Registered Number 08963776

Tolmers Newco 1 Limited
Annual report and financial statements
for the period ended
31 December 2015

Contents

Officers and professional advisers

The Board of Directors

A Bellamy
J De Bruin
H Cobbold
P Roberts

Company secretary

A Bellamy

Registered office

Town Centre House
Merrion Centre
Leeds
West Yorkshire
LS2 8LY

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Bankers

Barclays Bank plc
Pall Mall Corporate Banking Group
50 Pall Mall
London
SW1A 1QB

Strategic report
for the period ended 31 December 2015

The directors present their strategic report for the period ended 31 December 2015.

Business Review

Tolmers Newco 1 Limited and subsidiaries ("the LA Fitness Group") provide physical fitness facilities under the LA Fitness and LAX brands. The previous financial period saw the LA Fitness group enter into a Creditors Voluntary Arrangement ("CVA"), carry out a significant financial restructuring and undertake a divestment programme, which has continued into the current period. The group started the period with 57 sites but in the first quarter 14 sites were sold or surrendered to landlords leaving 43 gyms operating under the LA Fitness and LAX brands as at February 2015.

On 28 May 2015 the group was acquired by Pure Gym Limited ("Pure Gym") and in the period to 31 December 2015, a further 7 sites were sold, 1 was closed and the group embarked on a major transition project to convert 31 of the remaining 35 sites to the Pure Gym affordable fitness model, transferring the trade and assets of each site from LA Leisure Limited to Pure Gym Limited at the point of conversion.

As at 31 December 2015, 11 sites had been successfully converted and hived up to Pure Gym and we are well on track to convert the remaining 20 sites during the first half of 2016. The 4 residual sites will also be closed or divested in the first half of 2016.

In transitioning the business to Pure Gym a cost reduction exercise has also been undertaken which saw the LA Fitness head office close in March 2016 with all central functions being absorbed into Pure Gym, which will realise significant synergies for the combined business going forwards.

Results

At 31 December 2015 we had approximately 52,000 members across 24 gyms (31 October 2014: 150,000 members across 57 gyms). The profit and loss account on page 9 shows our performance for the 14 months ended 31 December 2015, with comparatives results for the 7 months ended 31 October 2014:

	2015 £'000	2014 £'000	Increase £'000	Increase %
Revenue	**60,885**	**29,467**	31,418	106%
Gym EBITDA*	**17,853**	**8,775**	9,078	103%
Group EBITDA**	**10,865**	**5,129**	5,736	112%

**Gym EBITDA is defined as earnings before interest, taxation, depreciation and amortisation, profit/loss on disposal of PPE, head office and exceptional costs.*

***Group EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, profit/loss on disposal of PPE and exceptional costs.*

Strategic report (continued)
for the period ended 31 December 2015

Acquisition by Pure Gym and Funding

Pure Gym acquired Tolmers Newco 1 Limited in May 2015 for consideration of £37,145,500 and extinguished bank debt on behalf of the LA Fitness Group totalling £37,026,568. At the same time the LA Fitness group became party to a £195,000,000 committed financing facility with four international banks (Ares Management, Barclays Bank, Goldman Sachs and Haymarket Financial, collectively "the Lenders"). The facility includes a £40,000,000 capital expenditure facility which gives the group the ability to invest in conversion of LA Fitness sites to the Pure Gym model and roll out or acquire new organic gyms in line with its strategy.

In the 14 months ended 31 December 2015, the group expensed exceptional costs of £2,410,000 in the relation to the acquisition by Pure Gym (7 months ended 31 October 2014: £2,498,000 in relation to the restructuring of the LA Fitness group).

Principal risks and uncertainties

The group is subject to a number of risks and uncertainties. Its business model is based on it being able to generate revenue from selling memberships to its customers, therefore the group is dependent to some extent on the general economic environment and consumer confidence levels. The Directors believe that our low price customer proposition mitigates this risk to a certain degree.

The group has committed financing in place as detailed in note 18 to the financial statements. An interest rate swap is in place to hedge against exposure to interest rate fluctuations on £100,000,000 of the facility, which is equivalent to 57% of its drawn debt as at 31 December 2015. The group regularly monitors its cash flow requirements, through the use of short and long term cash flow forecasting.

Employees and diversity

The LA Fitness team have been crucial to the success of the group and the board would like to thank them for their contribution, continued dedication and professionalism throughout a difficult period of significant change. At 31 December 2015 the group had 378 employees, compared to 1,101 at 31 October 2014 and are analysed as follows:

	31 December 2015			31 October 2014		
	Male	**Female**	**Total**	Male	Female	Total
Company Directors *	**-**	**-**	**-**	3	-	3
Senior Managers	**7**	**2**	**9**	7	2	9
Other employees	**172**	**197**	**369**	508	581	1,089
Total	**179**	**199**	**378**	518	583	1,101

**Company Directors were employed by Pure Gym Limited as at 31 December 2015.*

On behalf of the Board

A Bellamy
Director
14 April 2016

Directors' report
for the period ended 31 December 2015

The directors present the annual report and audited, consolidated financial statements of Tolmers Newco 1 Limited and subsidiaries (together "the group") for the 14 month period ended 31 December 2015.

Principal activities

Tolmers Newco 1 Limited is an intermediate holding company within the CCMP group and is expected to remain as such for the foreseeable future. The two trading subsidiaries of LA Fitness group during the period were Boomsign Limited and LA Leisure Limited and these are focused on the provision of facilities for physical fitness operating under the LA Fitness and LAX brands.

The group made a loss for the period of £35.8m (7 months ended 31 October 2014: £1.4m profit) and the directors are not able to recommend payment of a dividend.

Principal risks and uncertainties

Principal risks and uncertainties are discussed within the Strategic Report on page 2.

Directors

The directors who served the company during the period and up to signing the financial statements were as follows:

A Bellamy	Appointed 28 May 2015
J De Bruin	Appointed 28 May 2015
H Cobbold	Appointed 28 May 2015
P Roberts	Appointed 28 May 2015
R Chester	Resigned 28 May 2015
M Long	Resigned 28 May 2015
M O'Donnell	Resigned 28 May 2015

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company CCMP Capital LLC. The directors have received confirmation that CCMP Capital LLC intend to support the company for at least one year after these financial statements are signed.

Directors' report (continued)
for the period ended 31 December 2015

Employees

Management policies seek to ensure that both the career development of employees and recruitment are determined solely on merit and aptitude regardless of age, sex, ethnic origin, religious belief or disability. The company endeavours to ensure that all employees benefit from its training and career development programmes.

Applications for employment by persons with disabilities are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a person with a disability should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the company as a whole. Communication with all employees continues through company meetings, briefing groups and electronic communications.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Company and of the profit or loss of the Group 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;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively;
- 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 the group and 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' report (continued)
for the period ended 31 December 2015

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

In the absence of any notice proposing to terminate their appointment, PricewaterhouseCoopers LLP will be deemed to be reappointed for the next financial year. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the Board

A Bellamy
Director
14 April 2016

Independent auditors' report to the members of Tolmers Newco 1 Limited on the group financial statements

Our opinion

In our opinion, Tolmers Newco 1 Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its loss and cash flows for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the consolidated balance sheet as at 31 December 2015;
- the consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Tolmers Newco 1 Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the company financial statements of Tolmers Newco 1 Limited for the year ended 31 December 2015.

Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
14 April 2016

Consolidated statement of comprehensive income
for the period ended 31 December 2015

	Note	**14 months ended 31 December 2015 £'000**	7 months ended 31 October 2014 £'000
Revenue	5	**60,885**	29,467
Other administrative expenses		**(58,039)**	(28,369)
Exceptional administrative expenses	7	**(40,146)**	(2,499)
Administrative expenses		**(98,185)**	(30,868)
Operating loss	6	**(37,300)**	(1,401)
Finance costs	10	**(1,306)**	(898)
Loss before income tax		**(38,606)**	(2,299)
Income tax credit	11	**2,818**	3,721
(Loss)/profit for the financial period		**(35,788)**	1,422
Total comprehensive (loss)/income		**(35,788)**	1,422

Consolidated balance sheet
as at 31 December 2015

	Note	**31 December 2015 £'000**	31 October 2014 £'000
Assets			
Non-current assets			
Intangible assets	12	**27,314**	31,799
Property, plant and equipment	13	**8,491**	49,808
Deferred income tax assets	11	**3,184**	366
		38,989	81,973
Current assets			
Inventories	14	**138**	463
Trade and other receivables	15	**4,108**	6,352
Cash and cash equivalents		**548**	4,584
		4,794	11,399
Total assets		**43,783**	93,372
Liabilities			
Current liabilities			
Trade and other payables	16	**(10,582)**	(15,268)
		(10,582)	(15,268)
Non-current liabilities			
Borrowings	17	**(29,189)**	(38,304)
		(29,189)	(38,304)
Total liabilities		**(39,771)**	(53,572)
Net assets		**4,012**	39,800
Equity attributable to owners of the parent			
Share premium		**38,378**	38,378
Retained earnings		**(34,366)**	1,422
Total equity		**4,012**	39,800

The financial statements of Tolmers Newco 1 Limited, registered number 08963776, on pages 9 to 37 were approved by the board of directors and authorised for issue on 14 April 2016 and were signed on its behalf by:

A Bellamy
Director

Consolidated statement of changes in equity
for the period ended 31 December 2015

	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 27 March 2014	-	-	-
Premium on shares issued in the period	38,378	-	38,378
Profit for the financial period	-	1,422	1,422
Balance as at 31 October 2014	38,378	1,422	39,800
Loss for the financial period	-	(35,788)	(35,788)
Balance as at 31 December 2015	**38,378**	**(34,366)**	**4,012**

Consolidated cash flow statement
for the period ended 31 December 2015

	Note	14 months ended 31 December 2015 £'000	7 months ended 31 October 2014 £'000
Cash flows from operating activities			
Cash generated from operations	21	**(1,725)**	2,293
Interest paid	10	**(1,306)**	(898)
Net cash generated from operating activities		**(3,031)**	1,395
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**-**	(72,333)
Disposal of operations		**-**	1,129
Purchase of property, plant and equipment		**(4,901)**	(1,785)
Proceeds from property, plant and equipment		**10,493**	-
Net cash used in investing activities		**5,592**	(72,989)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**-**	38,378
Increase in loans from group undertakings		**31,979**	-
Repayments of borrowings		**(38,000)**	-
Capital element of finance lease payments		**(576)**	(200)
Increase in long term bank borrowings		**-**	38,000
Net cash generated from financing activities		**(6,597)**	76,178
Net (decrease) / increase in cash and cash equivalents		**(4,036)**	4,584
Cash and cash equivalents at beginning of the period		**4,584**	-
Cash and cash equivalents at end of the period		**548**	4,584

Notes to the financial statements (continued)

Notes to the financial statements

1 General information

Tolmers Newco 1 Limited ('the company') and its subsidiaries (together, 'the group') provide facilities for physical fitness around the UK. During the period, the group was acquired by Pure Gym Limited.

The address of the group's registered office is Town Centre House, Merrion Centre, Leeds, LS2 8LY.

2 Summary of significant accounting policies

Statement of compliance with IFRS

The financial statements and accompanying notes are in full compliance with IFRS. The entity complies with all requirements of IFRS in respect of only the consolidated financial statements and notes, not the parent financial statements and notes.

Basis of preparation

The Group's deemed transition date to International Financial Reporting Standards ('IFRS') is 1 27 March 2014, being its date of incorporation. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Group has not applied any of the optional exemptions under IFRS 1. These are the first financial statements prepared in accordance with IFRS. The impact of the amendments to the company's previously adopted accounting policies in accordance with UK GAAP is explained in note 25.

The group financial statements have been prepared on the going concern basis and in accordance with IFRS and IFRS Interpretations Committee ('IFRIC') interpretations, as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The group financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial assets and financial liabilities at fair value through profit and loss. The group financial statements are presented in thousands of pounds sterling ("£'000") except when otherwise indicated. Accounting policies have been consistently applied to all financial years presented.

The preparation of the group financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's reasonable knowledge of the amount, event or actions, actual results may differ from those estimates.

Basis of consolidation

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interested issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker is identified to be the Executive Management Team of the Gym Topco group of companies. The Board have identified one reporting segment as the Group operates a single class of business. The Group's activities consist solely of the provision of high quality health and fitness facilities within the United Kingdom. It is managed as one entity and management have consequently determined that there is one operating segment.

Revenue

Revenue primarily represents sales of services provided in the period and non-refundable joining fees received during the period, exclusive of value added tax. Membership subscriptions received in advance of the period to which they relate are held in deferred income. Joining fees income is recognised immediately as revenue. Revenue from vending income is recognised at the point of sale. All turnover relates to sales in the United Kingdom.

Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of consolidated income.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Each gym is considered to be a CGU and goodwill is assessed at the group of CGUs level, i.e. across all gyms together.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

b) Intangibles acquired in business combinations

The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement utilising valuation expertise and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and the selection of an appropriate cost of capital. Furthermore, management must estimate the expected useful life of intangible assets and charge amortisation on these assets accordingly, the value of which is shown within administrative expenses. The useful life estimated for customer lists is 2 years and for brands it is 1 year

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

Property, plant and equipment

All property, plant and equipment is initially recorded at cost, including those costs that are directly attributable to bringing assets into working condition.

Depreciation is calculated so as to write off the cost of an asset (less residual value) over the useful economic life of that asset as follows:

Leasehold improvements	Straight line over 3-15 years
Fixtures and fittings	Straight line over 5 years

Inventories

Inventories primarily relates to goods for resale and are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Inventory is valued on a first in, first out basis.

Leases

(a) Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis and the capital element which reduces the outstanding obligation for future instalments.

(b) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease. The notional value of any rent free period and any other lease incentive provided by the landlord is spread on a straight line basis over the period of the lease.

Financial assets

The Group classifies its financial assets as 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 are included in current assets, except for maturities greater than 12 months after the end of the reporting date which are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

Impairment of financial and non-financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. As the entity receives monthly membership fees in advance from members, there are no applicable trade receivables.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

Current and deferred income tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company CCMP Capital LLC. The directors have received confirmation that CCMP Capital LLC intend to support the company for at least one year after these financial statements are signed.

Borrowings

Borrowings are recognised initially 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.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Employee benefits

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

3 Financial risk management

The Group's activities expose it to some financial risks, primarily interest rate risk. The Group is also exposed to credit risk, interest rate risk and liquidity risk but these are considered to be of lesser significance. Risk management is carried out by the Board of directors and senior management. The Group does not enter into derivative contracts for speculative purposes.

(a) Interest rate risk

The Group's interest risk arises from the Group's borrowings. The group maintains a large financing facility as a result of restructuring its debt in the year. Management reviews the interest rate risk on a periodic basis. Further information on the Group's banking facilities is given in note 19.

(b) Liquidity risk

The Group is subject to the risk that it will not have sufficient cash balances or overdraft facilities to meet the Group's cash requirements. The group actively manages its capital position, and regularly monitors its cash flow requirements through the use of short and long term cash flow forecasting.

4 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Carrying value of goodwill

In assessing the initial carrying value of the group's goodwill, the Group is required to make key judgements, in particular, in the valuation of the brand and customer relationships. The key judgements include estimates of future cash flows and appropriate discount rates. The carrying amount of goodwill at 31 December 2015 was £31,750,000. A movement of 1% in the discount rate would have resulted in a £155,000 change in the valuation of the intangible assets at acquisition.

(b) Useful economic lives of property, plant and equipment

The annual deprecation charge for the property, plant and equipment is sensitive to changes in the estimates useful economic lives and residual values of the assets. The assessment of useful economic lives and residual values is determined to be a critical accounting judgement and is re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the property plant and equipment and note 2 for the useful economic lives for each class of assets.

Notes to the financial statements (continued)

5 Revenue

Revenue relates wholly to sales in the United Kingdom and is analysed by service or product as follows:

	2015 **£'000**	2014 £'000
Membership Income	**51,524**	26,391
Vending income	**1,166**	388
Joining fee income	**1,031**	354
Other	**7,164**	2,334
Total revenues	**60,885**	29,467

6 Operating loss

	2015 **£'000**	2014 £'000
Operating loss is stated after charging		
Amortisation of intangibles	**4,485**	454
Depreciation of property, plant and equipment		
- owned assets	**5,852**	2,698
- assets held under finance lease contracts	**943**	423
Operating lease rentals		
- plant and machinery	**180**	221
- land and buildings	**10,573**	1,822
(Profit) / Loss on disposal of property, plant and equipment	**(3,261)**	456
Exceptional costs (note 7)	**40,146**	2,499

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

	2015 **£'000**	2014 £'000
Operating profit	**(37,300)**	(1,401)
Depreciation	**6,795**	3,121
Amortisation	**4,485**	454
(Profit)/loss on disposal of property, plant and equipment	**(3,261)**	456
Exceptional costs	**40,146**	2,499
Group EBITDA	**10,865**	5,129
Head office costs	**6,988**	3,646
Gym EBITDA	**17,853**	8,775

Notes to the financial statements (continued)

7 Exceptional items

Items that are material either because of their size or their nature, or that are nonrecurring are considered as exceptional items and are presented within the line items to which they best relate. These items are analysed further below.

	14 month period ended 31 December 2015 £'000	7 month period ended 31 October 2014 £'000
Restructuring and legal costs	**5,014**	2,499
Costs associated with transition and integration to Pure Gym	**4,144**	-
Impairment of Property, plant and equipment	**30,988**	-
	40,146	2,499

During the period the group was acquired by Pure Gym and incurred transactional & legal costs of £5,014,000 and costs associated with the transition and integration of LA Fitness into the Pure Gym model of £4,144,000. Following the acquisition, the group's depreciation policies were aligned with those of Pure Gym and recognised exceptional impairment charges of £30,988,000.

During the prior year certain subsidiaries of the group entered into a Creditors Voluntary Arrangement ("CVA") and the Directors conducted a review of the organisation cost base, incurring restructuring, legal and reorganisation costs amounting to £2,498,000.

8 Auditors' remuneration

The remuneration of the auditors (and its associates) is analysed as follows:

	2015 £'000	2014 £'000
Audit of the parent company and group financial statements	**6**	6
Audit of subsidiary financial statements	**47**	31
	53	37

The auditors received no remuneration in respect of non-audit services in the financial period (2014: £nil).

Notes to the financial statements (continued)

9 Employees and directors

	2015 £'000	2014 £'000
Wages and salaries	17,275	8,008
Social security costs	1,163	549
Other pension costs	122	68
	18,560	8,625

The group operates a defined contribution pension scheme for all employees using a master trust (occupational trust-based) pension scheme. The total cost expensed in the period was £122,000 (2014: £68,000) and outstanding pension contributions at the period-end totalled £8,000 (2014: £17,000).

Employees

The average monthly number of persons (including directors) employed by the company during the period was made up as follows:

	2015 No.	2014 No.
Admin & marketing	**105**	125
Club activities	**605**	718
	710	843

Directors

	2015 £'000	2014 £'000
Aggregate emoluments	346	233
Contributions to defined contribution schemes	22	21
	368	254

No directors were members of the defined contribution scheme as at 31 December 2015 (2014: two).

The key management of the group are deemed to be the same as the directors of the group, therefore no additional disclosure of key management compensation has been provided.

Amounts set out above include remuneration in respect of the highest paid director as follows:

	2015 £'000	2014 £'000
Emoluments	**204**	153
Pension contributions	**21**	15
	225	168

Notes to the financial statements (continued)

10 Finance costs

	2015 £'000	2014 £'000
Bank loans and overdrafts	**1,244**	785
Finance leases	**39**	19
Commitment fees	**5**	-
Other	**18**	94
	1,306	898

11 Income tax credit

	2015 £'000	2014 £'000
Deferred tax		
- Origination and reversal of timing differences	**3,549**	3,721
- Adjustments in respect of prior periods	**(731)**	-
Total deferred tax credit	**2,818**	3,721
Total tax credit in the consolidated statement of comprehensive income	**2,818**	3,721

Notes to the financial statements (continued)

11 Income tax credit (continued)

The tax credit for the period is lower (2014: higher) than the standard rate of corporation tax in the UK for the period ended 31 December 2015 of 20.36% (2014: 21.25%). The differences are explained below:

	2015 £'000	2014 £'000
(Loss) / Profit before income tax	**(38,606)**	(2,299)
Tax on (loss) / profit on ordinary activities at standard UK corporation tax rate of 20.36% (2014: 21.25%)	**(7,860)**	(483)
Effects of:		
- Fixed asset differences	**(92)**	(2,716)
- Expenses not deductible for tax purposes	**4,478**	980
- Non-taxable income	**-**	(1,789)
- Impact of change in UK tax rate	**(62)**	287
- Unrecognised tax losses	**1,430**	-
- Current year deferred tax not recognised	**19**	-
- Adjustments in respect of prior periods	**(731)**	-
Total tax credit for the period	**(2,818)**	(3,721)

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015 and accordingly the company's profits for this period are taxed at an effective rate of 20.25% (2014: 21.49%).

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

Legislation to reduce the standard rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 was included in the Summer Finance Bill 2015 and was substantively enacted on 26 October 2015. Accordingly deferred tax has been provided at the rate at which the temporary difference is expected to reverse.

Notes to the financial statements (continued)

11 Income tax credit (continued)

Deferred tax

The gross movement in deferred tax balances is as follows:

	2015 £'000	2014 £'000
At 1 November	**366**	-
Income statement credit	**2,818**	3,721
Acquisitions	**-**	(3,355)
At 31 December 2015 and 31 October 2014	**3,184**	366

The provision for deferred tax consists of the following deferred tax liabilities/assets: The provision for deferred tax consists of the following deferred tax liabilities/assets:

	2015 £'000	2014 £'000
Due within 12 months		
Deferred tax assets	**2**	-
Deferred tax liabilities	**(83)**	(945)
Total deferred tax liability due within 12 months	**(81)**	(945)
Due after more than 12 months		
Deferred tax assets	**3,265**	1,395
Deferred tax liabilities	**-**	(84)
Total deferred tax asset due after more than 12 months	**3,265**	1,311
Total deferred tax asset	**3,184**	366

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated capital allowances £'000	**Other £'000**	**Total £'000**
Deferred tax assets			
Transferred from liabilities	1,395	-	1,395
At 31 October 2014	**1,395**	**-**	**1,395**
Charged to the income statement	1,870	2	1,872
At 31 December 2015	**3,265**	**2**	**3,267**

Notes to the financial statements (continued)

11 Income tax credit (continued)

	Accelerated capital allowances £'000	Intangibles £'000	Other £'000	Total £'000
Deferred tax liabilities				
On acquisition	(2,283)	(1,072)	-	(3,355)
Credited to the income statement	3,678	91	(48)	3,721
Transferred to assets	(1,395)	-	-	(1,395)
At 31 October 2014	**-**	**(981)**	**(48)**	**(1,029)**
Credited to the income statement	-	898	48	946
At 31 December 2015	**-**	**(83)**	**-**	**(83)**

Deferred tax liabilities principally relate to the Group's intangible fixed asset categories of brands, developed technologies and customer relationships and contracts.

Notes to the financial statements (continued)

12 Intangible assets

	Goodwill	Customer Lists	Brand Value	Total
	£'000	£'000	£'000	£'000
Cost				
At 27 March 2014	-	-	-	-
Additions	26,897	58	5,298	**32,253**
31 December 2014 and 31 December 2015	26,897	58	5,298	**32,253**
Accumulated amortisation				
At 27 March 2014	-	-	-	-
Charge for the period	-	12	442	454
31 December 2014	-	12	442	454
Charge for the period	-	34	4,451	4,485
31 December 2015	**-**	**46**	**4,893**	**4,939**
Net book value				
31 December 2015	**26,897**	**12**	**405**	**27,314**
1 November 2014	26,897	46	4,856	31,799

Goodwill, intangible brands and customer lists arose on the acquisition of the LA Fitness Group in 2014.

Amortisation of intangible assets is recorded in administrative expenses in the income statement and the useful economic life over which amortisation is charged is disclosed in the note 1. At 31 December 2015 the net book value amount attributable to the LA Fitness brand was £0.4m. This brand had a remaining useful life of 4 months at the balance sheet date.

Goodwill is not amortised, but instead reviewed at least annually for impairment with reference to the group of cash generating units (CGUs) to which it relates. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a four-year period.

Key assumptions are: average annual capital expenditure of £0.5m, pre-tax discount rate of 10% and a long term growth rate of 2%. There is sufficient headroom such that any reasonable sensitivity performed does not reduce the recoverable amount to that of the carrying value.

Amortisation of £4,485,000 (2014: £454,000) is included in administrative expenses.

Notes to the financial statements (continued)

13 Property, plant and equipment

	Leasehold Improvements £'000	Fixtures & Fittings £'000	Total £'000
Cost			
Acquisitions	83,353	33,534	116,887
Fair value adjustments	(937)	8,269	7,332
Additions	2,258	-	2,258
Disposals	(13,546)	(5,837)	(19,383)
31 October 2014	**71,128**	**35,966**	**107,094**
Accumulated depreciation			
Acquisitions	36,479	23,744	60,223
Fair value adjustments	7,734	4,278	12,012
Charge for the year	1,234	1,887	3,121
Disposals	(12,667)	(5,403)	(18,070)
31 October 2014	**32,780**	**24,506**	**57,286**
Net book value			
31 October 2014	**38,348**	**11,460**	**49,808**
Cost			
1 November 2014	71,128	35,966	107,094
Additions	319	4,212	4,611
Disposals	(40,647)	(26,568)	(67,215)
31 December 2015	**30,800**	**13,610**	**44,410**
Accumulated depreciation			
1 November 2014	32,780	24,506	57,286
Impairment	29,977	(66)	29,911
Charge for the year	2,141	4,654	6,795
Disposals	(36,712)	(21,361)	(58,073)
31 December 2015	**28,186**	**7,733**	**35,919**
Net book value			
31 December 2015	**2,614**	**5,877**	**8,491**

Finance lease agreements

Included within the closing net book value is £nil (2014: £1,899,000) relating to fixtures and fittings held under finance lease agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £943,000 (2014: £423,000).

Notes to the financial statements (continued)

14 Inventories

	2015 £'000	2014 £'000
Finished goods and goods for resale	**138**	463

15 Trade and other receivables

	Group 2015 £'000	Group 2014 £'000
Trade debtors	**1,380**	577
Prepayments and accrued income	**2,177**	4,565
Other debtors	**551**	1,210
	4,108	6,352

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand, however the Directors do not intend to seek repayment within one year from the date of signing these financial statements.

16 Trade and other payables

	Group 2015 £'000	Group 2014 £'000
Finance leases	**6**	278
Trade payables	**2,309**	3,895
Other taxation and social security	**147**	393
VAT	**266**	1,643
Other creditors	**8**	-
Accruals and deferred income	**6,441**	8,680
Deferred rent accrual	**1,405**	379
	10,582	15,268

The deferred rent accrual relates to deferred rentals from operating leases and is outside the scope of IAS30 (financial instruments).

Notes to the financial statements (continued)

17 Borrowings

	Group 2015 £'000	Group 2014 £'000
Non-current		
Bank loans and overdrafts	-	38,000
Finance leases	-	304
Amounts owed to group undertakings	**29,189**	-
	29,189	38,304

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The Directors of the group undertakings have confirmed that the amounts owed will not be repayable within one year from the date of signing these financial statements.

Borrowing facilities

Following acquisition by Pure Gym Limited on 28 May 2015, the company became party to a £195 million committed group financing facility with four international banks (Ares Management, Barclays Bank, Goldman Sachs and Haymarket Financial, collectively "the Lenders"). This facility consists of a £150 million term loan repayable in full on 28 May 2021, a £40 million capex facility repayable in five equal bi-annual instalments from May 2019 to May 2021 and a £5m overdraft facility repayable in May 2021. At 31 December 2015 the total amount undrawn on all facilities was £20 million (2014: £18 million).

The bank facilities are secured by fixed and floating charges over the assets and undertakings of certain subsidiaries of the group and are subject to quarterly covenant testing of the following ratios: fixed charge cover, adjusted leverage and maximum levels of capital expenditure. The group has been in compliance with all of the covenants during the periods under review.

Prior to the acquisition, the bank loans were repayable on 2 April 2017 and incurred interest at a rate of 4.5% plus LIBOR per annum. Bank borrowings were secured by a fixed and floating charge over all assets of the company and its group undertakings and an unlimited multilateral company cross guarantee given by the subsidiary undertakings to secure the liabilities of each other.

Notes to the financial statements (continued)

17 Borrowings (continued)

Finance leases

Finance leases are secured against the assets to which they relate and fall due as follows:

	Group 2015 £'000	Group 2014 £'000
Finance lease and hire purchase agreements		
In less than one year	6	310
Between one and two years	-	248
Between two and five years	-	72
Total gross payments due	6	630
Impact of finance charges	-	(48)
Carrying value of liability	6	582

18 Financial instruments

All of the group's financial instruments are classified as loans and receivables. Set out below is a comparison by category of carrying amounts and fair values of all of the financial instruments as carried in the financial statements. The fair value of financial derivatives and borrowings are calculated by discounting the future cash flows at prevailing market interest rates, categorised as a Level 2 valuation, as detailed below:

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

- Level 1: inputs are quoted prices in active markets
- Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets; and
- Level 3: a valuation using unobservable inputs i.e. a valuation technique.

There were no transfers between levels throughout the periods under review.

Notes to the financial statements (continued)

18 Financial instruments (continued)

The fair values of the other financial instruments approximates closely with their carrying values.

	Carrying Value		Fair Value	
	2015 £'000	**2014 £'000**	**2015 £'000**	2014 £'000
Financial assets				
Trade and other receivables	**1,931**	1,787	**1,931**	1,787
Cash and cash equivalents	**548**	4,584	**548**	4,584
Financial liabilities				
Trade and other payables	**2,309**	3,895	**2,309**	3,895
Finance leases	**6**	582	**6**	582
Bank loans	**-**	38,000	**-**	38,000

19 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments: liquidity risk and credit risk.

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and procedures for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and operational liabilities and by maintaining adequate cash reserves. The table below summaries the maturity profile of the Group's financial liabilities:

	2015				
	Within 1 year £'000	**Between 1-2 years £'000**	**Between 2-5 years £'000**	**More than 5 years £'000**	**Total £'000**
Trade and other payables	2,309	-	-	-	**2,309**
Borrowings	6	-	-	-	**6**
Total financial liabilities	**2,315**	**-**	**-**	**-**	**2,315**

Notes to the financial statements (continued)

19 Financial risk management objectives and policies (continued)

	2014				
	Within 1 year £'000	**Between 1-2 years £'000**	**Between 2-5 years £'000**	**More than 5 years £'000**	**Total £'000**
Trade and other payables	3,895	-	-	-	**3,895**
Borrowings	278	304	38,000	-	**38,582**
Total financial liabilities	**4,173**	**304**	**38,000**	**-**	**42,477**

Credit risk

The group's principal financial assets are bank balances and cash, trade and other receivables and investments. The group's credit risk is low as it has limited trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

20 Share capital

	2015 £	**2015 No.**	2014 £	2014 No.
Allotted, called up and fully paid				
Ordinary A shares of £0.01	**88**	**8,800**	88	8,800
Ordinary B shares of £0.01	**12**	**1,200**	12	1,200
	100	**10,000**	100	10,000

Notes to the financial statements (continued)

21 Reconciliation of loss before tax to cash generated from operations

	2015 £'000	2014 £'000
(Loss) / Profit before income tax	**(38,606)**	(2,299)
Adjustments for:		
Depreciation & impairments	**37,783**	3,121
Amortisation	**4,485**	456
Finance costs - net	**1,306**	898
Profit on disposal of property, plant and equipment	**(3,261)**	-
Changes in working capital		
Inventories	**325**	(78)
Trade and other receivables	**2,660**	3,994
Trade and other payables	**(6,417)**	(3,799)
Cash generated from operations	**(1,725)**	2,293

22 Analysis of net debt

	2014 £'000	Acquisition £'000	Cash flow £'000	Non-cash £'000	2015 £'000
Cash at bank and in hand	4,584	-	(4,036)	-	**548**
Bank loans	(38,000)	-	38,000	-	**-**
Finance leases	(582)	-	576	(6)	**(6)**
	(33,998)	**-**	**34,540**	**(6)**	**542**

Notes to the financial statements (continued)

23 Capital and other commitments

At 31 December 2015, the company had no commitments for future capital expenditure not provided (31 October 2014: £nil). the following capital commitments.

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015 £'000	2014 £'000
Not later than one year	4,473	7,364
Later than one year and not later than five years	17,598	29,222
Later than five years	57,000	112,071

24 Controlling party

The immediate parent company of Tolmers Newco 1 Limited is Pure Gym Limited, a UK registered company within the CCMP group.

The ultimate parent company, controlling party and only group into which the results of the company are consolidated is CCMP Capital LLC, 245 Park Avenue, 16th Floor, New York, NY 10167, United States of America.

25 Related party transactions

During the period Ebbtide Partners Limited, a company for which M O'Donnell is a director, was paid £36,511 for consultancy services to the group.

26 Impact of transition to IFRS

These are the company's first financial statements prepared under IFRS.

The accounting policies set out on pages 14 to 19 have been applied in preparing the company's financial statements for the periods ended 31 October 2014 and 31 December 2015, and in the preparation of an opening IFRS balance sheet at 27 March 2014 (the company's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared with UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affected the company's statement of financial position and statement of comprehensive income is set out in the following tables and notes that accompany the tables.

Notes to the financial statements (continued)

26 Impact of transition to IFRS (continued)

Statement of comprehensive income for the period ended 31 October 2014

		Adjustments for:			
	Under previous UK GAAP £'000	**Intangible assets £'000**	**Leases £'000**	**Taxation £'000**	**Under IFRS £'000**
Revenue	29,467	-	-	-	**29,467**
Other administrative expenses	(28,279)	139	(229)	-	**(28,369)**
Exceptional administrative expenses	(2,349)	-	(150)	-	**(2,499)**
Administrative expenses	(30,628)	139	(379)	-	**(30,868)**
Operating loss	(1,161)	139	(379)	-	**(1,401)**
Finance costs	(898)	-	-	-	**(898)**
Loss before income tax	(2,059)	139	(379)	-	**(2,299)**
Income tax credit	1,633	-		2,088	**3,721**
(Loss)/profit for the financial period	(426)	139	(379)	2,088	**1,422**
Total comprehensive (expense)/income for the period	(426)	139	(379)	2,088	**1,422**

Notes to the financial statements (continued)

26 Impact of transition to IFRS (continued)

Statement of financial position as at 31 October 2014

	UK GAAP £'000	Intangible assets £'000	Leases £'000	Taxation £'000	IFRS £'000
Non-current assets					
Property, plant and equipment	49,808	-	-	-	**49,808**
Intangible assets	27,855	139	(150)	3,955	**31,799**
Deferred tax asset	2,233	-	-	(1,867)	**366**
	79,896	139	(150)	2,088	**81,973**
Current assets					
Inventory	463	-	-	-	**463**
Trade and other receivables	6,352	-	-	-	**6,352**
Cash and cash equivalents	4,584	-	-	-	**4,584**
	11,399	-	-	-	**11,399**
TOTAL ASSETS	91,295	139	(150)	2,088	**93,372**
Current liabilities					
Trade and other payables	(15,039)	-	(229)	-	**(15,268)**
	(15,039)	-	(229)	-	**(15,268)**
Non-current liabilities					
Borrowings	(38,304)	-	-	-	**(38,304)**
	(38,304)	-	-	-	**(38,304)**
TOTAL LIABILITIES	(53,343)	-	(229)	-	**(53,572)**
NET ASSETS	37,952	139	(379)	2,088	**39,800**
Equity					
Share premium	38,378	-	-	-	**38,378**
Retained earnings	(426)	139	(379)	2,088	**1,422**
TOTAL EQUITY	37,952	139	(379)	2,088	**39,800**

26 Impact of transition to IFRS (continued)

Intangible assets and business combinations

Under IFRS 3 'Business Combinations' the Group is required to make an assessment of the fair value of any identifiable assets that exist at the date of acquisition. The carrying value of goodwill is reduced by these amounts under IFRS and the separately identified intangibles recognised as assets alongside goodwill. On 5 June 2014 the group acquired LA Fitness Limited and intangible assets with a fair values of £5,356,000 were recognised on the balance sheet as a result of transitioning to IFRS.

Under IAS 38 'Intangible Assets' goodwill is treated as an intangible asset with an indefinite useful life and shall not be amortised, as such all amortisation recognised under a previous UK GAAP must be written back. The table below sets out the impact of IFRS 3 and IAS 38 on intangible assets and amortisation:

	31 October 2014 £'000
Reversal of UK GAAP amortisation	593
IAS 38 Amortisation of intangibles	(454)
Net increase in carry value of intangible assets due to IFRS 3 and IAS 38	**139**

Lease Incentives

Under UK GAAP, the policy on recognition of lease incentives is to spread the incentive over the period to the first rent review. Under SIC 15 the requirement is to spread over the life of the lease. Similarly where lease agreements contain fixed or determinable rent increases, these form part of the minimum lease payments and as such IAS 17 requires that the fixed increases are spread over the life of the lease.

	31 December 2014 £'000
Increase in rent expense for the year under IAS 17 and SIC 15	**(229)**
Increase in trade payables due to IAS 17 and SIC 15	**(229)**

Independent auditors' report to the members of Tolmers Newco 1 Limited on the company financial statements

Report on the company financial statements

Our opinion

In our opinion, Tolmers Newco 1 Limited's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015;
- 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.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the company balance sheet as at 31 December 2015;
- the company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Tolmers Newco 1 Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of the financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of Tolmers Newco 1 Limited for the year ended 31 December 2015.

Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

14 April 2016

Company statement of financial position
as at 31 December 2015

	Note	**31 December 2015 £'000**	31 October 2014 £'000
Current assets			
Trade and other receivables	7	**36,506**	38,372
		36,506	38,372
NET ASSETS		**36,506**	38,372
Equity			
Ordinary shares	8	**38,378**	38,378
Retained earnings		**(1,872)**	(6)
TOTAL EQUITY		**36,506**	38,372

The financial statements of Tolmers Newco 1 Limited, registered number 08963776, on pages 41 to 47 were approved by the board of directors and authorised for issue on 14 April 2016 and were signed on its behalf by:

A Bellamy

Director

Company statement of changes in equity
for the period ended 31 December 2015

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Total comprehensive income for the year			(6)	(6)
Proceeds from shares issued	-	38,378	-	38,378
Balance as at 31 October 2014	**-**	**38,378**	**(6)**	**38,372**
Total comprehensive income for the year	-	-	(1,866)	(1,866)
Balance as at 31 December 2015	**-**	**38,378**	**(1,872)**	**36,506**

Notes to the company financial statements

1 General Information

Tolmers Newco 1 Limited is an intermediate holding company within the CCMP Capital LLC group of companies (the "CCMP Group") and is expected to remain as such for the foreseeable future. The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is c/o Pure Gym Limited, Town Centre House, Merrion Centre, Leeds, LS2 8LY.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on a going concern basis and under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below, and, unless otherwise stated, these policies have been consistently applied to all the periods presented.

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). FRS 101 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.

The Company is a qualifying entity for the purposes of FRS 101. Note 12 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

In accordance with the exemption allowed by Section 408 of the Companies Act 2006, the company has not presented its own profit and loss account or statement of cash flows, however has made a loss for the financial year of £1,866,000 (2014: £6,000).

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 27 March 2014, being its date of incorporation. The Company has notified its shareholders in writing about, and they do no object to, the use of the disclosure exemptions used by the Company in these financial statements.

In transitioning to FRS101 there was no impact on the financial position as at 31 October 2014 or results for the year then ended as previously reported, nor were any differences identified in the current period of account.

2 Summary of significant accounting policies (continued)

The principle disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- IFRS 7 financial instrument disclosures;
- IAS 1 information on management of capital;
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosure of key management personnel compensation;
- IAS 24 disclosures in respect of related party transactions entered into between fellow group companies;
- Roll-forward reconciliations in respect of share capital (IAS 1) and property, plant and equipment (IAS 16); and
- IAS 7 exemption from preparing a cash flow statement and related notes.

Investments

Investments in subsidiaries are held at cost, less provision for impairment. Gains and losses are recognised in the income statement as and when the investments are impaired.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of investments

The company is required to test, on an annual basis, whether investments have suffered any impairment based on the recoverable amount of its cash-generating units ('CGUs'). The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a pre-tax discount rate in order to calculate the present value of the cash flows. More information, including carrying values of investments, is included in note 6.

Notes to the financial statements (continued)

4 Auditors' remuneration

Fees payable to the company's auditors for the audit of the annual statutory financial statements were £6,000 (2014: £0). In 2014 the audit fees of the Group were borne by the two trading entities, LA Leisure Limited and Boomsign Limited.

Fees payable to the company's auditors (and its associates) for non-audit services can be found in the consolidated financial statements.

5 Employees and directors

Employees

The company has no employees (2014: nil) and directors are remunerated for their services by fellow group undertakings.

Directors

No directors received any remuneration in respect of their services to the company (2014: nil). The key management of the group are deemed to be the same as the directors of the group, therefore no additional disclosure of key management compensation has been provided.

Notes to the financial statements (continued)

6 Investments in subsidiaries

	31 December 2015 £'000	31 October 2014 £'000
At beginning of period	1	-
Additions	-	1
At balance sheet date	1	1

Fixed asset investments at 31 December 2015 relate to UK registered subsidiary undertakings and are stated at cost as shown below. The directors believe that the carrying value of the investments is supported by their underlying net assets.

Company name	Principal activity	Proportion of ordinary shares held %
Tolmers Newco 2 Limited *	Intermediate holding company	100%
LA Fitness Limited	Intermediate holding company	100%
LA Leisure Limited	Provision of physical fitness facilities	100%
LA Westminster Limited	Dormant	100%
The Rugby Club of St James Limited	Dormant	100%
CS Leisure Limited	Dormant	100%
LA Fitness EBT Limited	Dormant	100%
LA Fitness (Luton) Limited	Dormant	100%
MOP Acquisition (CS) Limited	Dormant	100%
Crown Sports Limited	Dormant	100%
LA Fitness (1998) Limited	Dormant	100%
Dragons Health Club Limited	Dormant	100%
Dragons (Gatwick) Limited	Dormant	100%
Greystone Leisure Limited	Dormant	100%
Trainstation Limited	Dormant	100%
Boomsign Limited	Provision of physical fitness facilities	100%
Lambourne Golf Club Limited	Dormant	100%
Axis (Rugby) Limited	Dormant	100%
Axis (Maidstone) Limited	Dormant	100%
Axis Health & Fitness Limited	Dormant	100%
LA Hair and Beauty Limited	Dormant	100%

** Denotes subsidiaries that are directly owned by Tolmers 1 Limited.*

Notes to the financial statements (continued)

7 Trade and other receivables

	31 December 2015 £'000	31 October 2014 £'000
Amounts owed by group undertakings	**36,506**	38,372

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The Directors of the group undertakings have confirmed that the amounts owed will not be repayable within one year from the date of signing these financial statements.

8 Share capital

	2015 £	2015 No.	2014 £	2014 No.
Allotted, called up and fully paid				
Ordinary A shares of £0.01	**88**	**8,800**	88	8,800
Ordinary B shares of £0.01	**12**	**1,200**	12	1,200
	100	**10,000**	100	10,000

9 Related party transactions

Advantage has been taken of the exemption in IAS 24 not to disclose transactions between Tolmers Newco 1 Limited and its subsidiaries.

10 Controlling party

The immediate parent company of Tolmers Newco 1 Limited is Pure Gym Limited, a UK registered intermediate holding company within the CCMP group.

The ultimate controlling party and largest group into which the results of the company are consolidated is CCMP Capital LP, 245 Park Avenue, 16th Floor, New York, NY 10167, United States of America.