirkstall Road Burley Leeds West Yorkshire LS4 2AZ
Independent auditors	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Accountants	Armstrong Watson LLP Third Floor 10 South Parade Leeds LS1 5QS

WRIGHT LEISURE LIMITED

CONTENTS

WRIGHT LEISURE LIMITED

GROUP STRATEGIC REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2017

Introduction

The directors present their report and the financial statements for the Group for the year ended 31 December 2017.

Principal activities

The principal activity of the Group is the development and operation of low cost, high volume Fitness Clubs.

The Group's aim is to offer the best value for money in the industry and best customer experience within the low-cost sector.

Review of the business

The directors are pleased to report another period of turnover growth, driven by new club openings and increasing membership numbers. This has further established Wright Leisure Limited as one of the UK's leading owners and operators of low-cost gyms.

Supported by an additional £3m of funding invested by the Business Growth Fund and the majority shareholder in November 2017, together with increased Lloyds Bank debt facilities during 2017, the Group opened a further 3 clubs during the period.

This represented a slow-down in the growth rate of the Group's estate as the business embarked on a rigorous refinancing process. The Group are pleased to confirm this process has concluded post year end and resulted in the securing of a new financing deal providing funding to continue its estate expansion.

The directors are confident that whilst there are still some major challenges to overcome in the short-term, the business is in a strong position both financially and structurally to deliver the best value and standards for its members and uphold its position as a major player in the low-cost fitness sector.

The geographical spread of the business continues to expand, with a mature presence in locations such as Lancashire and Yorkshire as well as expansion into Scotland, Wales, the East and West Midlands and the South of England, with Scotland leading the Group's performance tables showing the success of the brand in these new regions.

The pipeline for expansion includes both further openings in new geographic regions together with infill openings within existing regions.

The growth in clubs, and continuing maturity of the existing estate, resulted in an increase in our open club membership base of 13.3% (2016 - 18.6%) during the year. Member satisfaction and our continued increase in membership numbers reflect the ongoing effectiveness of our customer delivery and business model.

We use a number of key performance indicators to measure our performance. These include turnover and EBITDA of trading gyms. A summary table is provided below:

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	12 months to December 2017 £'000	12 months to December 2016 £'000	Movement £'000	%
Turnover	37,370	30,739	6,631	21.6
Operating (loss) / profit (after pre-opening costs)	(4,483)	(3,751)	(732)	19.5
Operating(loss)/profit (before pre-opening costs & exceptional costs)	(1,579)	(542)	(1,037)	191.3
Gym EBITDA*	8,663	6,142	2,521	41.1
Group EBITDA**	2,881	3,176	(295)	(9.3)

Review of the business continued

The Group has achieved turnover growth of 21.6% in the year, this is as a direct result of increasing average member numbers and an increase in the average yield per member of 3.2%.

The operating loss of £4.5m (2016: £3.8m) noted above is after charging £2.2m (2016: £3.2m) of pre-opening costs and £0.6m exceptional costs (as per note 5 of the group accounts) to the P&L during the year.

Both the Group and gym EBITDA have been impacted significantly in 2017 by the change in the group's operating model in relation to its personal trainers. The Group made the commercial decision to move personal trainers onto an employed basis with a phased transition during 2017 across its entire estate.

The main driver behind the change in the Group's operating model being to give greater control over the quality of service provided to members and to assist with recruitment and retention of the highest quality personal trainers to deliver the best customer experience to its members. This has resulted in an additional net cost for the business in 2017 of £1.9m.

Gym EBITDA* is defined as earnings before interest, taxation, depreciation, amortisation, head office costs, pre-opening costs and exceptional costs.

Group EBITDA** is defined as earnings before interest, taxation, depreciation, amortisation, pre-opening costs and exceptional costs.

Funding and post balance sheet events

Growth continues to be financed through a mixture of cash generated from operations, bank debt and equity investment.

After the balance sheet date, the directors are pleased to announce a restructuring of its debt facilities, which involved settlement of all outstanding Lloyds Bank debt and refinancing with Proventus Capital Partners. The refinancing has provided the business with a £42m committed facility. This represents a significant investment that will provide the business with the funding to facilitate implementation of both its short and longer-term growth strategies and will enable the Group to further invest and capitalise on its position in the market place.

As part or the debt restructure in 2018, two new companies were formed to facilitate the refinancing with Wright Leisure Limited and all subsidiaries being acquired by Wright Leisure Topco Limited on 30 April 2018. Wright Leisure Limited continues to be the only trading company within the group.

The directors remain confident about the continued future expansion of the Group, backed by both the external investment of the Business Growth Fund and the recently restructured facility with Proventus Capital Partners providing the group with the funding to create the infrastructure required to drive the growth of the estate.

Principal risks and uncertainties

The Group is subject to a number of risks and uncertainties. Its business model is based upon it being able to generate revenue from selling memberships to new customers and maintaining the memberships of existing customers. The Group is therefore to some extent exposed to the general economic environment and consumer confidence. The directors believe that the Group's pricing policy, combined with the predominance of 12 month memberships, mitigates these risks to an acceptable and manageable degree.

The Group regularly monitors its cash flow requirements through the use of short and long-term cash flow forecasting.

This report was approved by the board on 10|10|2018 and signed on its behalf.

C J Storr
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the period ended 31 December 2017.

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Results and dividends

The loss for the period, after taxation, amounted to £6,620,064 (2016 - loss £5,441,809).

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

Directors

The directors who served during the period were:

J C Wright
P A Boddy
S J Perrin
R D Taylor
S P Tutt (resigned 27 July 2018)
C J Storr (appointed 24 April 2017)

P W Wright was subsequently appointed as a director on 30 July 2018.

Future developments

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

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2017

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 Group'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 Group 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 Group invests in employee involvement through a range of practices designed to increase employee information about the Group, particularly relating to Group performance and matters concerning colleagues.

Disclosure of information to auditors

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

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

Post balance sheet events

In April 2018 the business successfully restructured its debt facilities, settling all outstanding Lloyds Bank facilities and refinancing with Proventus Capital Partners. The refinancing has provided the business with a £42.2m committed facility. This represents a significant investment that will provide the business with the funding to facilitate implementation of both its short and longer-term growth strategies.

As part of the Proventus debt restructuring two new companies were created to facilitate the refinancing transaction creating a new group structure from April 2018 onwards. Wright Leisure Limited continues to be the only trading company of the group.

Auditors

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 10|10|2018 and signed on its behalf.

C J Storr
Director

Registered office

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 2017 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 4 and 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
Date 10/10/2018.

WRIGHT LEISURE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Revenue	4	**37,369,889**	30,738,953
Cost of sales		**(494,305)**	(552,068)
Gross profit		**36,875,584**	30,186,885
Administrative expenses		**(41,358,424)**	(33,937,627)
Operating loss	5	**(4,482,840)**	(3,750,742)
Being:			
Group Adjusted EBITDA 1		**2,881,338**	**3,175,742**
- Depreciation & loss on disposal of Fixed assets	5	**(4,498,151)**	**(3,717,723)**
- Pre Opening Costs	5	**(2,247,271)**	**(3,208,761)**
- Exceptional items	5	**(618,756)**	**-**
		(4,482,840)	**(3,750,742)**
Interest payable and expenses	9	**(2,134,018)**	(1,770,035)
Loss before tax		**(6,616,858)**	(5,520,777)
Tax on loss	10	**(3,206)**	78,968
Loss for the financial period		**(6,620,064)**	(5,441,809)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:		-	-
Total comprehensive income for the period/year		**(6,620,064)**	(5,441,809)

1 Group Adjusted EBITDA is a non-GAAP metric used by management and is not a IFRS disclosure.

WRIGHT LEISURE LIMITED
REGISTERED NUMBER: 07572128

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note		2017 £		2016 £
Non-current assets					
Property, plant and equipment	11		**31,423,052**		33,178,358
Deferred tax asset	10		**368,855**		372,061
Other receivables	12		**120,000**		70,000
			31,911,907		33,620,419
Current assets					
Inventories		**180,261**		138,100	
Trade and other receivables	12	**2,951,007**		2,773,656	
Cash and cash equivalents	13	**1,660,216**		1,626,746	
		4,791,484		4,538,502	
Total assets		**36,703,391**		38,158,921	
Current liabilities					
Other-interest bearing loans and borrowings	14		**(12,850,516)**		(4,925,521)
Trade and other payables	14		**(17,373,062)**		(19,206,313)
			(30,223,578)		(24,131,834)
Non-current liabilities					
Other-interest bearing loans and borrowings	15		**(20,758,353)**		(21,813,755)
Other payables	15		**(3,905,700)**		(3,777,508)
			(24,664,053)		(25,591,263)
Total liabilities			**(54,887,631)**		(49,723,097)
Net liabilities			**(18,184,240)**		(11,564,176)
Capital and reserves					
Called up share capital	19		**2**		2
Revaluation reserve			**-**		17,521
Other reserves			**-**		148,741
Profit and loss account	20		**(18,184,242)**		(11,730,440)
			(18,184,240)		(11,564,176)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

The financial statements were approved and authorised for issue by the board and were signed on its behalf by: 10/10/2018

....
C J Storr
Director

Date: 10/10/18

The notes on pages 14 to 35 form part of these financial statements.

WRIGHT LEISURE LIMITED

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

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	2	17,521	148,741	(11,730,440)	(11,564,176)
Total Comprehensive income for the period					
Loss for the period	-	-	-	(6,620,064)	(6,620,064)
Total comprehensive income for the period	-	-	-	(6,620,064)	(6,620,064)
Total transactions with owners	-	-	-	-	-
Transfers between reserve classes		(17,521)	(148,741)	166,262	-
At 31 December 2017	2	-	-	(18,184,242)	(18,184,240)

The notes on pages 14 to 35 form part of these financial statements.

WRIGHT LEISURE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2016

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	2	17,521	148,741	(6,288,631)	(6,122,367)
Total Comprehensive income for the period					
Loss for the year	-	-	-	(5,441,809)	(5,441,809)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(5,441,809)	(5,441,809)
Total transactions with owners	-	-	-	-	-
At 31 December 2016	**2**	**17,521**	**148,741**	**(11,730,440)**	**(11,564,176)**

The notes on pages 14 to 35 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Loss for the financial period		**(6,620,064)**	(5,441,809)
Adjustments for:			
Depreciation of tangible assets		**4,474,206**	3,716,723
Interest paid		**(361,074)**	(385,975)
Loss on disposal of tangible assets		**23,945**	-
Finance expense		**2,134,018**	1,770,035
Taxation charge/(credit)		**3,206**	(78,968)
(Increase) in stocks		**(42,161)**	(12,384)
(Increase) in debtors		**(227,351)**	(1,215,896)
(Decrease)/increase in creditors		**(3,169,062)**	6,953,286
Net cash (used in)/generated from operating activities		**(3,784,337)**	5,305,012
Cash flows from investing activities			
Purchase of tangible fixed assets		**(2,782,564)**	(12,428,113)
Sale of tangible fixed assets		**39,723**	95,784
Net cash from investing activities		**(2,742,841)**	(12,332,329)
Cash flows from financing activities			
New secured loans		**6,581,474**	8,547,113
Receipt of landlord incentives		**1,464,003**	1,145,978
Repayment of/new finance leases		**288,115**	(1,134,699)
Interest paid		**(1,772,944)**	(1,384,060)
Net cash used in financing activities	30	**6,560,648**	7,174,332
Net increase in cash and cash equivalents		**33,470**	147,015
Cash and cash equivalents at beginning of period		**1,626,746**	1,479,731
Cash and cash equivalents at the end of period		**1,660,216**	1,626,746
Cash and cash equivalents at the end of period comprise:			
Cash at bank and in hand		**1,660,216**	1,626,746
		1,660,216	1,626,746

The notes on pages 14 to 35 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

1. General information

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

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for us in the EU and with those parts of the Companies Act applicable to companies reporting under IFRS. The functional currency of each entity in the group is Pounds Sterling and the Consolidated Financial Accounts are presented in this currency. The figures for the parent company are presented separately.

The Consolidated Financial Statements have been prepared on a going concern basis under the historical cost convention as modified by the recognition of the financial liabilities at fair value through the profit and loss.

Standards issued not yet effective

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

* Amendments to IFRS 2: amendments - Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)

* Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)

The Group has assessed the impact of IFRS 9 which uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replaçing many different rules in IFRS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset.

Given the level of financial assets the Group has and the nature of its financial assets, the Group does not believe the impact will be material.

* Annual improvements IFRS Standards 2014-2016 Cycle (effective 1 January 2018) and Annual improvements IFRS Standards 2015-2017 Cycle (effective 1 January 2019)

* Amendments to IAS 19: Plan amendment, curtailment or settlement (effective 1 January 2019)

* Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)

* Amendments to IAS 40: Transfers of Investment Property (effective 1 January 2018)

* Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)

* IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

* IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)

* IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2018)

The Group is required to adopt IFRS 15 from 1 January 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Currently only IAS 18 Revenue applies to the Group's accounts.

The largest element of the Group's revenue is membership income which is accounted for on a cash basis with the membership fees paid in advance of the outflow of economic benefits been deferred and recognised in the period in which the services are provided.

Whilst a full impact assessment on each revenue stream has not yet been performed, given the nature of accounting for membership income and invoicing of other revenue streams the Group does not believe the impact will be material.

* IFRS 16 - Leases (effective 1 January 2019)

IFRS 16 specifies the recognition, measurement, presentation and disclosure of leases. This standard provides a single lessee accounting model, requiring the lessee to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. While the Group continues to assess the detailed impact of adopting IFRS 16, given significant leasing arrangements within the Group, the adoption of this standard is expected to have a material impact on the Group's Financial Statements.

* IFRS 17 - Insurance contracts (effective 1 January 2021)

With the exception of IFRS 16, the adoption of these Standards and interpretations is not expected to have a material impact on the Financial Statements of the Group in the period of initial application when the relevant standards come into effect.

2. Accounting policies (continued)

2.2 Going concern

Whilst the Group makes a net operating loss and has net liabilities, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future.

The parent has provided a statement of guarantee over the companies in the group that they have adequate resources to continue in operational existence for the foreseeable future. The directors have considered all information about the future available to them when assessing whether the company is a going concern, including forecasts extending beyond twelve months from the balance sheet date and the continuing availability of borrowing facilities including compliance with all terms therein.

In April 2018 the business successfully restructured its debt facilities, settling all outstanding Lloyds Bank facilities and refinancing with Proventus Capital Partners. The refinancing has provided the business with a £42.2m committed facility. This represents a significant investment that will provide the business with the funding to facilitate implementation of both its short and longer term growth strategies.

The adoption of the going concern basis in preparing the financial statements is therefore considered appropriate.

2.3 Property plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.3 Property plant and equipment (continued)

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

The estimated useful lives range as follows:

Long-term leasehold property	- Equal instalments over the period of lease
Motor vehicles	- 5 years
Fixtures and fittings	- 5 years
Gym equipment	- 6 years

Assets under construction are not depreciated as relate to gyms which are not yet in operation.

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.

2.4 Trade and other receivables

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.5 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. Accounting policies (continued)

2.6 Financial instruments

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

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

At amortised cost

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

2. Accounting policies (continued)

2.7 Trade and other payables

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Finance costs

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

2.9 Operating leases: the Company as lessee

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.

2.10 Employee benefits

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.

2.11 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

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 relevant risks and uncertainties.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. 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.

2.14 Exceptional items and pre-opening costs

Pre-opening costs

As in previous years further one-off costs were also incurred as pre-opening costs of clubs. These are the non-capital costs expensed into the Profit and Loss before the club opens for trade to its members. Pre-opening costs were incurred excluding any IFRS adjustments above of £2,247,271 in the year ended 31 December 2017 (2016: £3,208,761).

Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

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

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

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

Critical judgements in applying the Group's accounting policies

Lease classification

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

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

Source of estimation and uncertainty

Depreciation

The Group reviews the estimated useful lives and residual values of its fixed assets annually to ensure they continue to be a reasonable estimation of the useful lives and residual values of those fixed assets. New additions of fixed assets are subject to the same level of review. The assets are depreciated over their estimated useful lives to their residual values.

4. Revenue

Revenue primarily represents amounts receivable for goods and services net of VAT supplied in the principal activities of the company and non-refundable fees received during the year. Member income includes membership subscriptions and joining fee income. Membership fees paid in advance of the outflow of economic benefits have been deferred and recognised in the period in which the services are provided, whilst joining fees are recognised immediately as revenue. Other income includes various ancillary revenue streams which are recognised in the period to which they relate.

	2017	2016
	£	£
Sales from goods sold	**1,592,442**	1,268,428
Sales from services provided	**35,777,447**	29,470,525
	37,369,889	30,738,953

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

5. Expenses

The expenses are stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	**4,474,206**	3,717,723
Loss on disposal of fixed assets	**23,945**	0
Defined contribution pension cost	**43,438**	32,625
Operating lease rentals net of lease incentives including first year IFRS adjustment below	**6,572,048**	5,656,236
- Pre opening costs	**2,247,271**	3,208,761
- Exceptional items	**618,756**	0

During the year, certain costs have been incurred in relation to an exercise undertaken to rationalise/ improve/streamline/cleanse several areas of the business. Due to the size of these costs, in aggregate, and because the costs do not relate to the underlying operating performance of the business in the year, they have been classified as exceptional.

6. Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group:

	2017	2016
	£	£
Fees for the audit of the group	**45,000**	30,000
Fees for tax compliance services	**11,900**	11,750
	56,900	41,750

7. Staff numbers and costs

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

	2017	2016
	£	£
Wages and salaries	**13,212,347**	10,547,104
Cost of defined contribution scheme	**43,438**	32,625
	13,255,785	10,579,729

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

	2017	2016
	No.	*No.*
Administration	**74**	76
Operational	**587**	423
	661	499

8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	**624,615**	504,519
Company contributions to defined contribution pension schemes	**1,462**	-
	626,077	504,519

During the period retirement benefits were accruing to four directors (2016 - NIL) in respect of defined contribution pension schemes.

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £366 (2016 - £NIL).

The highest paid director received remuneration of £174,322 (2016: £158,546).

9. Finance expenses

	2017 £	2016 £
Bank interest payable	**1,725,562**	1,363,940
Finance leases and hire purchase contracts	**361,074**	385,975
Other interest payable	**47,382**	20,120
	2,134,018	1,770,035

10. Taxation

a) Tax on loss

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Total current tax	**-**	-
Deferred tax		
Origination and reversal of timing differences	**3,206**	(75,207)
Adjustments in respect of prior periods	**-**	(3,761)
Total deferred tax	**3,206**	(78,968)
Taxation on loss on ordinary activities	**3,206**	(78,968)

b) Reconciliation of tax charge

	Year ended 31 December 2017	Year ended 31 December 2016
Loss on ordinary activities before tax	(6,616,858)	(5,520,777)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(1,273,745)	(1,104,155)
Expenses not deductible for tax purposes	505,149	628,474
Deferred tax not recognised	681,217	313,526
Group relief surrendered/ (claimed)	-	-
Prior period adjustment	-	(3,761)
Tax rate difference	90,585	86,948
Total tax charge for the period/year	3,206	(78,968)

c) Deferred tax

During the year the Group recognised the following deferred tax assets and liabilities:

	Prior year adjustments	Origination and reversal of timing differences	Total
At 1 August 2015	-	(282,872)	(282,872)
Additions	-	71,080	71,080
Disposals	(81,301)	-	(81,301)
At 31 December 2015	(81,301)	(211,792)	(293,093)
Additions	-	31,960	31,960
Disposals	-	(110,928)	(110,928)
At 31 December 2016	(81,301)	(290,760)	(372,061)
Additions	-	3,206	3,206
Disposals	-	-	-
At 31 December 2017	(81,301)	(287,554)	(368,855)

d) Unrecognised tax losses

The group has tax losses of £8,051,615 (2016 - £5,594,265) that are available indefinitely for offset against future taxable profits of the companies in which they arose.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

11. Property plant and equipment

	Long-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Gym equipment £	Assets under the course of construction £	Total £
Cost or valuation						
At 1 January 2017	23,851,904	401,120	2,358,542	15,131,350	476,793	42,219,709
Additions	1,680,369	24,234	49,696	836,007	192,258	2,782,564
Disposals	-	(110,425)	-	-	-	(110,425)
Transfers between addition classes	190,088	-	239,822	-	(429,910)	-
At 31 December 2017	25,722,361	314,929	2,648,060	15,967,357	239,141	44,891,848
Depreciation						
At 1 January 2017	3,632,100	170,979	989,805	4,248,467	-	9,041,351
Charge for the period	1,887,293	97,662	561,461	1,927,790	-	4,474,206
Disposals	-	(46,761)	-	-	-	(46,761)
At 31 December 2017	5,519,393	221,880	1,551,266	6,176,257	-	13,468,796
Net book value						
At 31 December 2017	20,202,968	93,049	1,096,794	9,791,100	239,141	31,423,052
At 31 December 2016	20,219,804	230,141	1,368,737	10,882,883	476,793	33,178,358

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

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Long leasehold	**20,202,968**	20,219,804
	20,202,968	20,219,804

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

	2017 £	2016 £
Land and buildings leasehold	**12,437**	44,320
Gym equipment	**5,685,448**	5,693,390
Motor vehicles	**110,284**	223,925
Furniture, fittings and equipment	**100,889**	133,398
	5,909,058	6,095,033

12. Trade and other receivables

	2017 £	2016 £
Non current assets:		
Other debtors	**120,000**	70,000
	120,000	70,000

Trade and other receivables

	2017 £	2016 £
Due within one year		
Trade debtors	**281,768**	198,415
Other debtors	**705,008**	1,038,780
Prepayments and accrued income	**1,964,231**	1,536,461
	2,951,007	2,773,656

13. Cash and cash equivalents

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

14. Trade and other payables

	2017 £	2016 £
Current liabilities		
Other interest bearing loans		
Bank loans	**9,952,772**	2,977,776
Other loans	**833,333**	-
Obligations under finance lease and hire purchase contracts	**2,064,411**	1,947,745
	12,850,516	4,925,521
Trade and other payables		
Trade creditors	**5,897,878**	9,543,528
Deferred income	**713,598**	502,682
Other taxation and social security	**1,508,450**	942,998
Other creditors	**787,206**	1,282,696
Accruals	**336,682**	139,595
Landlord incentives	**8,129,248**	6,794,814
	17,373,062	19,206,313
	30,223,578	24,131,834

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

15. Non-current liabilities

Other interest bearing loans

	2017	2016
	£	£
Bank loans	**7,118,058**	11,472,224
Other loans - Business Growth Fund	**11,796,493**	8,669,180
Net obligations under finance leases and hire purchase contracts	**1,843,802**	1,672,351
	20,758,353	**21,813,755**
Landlord incentives	**3,905,700**	3,776,131
Other creditors	-	1,377
	3,905,700	3,777,508
	24,664,053	25,591,263

Secured Loans

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

16. Loans

Analysis of the maturity of loans is given below:

	2017	2016
Amounts falling due within one year	£	£
Bank loans	**9,952,772**	2,977,776
Other loans – Business Growth Fund	**833,333**	-
	10,786,105	2,977,776
Amounts falling due 1-2 years		
Bank loans	**7,118,058**	5,777,776
Other loans - Business Growth Fund	**2,925,626**	833,333
	10,043,684	6,611,109
Amounts falling due 2-5 years		
Bank loans	-	5,694,448
Other loans - Business Growth Fund	**5,537,534**	3,669,180
	5,537,534	9,363,628
Amounts falling due after more than 5 years		
Other loans - Business Growth Fund	**3,333,333**	4,166,667
	3,333,333	4,166,667
	29,700,656	23,119,180

17. Finance leases

Future minimum lease payments for:

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

18. Financial instruments

	2017 £	2016 £
Financial assets		
Cash and cash equivalents	**1,660,216**	1,626,746
Trade and other debtors	**1,106,776**	1,307,195
	2,766,992	2,933,941
Financial liabilities		
Creditors under 1 year	**30,223,578**	24,131,844
Creditors over 1 year	**24,664,053**	25,591,263
	54,887,631	49,723,107
Less: Finance leases under 1 year	**(2,064,411)**	(1,947,745)
Less: Finance leases over 1 year	**(1,843,802)**	(1,672,351)
Less: other taxation and social security	**(1,508,450)**	(942,998)
	49,470,968	45,160,013

19. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
410- Ordinary A shares of £0.001 each	**0.41**	0.35
50- Ordinary B shares of £0.001 each	**0.05**	0.05
80- Ordinary C shares of £0.001 each	**0.08**	0.08
40- Ordinary C1 shares of £0.001 each	**0.04**	0.04
1,410- Ordinary D shares of £0.001 each	**1.41**	1.47
10- Ordinary shares of £0.001 each	**0.01**	0.01
	2.00	2.00

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.

On the 29 November 2017 60 D Ordinary shares were redesignated as 60 A Ordinary shares.

20. Reserves

Profit and loss account

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

21. Pension commitments

The Group 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 £43,438 (2016 - £32,625). £8,614 (2016 - £nil) was payable to the fund at the balance sheet date.

22. Commitments under operating leases

At 31 December 2017 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	**7,105,540**	5,655,094
Later than 1 year and not later than 5 years	**31,523,517**	28,710,895
Later than 5 years	**44,081,068**	47,725,628
	82,710,125	82,091,617

23. Financial Instruments Risk Management

The Group is exposed through its operations to the following financial risks:

- Market Risk
- Liquidity Risk
- Credit Risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Financial Instruments Risk Management (continued)

Market Risk

Market risk arises from the Group's use of interest bearing borrowings. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk). Key market risks affecting the Group include interest rate risk.

Fair value and cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. These interest rates have a fixed element with the variable element being LIBOR.

The Group is not expecting any reduction in interest rates over the next 12 months. The effect on profit after tax of a notional 0.5% movement in LIBOR is as follows:

	12 months to 31 December 2017	12 months to 31 December 2016	5 months to 31 December 2015
	£,000	£,000	£,000
Change in interest rate of 0.5%	86	60	20

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and operational liabilities and by maintaining adequate cash reserves.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Within 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
As at 31 December 2017	**£'000**	**£'000**	**£'000**	**£'000**
Trade and Other Payables	11,308	1,351	492	-
Loans and Borrowings	10,786	10,044	5,538	3,333
Total	22,094	11,395	6,030	3,333

	Within 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
As at 31 December 2016	**£'000**	**£'000**	**£'000**	**£'000**
Trade and Other Payables	14,359	1,239	433	-
Loans and Borrowings	2,978	6,611	9,364	4,167
Total	17,337	7,850	9,797	4,167

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

Credit Risk

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

Capital risk management

The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total borrowings (as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt. The gearing ratio as at 31 December 2017 and at 31 December 2016 was as follows:

	12 months to December 2017 £'000	12 months to December 2016 £'000
Loans and borrowings	16,946	14,450
Less: Cash and cash equivalents	(1,660)	(1,626)
Net debt	15,286	12,824
Total equity	(7,798)	(2,932)
Total capital	7,488	9,892
Gearing ratio	204%	130%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

24. Other financial commitments

The group has capital commitments contracted but not provided for of £3,562,328 at 31 December 2017 (2016: £1,166,255).

25. Transactions with directors

At 31 December 2017 a balance of £120,000 (2016 - £70,000) was owed by two Directors under formal loan agreements. Interest is charged on these loans at a rate of 0.5% over the Lloyds Bank base rate and the loans are repayable at the discretion of the Company conditional upon criteria having been met.

26. Related party transactions

The group has an annual rent liability to Arcus Ventures Limited, a company controlled by JW Wright and P Wright totalling £485,045 (2016 - £485,045).

The group has obtained a Business Growth Fund loan and at 31 December 2017 £9,592,292 (2016 - £8,669,180) was outstanding. Interest of £902,148 (2016 - £809,345) was charged on the loan in the period ended 31 December 2017.

During 2017, the group obtained a further investment of £2,000,000 from Business Growth Fund, at 31 December 2017 £2,028,493 was outstanding. Interest of £28,494 (2016 - £nil) was charged on the loan in the period ended 31 December 2017.

During 2017, the group obtained a further investment of £1,000,000 from Business Growth Fund, at 31 December 2017 £1,009,041 was outstanding. Interest of £9,041 was charged on the loan in the period ended 31 December 2017.

27. Post balance sheet events

In April 2018 the business successfully restructured its debt facilities, settling all outstanding Lloyds Bank facilities and refinancing with Proventus Capital Partners. The refinancing has provided the business with a £42.2m committed facility. This represents a significant investment that will provide the business with the funding to facilitate implementation of both its short and longer-term growth strategies.

As part of the Proventus debt restructuring two new companies were created to facilitate the refinancing transaction creating a new group structure from April 2018 onwards. Wright Leisure Limited continues to be the only trading company of the group.

28. Controlling party

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

29. Contingent liability

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

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

	Bank loans £	*Other loans -* Business Growth Fund £	*Finance* lease liabilities £	Total £
Balance at 1 January 2017	**14,450,000**	**8,669,180**	**3,620,096**	**26,739,276**
Changes from financing cash flows				
Proceeds from loans and borrowings	3,500,000	3,000,000		6,500,000
Repayment of loans and borrowings	(879,170)			(879,170)
Payment of lease liabilities - capital element			(2,356,271)	(2,356,271)
New finance lease liabilities			2,644,388	2,644,388
Repayment of interest on finance leases				
	2,620,830	3,000,000	288,117	5,908,947
Other Changes				
Interest expense		960,646		960,646
	-	960,646	-	960,646
Balance at 31 December 2017	**17,070,830**	**12,629,826**	**3,908,213**	**33,608,869**

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note		2017 £		2016 £
Fixed assets					
Tangible assets	5		**30,564,010**		31,958,906
Investments	6		**18**		18
Debtors	7		**120,000**		70,000
			30,684,028		32,028,924
Current assets					
Stocks		**180,262**		138,099	
Debtors: amounts falling due within one year	7	**3,577,731**		3,746,302	
Cash at bank and in hand	8	**1,660,277**		1,626,806	
		5,418,270		5,511,207	
Creditors: amounts falling due within one year	9	**(28,568,756)**		(22,538,578)	
Net current liabilities			**(23,150,486)**		(17,027,371)
Total assets less current liabilities			**7,533,542**		15,001,553
Creditors: amounts falling due after more than one year	10		**(24,026,115)**		(24,862,816)
			(16,492,573)		(9,861,263)
Net liabilities			**(16,492,573)**		(9,861,263)
Capital and reserves					
Called up share capital	14		**2**		2
Profit and loss account	15		**(16,492,575)**		(9,861,265)
			(16,492,573)		(9,861,263)

The loss for the financial year of the company is £6,631,310 (2016: £4,984,942).
The financial statements were approved and authorised for issue by the board and were signed on its behalf on
10|10|2018

C J Storr
Director
The notes on pages 39 to 52 form part of these financial statements.

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	2	(9,861,265)	(9,861,263)
Comprehensive income for the year			
Loss for the year	-	(6,631,310)	(6,631,310)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(6,631,310)	(6,631,310)
Total transactions with owners	-	-	-
At 31 December 2017	2	(16,492,575)	(16,492,573)

The notes on pages 39 to 52 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	2	(4,876,323)	(4,876,321)
Comprehensive income for the year			
Loss for the year	-	(4,984,942)	(4,984,942)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(4,984,942)	(4,984,942)
Total transactions with owners	-	-	-
At 31 December 2016	2	(9,861,265)	(9,861,263)

The notes on pages 39 to 52 form part of these financial statements.

COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

1. General information

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

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

The accounts are prepared in Sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company accounting policies (see note 3).

No individual profit and loss account is presented for Wright Leisure Limited as permitted by section 408 of the Companies Act 2006.

The following principal accounting policies have been applied:

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;
    - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 Going concern

Whilst the Company makes a net operating loss and has net liabilities, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The parent has provided a statement of guarantee over the companies in the group that they have adequate resources to continue in operational existence for the foreseeable future. The directors have considered all information about the future available to them when assessing whether the company is a going concern, including forecasts extending beyond twelve months from the balance sheet date and the continuing availability of borrowing facilities including compliance with all terms therein.

In April 2018 the business successfully restructured its debt facilities, settling all outstanding Lloyds Bank facilities and refinancing with Proventus Capital Partners. The refinancing has provided the business with a £42.2m committed facility. This represents a significant investment that will provide the business with the funding to facilitate implementation of both its short and longer-term growth strategies.

The adoption of the going concern basis in preparing the financial statements is therefore considered appropriate.

2.4 Revenue

Revenue primarily represents amounts receivable for goods and services net of VAT supplied in the principal activities of the company and non-refundable fees received during the year. Member income includes membership subscriptions and joining fee income. Membership fees paid in advance of the outflow of economic benefits have been deferred and recognised in the period in which the services are provided, whilst joining fees are recognised immediately as revenue. Other income includes various ancillary revenue streams which are recognised in the period to which they relate.

2.5 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:

Long-term leasehold property	- Equal instalments over the period of the lease
Motor vehicles	- 5 years
Fixtures and fittings	- 5 years
Office equipment	- 6 years

Assets under construction are not depreciated as relate to gyms which are not yet in operation.

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 Profit and Loss Account.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are re-measured to market value at each Statement of Financial Position date. Gains and losses on re-measurement are recognised in profit or loss for the period.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

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

2.9 Financial instruments

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

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Profit and Loss Account. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

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

2.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Finance costs

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

2.12 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Profit and Loss Account 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.

2.13 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 Profit and Loss Account 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.

2.14 Borrowing costs

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

2.15 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.

2.16 Current and deferred taxation

Tax is recognised in the Profit and Loss Account, 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.

2.17 Exceptional items and pre-opening costs

Pre-opening costs

As in previous years further one off costs were also incurred as pre-opening costs of clubs. These are the non-capital costs expensed into the Profit and Loss before the club opens for trade to its members. Pre-opening costs were incurred excluding any IFRS adjustments above of £2,247,271 in the year ended 31 December 2017 (2016: £3,208,761).

Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

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

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

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

Critical judgements in applying the Group's accounting policies

Lease classification

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

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

Source of estimation and uncertainty

Depreciation

The Company reviews the estimated useful lives and residual values of its fixed assets annually to ensure they continue to be a reasonable estimation of the useful lives and residual values of those fixed assets. New additions of fixed assets are subject to the same level of review. The assets are depreciated over their estimated useful lives to their residual values.

4. Fixed asset investments

Subsidiary undertakings

Xercise Health & Fitness Club Limited
Xercise4Less (Wakefield) Limited
Xercise4Less (Stockton) Limited
Xercise4Less (Leeds) Ltd
Xercise4Less (Wigan) Ltd
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.

Wright Leisure Limited has 100% of the voting rights within the group and all subsidiaries in the group obtain audit exemption under section 479A of the Companies Act 2006 due to guarantees given by the parent company.

5. Tangible fixed assets

	Long-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Gym equipment £	Assets under the course of construction £	Total £
Cost or valuation						
At 1 January 2017	23,639,111	387,474	2,289,375	12,654,196	476,793	39,446,949
Additions	1,680,368	24,234	49,695	836,006	192,258	2,782,561
Disposals	-	(110,425)	-	-	-	(110,425)
Transfers between addition classes	190,088	-	239,822	-	(429,910)	-
At 31 December 2017	25,509,567	301,283	2,578,892	13,490,202	239,141	42,119,085
Depreciation						
At 1 January 2017	3,556,920	162,974	930,396	2,837,753	-	7,488,043
Charge for the year	1,873,349	95,479	555,823	1,589,142	-	4,113,793
Disposals	-	(46,761)	-	-	-	(46,761)
At 31 December 2017	5,430,269	211,692	1,486,219	4,426,895	-	11,555,075
Net book value						
At 31 December 2017	20,079,298	89,591	1,092,673	9,063,307	239,141	30,564,010
At 31 December 2016	20,082,191	224,500	1,358,979	9,816,443	476,793	31,958,906

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Long leasehold	**20,079,298**	20,082,191
	20,079,298	20,082,191

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

	2017 £	2016 £
Land and buildings leasehold	**12,437**	44,320
Gym equipment	**5,685,448**	5,687,749
Motor vehicles	**110,284**	223,925
Furniture, fittings and equipment	**100,889**	133,398
	5,909,058	6,089,392

6. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	**18**
At 31 December 2017	**18**
Net book value	
At 31 December 2017	**18**
At 31 December 2016	18

7. Debtors

	2017	2016
Non current assets	**£**	£
Other debtors	**120,000**	70,000
Current assets		
Trade debtors	**281,768**	198,412
Amounts owed by group undertakings	**626,726**	972,652
Other debtors	**705,006**	1,038,777
Prepayments and accrued income	**1,964,231**	1,536,461
	3,577,731	3,746,302

8. Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and in hand	**1,660,277**	1,626,806
	1,660,277	1,626,806

9. Creditors: Amounts falling due within one year

	2017 £	2016 £
Landlord incentives	**6,464,767**	4,901,829
Bank loans	**9,952,772**	2,977,776
Other loans	**833,333**	-
Trade creditors	**5,897,878**	9,543,528
Deferred income	**713,596**	502,682
Amounts owed to group undertakings	**-**	300,963
Other taxation and social security	**1,508,450**	942,998
Obligations under finance lease and hire purchase contracts	**2,064,411**	1,946,510
Other creditors	**180,375**	1,282,696
Accruals	**953,174**	139,596
	28,568,756	22,538,578

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

10. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Landlord incentives	**3,267,762**	3,047,683
Bank loans	**7,118,058**	11,472,224
Other loans - Business Growth Fund	**11,796,493**	8,669,180
Net obligations under finance leases and hire purchase contracts	**1,843,802**	1,672,351
Other creditors	**-**	1,378
	24,026,115	24,862,816

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

11. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year		
Bank loans	**9,952,772**	2,977,776
Other loans	**833,333**	-
	10,786,105	2,977,776
Amounts falling due 1-2 years		
Bank loans	**7,118,058**	5,777,776
Other loans - Business Growth Fund	**2,925,626**	833,333
	10,043,684	6,611,109
Amounts falling due 2-5 years		
Bank loans	-	5,694,448
Other loans - Business Growth Fund	**5,537,534**	3,669,180
	5,537,534	9,363,628
Amounts falling due after more than 5 years		
Other loans - Business Growth Fund	**3,333,333**	4,166,667
	3,333,333	4,166,667
	29,700,656	23,119,180

12. Hire purchase and finance leases

Future minimum lease payments for:

	2017 £	2016 £
Within one year	**2,064,411**	1,946,510
Between 1-2 years	**1,351,577**	1,239,119
Between 2-5 years	**492,225**	433,232
	3,908,213	3,618,861

13. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets measured at fair value through profit or loss	**1,660,276**	1,626,806
Financial assets that are debt instruments measured at amortised cost	**1,106,774**	1,307,190
	2,767,050	2,933,996
Financial liabilities		
Financial liabilities measured at amortised cost	**(46,464,612)**	(42,336,852)

14. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
410- Ordinary A shares of £0.001 each	**0.41**	0.35
50- Ordinary B shares of £0.001 each	**0.05**	0.05
80- Ordinary C shares of £0.001 each	**0.08**	0.08
40- Ordinary C1 shares of £0.001 each	**0.04**	0.04
1,410- Ordinary D shares of £0.001 each	**1.41**	1.47
10- Ordinary shares of £0.001 each	**0.01**	0.01
	2.00	2.00

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.

On the 29 November 2017 60 D Ordinary shares were redesignated as 60 A Ordinary shares.

15. Reserves

Profit and loss account

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

16. Transactions with directors

At 31 December 2017 a balance of £120,000 (2016 - £70,000) was owed by two Directors under formal loan agreements. Interest is charged on these loans at a rate of 0.5% over the Lloyds Bank base rate and the loans are repayable at the discretion of the Company conditional upon criteria having been met.

17. 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 £43,438 (2016 - £32,625). £8,614 (2016 - £nil) was payable to the fund at the balance sheet date.

18. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017	2016
	£	£
Not later than 1 year	**5,291,586**	3,905,450
Later than 1 year and not later than 5 years	**24,993,668**	21,658,208
Later than 5 years	**40,118,077**	42,442,175
	70,403,331	68,005,833

19. Related party transactions

The company has an annual rent liability to Arcus Ventures Limited, a company controlled by JW Wright and P Wright totalling £485,045 (2016 - £485,045).

The company has obtained a Business Growth Fund loan and at 31 December 2017, £9,592,292 (2016 - £8,669,180) was outstanding. Interest of £902,148 (2016 - £809,345) was charged on the loan in the period ended 31 December 2017.

During 2017, the company obtained a further investment of £2,000,000 from Business Growth Fund, at 31 December 2017 £2,028,493 was outstanding. Interest of £28,494 (2016 - £Nil) was charged on the loan in the period ended 31 December 2017.

During 2017, the company obtained a further investment of £1,000,000 from Business Growth Fund, at 31 December 2017 £1,009,041 was outstanding. Interest of £9,041 was charged on the loan in the period ended 31 December 2017.

COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

20. Post balance sheet events

In April 2018 the business successfully restructured its debt facilities, settling all outstanding Lloyds Bank facilities and refinancing with Proventus Capital Partners. The refinancing has provided the business with a £42.2m committed facility. This represents a significant investment that will provide the business with the funding to facilitate implementation of both its short and longer-term growth strategies.

As part of the Proventus debt restructuring two new companies were created to facilitate the refinancing transaction creating a new group structure from April 2018 onwards. Wright Leisure Limited continues to be the only trading company of the group.

21. Controlling party

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

22. Contingent liability

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 is currently unknown.