Important notice

THIS OFFERING MEMORANDUM IS AVAILABLE ONLY (1) IN THE UNITED STATES TO INVESTORS WHO ARE QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**"), OR (2) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE US SECURITIES ACT (AND ONLY TO INVESTORS WHO, IF RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, ARE QUALIFIED INVESTORS UNDER DIRECTIVE 2003/71/EC, AS AMENDED (THE "**PROSPECTUS DIRECTIVE**").

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE US SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A under the US Securities Act) or (2) outside the United States in compliance with Regulation S under the US Securities Act; *provided that* investors resident in a Member State of the European Economic Area must be qualified investors (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the European Economic Area). This Offering Memorandum is being sent at your request and by accepting the email and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) not located in the United States and that the electronic mail address that you gave us and to which this Offering Memorandum has been delivered is not located in the United States (and if you are resident in a Member State of the European Economic Area, you are a qualified investor) and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person. You may not transmit the attached Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its content to any other person, except with the consent of the Initial Purchasers.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, Pinnacle Bidco plc or any of their subsidiaries nor any person who controls them nor any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

Restrictions: The attached document is being furnished in connection with an offering exempt from registration under the US Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction. Recipients of the attached Offering Memorandum who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the attached Offering Memorandum. Any securities to be issued will not be registered under the US Securities Act and may not be offered or sold in the United States unless registered under the US Securities Act or pursuant to an exemption from such registration.

This communication is for distribution only to, and is directed solely at persons who (i) are outside the United Kingdom; (ii) are investment professionals, as such term is defined in Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The attached Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on the attached Offering Memorandum or any of its contents.

Preliminary Offering Memorandum

Strictly Confidential
Not for general distribution in the United States

Pinnacle Bidco plc

£360,000,000

6⅜% Senior Secured Notes due 2025

Pinnacle Bidco plc, a public limited company incorporated under the laws of England and Wales (the "**Issuer**"), is offering (the "**Offering**") £360,000,000 aggregate principal amount of its 6⅜% Senior Secured Notes due 2025 (the "**Notes**"). The Notes will bear interest at a rate of 6.375% and will mature on February 15, 2025. The Issuer will pay interest on the Notes semi-annually in arrear on each February 15 and August 15, commencing on August 15, 2018. The proceeds of the Notes will primarily be used to repay amounts drawn under the Bridge Facility (as defined herein) in connection with the Acquisition (as defined herein). See "*Use of Proceeds*".

The Issuer may redeem the Notes in whole or in part at any time on or after February 15, 2021 at the redemption prices specified herein. Prior to February 15, 2021, the Issuer may redeem all or part of the Notes at a redemption price equal to 100.0% of the principal amount of such Notes, plus a "make-whole" premium as of, and accrued and unpaid interest and additional amounts, if any, to the redemption date. Prior to February 15, 2021, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes with the net proceeds from certain equity offerings at the redemption prices set forth in this Offering Memorandum. Prior to February 15, 2021, the Issuer may, during each twelve-month period commencing on the Issue Date (as defined herein), redeem up to 10% of the aggregate principal amount of the Notes at a redemption price equal to 103% of the principal amount of such Notes, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. The Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a "change of control", the Issuer may be required to make an offer to repurchase the Notes. However, a change of control will not be deemed to have occurred if the Issuer's consolidated net leverage is less than a specified level. See "*Description of Notes*".

The Notes will be senior secured obligations of the Issuer, will rank senior in right of payment to all of the Issuer's future debt that is expressly subordinated in right of payment to the Notes and will rank *pari passu* in right of payment with the Issuer's existing and future debt that is not subordinated in right of payment of the Notes, including the Issuer's obligations under the Revolving Credit Facility (as defined herein). On the Issue Date, the Notes will be guaranteed on a senior secured basis (the "**Guarantees**", and each of them, a "**Guarantee**") by certain of Issuer's subsidiaries (collectively, the "**Guarantors**", and each of them, a "**Guarantor**"), each of which will provide a senior guarantee in respect of the Revolving Credit Facility. The Guarantees will rank senior in right of payment to the respective Guarantor's future debt that is expressly subordinated in right of payment to such Guarantee and will rank *pari passu* in right of payment with the respective Guarantor's existing and future debt that is not subordinated in right of payment to such Guarantee, including such Guarantor's obligations under the Revolving Credit Facility.

The Notes and Guarantees will be secured by the collateral described under "*Description of Notes—Security*" ("**Collateral**"). The Revolving Credit Facility will also be secured by first-priority security interests over the Collateral. Under the terms of the Intercreditor Agreement (as defined herein), in the event of enforcement of the security interests, holders of Notes will receive proceeds from the Collateral only after the Revolving Credit Facility has been repaid in full. See "*Risk Factors—Risks relating to the Notes, the Guarantees and the Collateral—The Collateral may not be sufficient to secure the obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances*". The validity and enforceability of the Guarantees and the security interests and the liability of the Guarantors will be subject to the limitations described in "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*".

There is currently no public market for the Notes. Application will be made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (formerly known as the Channel Islands Securities Exchange). There are no assurances that the Notes will be listed on the Official List of The International Stock Exchange. The Official List of The International Stock Exchange is not a regulated market pursuant to the provisions of Directive 2004/39/EC on markets in financial instruments.

The Notes will be issued in registered form in minimum denominations of £100,000 and integral multiples of £1,000.

The Notes will be represented by one or more global notes, which we expect will be delivered through Euroclear SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"), on or about January 24, 2018 (the "**Issue Date**"). See "*Book-Entry, Delivery and Form*".

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 26.

Price for the Notes: 100.000% plus accrued interest, if any, from the Issue Date

The Notes and the Guarantees have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "US Securities Act"), or the securities laws of any other jurisdiction. The Notes and the Guarantees may not be offered or sold within the United States, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the US Securities Act ("Rule 144A") and outside the United States in accordance with Regulation S under the US Securities Act ("Regulation S"). You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. See "*Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.

Joint Global Coordinators and Joint Physical Bookrunners

Barclays **Jefferies**

Joint Bookrunners

RBC Capital Markets **Credit Suisse** **ING**

The date of this Offering Memorandum is January 17, 2018.

TABLE OF CONTENTS

In making your investment decision, you should rely only on the information contained in this offering memorandum ("Offering Memorandum"). Neither the Issuer nor any of Barclays Bank PLC, Jefferies International Limited, RBC Europe Limited, Credit Suisse Securities (Europe) Limited or ING Bank N.V., London Branch (collectively, the "Initial Purchasers") have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Offering Memorandum is accurate as of the date on the front cover of this Offering Memorandum only. Our business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the front cover of this Offering Memorandum.

Neither the Issuer nor the Initial Purchasers are making an offer of the Notes in any jurisdiction where this offer is not permitted.

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

This Offering Memorandum is a confidential document that we are providing only to prospective purchasers of the Notes. You should read this Offering Memorandum before making a decision whether to purchase any Notes. You must not:

- use this Offering Memorandum for any other purpose;
- make copies of any part of this Offering Memorandum or give a copy of it to any other person; or
- disclose any information in this Offering Memorandum to any other person, other than a person retained to advise you in connection with the purchase of the Notes.

We have prepared this Offering Memorandum based on information we have or have obtained from sources we believe to be reliable. Summaries of documents contained in this Offering Memorandum may not be complete. We and the Initial Purchasers have not authorized anyone to provide you with information that is different from the information contained herein. You must not rely on unauthorized information or representations. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front cover of this Offering Memorandum. Neither the delivery of this Offering Memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this Offering Memorandum or in our business since the date of this Offering Memorandum. References to any website contained herein do not form part of this Offering Memorandum. In making an investment decision, you must rely on your own examination of the Issuer, Topco and its subsidiaries and the terms of this Offering, including the merits and risks. We will make copies of actual documents available to you upon request. Neither we nor the Initial Purchasers nor the Trustee, Registrar, Paying Agent, Security Agent or Transfer Agent are providing you with any legal, investment, business, tax or other advice in this Offering Memorandum. You should consult with your own counsel, accountants and other advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

By receiving this Offering Memorandum, you acknowledge that (1) you have been afforded an opportunity to request from us, and to review, and that you have received all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained herein, (2) you have not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or your investment decision and (3) we have not authorized any person to deliver any information different from that contained in this Offering Memorandum.

This Offering Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this Offering Memorandum, and you must obtain all applicable consents and approvals; neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements.

We are offering the Notes, and the Guarantors are issuing the Guarantees, in reliance on (i) an exemption from registration under the US Securities Act for an offer and sale of securities that does not involve a public offering and (ii) a transaction pursuant to Regulation S that is not subject to the registration requirements of the US Securities Act. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under "*Transfer Restrictions*". The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the US Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom; see "*Transfer Restrictions*". You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. Neither we nor the Initial Purchasers are making any representation to you that the Notes are a legal investment for you.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

Neither the US Securities and Exchange Commission (the "**SEC**"), any US state securities commission nor any non-US securities authority nor other authority has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We accept responsibility for the information contained in this Offering Memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this Offering Memorandum with regard to us and our subsidiaries and affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that we are not aware of any other facts, the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect.

Neither the Initial Purchasers nor the Trustee, Registrar, Paying Agent, Security Agent or Transfer Agent (each as defined herein) makes any representation or warranty, express or implied, as to, and assumes no responsibility for, the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past, the present or the future.

We reserve the right to withdraw this Offering at any time. We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part for any reason or no reason, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

The information contained in this Offering Memorandum under the caption "*Exchange rates*" includes extracts from information and data publicly released by official and other sources. We accept no responsibility for the accuracy of such information. We assume responsibility for the correct reproduction and extraction of such information.

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including in the "*Description of Notes*" and "*Book-Entry, Delivery and Form*" is subject to a change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear or Clearstream, we accept no further responsibility in respect of such information.

We expect to list the Notes on the Official List of The International Stock Exchange, and will submit this Offering Memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this Offering Memorandum. We may also be required to update the information in this Offering Memorandum to reflect changes in our business, prospects, financial condition or results of operations. We cannot guarantee that the application we will make to The International Stock Exchange Authority Limited for the Notes to be listed and admitted to trading on the Official List of The International Stock Exchange thereof will be approved as of the Issue Date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading.

The Issuer expects that the delivery of the Notes will be made against payment therefor on or about the date specified in the last paragraph on the front cover of this Offering Memorandum, which will be five business days (as such term is used for purposes of Rule 15c6-1 of the US Securities Exchange Act of 1934, as amended (the "**US Exchange Act**")) following the date of this Offering Memorandum. Under rule 15c6-1 under the US Exchange Act trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of this Offering Memorandum or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade the Notes on the date of pricing or the next succeeding two business days should consult their advisors.

IN CONNECTION WITH THIS OFFERING, BARCLAYS BANK PLC (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL OTHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, NO ASSURANCE CAN BE GIVEN THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "*PLAN OF DISTRIBUTION*".

NOTICE TO US INVESTORS

This Offering is being made in the United States in reliance upon an exemption from registration under the US Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "*Transfer Restrictions*".

This Offering Memorandum is being provided (1) to a limited number of US investors that we reasonably believe to be QIBs under Rule 144A under the US Securities Act for informational use solely in connection with their consideration of the purchase of the Notes and Guarantees and (2) outside the United States in accordance with Regulation S under the US Securities Act. By purchasing the Notes and the Guarantees, investors are deemed to have made the acknowledgments, representations, warranties and agreements set forth under "Transfer Restrictions". Investors should be aware that they may be required to bear the financial risks of their investment in the Notes and the Guarantees for an indefinite period of time. Prospective purchasers are hereby notified that the seller of any Note or Guarantees may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. The Notes and Guarantees described in this Offering Memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO CERTAIN OTHER INVESTORS

European Economic Area This Offering Memorandum is not a prospectus and is being distributed to a limited number of recipients for the sole purpose of assisting such recipients in determining whether to proceed with a further investigation of the issue of the Notes. This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area (the "**EEA**"), from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of the Notes, which are the subject of the placement contemplated in this Offering Memorandum, should only do so in circumstances in which no obligation arises for the Issuers or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the

Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Initial Purchaser has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in the Relevant Member State at any time:

a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

b) to any legal entity which has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net revenue of more than €50,000,000, as shown in its last annual or consolidated accounts;

c) by the Initial Purchasers to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural persons (other than qualified investors as defined in the Prospectus Directive as permitted under the Prospectus Directive); or

d) in any other circumstances falling within Article 3(2) of the Prospectus Directive; *provided* that no such offer of the Notes shall result in a requirement for the publication by the Issuers or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of the Notes to the public" in relation to any of the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Relevant Member State. For the purposes of this provision, the expression "Prospectus Directive" means Directive 2003/71/EC, including that Directive as amended by the 2010 PD Amending Directive to the extent implemented in the Relevant Member State in question, and includes any relevant implementing measure in the Relevant Member State in question; and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each subscriber for, or purchaser of, the Notes in the offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. We, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a "qualified investor" and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the offering.

United Kingdom This issue and distribution of this Offering Memorandum is restricted by law. This Offering Memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) are outside the United Kingdom; (ii) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")); (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**Relevant Persons**").

This Offering Memorandum is directed only at relevant persons, and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Recipients of this Offering Memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the United Kingdom.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

Canada The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

PRIIPs Regulation / Prohibition of sales to EEA retail investors—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

MIFID II product governance / Professional investors and ECPs only target market—Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Data

The Issuer is a public limited company incorporated on October 30, 2017, solely for the purpose of consummating the Acquisition and the related financing thereof. The Issuer conducts no business operations of its own and as of the Issue Date its only material assets will be its holding of the entire issued share capital of Gym Topco Limited ("**Topco**") and its consolidated subsidiaries (collectively, the "**Group**") as well as rights and claims under intercompany financings. The Issuer's only material liabilities will be its outstanding indebtedness under the Notes and certain subordinated shareholder debt. For further information, please see "*Summary—Corporate and Financing Structure*", "*Business*" and "*Description of Certain Financing Arrangements*".

Unless otherwise indicated, this Offering Memorandum does not include any historical financial information relating to the Issuer due to the limited historical financial information available for the Issuer.

Financial information in this Offering Memorandum is the historical consolidated financial information of the Group. Topco is a wholly-owned direct subsidiary of the Issuer and will guarantee the Notes on the Issue Date.

The financial information presented in this Offering Memorandum includes:

- the audited consolidated financial statements of the Group as of and for the year ended December 31, 2016 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), including the related notes thereto;
- the audited consolidated financial statements of the Group as of and for the year ended December 31, 2015 (with comparative unaudited data as of and for the year ended December 31, 2014) prepared in accordance with IFRS; including the related notes thereto (together with the audited consolidated financial statements of the Group as of and for the year ended December 31, 2016, the "**IFRS Financial Statements**");
- the audited consolidated financial statements as of and for the year ended December 31, 2014 prepared in accordance with the United Kingdom Generally Accepted Accounting Practice in place prior to FRS 102 (the "**Former UK GAAP**") (the "**Former UK GAAP Financial Statements**", together with the IFRS Financial Statements, the "**Audited Financial Statements**"); and
- unaudited condensed consolidated financial statements for the Group as of and for the nine months ended September 30, 2016 and 2017, including the related notes thereto (the "**Unaudited Interim Financial Information**", together with the IFRS Financial Statements and the Former UK GAAP Financial Statements, the "**Financial Statements**").

We prepared our consolidated financial statements as of and for the year ended December 31, 2014 in accordance with Former UK GAAP. The IFRS Financial Statements have been prepared in accordance with IFRS, and have been audited by PricewaterhouseCoopers LLP. Accordingly, our consolidated financial statements as of and for the year ended December 31, 2015 presented unaudited prior year results in accordance with IFRS for purposes of comparison. The financial statements presented in this Offering Memorandum as of and for the year ended December 31, 2014 are presented in accordance with IFRS and were provided as comparative unaudited financial statements in our consolidated financial statements as of and for the year ended December 31, 2015. For an analysis of the main adjustments and reclassifications, please see note 26 to the audited consolidated financial statements of the Group as of and for the year ended December 31, 2015, included elsewhere in this Offering Memorandum.

The Unaudited Interim Financial Information have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting ("**IAS 34**").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the Audited Financial Statements.

The financial information included in this Offering Memorandum is not intended to comply with the applicable accounting requirements of the US Securities Act and the related rules and regulations of the SEC, which would apply if the Notes were being registered with the SEC. There could be significant differences between IFRS and generally accepted accounting principles in the United States of America ("**US GAAP**"), as applied to the Group. We neither describe the differences between IFRS and US GAAP nor reconcile the Group's IFRS financial statements to US GAAP. Accordingly, such information is not available to investors, and investors should consider this in making their investment decision. The Indenture will impose no obligation on us to reconcile our future financial statements prepared under IFRS to US GAAP.

See "*Independent Auditors*" for a description of the independent auditors' reports of PricewaterhouseCoopers LLP. In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales, the independent auditor's reports from PricewaterhouseCoopers LLP state that the reports including the opinions were prepared for and only for the Topco's members as a body, as applicable, in accordance with Chapter 3 of Part 16 of the Companies Act of 2006 and for no other purpose; the independent auditors did 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 their prior consent in writing.

Investors in the Notes should understand that in making these statements, the independent auditor has confirmed that it does not accept or assume any liability to parties (such as the purchasers of the Notes) other than to Topco and its members as a body, with respect to the report and to the independent auditor's audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the US Securities Act or in a report filed under the US Exchange Act. If a US court (or any other court) were to give effect to such limiting language, the recourse that investors in the Notes may have against the independent auditor based on its report or the consolidated financial statements to which it relates could be limited. See "*Risk Factors—Risks relating to the Notes, the Guarantees and the Collateral—Investors in the Notes may have limited or no recourse against the independent auditors*".

Non-IFRS Measures

This Offering Memorandum contains certain non-IFRS measures and ratios, including Group Adjusted EBITDA, Group Run-Rate Adjusted EBITDA, Gym Site Adjusted EBITDA and certain other measures (the "**Non-IFRS Measures**") that are not required by, or presented in accordance with, IFRS or the accounting standards of any other jurisdiction. We define the following Non-IFRS Measures as follows:

- "**Average Continuous Membership Tenure**" as the average monthly tenure of all active and paying members, including members who have frozen their memberships, but excluding members that have been members for 25 days or less, as of a given point in time. Monthly tenure for a member that cancelled his or her membership but subsequently re-joined is calculated as of the date that member re-joined and not the date that he or she first became a member.
- "**Average Gym ROCE**" as Gym Site Adjusted EBITDA for the relevant portfolio of gyms for that period divided by the Initial Capital Investment attributable to that portfolio of gyms.
- "**Average Mature Gym EBITDA**" as Mature Gym EBITDA for a certain period divided by the number of Mature Gyms in that period.
- "**Average Mature Gym EBITDA Margin**" as Mature Gym EBITDA for a certain period divided by the revenue attributable to Mature Gyms for that period.
- "**Average New Gym EBITDA**" as New Gym EBITDA for a certain period divided by the number of New Gyms in that period.
- "**Average New Gym EBITDA Margin**" as New Gym EBITDA for a certain period divided by the revenue attributable to New Gyms for that period.
- "**Average Revenue per Member per Month**" as revenue for that period divided by the number of months in that period and further divided by the average number of members

during that period. The average number of members during that period is calculated as the average of the number of members as of the beginning of the first month and the end of every month in that period. Unless stated otherwise, Planned LAF Disposals are excluded from the Average Revenue per Member per Month figures shown in this Offering Memorandum.

- "**Expansionary Capital Expenditure**" as the Initial Capital Investment and the capital costs of expanding gym sites incurred in that period.
- "**Group Adjusted EBITDA**" as the Group's profit or loss for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment, amortization of intangible fixed assets, profit/loss on disposal of property, plant and equipment, exceptional administrative expenses, and other extraordinary items, after adding back Pre-Opening Costs and the Non-Cash Rent Adjustment.
- "**Group Adjusted EBITDA margin**" as Group Adjusted EBITDA for that period divided by revenue for that period.
- "**Group Operating Cash Flow**" as Group Adjusted EBITDA plus Working Capital Cash Flow and less Maintenance and Corporate Capital Expenditures for that period.
- "**Group Operating Cash Flow Conversion**" as Group Operating Cash Flow for that period divided by Group Adjusted EBITDA for that period.
- "**Group Run-Rate Adjusted EBITDA**" as Group Adjusted EBITDA including Run-Rate Adjustments.
- "**Gym cohorts**" as groups of Pure Gyms that opened during a specified period.
- "**Gym Site Adjusted EBITDA**" as Group Adjusted EBITDA for that period, excluding Head Office Costs.
- "**Head Office Costs**" as all non-gym specific costs, other than depreciation and amortization, related to the operation of head office functions in a given period.
- "**Initial Capital Investment**" refers to the capital cost of bringing a new gym into operation, including expenditures on site fit out, fixtures, fittings and equipment.
- "**Like-for-Like Revenue Growth**" as comparison of revenue in a given period with the same period in the previous financial year, expressed as a percentage change between the two periods. "1-year Like-for-Like Revenue Growth" includes revenues from our gyms which have traded for at least 12 months. "2-year Like-for-Like Revenue Growth" includes revenues from our gyms which have traded for at least 24 months. Gyms are included on a rolling basis as each new gym has traded for 12 months or 24 months, as applicable.
- "**Maintenance and Corporate Capital Expenditures**" as the total capital expenditure incurred in a period less Expansionary Capital Expenditure incurred in that period.
- "**Mature Gym EBITDA**" as profit for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment, amortization of intangible fixed assets, profit/loss on disposal of property, plant and equipment, exceptional administrative expenses and Head Office Costs for Mature Gyms. Mature Gym EBITDA does not include the Non-Cash Rent Adjustment or adjustments for Pre-Opening Costs or other extraordinary items that were added back to Group Adjusted EBITDA and Gym Site Adjusted EBITDA.
- "**Mature gyms**" as the Group's gyms that have been open as Pure Gyms for 24 months or more as of the end of the relevant reporting period.
- "**New Gym EBITDA**" as profit for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment, amortization of intangible fixed assets, profit/loss on disposal of property, plant and equipment, exceptional administrative expenses and Head Office Costs for New Gyms. New Gym EBITDA does not include the Non-Cash Rent Adjustment or adjustments for Pre-Opening Costs or other extraordinary items that were added back to Group Adjusted EBITDA and Gym Site Adjusted EBITDA.
- "**New gyms**" as the Group's gyms that have been open as Pure Gyms for less than 24 months as of the end of the relevant reporting period.
- "**Non-Cash Rent Adjustment**" as adding back the non-cash rent expense charged to the income statement in the period (less amounts added back as part of Pre-Opening Costs), as

management believes that this is a better reflection of our actual earnings. This is because we typically receive a rent-free period of one year or more as an incentive from developers or property owners to lease space in their buildings. Under IFRS, the benefit of this rent-free period is spread out over the life of the lease (as a deduction in the rent payable over the entire lease period), even though on a cash basis, we have no cash outlay for the rent-free period.

- "**Number of gyms**" as the total number of gyms that are open and trading under both the Pure Gym and the LA Fitness Group brands as well as the total number of LA Fitness gyms that are closed and in the process of being converted to Pure Gyms, but excluding the total number of all Planned LAF Disposals, as of the specified date or the end date of the relevant period.
- "**Number of members**" as the total number of active members, including the total number of members who have suspended ("freeze" or "frozen") their memberships, of Pure Gym and (for the period subsequent to our acquisition of LA Fitness and prior to our completing the conversion or disposition of all LA Fitness branded gyms) LA Fitness branded gyms, but excluding the total number of members who have cancelled their memberships and the total number of pre-opening members of organic gyms that have yet to open, as of a specified date or the end date of the relevant period. Unless stated otherwise, Planned LAF Disposals are excluded from the number of members figures shown in this Offering Memorandum.
- "**Planned LAF Disposals**" as 12 LA Fitness branded gyms that were acquired as part of Pure Gym's acquisition of the LA Fitness Group on May 28, 2015 but subsequently identified for disposal. In the year ended December 31, 2015, the Group sold or closed eight Planned LAF Disposals and had four remaining for sale or closure. In 2016, the Group sold or closed those remaining disposal sites. Unless stated otherwise, Planned LAF Disposals are not included in any of the calculations of the number of gyms, number of members and Average Revenue per Member per Month figures shown in this Offering Memorandum.
- "**Pre-Opening Costs**" as the total of all gym site operating costs incurred during the pre-opening periods of gyms in that period. Pre-Opening Costs primarily consist of staff, marketing and rent expenses.
- "**Pure Gyms**" as the combined New Gym and Mature Gym portfolios.
- "**ROCE**" as EBITDA divided by Initial Capital Investment and refers to return on capital employed.
- "**Run-Rate Adjustment**" as the adjustment made to those gyms which are less than three years old at the end of the reporting period. These adjustments replace the Adjusted EBITDA earned by these sites in the last twelve month period with the projected Adjusted EBITDA for their third year of operation.
- "**Unconverted LAF Gyms**" as the Group's gyms operating under the LA Fitness Group brands that were acquired as part of Pure Gym's acquisition of the LA Fitness Group in May 2015 and which have not been converted to and reopened as Pure Gyms as of the end of the relevant reporting period. Planned LAF Disposals are excluded from the Unconverted LAF Gym portfolio. As described above, financial and operating results of LA Fitness Conversions are included within the Unconverted LAF Gym portfolio from the date the Group acquired the LA Fitness Group through the month prior to conversion.
- "**Working Capital Cash Flow**" as cash movements in working capital less the Non-Cash Rent Adjustment, adjusted for working capital acquired upon the acquisition of the LA Fitness Group in May 2015 and non-cash IFRS transition adjustments in 2014.

We present a reconciliation of the Non-IFRS Measures to the most directly comparable measure calculated and presented in accordance with IFRS and discuss its limitations. For a reconciliation of these Non-IFRS Measures and such discussions, refer to "*Summary Consolidated Financial and Other Information—Other financial, operational and pro forma data*".

We believe that the presentation of the Non-IFRS Measures enhances an investor's understanding of our operating performance and our ability to service our debt. In addition, we believe that EBITDA is a measure commonly used by investors. Our Non-IFRS Measures may not be comparable with similarly titled measures used by other companies. Our EBITDA and related leverage and coverage ratios are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. Our Non-IFRS Measures have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results of operations as reported under IFRS. In addition, EBITDA may be defined differently from the definition of "Run-Rate Adjusted EBITDA" under the Indenture. Some limitations of EBITDA-based measures include:

- they do not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect any cash income and certain other taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows; and
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations.

Because of these limitations, our Non-IFRS Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our IFRS results and using these Non-IFRS Measures only in a supplemental manner to evaluate our performance.

Key performance indicators and the other non-financial operational data included in this Offering Memorandum are not part of our financial statements and have not been audited. Our use or computation of these indicators may not be comparable with the use or computation of similarly titled measures reported by other companies. None of the key performance indicators or other non-financial operating data included in this Offering Memorandum should be considered in isolation or as an alternative to any indicator of our operating performance, cash flows or other measure of performance derived in accordance with IFRS.

Pro Forma Financial information

We present in this Offering Memorandum certain financial information on an adjusted basis to give *pro forma* effect to the Transactions, including financial data as adjusted to reflect the effect of the Transactions on the indebtedness of the Group as if the Transactions had occurred as of October 1, 2016 for purposes of *pro forma* net interest expense and September 30, 2017 for purposes of *pro forma* net debt. See "*Summary—Summary Consolidated Financial and Other Information*", "*Capitalization*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and for a description of the *pro forma* effect of the Transactions, including the issuance of the Notes offered hereby and the application of the proceeds thereof, see "*Use of Proceeds*". The *pro forma* financial information has been prepared for illustrative purposes only and does not represent what our actual results would have been had the Transactions occurred on as of October 1, 2016 or September 30, 2017, as applicable, nor does it purport to project our indebtedness at any future date. The *pro forma* financial information has not been prepared in accordance with the requirements of Regulation S-X of the US Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Other data

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or thousands, certain operating data, percentages describing market share and penetration rates, have been subject to rounding adjustments and, as a result, the totals of the data included in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the consolidated financial information of the Group or the tabular presentation of other data (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

This Offering Memorandum also includes the unaudited consolidated financial information for the twelve months ended September 30, 2017 for the Group. Our financial information for the twelve months ended September 30, 2017 was derived by aggregating without adjustments the relevant results of the year ended December 31, 2016 and the nine months ended September 30, 2017 and subtracting the relevant results of the nine months ended September 30, 2016. Our financial information for the twelve months ended September 30, 2017 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date. The unaudited consolidated financial information for the twelve months ended September 30, 2017 presented herein is not required by or presented in accordance with IFRS or any other generally accepted accounting principles.

MARKET AND INDUSTRY DATA

In this Offering Memorandum, we rely on and refer to information regarding the Group and the market in which it operates and competes. Certain of the market data and certain economic and industry data used in this Offering Memorandum was obtained from independent industry publications and reports prepared by industry consultants and certain information was obtained from reports commissioned by and prepared for us.

Industry publications and reports generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While the Issuer believes that each of these studies and publications is reliable, neither the Issuer nor the Initial Purchasers have independently verified such data and cannot guarantee their accuracy or completeness. Any third-party information described above and included in this Offering Memorandum has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, the reproduced information is accurate and no facts have been omitted which would render such information inaccurate or misleading.

As noted in this Offering Memorandum, we have obtained market and industry data relating to our business from providers of industry data, including:

- Accenture (UK) Limited trading as the Javelin Group, a provider of data, analytics and software. The Javelin Group's report, the "Updated CAMEO member profile" dated March 4, 2016, is based on data provided by Pure Gym as of February 29, 2016 (the "**CAMEO Report**"). The Javelin Group offers consulting and implementation services to retailers and brands, across all retail disciplines and channels. This source provides statistics on our membership base by affluence groups categorized according to Callcredit's CAMEO consumer segmentation system. Where we make reference to the CAMEO Report, the source is both the Javelin Group and Callcredit ("**Javelin Group / Callcredit**"). This data was intended for use only by the client for whom it was prepared. Accenture (UK) Limited shall not in any circumstances be under any liability whatsoever to any other person for any loss or damage arising in any way as a result of reliance on this publication.
- The Leisure Database Company ("**LDC**"), a provider of gym and fitness analysis. LDC provides customer profiling, site analysis, market data, industry reports and social media fitness reports for the fitness and health industry in the United Kingdom. Where we refer to LDC, we make reference to the 2017 State of the UK Fitness Industry Report—The Leisure Database Company, which is based on the twelve month period from April 1, 2016 to March 31, 2017. This source provides statistics on membership, gym openings and closures, fees and penetration rates.
- An international consulting firm was commissioned by the Company to create the Commercial & Strategic Review report for the Company (the "**CSR Report**") in connection with the Acquisition. This source provides information on the UK gym market, specifically, the competitive landscape, customer behavior and ratings as well as Pure Gym's historic performance and growth opportunities. The CSR Report obtained some data from LDC prior to publication of LDC's 2017 State of the UK Fitness Industry Report. References to CSR Report estimates are based on the numbers provided by LDC to the CSR Report providers prior to publication of the LDC report and may slightly differ from the numbers that LDC provided in its final report.

In addition to the foregoing, certain information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Group contained in this Offering Memorandum were estimated or derived based on assumptions we deem reasonable and from our own research, surveys or studies conducted by third parties and other industry or general publications. While we believe the Group's internal estimates to be reasonable, these estimates have not been verified by any independent sources and neither the Issuer nor the Initial Purchasers can assure you as to their accuracy or the accuracy of the underlying assumptions used to estimate such data. Our estimates involve risks and uncertainties and are subject to change based on various factors. See "*Risk Factors*", "*Industry Overview*" and "*Business*" for further discussion.

CURRENCY PRESENTATION

In this Offering Memorandum: all references to "pound", "pound sterling" or "£" are to the lawful currency of the United Kingdom; all references to "euro", "EUR" and "€" are to the single currency of the participating member states of the European Union participating in the third stage of economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time; and all references to "US dollars", "USD" and "$" are to the lawful currency of the United States.

EXCHANGE RATE AND CURRENCY INFORMATION

The following tables set forth, for the periods indicated below, the high, low, average and period end Bloomberg London Composite Rate expressed as US dollars per £1.00. The Bloomberg London Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg London Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The below rates may differ from the actual rates used in the preparation of the consolidated financial information and other financial information appearing in this Offering Memorandum. We make no representation that the US dollar amounts referred to below could have been or could, in the future, be converted into pound sterling at any particular rate, if at all.

Year	High	Low	Average(1)	Period end
2012	1.6276	1.5295	1.5852	1.6242
2013	1.6566	1.4858	1.5646	1.6566
2014	1.7165	1.5515	1.6474	1.5581
2015	1.5872	1.4654	1.5282	1.4734
2016	1.4810	1.2158	1.3549	1.2345
2017	1.3582	1.2068	1.2888	1.3524

Month	High	Low	Average(2)	Period end
September 2017	1.3582	1.2919	1.3314	1.3395
October 2017	1.3298	1.3055	1.3202	1.3273
November 2017	1.3509	1.3055	1.3227	1.3509
December 2017	1.3524	1.3315	1.3401	1.3524
January 2018 (through January 17, 2018)	1.3850	1.3517	1.3624	1.3850

(1) The average of the exchange rates on each business day during the relevant period.
(2) The average of the exchange rates on each business day during the relevant period.

On January 17, 2018, the Bloomberg London Composite Rate between the pound sterling and the US dollar was $1.3850 per £1.00.

CERTAIN DEFINITIONS

In this Offering Memorandum, the following words and expressions have the following meanings, unless the context otherwise requires or unless otherwise so defined. In particular, capitalized terms set forth and used in the sections entitled "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*", "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of Notes*" may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

- "**Acquisition**" refers to the acquisition of Gym Topco Limited by the Issuer under a share purchase agreement dated November 3, 2017.
- "**Acquisition Date**" refers to November 30, 2017, the date on which the Acquisition was completed.
- "**Agreed Security Principles**" refers to the "Agreed Security Principles" to be set out in a schedule to the Revolving Credit Facility Agreement as in effect on the Issue Date, as interpreted and applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.
- "**Brexit**" refers to the exit of the United Kingdom from the European Union formally initiated by the UK Government on March 29, 2017.
- "**Bridge Facility**" refers to the credit facility made available under the terms of the Bridge Facility Agreement.
- "**Bridge Facility Agreement**" refers to the senior secured term loan facility agreement dated November 28, 2017 with Barclays Bank PLC, Jefferies Finance LLC, Credit Suisse AG, London Branch, Royal Bank of Canada and ING Bank N.V., London Branch, as original lenders, Barclays Bank PLC, as facility agent and Deutsche Bank AG, London Branch, as security agent, providing for a credit facility in an aggregate principal amount of £360 million.
- "**CPA**" refers to costs incurred during the period related to customer acquisition divided by customers acquired.
- "**Clearstream**" refers to Clearstream Banking S.A.
- "**Companies Act**" refers to the Companies Act of 2006 (United Kingdom), as amended.
- "**EEA**" refers to the European Economic Area.
- "**EU**" refers to the European Union.
- "**EU member state**" refers to a member state of the European Union.
- "**Euroclear**" refers to Euroclear Bank SA/NV.
- "**FCA**" refers to the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA.
- "**FSMA**" refers to the Financial Services and Markets Act 2000, as amended.
- "**Group**" refers to Gym Topco Limited and its consolidated subsidiaries.
- "**Guarantees**" collectively refers to the guarantees issued by each of the Guarantors on a senior basis, in respect of the Notes.
- "**Guarantors**" refers to Gym Topco Limited, Gym Midco Limited, Gym Midco 2 Limited, Gym Bidco Limited and Pure Gym Limited.
- "**HRMC**" refers to Her Majesty's Revenue & Customs.
- "**Indenture**" refers to the indenture governing the Notes, to be dated on the Issue Date, by and among, *inter alios*, the Issuer and the Trustee.
- "**Initial Purchasers**" refers to Barclays Bank PLC, Jefferies International Limited, RBC Europe Limited, Credit Suisse Securities (Europe) Limited and ING Bank N.V., London Branch and "*Initial Purchaser*" refers to each of them.
- "**Intercreditor Agreement**" refers to the intercreditor agreement dated November 28, 2017 between, *inter alios*, the Issuer, the Security Agent and the agent under the Revolving Credit Facility on behalf of the lenders thereunder and to which the trustee under the Indenture is expected to accede on or about the Issue Date.

- “**Issue Date**” refers to the date of original issuance of the Notes.
- “**Issuer**” refers to Pinnacle Bidco plc, a public limited company organized under the laws of England and Wales.
- “**LA Fitness Conversion**” refers to a LA Fitness gym that has been converted to a Pure Gym.
- “**M&A Conversion**” refers to a site acquired for consideration by the Group from another gym operator. For an M&A Conversion, Pure Gym acquires the site and its membership and converts the site to the Pure Gym brand and operating model.
- “**Notes**” refers to the £360,000,000 aggregate principal amount of 6⅜% Senior Secured Notes due 2025 offered hereby.
- “**Offering**” refers to the offering of the Notes pursuant to this Offering Memorandum.
- “**Organic Conversion**” refers to a site where a gym was previously operated by another operator but has been converted to the Pure Gym brand and operating model. For an Organic Conversion, Pure Gym takes on a lease directly from another gym operator via a lease assignment or sublease agreement, or enters a new lease directly with the landlord following relinquishment of a lease by another gym operator.
- “**Organic Greenfield**” refers to a site where a gym was not previously operated. For an Organic Greenfield, Pure Gym enters a lease directly with a landlord.
- “**Paying Agent**” refers to Deutsche Bank AG, London Branch.
- “**pre-opening offer**” refers to a special pre-opening rate offered to certain members that join a gym prior to or shortly after its opening date.
- “**Prospectus Directive**” refers to the EU Prospectus Directive 2003/71/EC, as amended, and includes any relevant implementing measure in the member state concerned.
- “**Pure Gym**” refers to gyms operating under the Pure Gym brand.
- “**QIB**” refers to “qualified institutional buyers” within the meaning of Rule 144A.
- “**Registrar**” refers to Deutsche Bank Luxembourg S.A.
- “**Regulation S**” refers to Regulation S under the US Securities Act.
- “**Relevant Member State**” refers to any Member State of the European Economic Area which has implemented the Prospectus Directive.
- “**Revolving Credit Facility**” refers to the revolving credit facility made available under the terms of the Revolving Credit Facility Agreement.
- “**Revolving Credit Facility Agreement**” refers to the revolving credit facility agreement dated November 28, 2017, with Barclays Bank PLC, Jefferies Finance LLC, Royal Bank of Canada, Credit Suisse AG, London Branch and ING Bank N.V., London Branch, as mandated lead arrangers, Barclays Bank PLC, as facility agent and Deutsche Bank AG, London Branch, as security agent providing for a revolving credit facility in an aggregate principal amount of £60 million.
- “**RFID**” refers to radio-frequency identification.
- “**Rule 144A**” refers to Rule 144A under the US Securities Act.
- “**SEC**” refers to the US Securities and Exchange Commission.
- “**Security Agent**” refers to Deutsche Bank AG, London Branch, as security agent under the Revolving Credit Facility Agreement, the Security Documents, the Indenture and the Intercreditor Agreement.
- “**Security Documents**” has the meaning ascribed to it under “*Description of Notes—Certain Definitions*”.
- “**Subordinated Shareholder Funding**” refers to £288.5 million in subordinated shareholder indebtedness incurred by the Issuer in connection with the Acquisition and described more fully under “*Description of Certain Financing Arrangements—Subordinated Shareholder Funding*”.

- "**Topco**" refers to Gym Topco Limited.
- "**Transactions**" refers to consummation of the Acquisition, refinancing of the Group's existing senior indebtedness, incurrence of indebtedness under the Bridge Facility, entry into the Revolving Credit Facility, the Offering and the application of the use of proceeds as set out in the section "*Use of Proceeds*", as described more fully under "*Summary—The Transactions*".
- "**Transfer Agent**" refers to Deutsche Bank Luxembourg S.A.
- "**Trustee**" refers to Deutsche Trustee Company Limited as trustee under the Indenture.
- "**US Exchange Act**" refers to the US Securities Exchange Act of 1934, as amended.
- "**US Securities Act**" refers to the US Securities Act of 1933, as amended, and the rules and regulations promulgated by the SEC thereunder.

In addition to the terms defined above, the terms "*we*", "*us*", "*our*", "*Pure Gym*", "*Group*", "*Company*" and other similar terms refer, unless the context otherwise requires, to Topco and its consolidated subsidiaries.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes statements that are, or may deemed to be, "forward-looking statements," within the meaning of the securities laws of certain jurisdictions, including statements under the headings "*Market and Industry Data*", "*Summary*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business*" and other sections. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipate," "expect," "suggests," "plan," "believe," "intend," "estimates," "targets," "projects," "should," "could," "would," "may," "will," "forecast," and other similar expressions or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements that we make in this Offering Memorandum speak only as of the date of such statement, and we undertake no obligation and do not intend to update such statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the "*Risk Factors*" section of this Offering Memorandum:

- our ability to attract and retain gym members while maintaining sustainable and profitable membership fees;
- our ability to identify and secure sites for new gyms on favorable terms;
- failure of our gyms' locations to be economically viable;
- our ability to achieve expected return on capital employed;
- our ability to control costs;
- our ability to renew our existing leases or to terminate unprofitable leases;
- risks of disruptions or failures involving our information technology systems;
- our dependence on our brand and reputation;
- failure to obtain the requisite planning permissions to open new gyms;
- opening new gyms near our existing locations;
- our ability to successfully execute our growth strategy or effectively manage our growth;
- our growth placing strains on our management, employees, information systems and internal controls;
- our ability to retain key individuals and personal trainers;
- risks related to any change in the employment status of personal trainers;
- maintaining corporate culture;
- risks related to incurring additional indebtedness;
- dependence on third-party contractors and suppliers;
- the risk of infringement, misappropriation of or a challenge to our intellectual property rights;

- risk of inadequate insurance coverage;
- risks related to any forced closures of our gyms;
- our ability to acquire other health and fitness businesses and related integration risks;
- our ability to invest in new business lines;
- our ability to expand into new international markets;
- competitive nature of the health and fitness industry;
- dependence on continuing popularity of health and fitness in the UK and the popularity of value gyms;
- adverse changes in consumer discretionary spending and general economic conditions;
- risk of fines and claims related to health and safety risks at our gyms;
- failure to comply with data protection legislation or a security breach or system failure;
- risks related to licensing regimes, tariffs or taxes;
- factors affecting our leverage and our ability to service our debt;
- the effects of our restrictive debt covenants on our ability to finance our future operations and capital needs and to pursue business opportunities and activities; and
- other factors discussed or referred to in this Offering Memorandum.

The foregoing factors and others described under "*Risk Factors*" should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on the front cover of this Offering Memorandum. We urge you to read this Offering Memorandum, including the sections entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*" for a more complete discussion of the factors that could affect our future performance and the industries in which we operate.

Any forward-looking statements are only made as of the date on the front cover of this Offering Memorandum and, except as required by law or the rules and regulations of any stock exchange on which the Notes are listed, we undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum, including those set forth under "*Risk Factors*".

SUMMARY

This summary highlights certain information about us and the Offering of the Notes described elsewhere in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Memorandum, including the Financial Information and related notes contained elsewhere in this Offering Memorandum. You should read carefully the entire Offering Memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including, without limitation, the risks discussed under the caption "Risk Factors".

Overview

We are a value gym operator that opened our first gym in 2009 and have rapidly become the largest operator of gyms in the United Kingdom by number of gyms and members. As of September 30, 2017, we operated 186 gyms in cities and towns across the UK, including 47 gyms within greater London, and had 922,860 members. Our vision is to provide affordable, flexible, and "value-for-money" memberships to high quality gyms to all people in the UK who want to increase their level of fitness, as demonstrated by our inclusive "everybody welcome" philosophy.

We have a powerful and highly disruptive customer value proposition that is differentiated from traditional UK gym operators and appeals to a broad range of consumers. The key elements of the proposition include affordable membership fees, no fixed term contracts, and "24x7x365" access to high quality gyms. The proposition is underpinned by Pure Gym's differentiated low cost, capital efficient, and technology-enabled gym operating model, which enables our gyms to support high levels of membership, operate on low costs, and generate strong unit economics, cash flow conversion, and ROCE.

As a result of our disruptive customer value proposition and differentiated business model, Pure Gym has grown rapidly. For the year ended December 31, 2016, Pure Gym generated revenue of £159.9 million and Group Adjusted EBITDA of £47.2 million, representing a growth of 27.7% and 32.2%, respectively, as compared to the year ended December 31, 2015. In the twelve months ended September 30, 2017, Pure Gym generated revenue of £189.3 million and Group Adjusted EBITDA of £66.3 million, representing growth of 26.1% and 53.8%, respectively, as compared to the twelve months ended September 30, 2016.

Overview of the UK health and fitness club market

The UK health and fitness club market has grown over the past five years from a total value of £3.9 billion as of March 2012 to £4.7 billion as of March 2017, reflecting a compound annual growth rate ("**CAGR**") of 4% (*Source: CSR Report estimates*). Over this same period, the number of health and fitness clubs grew from 5,900 to 6,663, reflecting a CAGR of 2%, while the number of health and fitness club members grew from 7.6 million to 9.7 million, reflecting a CAGR of 5% (*Source: LDC, CSR Report estimates*). As of March 31, 2017, 15% of the UK population was a member of a health and fitness club (*Source: LDC, CSR Report estimates*).

The 5% CAGR in health and fitness club members from March 2012 to March 2017 can be primarily attributed to the growth of value clubs and the increasing focus of UK consumers on health and wellness. This increasing focus on wellbeing is partially driven by consumers' growing awareness of the significant benefits of a healthy lifestyle, as well as government initiatives such as "Change4Life", a public health program that began in 2009 to tackle unhealthy lifestyles by encouraging exercise and healthy eating, and "This Girl Can", an award-winning campaign launched in January 2015 to encourage more women in England to take part in sports and physical activity. Other factors have also contributed to the growth of the market over the past five years, including modest population growth, increases in consumers' disposable incomes and innovation and new technology in fitness.

Key Strengths

We have grown rapidly to become the largest gym operator in the UK by number of gyms and members. We believe that our key strengths are as follows:

Attractive resilient market driven by established trends towards the value segment

The UK health and fitness club market had a market value of £4.7 billion as of March 2017 (*Source: LDC*). This market continues to benefit from the UK population becoming more health conscious and from various government initiatives designed to promote healthy living and active lifestyles, as well as the increasing prevalence of value gyms, which have increased the availability of fitness facilities to a larger proportion of the population. These factors have helped to grow the total number of UK gym members from 7.6 million as of March 2012 to 9.7 million members as of March 2017, which reflects a compound annual growth rate ("**CAGR**") of 5% (*Source: LDC*).

Historically, the UK health and fitness market has been served by mid-market and premium private gym operators and by public gym operators. Over the last five years, the value segment has grown rapidly. Between March 2012 and March 2017, 86% of the 2.1 million net new members that joined the UK health and fitness club market joined value gyms (*Source: LDC*). This growth has resulted from significant consumer demand for the value gym product as well as a significant increase in the number of value gyms. While the value gym segment has grown quickly, we believe there remains significant opportunity for further growth as evidenced by value gyms' broad consumer appeal and the fact that value gyms only represented 8% of the total number of gyms in the United Kingdom as of March 2017. Furthermore, 15% of the United Kingdom population is a member of a gym, which is a lower proportion than several other Western markets where value gyms have been in existence for longer.

Consumer spending on gyms has shown resilience during periods of decreased overall economic activity, as demonstrated by a 2.1% CAGR in total gym spend in the UK health and fitness club market between 2006 and 2012, during which period total gym spend did not fall during any individual year. From 2008 to 2012, value gyms grew significantly, with membership increasing by a CAGR of 121%, according to the CSR Report. Based on a survey conducted by the CSR Report, we believe that consumers are substantially less likely to reduce their spending on gyms during periods of depressed economic activity than they are to reduce their spending on a number of other areas of discretionary spend (including eating/drinking out, cinema/theatre, holidays and clothing). Within the UK health and fitness club market we expect the value gym sub-segment to benefit from those gym users in the premium, mid-market and public gym sectors who are looking to reduce spending and may switch to a lower cost option rather than ceasing gym usage altogether. Industry level research-based modelling suggests that the value gym segment will outperform base case forecasts and gain further market share in the event of an economic downturn or mid-market contraction of the mid-market segment of the fitness industry (*Source: CSR Report).*

Standout market leader in the value segment

Pure Gym is one of the pioneering operators of value gyms in the UK and has been the leading contributor towards the growth of the market. Since opening our first gym in 2009, we have grown to 186 gyms and 922,860 members as of September 30, 2017. Over the last three years, Pure Gym openings alone accounted for 48% of the total number of value gym openings *(Source: CSR Report).* Pure Gym is the largest gym operator in the UK by both number of gyms and number of members and has an established nationwide footprint. By number of gyms, Pure Gym was 1.9 times larger than its nearest competitor in the value segment (The Gym) and 2.3 times larger than the nearest private operator (DW Fitness, a mid-market operator) as of March 31, 2017 (*Source*: LDC). Pure Gym's scale and market leading position provide us with significant competitive advantages, including:

- *Property Acquisition*—Pure Gym has a strong landlord covenant rating and benefits from "tenant of choice" status given its scale, strong brand and high quality product. As a result, we are generally able to secure our selected sites on attractive lease terms.
- *Purchasing Scale*—We believe we are the largest purchaser of gym equipment in the UK and one of Matrix's largest customer globally. We are able to leverage our scale to negotiate substantial purchasing discounts, thereby reducing the costs of constructing and operating our gyms.

- *Commercial Offer*—Our national footprint of 186 gyms as of September 30, 2017, enables us to offer our members multi-site access in more locations than any other gym operator. In addition, our scale enables us to pursue partnerships and other commercial arrangements that further differentiate our product offer, such as our partnerships with AXA PPP and UNiDAYS that both went live in 2016.
- *Brand*—Pure Gym has a national brand that benefits from higher levels of brand awareness than any other value gym operator. Our scale and nationwide footprint allow us to effectively pursue national marketing campaigns, such as TV advertisements, which first aired in early 2016. Pure Gym has subsequently had three further successful TV advertising campaigns.
- *Ability to invest*—Pure Gym's scale and resources mean it is able to rapidly develop new sites and invest in other areas of its business, such as technology, that enable it to operate more efficiently and deliver a better customer experience.
- *Technology*—We have invested in building our own website, which launched in 2016, and have recruited a strong software engineering team. As a result, we have a high degree of control over, and ability to improve, our web, mobile and application based offerings, which we believe will help reduce costs and increase revenues over time. For example, in 2016, we further invested in our website and member management systems to allow us to sell the "Extra" products online to members for an additional monthly premium, as described below. Furthermore, Pure Gym has invested in superior technology-based systems across the business, such as our automatic gym entry systems.

Powerful and highly disruptive customer value proposition

We believe that Pure Gym's customer value proposition, which is focused on providing affordable and flexible memberships to high-quality fitness facilities, is powerful and highly disruptive to the industry. The strength of Pure Gym's proposition has enabled us to grow rapidly by gaining significant market share from traditional mid-market and premium operators, as well as attracting consumers to our gyms who have never previously been a member of fitness clubs. Of Pure Gym members who joined our Mature Gyms in the nine months ended September 30, 2017, 30% were formerly members of other UK operators' gyms while 28% had never been a member of a gym before (with the majority of the remainder being rejoiners), according to Pure Gym's new joiner surveys. The key characteristics of Pure Gym's customer proposition are as follows:

- *Everybody welcome philosophy*—Pure Gyms have welcoming environments and we seek to support all members in the pursuit of their fitness goals, regardless of their current abilities.
- *Affordable pricing*—Pure Gym's average monthly membership fee for its standard "no contract" membership (inclusive of VAT) across its gym estate was £20.89 (excluding pre-opening offers) as of September 30, 2017, which is substantially below the private sector average monthly membership fee of £41.03 as of March 31, 2017 (*Source: LDC).* When selecting a gym, consumers ranked price as one of the two top purchasing criteria they use when selecting a gym (*Source: CSR Report)*.
- *No contracts*—Pure Gym offers a flexible membership with no fixed term contracts. Accordingly, members have the freedom and the flexibility to leave at their convenience without incurring cancellation fees.
- *24x7x365 access*—Pure Gyms are generally open 24 hours a day, seven days a week, 365 days a year. This contrasts with the opening hours of mid-market and premium operators, which are generally far more restricted.
- *High quality facilities*—Pure Gyms are equipped with a large number of pieces of high-specification gym equipment, including a broad selection of cardio machines, fixed resistance machines, free weights and functional and other exercise equipment, such as TRX bands and kettlebells. Pure Gyms are clean and well maintained and are fitted out with high quality changing rooms and shower facilities, as well as commercial HVAC and audio/visual systems.
- *Free classes*—Pure Gyms generally have one or two dedicated group exercise studios, including purpose-built stationary cycling studios in many locations. Each gym offers approximately 50–80 free classes per week taught by professional personal trainers. Other operators in the value market do not typically offer an extensive range of free classes.

- *Multi-site access*—For an additional monthly premium, Pure Gym's members can extend their memberships to access additional Pure Gyms beyond their chosen single gym.
- *Extra membership*—For an additional monthly premium, Pure Gym's members can choose to upgrade to an Extra membership, which provides them with a number of additional benefits, for example, the ability to book classes earlier than standard members.
- *Off-peak membership*—Members who wish to exercise at off-peak times are able to take advantage of monthly membership fees that are lower than the standard rates.
- *Online membership management*—Pure Gym operates a simple online joining process and allows members to manage their membership online. Members are able to freeze or cancel their membership through our website and are also able to use the Pure Gym app to book classes and find and explore gym facilities.

We believe that the strength of our proposition is evidenced by Pure Gym's ability to appeal to a broad range of consumers, regardless of age, sex or socioeconomic background, its increasingly loyal membership base and high re-joiner rates.

- *Broad consumer appeal*—Based on the CAMEO Report, 22% of Pure Gym's members were from "business elite", "prosperous professionals" and "flourishing society" groups, 41% were from "content communities", "white collar neighborhoods", enterprising mainstream" and "paying the mortgage" groups and 36% were from "cash conscious communities", "on a budget" and "family value" groups. Based on management data, as of September 30, 2017, 58% of Pure Gym's customer base was male and 42% was female.
- *Increasing membership tenures*—Our 22 oldest Mature Gym's Average Continuous Membership Tenure increased from 14.7 months in May 2014 to 18.3 months in April 2017.
- *High re-joiner rates*—Of Pure Gym's new members that joined Mature Gyms between January 1, 2017 and September 30, 2017, 40% were re-joiners.
- *High member satisfaction*— Based on the CSR Report, Pure Gym has a net promotor score ("**NPS**"), an index ranging from -100 to +100 measuring the willingness of our members to recommend our services to others, of +34.

As evidence of the strength of our customer value proposition, we attract new joiners from a variety sources: in the nine months ended September 30, 2017, of the new joiners to our Mature Gyms, 28% had never been members of a gym before, 40% were former members of Pure Gym and 30% came from other gyms.

Pure Gym has developed clear, hard to replicate sources of competitive advantage and differentiation

Expertise in property management—Given our established operating track record (leveraging experience from more than 190 openings) and position as the industry leader with national scale, we have acquired significant expertise in property acquisition and management. We have a strong landlord covenant rating and benefit from ''tenant of choice'' status given our scale and proven ability to generate footfall. As a result, we secure attractive sites on what we believe to be favorable lease terms. We consider this to be a significant competitive advantage, given that the property space within the UK gym market is competitive, making it hard for new or smaller players to secure attractive locations. In order to maintain our position in the market, we have a strong site selection and property development team of 15 full time employees with industry expertise supported by an external team of professionals, such as lawyers, architects and planning consultants.

Market share and scale translating into superior purchasing power—We have the largest gym estate and membership base in the UK market with 9% of total UK gym members and 38% of the value segment (*Source: CSR Report)*. We believe that this allows us to procure services and products on favorable terms due to our larger volumes and superior purchasing power compared to new or smaller players.

Industry leading technology platform—We continue to invest in our technology platform, consisting of both a website and a mobile application, where our members can take a variety of actions, such as book classes, pay for their memberships and other ancillary services. As fitness begins to move towards the online sector, we believe that our technology platform allows our members to more easily access and purchase our services, which helps us attract and retain members and stay ahead of the digitization of the health and fitness industry. Additionally, our technology-enabled platform allows us to analyze significant user specific data which in turn, drives our operational capabilities. This allows our management to better control all aspects of our pricing strategy, product development and promotional activities.

Leading marketing expertise driving strong brand awareness—We have an increasingly sophisticated, multi-channel digital-led marketing strategy which is not overly reliant on any single channel. We have invested over £24 million in all forms of marketing since 2015, in order to promote a contemporary and differentiated brand, which would be difficult for new entrants to replicate. The result of our marketing spend is that we now benefit from a high volume, sustainably low CPA, which is below £10, and relatively high customer lifetime revenue value, which is approximately £250 (*Source: CSR Report*), with scale benefits becoming more evident, as our marketing spend is decreasing as a proportion of our revenue.

Superior convenience as a result of network scale—We have the largest gym network in the UK, with 24x7x365 access, which allows us to capitalize on potential members' desire for proximity. We believe this to be a competitive advantage, given that research indicates that proximity is among the top two most important factors for members when choosing a gym. Our multi-site membership penetration is already above 35% in some central metro gyms.

Greater access to capital allowing for rapid growth—Based on our strong operating cash flow conversion, which is driven by low maintenance capital expenditure requirements and positive working capital inflows, we are able to continue investing in new and existing sites. This allows us to protect and grow our market share, as many mid-market gym operators are often choosing to reinvest in their existing sites, rather than in expansion. New market entrants also face substantial capital allocation challenges as payback periods for new value-segment gyms are typically no less than four years.

Highly experienced team with significant industry know-how—Our team has exceptional local knowledge, which is based on strong relationships that they have developed over time. We have made significant investments in our management team over the last three years and have hired an experienced team with an established track record.

Highly cash flow generative profile underpinned by exceptional profitability and positive working capital cash inflows

We believe that Pure Gym has a low cost, capital efficient and technology-enabled gym operating model that provides a competitive advantage over mid-market and premium gym operators. The operating model enables Pure Gym to offer a compelling customer proposition, support high levels of membership and require low levels of operating and Initial Capital Investment costs. Collectively, these factors drive strong unit economics and ROCEs. The key characteristics of the model are as follows:

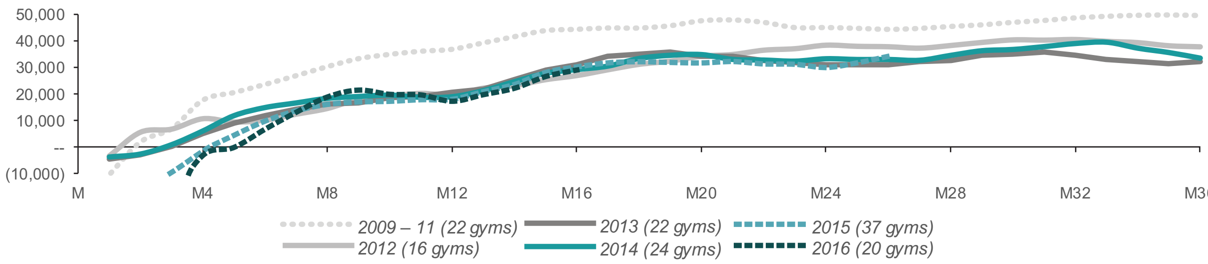
- *Low personnel costs*—Our gyms generally employ only two full time employees, which results in low personnel costs. For the year ended December 31, 2016, employee costs for Pure Gym's Mature Gyms totaled only 6.5% of revenue. We are able to operate our gyms with low levels of employed personnel primarily through the use of technology. For example, Pure Gym uses an online joining process that eliminates the need for dedicated in-gym sales forces which are commonly used by mid-market and premium operators. Members also use fully-automated PIN-controlled entry portals to facilitate secure access to gyms, which eliminates the need for reception staff. In addition, self-employed personal trainers provide gym floor cover, teach classes and conduct member inductions in return for being able to market their services to members and use our gyms to train clients.
- *No high cost, but low-utilization amenities*—Unlike most mid-market and premium operators, Pure Gym does not install pools, spas, saunas, steam room, cafes or other high-end amenities in its gyms. These amenities are generally expensive to construct, operate and maintain and take up a significant amount of leased space. We believe that these amenities are generally less utilized by members and that by eliminating them we are able to install a greater number of pieces of high utilization fitness equipment, such as treadmills, free weights and stationary bikes. For example, Pure Gyms have an average of more than 200 stations per gym as compared to the private sector

average of 61 stations per gym as of September 30, 2017 (*Source: LDC*). As a result, Pure Gyms can support high levels of membership while operating on low operating and Initial Capital Investment costs.

- *Efficient use of outsourcing*—Pure Gym outsources many non-core functions such as cleaning and maintenance to specialists. The efficient use of outsourcing minimizes operating costs and also allows gym managers to focus on engaging with members and delivering the best in-gym experience.

Our gyms generated revenues of £159.9 million, Gym Site Adjusted EBITDA of £61.1 million, Gym Site Adjusted EBITDA margin of 38.2% and Mature Gym ROCE of 42.6% in the year ended December 31, 2016. All but one of Pure Gym's Mature Gyms were profitable in 2016 and we have never closed or relocated a Pure Gym site. We believe that this is testament to Pure Gym's robust operating model, coupled with its structured and disciplined site selection strategy, and operational expertise.

The following chart sets out the profitability on a cohort by cohort basis (excluding LAF conversions). Gym cohorts have delivered consistent levels of profitability, with 2009-2011 outperformance driven by larger gyms with minimal initial competition. 2015 and 2016 cohorts are ramping up consistently with 2012-2015 cohorts, albeit with slightly lower initial profitability due to a change in accounting for pre-opening costs (excluding rent, as pre-opening costs were previously recognized in the month they were incurred, i.e. prior to opening, but from 2015, are held on the balance sheet and released in the month of opening). The jump in profitability after month 12 is partly driven by a transition from discounted pre-opening rates (typically offered for a 12 month period historically) to standard headline prices. Membership growth in the first 12 months post a gym opening is fairly consistent, and gyms typically follow a consistent maturity cycle with the majority of the members attained within 6 months. The consistent performance of each cohort gives us confidence in our run rate assumptions and our ability to continue to generate value in newer cohorts.



The attractive performance of our gyms on an individual basis has resulted in strong historical performance as a whole. Our revenue increased from £68.6 million for the year ended December 31, 2014 to £159.9 million for the year ended December 31, 2016, representing a CAGR of 52.7%. Similarly, Group Adjusted EBITDA increased from £25.0 million for the year ended December 31, 2014 to £47.2 million for the year ended December 31, 2016, representing a CAGR of 37.3%. For the nine months ended September 30, 2017, we reported revenue of £146.6 million and Group Adjusted EBITDA of £52.9 million, reflecting 25% and 56.0% growth compared to the nine months ended September 30, 2016.

We benefit from a highly cash generative business model with Group Operating Cash Flow Conversion over the last three fiscal years of 94%. This is driven by minimal maintenance capital expenditure requirements of approximately £25,000 per gym per annum and positive working capital inflows. The working capital dynamics are underpinned by rent free periods for new leases (typically 9-12 months), favorable terms with the main gym equipment provider (10% paid on delivery, 90% paid six month later) and all payments from members being received in advance while major suppliers are paid in arrears. Following the historical period of investment, there is limited further expenditure required in central functions (i.e. Head Office) which helps to ensure that Pure Gym is a fully scalable platform going forward.

Highly experienced executive leadership team

Our senior management has an established track record of delivering growth and operational excellence at Pure Gym and similar businesses. Senior management is supported by an experienced management team in key areas, including property, development, operations, IT, human resources and finance. The individuals that form part of Pure Gym's property acquisition and development teams are highly experienced in the UK property market. They have strong relationships with landlords, agents, developers and contractors and a proven ability to identify and develop a large number of successful sites as evidenced by our estate growth over the last five years. We believe that the strength and experience of the property acquisition and development teams ensures that we are well placed to secure attractive new gym sites.

Pure Gym has made substantial investments in management over the past two years and important business functions are now generally managed internally, which we believe provides us with a competitive advantage. For example, important IT functions were brought in-house in 2015 and the IT team was strengthened with a number of new hires, including the recruitment of Daniel Glyde as the new chief technology officer from a leading UK online business. Pure Gym's in-house IT team designed and developed our current website that was launched in May 2016. Pure Gym hired Stephen Rowe as chief marketing officer in January 2016 and the marketing and commercial teams have been further strengthened with a number of other experienced individuals. Additionally, Rebecca Passmore, who has substantial previous experience in multi-site retail businesses, joined Pure Gym as Director of Operations in October 2017. Following these and other additions, we believe that our senior management and other important management teams are well invested and are capable of executing Pure Gym's growth strategy.

Pure Gym has a strong and differentiated culture centered on collaboration, innovation and entrepreneurship and we believe that this culture has been a key driver of our ability to deliver strong historical growth and widen the gap between it and other operators in the value gym market.

This culture has also helped us to attract and retain high quality personnel and create a highly motivated work force that is dedicated to delivering the best product possible. We believe that Pure Gym is recognized as an "employer of choice" after being ranked 33rd in the Sunday Times 100 Best Companies to Work For in 2016 (the results of which are based on employee feedback).

Strategy

Our strategy is to continue to lead the revolution of the UK health and fitness industry by providing affordable, flexible and value-for-money memberships to high-quality gyms to anybody that wants to increase their level of fitness, while simultaneously delivering profitable growth. We believe there is a substantial opportunity for Pure Gym to continue its roll-out of gyms and strengthen its position as the market leader. The key elements of Pure Gym's strategy include:

Driving the operational and financial performance of New Gyms as they mature

Pure Gym has significantly increased its number of gyms in recent years as a result of its organic roll-out strategy as well as through conversions of sites acquired from LA Fitness. As of December 31, 2016, we had 86 New Gyms and in the nine months ended September 30, 2017, we opened a further 16 Pure Gyms, including 14 new organic Pure Gyms and the final two LA Fitness Conversions. While we have incurred the Initial Capital Investment costs and Pre-Opening Costs for these 102 New Gyms as of September 30, 2017, they have yet to reach maturity and, as a result, have not yet achieved their full financial performance and ROCE potential. We continue to focus on driving the operational and financial performance of New Gyms as they mature, with key areas of focus including:

- Investing effectively in marketing to drive local awareness and membership growth;
- Delivering a strong in-gym membership experience to drive customer satisfaction and retention, as well as "word of mouth" recommendations;
- Adjusting pricing to deliver consistent membership growth and to optimize yields; and
- Incentivizing local gym management to meet gym-specific budget and other performance indicators.

The 86 New Gyms as of December 31, 2016 and 16 gyms opened in the nine months ended September 30, 2017 are currently performing in line with our expectations and membership, yields and site profitability continue to grow.

As a result of Pure Gym's focused and technology enabled business model, Mature Gyms generated 43.6% Mature Gym EBITDA margin and 42.6% ROCE during the year ended December 31, 2016.

Continuing the organic roll out of new gyms with high returns on capital

We believe that there is a market opportunity for approximately 950-1,050 value gyms and approximately 4.0 million to 4.5 million value gym members in the UK health and fitness club market as compared to the 515 value gyms and 2.2 million value gym members as of March 31, 2017 (*Source: LDC*). Future growth in the value segment will be driven by the development of new value gyms, continued market share gains from mid-market and premium operators as well as public gyms operated by local authorities, and overall growth in UK gym participation rates due in part to the increasing awareness and availability of value gyms. The significant opportunity for further growth in the UK value gym market is evidenced by:

- The significant success of the value gym concept to date and its broad consumer appeal across the UK.
- The currently low penetration rate of value gyms in the United Kingdom. As of March 31, 2017, value gyms only represented 8% of the total number of UK gyms, (*Source: LDC)*.
- The significant number of remaining mid-market, premium and public gyms in the UK. As of March 31, 2017, according to LDC, there were 3,439 gyms in the private mid-market and premium sectors with 4.2 million members in total. Furthermore, there were 2,709 public gyms with 3.3 million members, (*Source: LDC)*.
- The historical ability of value gyms to grow the overall gym market. Between March 31, 2012 and March 31, 2017, the number of UK fitness club members increased by 2.1 million, of which 86% joined value gyms.
- The current overall penetration rates of gym membership in the UK. As of March 31, 2017, only 15% of the UK population were members of a gym, (*Source: LDC)*.
- The success of value operators within different industries in the UK and internationally.

We believe Pure Gym is ideally positioned to capitalize on this substantial market opportunity as it is the standout market leader in the United Kingdom and has a long, successful track record of opening new gyms and rapidly growing membership, revenue and profitability. Our gyms typically have been profitable at a gym level after a relatively short period and we consider them to be mature after two years of operations, although profitability has typically continued to increase throughout the third year of operation. We target a minimum mature individual ROCE of 30% on organic site openings.

Pure Gym has a structured and disciplined approach to site identification, acquisition and development. Our property acquisition team is highly experienced and Pure Gym has a strong network of property agents, landlords and developers that provide us with a substantial number of new site opportunities. Our gyms have been proven to work across the United Kingdom in a wide variety of property types and, accordingly, management considers a broad number of locations for new gyms.

We seek to grow our organic gym estate by both opening new Pure Gyms at sites that were not previously operated as gyms ("**Organic Greenfields**") as well as sites that were previously operated as gyms ("**Organic Conversions**"). Pure Gym has a long history of identifying and developing both types of sites and of its 154 organic gyms as of September 30, 2017, 122 were Organic Greenfields and 32 were Organic Conversions. See *"—Our Gyms—Estate Overview".* We believe that there will continue to be new Organic Conversion site development opportunities as mid-market and premium operators continue to face structural and competitive market headwinds.

Executing new initiatives to drive growth and profitability at all Pure Gyms

We remain focused on maintaining the performance of all open Pure Gyms and delivering profitable growth across our estate. Management is implementing and has planned a number of key initiatives to develop revenue performance, including:

- *Expanding site capacity*—Pure Gym seeks to expand the capacity of its existing gyms where this is possible and viable. Capacity expansion can involve the physical extension of gyms, or the redesign of certain aspects of gyms to eliminate site-specific utilization bottlenecks, such as the substitution of low utilization equipment, or the installation of additional automated entry portals to increase capacity.
- *Developing new commercial products*—We have implemented and continue to develop new membership options to attract certain types of new members to our gyms and increase membership fee yields and/or member numbers. For example, following a successful trial in 2016, Pure Gym has rolled out its Extra product across all gyms. This product takes advantage of our technology platform to offer members the option to pre-book classes on a priority basis, take a friend to the gym, obtain multi-site access and freeze their memberships.
- *Maximizing revenue through site level yield management*—Pure Gym sets its prices at the local level and management reviews all gyms' prices regularly. Pricing changes are implemented to improve revenue performance through yield or membership increases.
- *Marketing and CRM*—Pure Gym has strengthened its marketing and we are taking a more sophisticated and data-driven approach to membership acquisition and retention. Pure Gym's brand awareness remains relatively low in the context of our large estate of gyms and we utilize channels, such as television advertising, to increase brand awareness and drive membership growth.
- *Development of new sales channels and cross marketing*—Pure Gym is leveraging its nationwide scale to identify opportunities to partner and enter into commercial arrangements with large UK corporations that have the potential to deliver incremental membership volumes.
- *Implementing new technology infrastructure*—Pure Gym continues to invest approximately 3% of revenues in IT. The IT team is focused on designing solutions that enhance the membership experience, facilitate efficient relationships with corporate partners and enable management to better manage the business.
- *Maintaining high standards*—We are focused on maintaining the high quality of our gyms and continuously improving the member experience in order to drive growth in membership volumes and tenures, word of mouth recommendations and yields. We strive to innovate our product offering, and we regularly introduce new types of equipment and new exercise classes.

Maintaining a rigorous focus on cost containment

Pure Gym's ability to offer low membership fees and generate strong unit economics and ROCEs is underpinned by its low-cost operating model. As a result, we are focused on optimizing and controlling gym-level operating costs, as well as Initial Capital Investment Costs. These costs are controlled centrally and we intend to continue to leverage our growing scale in order to achieve more favorable purchasing terms with third-party suppliers, service providers and contractors. In addition, we are pursuing a number of other ongoing operational efficiency projects, such as energy saving initiatives, to minimize future gym-level cost increases and improve returns.

Following several years of investment into central functions such as IT, marketing and finance, we believe that our central functions are well invested and that Pure Gym will not require significant incremental central cost expansion in the medium term.

The Transactions

On November 30, 2017, certain affiliated funds of Leonard Green & Partners, L.P. (collectively, "**LGP**") acquired Gym Topco Limited ("**Topco**") indirectly for an enterprise value of £640 million, including the purchase of the entire outstanding share capital of Topco and the refinancing of certain of the Group's existing indebtedness. The Acquisition, the refinancing of the Group's existing indebtedness and the payment of related fees and expenses was financed through:

a) a contribution from LGP in subordinated shareholder indebtedness in the form of an intercompany loan from Pinnacle Midco 2 Limited totaling £278.0 million;

b) a contribution in the form of an equity subscription in the Issuer by Pinnacle Midco 2 Limited totaling £3.9 million;

c) certain rollover investment from existing management in the form of loan notes totaling £10.6 million;

d) drawings under the Bridge Facility; and

e) cash from the balance sheet of the Group.

LGP's contribution included £1.0 million from an equity co-investor. Immediately following the Acquisition, management exchanged the loan notes of the Issuer for loan notes issued by Pinnacle Midco 2 Limited, such that the loan notes originally issued by the Issuer are now held by Pinnacle Midco 2 Limited. We expect to use the proceeds from the Offering along with cash from the balance sheet of the Group to fully repay the amounts drawn under the Bridge Facility. See "*Use of Proceeds*".

In connection with the financing of the Acquisition, the Issuer entered into a revolving credit facility agreement (the "**Revolving Credit Facility Agreement**") with Barclays Bank PLC, Jefferies Finance LLC, Credit Suisse AG, London Branch, Royal Bank of Canada and ING Bank N.V., London Branch, as mandated lead arrangers, Barclays Bank PLC, as facility agent and Deutsche Bank AG, London Branch, as security agent providing for a revolving credit facility in an aggregate principal amount of £60 million (the "**Revolving Credit Facility**"). The terms of the Revolving Credit Facility are described further under "*Description of Certain Financing Arrangements—Revolving Credit Facility*". The Issuer, the facility agent and security agent under the Revolving Credit Facility, and the Issuer's parent company ("**Holdco**") also entered into an intercreditor agreement in connection with the financing of the Acquisition (the "**Intercreditor Agreement**"), and the Trustee and the Guarantors are expected to accede to the Intercreditor Agreement on or about the Issue Date.

The consummation of the Acquisition, refinancing of the Group's existing indebtedness, incurrence of indebtedness under the Bridge Facility, entry into the Revolving Credit Facility and Intercreditor Agreement, Offering and the application of the use of proceeds as set out in the section "*Use of Proceeds*" are collectively herein referred to as the "**Transactions**".

Our principal shareholders

As of the Issue Date, our principal shareholder, LGP (together with a minority co-investor), holds approximately 83% of the issued ordinary shares of Pinnacle Topco Limited, our ultimate parent. In connection with the Transactions, several current members of management of the Group rolled their previous shareholdings in Topco into shares in Pinnacle Topco Limited. Management holds approximately 17% of the ordinary shares of Pinnacle Topco Limited, with certain of such management shareholders able to vote up to 20% of the ordinary shares.

LGP is a leading private equity firm, which since its inception, has invested in 90 companies with an aggregate value of over $125 billion. Founded in 1989 and based in Los Angeles, U.S.A., LGP invests in market leading companies across a range of industries. LGP seeks to back companies that are leaders in their respective industries, have robust growth potential and are led by exceptional management teams.

In total, LGP has raised approximately $25 billion across its seven funds, with consistent top quartile returns in its 28-year history. Other current and prior LGP investments include Equinox, Soul Cycle, Life Time Fitness, Shake Shack, Whole Foods, BJ's Wholesale Club, Troon Golf, Mister Car Wash and Activision Blizzard.

Recent Developments

We estimate that our Group Adjusted EBITDA for the two months ended November 30, 2017 was in the range of £15.0 to £15.5 million, compared to £11.5 million for the same period in 2016. This increase is primarily due to the increased number of gyms in operation, greater maturity of certain gyms and increased revenue from existing gyms on a like-for-like basis.

The outperformance of £3.5 million to £4.0 million for the two months ended November 30, 2017, compared to the same period in 2016, increased the last twelve months Group Adjusted EBITDA from £66.3 million (as of September 30, 2017) to between £69.8 and £70.3 million (as of November 30, 2017).

We estimate that the 1-year and 2-year Like-for-Like Revenue Growth for the 11 months ended November 30, 2017 were +13.6% and +4.9%, respectively.

As of and for the year ended December 31, 2017, we opened a total of 20 organic gyms, bringing the total number of gyms in our estate to 192 with a total of approximately 927,000 members, compared to a total of 172 gyms and approximately 822,000 members as of and for the year ended December 31, 2016. For the year ended December 31, 2017, we had a total of 132 Mature Gyms, compared to 84 Mature Gyms for the year ended December 31, 2016.

The above information is based solely on preliminary results and estimates and is not intended to be a comprehensive statement of the Group's financial or operational results for the two month period ended November 30, 2017. The Group's preliminary results in relation to the two month period ended November 30, 2017 are based on a number of assumptions that are subject to inherent uncertainties and subject to change. While we believe these estimates to be reasonable, the above information has not been and will not be audited or reviewed in accordance with any generally accepted accounting standards. As such, you should not place undue reliance on them. See "Information Regarding Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect our future performance and results of operation.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

Financial information in this Offering Memorandum is the historical consolidated financial information of Gym Topco Limited ("**Topco**") and its consolidated subsidiaries (collectively, the "**Group**"). Topco is a wholly-owned direct subsidiary of the Issuer and will guarantee the Notes along with the other Guarantors on the Issue Date. The Issuer is a public limited company incorporated on October 30, 2017 under the laws of England and Wales. The Issuer has not engaged in any activities other than those related to its formation and the Transactions.

The financial information contained in the following tables is derived from the audited consolidated financial statements of the Group as of and for each of the years ended December 31, 2016 and 2015 (with unaudited comparative data as of and for the year ended December 31, 2014), and the unaudited interim consolidated financial statements for the Group as of and for the nine months ended September 30, 2017, included elsewhere in this Offering Memorandum.

We prepared our consolidated financial statements as of and for the year ended December 31, 2014 in accordance with the Former UK GAAP. The IFRS Financial Statements have been prepared in accordance with IFRS, and have been audited by PricewaterhouseCoopers LLP. Accordingly, our consolidated financial statements as of and for the year ended December 31, 2015 presented unaudited prior year results in accordance with IFRS for purposes of comparison. The financial statements presented in this Offering Memorandum as of and for the year ended December 31, 2014 are presented in accordance with IFRS and were provided as comparative unaudited financial statements in our consolidated financial statements as of and for the year ended December 31, 2015. For an analysis of the main adjustments and reclassifications, please see note 26 to the audited consolidated financial statements of the Group as of and for the year ended December 31, 2015, included elsewhere in this Offering Memorandum.

The Unaudited Interim Financial Information has been prepared in accordance with IAS 34.

The Audited Financial Statements have been audited by PricewaterhouseCoopers LLP. See "*Independent Auditors*" and "*Risk Factors—Risks relating to the Notes, the Guarantees and the Collateral—Investors in the Notes may have limited or no recourse against the independent auditors*" for a description of the independent auditors' reports of PricewaterhouseCoopers LLP.

This Offering Memorandum also includes the unaudited consolidated financial information for the twelve months ended September 30, 2017 for the Group. Our financial information for the twelve months ended September 30, 2017 was derived by aggregating without adjustments the relevant results of the year ended December 31, 2016 and the nine months ended September 30, 2017 and subtracting the relevant results of the nine months ended September 30, 2016. Our financial information for the twelve months ended September 30, 2017 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date. The unaudited consolidated financial information for the twelve months ended September 30, 2017 presented herein is not required by or presented in accordance with IFRS or any other generally accepted accounting principles.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in our audited consolidated financial statements.

The financial information included in this Offering Memorandum is not intended to comply with the applicable accounting requirements of the US Securities Act and the related rules and regulations of the SEC, which would apply if the Notes were being registered with the SEC. There could be significant differences between IFRS and US GAAP, as applied to the Group. We neither describe the differences between IFRS and US GAAP nor reconcile the Group's IFRS Financial Statements to US GAAP. Accordingly, such information is not available to investors, and investors should consider this in making their investment decision. The Indenture will impose no obligation on us to reconcile our future financial statements prepared under IFRS to US GAAP.

We present in this Offering Memorandum certain financial information on an adjusted basis to give *pro forma* effect to the Transactions, including financial data as adjusted to reflect the effect of the Transactions on the indebtedness of the Group as if the Transactions had occurred as of September 30, 2017 (for purposes of *pro forma* measures related to outstanding net debt) and October 1, 2016 (for purposes of *pro forma* measures related to interest coverage). The *pro forma* financial information has been prepared for illustrative purposes only and does not represent what the actual indebtedness of the Group would have been had the Transactions occurred on September 30, 2017 or October 1, 2017, as applicable; nor does it purport to project our indebtedness at any future date. The *pro forma* financial information has not been prepared in accordance with the requirements of Regulation S-X of the US Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Results of operations for prior periods or years are not necessarily indicative of the result to be expected for any future period. Prospective investors should bear in mind that the performance indicators and ratios that we report herein, such as Like-for-Like Revenue Growth, Group Adjusted EBITDA, Group Run-Rate Adjusted EBITDA, and Gym Site Adjusted EBITDA and certain other measures (each as defined in this Offering Memorandum), are not financial measures defined in accordance with IFRS and, as such, may be calculated by other companies using different methodologies and having different results. Therefore, these performance indicators and ratios are not directly comparable to similar figures and ratios reported by other companies.

The following summary financial information should be read together with the sections "*Presentation of Financial and Other Data*", "*Selected Consolidated Financial and Other Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Capitalization*", the Financial Statements and related notes, and the additional financial information contained elsewhere in this Offering Memorandum.

Summary consolidated statement of comprehensive income

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2014	2015	2016	2016	2017	2017
	(£'000s)					
Revenue	68,631	125,201	159,937	117,236	146,580	189,281
Other administrative expenses	(60,976)	(111,665)	(144,498)	(108,231)	(118,988)	(155,255)
Exceptional administrative expenses	(2,237)	(10,654)	(12,712)	(9,020)	(1,956)	(5,648)
Administrative Expenses	(63,213)	(122,319)	(157,210)	(117,251)	(120,944)	(160,903)
Operating profit	**5,418**	**2,882**	**2,727**	**(15)**	**25,636**	**28,378**
Finance income	63	48	44	7	34	71
Finance costs	(16,695)	(26,070)	(30,571)	(22,529)	(24,731)	(32,773)
Profit/(Loss) before income tax	**(11,214)**	**(23,140)**	**(27,800)**	**(22,537)**	**939**	**(4,324)**
Income tax credit/(expense)	364	1,806	8,035	8,289	(2,391)	(2,645)
Loss for the period	**(10,850)**	**(21,334)**	**(19,765)**	**(14,248)**	**(1,452)**	**(6,969)**

Summary consolidated statement of financial position

(£'000s)	As of December 31, 2014	2015	2016	As of September 30, 2017
Non-current assets	186,438	314,640	349,848	352,434
Current assets	16,907	27,888	28,331	43,715
Total assets	**203,345**	**342,528**	**378,179**	**396,149**
Current liabilities	(70,228)	(107,015)	(111,976)	(119,233)
Non-current liabilities	(161,145)	(284,825)	(335,275)	(347,428)
Total liabilities	**(231,373)**	**(391,840)**	**(447,251)**	**(466,661)**
Net liabilities	**(28,028)**	**(49,312)**	**(69,072)**	**(70,512)**
Total shareholders' equity	**(28,028)**	**(49,312)**	**(69,072)**	**(70,512)**

Summary consolidated cash flow statement data

(£'000s)	For the year ended December 31, 2014	2015	2016	For the nine months ended September 30, 2016	2017
Net cash generated from operating activities	21,984	9,139	19,568	10,034	35,914
Net cash used in investing activities	(35,237)	(94,513)	(51,968)	(45,400)	(23,431)
Net cash generated from financing activities	12,158	83,036	39,184	39,396	4,134
Net increase/(decrease) in cash and cash equivalents	**(1,095)**	**(2,338)**	**6,784**	**4,030**	**16,617**
Cash and cash equivalents on the first day of the period	11,135	10,040	7,702	7,702	14,486
Cash and cash equivalents at end of period	**10,040**	**7,702**	**14,486**	**11,732**	**31,103**

Other financial, operational and *pro forma* data

	As of and for the year ended December 31, 2014	2015	2016	As of and for nine months ended September 30, 2016	2017	As of and for the twelve months ended September 30, 2017
Total number of gyms	84	152	172	169	186	N/A
Total number of Mature Gyms(1)	38	60	84	N/A	N/A	N/A
Total number of members(2)(*'000s*)	412	670	822	805	923	N/A
Average number of members per gym(3)	5,383	5,158	4,937	4,944	5,125	5,078
Average revenue per member per month(4)(£)	15.36	15.51	16.59	16.47	17.74	17.51
1-year Like-for-Like Revenue Growth(5)(6)	15.4%	7.0%	8.9%	8.4%	14.0%	N/A
2-year Like-for-Like Revenue Growth(5)(6)	5.9%	1.0%	0.6%	0.2%	4.8%	N/A
Group Adjusted EBITDA(5)(7)(8) (*£ million*)	25.0	35.7	47.2	33.9	52.9	66.3

	As of and for the year ended December 31,			As of and for nine months ended September 30,		As of and for the twelve months ended September 30,
	2014	2015	2016	2016	2017	2017
Group Adjusted EBITDA margin(5)(9)	36.5%	28.5%	29.5%	28.9%	36.1%	35.0%
Gym Site Adjusted EBITDA(5)(8)(10) *(£ million)*	31.0	48.7	61.1	44.4	65.2	81.9
Gym Site Adjusted EBITDA margin(5)(11)	45.2%	38.9%	38.2%	37.9%	44.5%	43.3%
Group Run-Rate Adjusted EBITDA(5)(8)(12) *(£ million)*	N/A	N/A	N/A	N/A	N/A	78.6
Group Operating Cash Flow(5)(13)(14) *(£ million)*	28.0	36.6	37.0	26.7	51.3	61.5
Group Operating Cash Flow Conversion(5)(14)	112%	103%	78%	79%	97%	93%
Pro Forma Net Debt(5)(15) *(£ million)*	N/A	N/A	N/A	N/A	N/A	363.7
Ratio of Pro Forma Net Debt to Group Run-Rate Adjusted EBITDA(5)	N/A	N/A	N/A	N/A	N/A	4.6x
Ratio of Run Rate Adjusted EBITDA to *Pro Forma* Net Interest Expense(5)(16)	N/A	N/A	N/A	N/A	N/A	3.3x

(1) We define "Mature gyms" as the Group's Gyms that have been open for 24 months or more as of the end of the relevant reporting period.

(2) We define total number of members as the total number of active members, including the total number of members who have suspended ("freeze" or "frozen") their memberships, of Pure Gym and (for the period subsequent to our acquisition of LA Fitness and prior to our completing the conversion or disposition of all LA Fitness branded gyms) LA Fitness branded gyms, but excluding the total number of members who have cancelled their memberships and the total number of pre-opening members of organic gyms that have yet to open, as of a specified date or the end date of the relevant period. Unless stated otherwise, Planned LAF Disposals are excluded from the number of members figures shown in this Offering Memorandum.

(3) We define average number of members per gym as the average of the number of members for each gym as of the beginning of the first month and the end of every month in that period.

(4) We define average revenue per member per month as revenue for that period divided by the number of months in that period and further divided by the average number of members during that period. The average number of members during that period is calculated as the average of the number of members as of the beginning of the first month and the end of every month in that period. Unless stated otherwise, Planned LAF Disposals are excluded from the Average Revenue per Member per Month figures shown in this Offering Memorandum.

(5) This measure is not defined under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported are not necessarily comparable with similarly described measures employed by other companies. These financial measures should not be considered as alternatives to operating profit or profit for the financial period as indicators of our performance, or as alternatives to operating cash flows as a measure of our liquidity. Our management uses these measures to assess our operating performance. In addition, we believe that similar measures are commonly used by investors. See "*Presentation of Financial and Other Data*".

(6) "Like-for-Like Revenue Growth" compares revenue in a given period with the same period in the previous financial year, expressed as a percentage change between the two periods. "1-year Like-for-Like Revenue Growth" includes revenues from our gyms which have traded for at least 12 months. "2-year Like-for-Like Revenue Growth" includes revenues from our gyms which have traded for at least 24 months. Gyms are included on a rolling basis as each new gym has traded for 12 months or 24 months, as applicable.

(7) We define "Group Adjusted EBITDA" as the Group's profit or loss for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment, amortization of intangible fixed assets, profit/loss on disposal of property, plant and equipment, exceptional administrative expenses, and other extraordinary items, after adding back Pre-Opening Costs and the Non-Cash Rent Adjustment.

(8) The following table provides a reconciliation of Group Adjusted EBITDA and Gym Site Adjusted EBITDA to Group loss for the years ended December 31, 2014, 2015 and 2016, for the nine months ended September 30, 2016 and 2017 and the twelve months ended September 30, 2017 and Group Run-Rate Adjusted EBITDA to Group loss for the twelve months ended September 30, 2017:

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2014	2015	2016	2016	2017	2017
	(£'000s)					
Loss for the year/period	(10,850)	(21,334)	(19,765)	(14,248)	(1,452)	(6,969)
Income tax	(364)	(1,806)	(8,035)	(8,289)	2,391	2,645
Net finance cost	16,632	26,022	30,527	22,522	24,697	32,702
Depreciation of property, plant and equipment	11,343	16,391	23,682	17,488	19,437	25,631
Amortization of intangible fixed assets	—	1,270	1,093	921	229	401
Profit on disposal of property, plant and equipment	153	(3,208)	(690)	(106)	539	(45)
Exceptional administrative expenses[(a)]	2,237	10,654	12,712	9,020	1,956	5,648
Other extraordinary items[(b)]	(24)	80	333	15	1,315	1,633
Pre-Opening Costs[(c)]	3,562	5,764	4,377	4,306	2,152	2,222
Non-Cash Rent Adjustment[(d)]	2,341	1,832	2,983	2,222	1,643	2,404
Group Adjusted EBITDA	**25,030**	**35,664**	**47,217**	**33,851**	**52,907**	**66,272**
Head office costs[(e)]	5,992	13,061	13,846	10,565	12,322	15,603
Gym Site Adjusted EBITDA	**31,022**	**48,725**	**61,063**	**44,416**	**65,229**	**81,876**
Group Adjusted EBITDA	—	—	—	—	—	**66,272**
Run-Rate Adjustment[(f)]	—	—	—	—	—	12,369
Group Run-Rate Adjusted EBITDA	—	—	—	—	—	**78,641**

(a) In 2014, exceptional administrative expenses consisted of costs related to an aborted merger with The Gym Group. In 2015, exceptional administrative expenses consisted of £2.8 million of transaction fees relating to the acquisition of the LA Fitness Group, £2.8 million of costs associated with the transition and integration of the LA Fitness Group into Pure Gym operations and £5.1 million of costs incurred in the rebranding of the entire Pure Gym estate. In the year ended December 31, 2016, exceptional administrative expenses were £0.4 million relating to the acquisition of the LAF Group, £2.3 million due to the transition and integration of the LA Fitness Group into Pure Gym operations, £6.8 million costs related to preparations for an aborted initial public offering and £3.3 million costs related to the impairment of property, plant and equipment. In the nine months ended September 30, 2017, exceptional administrative expenses of £2.0 million primarily consisted of costs associated with the sale of the business.

(b) Refers to the net impact of various one-off items not included in "exceptional administrative expenses", none of which individually exceeds £0.5 million. For the twelve months ended September 30, 2017, includes, among other things, amounts incurred with respect to periodic brand development projects, certain one-off consultancy engagements related to the business, changes in rent account treatment for one site, expenses and reimbursements of our prior controlling shareholder and the disposal of the "Pure Ride" business, as well as pro forma adjustments for savings related to changes in our music licensing arrangements.

(c) Pre-Opening Costs represents the total of all gym site operating costs incurred during the pre-opening periods of gyms in that period. Pre-Opening Costs primarily consist of staff, marketing and rent expenses.

(d) In connection with the opening of a new gym, we typically receive a rent-free period of one year or more as an incentive from developers or property owners to lease space in their buildings. Under IFRS, the benefit of this rent-free period is spread out over the life of the lease (as a deduction in the rent payable over the entire lease period), even though on a cash basis, we have no cash outlay for the rent-free period. The Non-Cash Rent Adjustment adds back the non-cash rent expense charged to the income statement in the period (less amounts added back as part of Pre-Opening Costs), as management believes that this is a better reflection of our actual earnings.

(e) Head Office Costs for a given period is defined as all non-gym specific costs, other than depreciation and amortization, related to the operation of head office functions in that period.

(f) Run-Rate Adjustment is an adjustment made to those gyms which are less than three years old at the end of the reporting period. These adjustments replace the Adjusted EBITDA earned by these sites in the last twelve month period with the projected Adjusted EBITDA for their third year of operation. Group Run-Rate Adjusted EBITDA therefore seeks to reflect the anticipated mature Adjusted EBITDA potential of those gyms which were trading at the end of the relevant period. The number of gyms in this category are 17 gyms open less than 12 months (accounting for 57% of the adjustment), 53 gyms open between 13 and 24 months (accounting for 40% of the adjustment), and 39 gyms open between 25 and 36 months (accounting for 3% of the adjustments). The Run-Rate Adjustment has been added to the site-specific EBITDA of such facilities for the twelve months ended September 30, 2017 using management forecasts of the such EBITDA for months 25-36 after opening. Management forecasts EBITDA on a gym-specific basis and updates forecasts quarterly based on current and anticipated performance, taking into account seasonality and location-specific factors. See "*Business—Highly cash flow generative profile underpinned by exceptional profitability and positive working capital cas inflows*".

We believe that our gyms generate Gym Site Adjusted EBITDA at a mature rate at month 24, therefore months 25 to 36 represent the first full year of mature EBITDA performance. We believe these run-rate adjustments are appropriate because, based on our experience and the actual performance of gyms open fewer than two years, the first two years of operation are unrepresentative of run rate trading. Management has confidence in these gyms achieving their estimated run-rate profitability, given the consistent and predictable ramp-up delivered by the cohorts in previous years. These adjustments to EBITDA are presented for informational purposes only and do not purport to present what EBITDA would have been had newly opened stores been open for the entire period nor does it purport to project EBITDA for any future period. The assumptions underlying the adjustments are based on our current estimates and they involve risks, uncertainties and other factors that may cause actual results or performance to be materially different from anticipated future results or performance expressed or implied by such adjustments. See "*Risk Factors—Risks relating to our business—Certain non-IFRS measures such as Group Run-Rate Adjusted EBITDA incorporate forward-looking estimates that may differ from actual results*".

The Run-Rate Adjustment does not include Pre-Opening Costs and is net of the Non-Cash Rent Adjustment and approximately £1.0 million non-cash rent amounts added back to Group Adjusted EBITDA as part of Pre-Opening Costs.

(9) We define "Group Adjusted EBITDA margin" as Group Adjusted EBITDA divided by revenue for that period.
(10) We define "Gym Site Adjusted EBITDA" as Group Adjusted EBITDA for that period excluding Head Office Costs.
(11) We define "Gym Site Adjusted EBITDA margin" as Gym Site Adjusted EBITDA divided by revenue for that period.
(12) We define "Group Run-Rate Adjusted EBITDA" as Group Adjusted EBITDA including Run-Rate Adjustments.
(13) We define "Group Operating Cash Flow" as Group Adjusted EBITDA plus Working Capital Cash Flow and less Maintenance and Corporate Capital Expenditures for that period.
(14) The following table provides a reconciliation of Group Adjusted EBITDA to Group Operating Cash Flow and Group Operating Cash Flow Conversion the years ended December 31, 2014, 2015 and 2016, for the nine months ended September 30, 2016 and 2017:

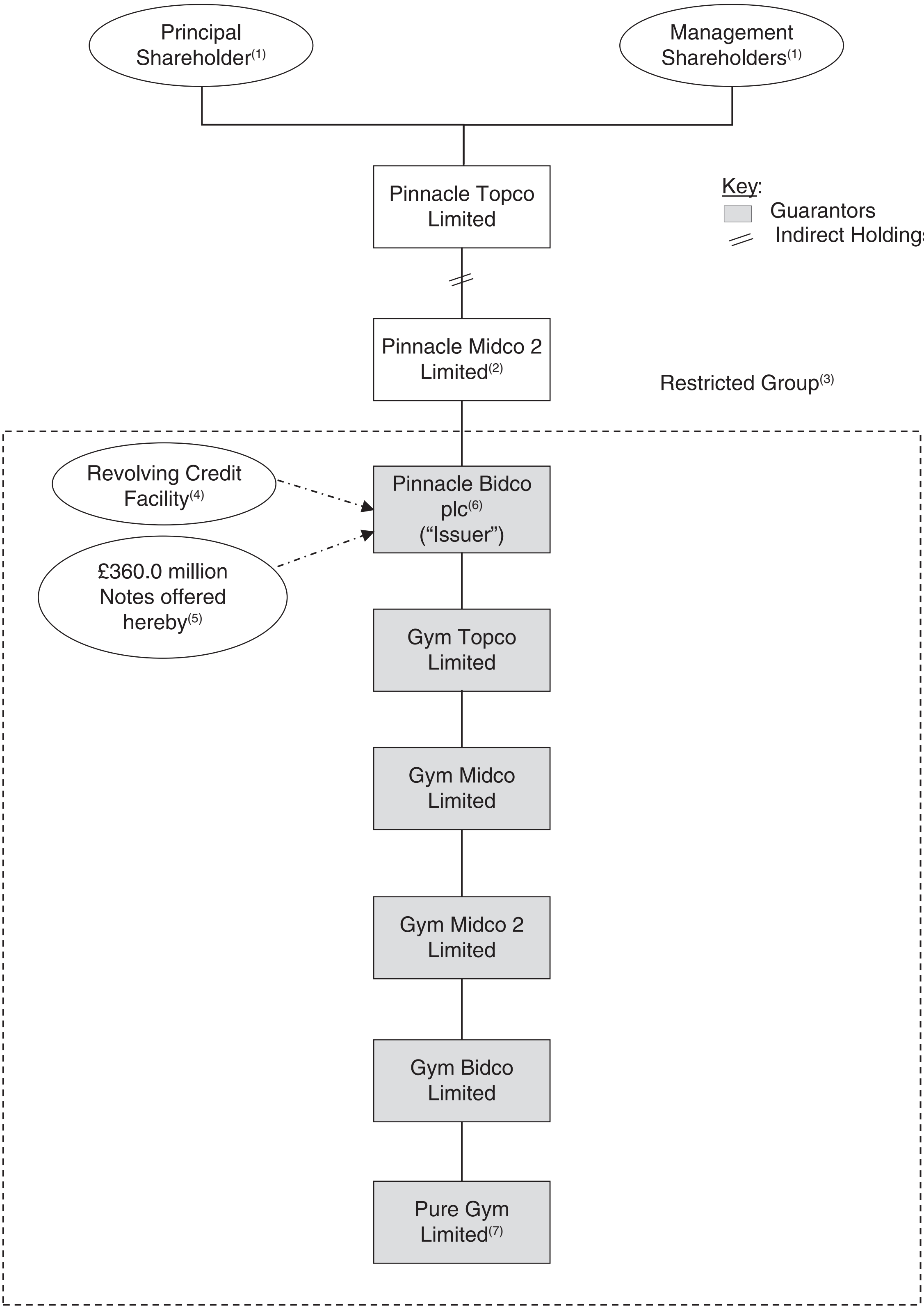
	For the year ended December 31,			**For the nine months ended September 30,**		**For the twelve months ended September 30,**
	2014	**2015**	**2016**	**2016**	**2017**	**2017**
(£ million, except %)						
Group Adjusted EBITDA	25.0	35.7	47.2	33.9	52.9	66.3
Working Capital Cash Flow[a]	5.4	6.9	(0.8)	0.6	2.6	1.2
Maintenance and Corporate Capital Expenditures[b]	(2.4)	(5.9)	(9.5)	(7.7)	(4.2)	(6.0)
Group Operating Cash Flow	**28.0**	**36.6**	**37.0**	**26.7**	**51.3**	**61.5**
Group Operating Cash Flow Conversion[c]	**112%**	**103%**	**78%**	**79%**	**97%**	**93%**

(a) We define "Working Capital Cash Flow" as cash movements in working capital less the Non-Cash Rent Adjustment, adjusted for working capital acquired upon the acquisition of the LA Fitness Group in May 2015 and non-cash IFRS transition adjustments in 2014.
(b) We define "Maintenance and Corporate Capital Expenditures" as the total capital expenditure incurred in a period less Expansionary Capital Expenditure incurred in that period.
(c) We define "Group Operating Cash Flow Conversion" as Group Operating Cash Flow for that period divided by Group Adjusted EBITDA for that period.

(15) *Pro forma* Net Debt represents total senior indebtedness of the Group less cash and cash equivalents, after giving *pro forma* effect to the Transactions and the application of the proceeds therefrom as if the Transactions occurred on September 30, 2017.
(16) *Pro Forma* Net Interest Expense represents the net of interest payable/receivable for the twelve months ended September 30, 2017 after giving *pro forma* effect to the Transactions and the application of the proceeds therefrom as if the Transactions occurred on October 1, 2016.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following diagram presents a simplified overview of our corporate structure and principal outstanding financing arrangements after giving effect to the Transactions. The diagram does not include all entities in the Group, nor all of the debt obligations thereof. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "*Description of Notes*," "*Description of Certain Financing Arrangements*" and "*Capitalization*" for further information.



(1) As of the Issue Date, our principal shareholder, LGP (together with a minority equity co-investor), holds approximately 83% of the issued ordinary shares of Pinnacle Topco Limited, our ultimate parent. In connection with the Transactions, several current members of management of the Group rolled their previous shareholdings in Topco into shares in Pinnacle Topco Limited. Management holds approximately 17% of the ordinary shares of Pinnacle Topco Limited, and certain management shareholders are able to vote up to 20% of the ordinary shares. See "*Principal Shareholders*".

(2) In connection with the Acquisition, the Issuer incurred £288.5 million in subordinated shareholder indebtedness in the form of loan notes and an intercompany loan from Pinnacle Midco 2 Limited, each of which will be subordinated under the terms of the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and *"Description of Certain Financing Arrangements—Subordinated Shareholder Funding".*

(3) The entities in the Restricted Group will be subject to the covenants in the Indenture. See "*Description of Notes*".

(4) In connection with the Acquisition, the Issuer entered into a revolving credit facility agreement (the "**Revolving Credit Facility Agreement**"), with Barclays Bank PLC, Jefferies Finance LLC, Royal Bank of Canada, Credit Suisse AG, London Branch and ING Bank N.V., London Branch, as mandated lead arrangers, Barclays Bank PLC, as facility agent, and Deutsche Bank AG, London Branch, as security agent, providing for a revolving credit facility in an aggregate principal amount of £60 million (the "**Revolving Credit Facility**"). See "*Description of Certain Financing Arrangements—Revolving Credit Facility*".

(5) The Notes will be the Issuer's senior obligations and will rank *pari passu* in right of payment with all the Issuer's existing and future obligations that are not expressly subordinated to the Notes. The Notes will be guaranteed on a senior basis (collectively, the "**Guarantees**") by the Guarantors on the Issue Date. Each of the Guarantors will, on or about the Issue Date, guarantee on a senior basis any borrowings under the Revolving Credit Facility. The Guarantees will be subject to certain contractual and legal limitations under applicable laws, and may be released under certain circumstances. See "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*" and "*Description of Notes—Guarantees—Release of Guarantees*". On the Issue Date, the Notes and the Guarantees will be secured by first-priority security interests in the collateral described under "*Description of Notes—Security*". The Revolving Credit Facility will be secured by the same Collateral as the Notes. Under the terms of the Intercreditor Agreement, in the event of certain distressed disposals, any liabilities in respect of obligations under the Revolving Credit Facility will receive priority over the Notes in relation to any proceeds received from the Collateral.

(6) On the Acquisition Date, the Issuer loaned (i) approximately £136 million to Gym Midco Limited to refinance existing shareholder loans and (ii) approximately £197 million to Gym Bidco Limited to refinance existing senior indebtedness of Gym Bidco Limited.

(7) Pure Gym Limited will provide a Guarantee on a senior basis on the Issue Date. Substantially all of our operations are conducted through Pure Gym Limited.

THE OFFERING

The following is a brief summary of certain terms of the Offering of the Notes. It may not contain all the information that is important to you. For additional information regarding the Notes and the Guarantees, see "*Description of Notes*", and "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Issuer:	Pinnacle Bidco plc, a public limited company organized under the laws of England and Wales.
Notes Offered:	£360.0 million aggregate principal amount of 6⅜% Senior Secured Notes due 2025.
Issue Date:	On or about January 24, 2018.
Issue Price:	100.0% plus accrued interest, if any, from the Issue Date.
Maturity Date:	February 15, 2025.
Interest Payment Dates:	Semi-annually in arrear on each February 15 and August 15 commencing August 15, 2018. Interest will accrue from the Issue Date.
Interest:	6.375% per annum.
Denomination:	Each Note will have a minimum denomination of £100,000 and integral multiples of £1,000 in excess thereof, respectively.
Ranking of the Notes:	The Notes will:

- be general, senior obligations of the Issuer, secured as set forth below under "*—Security*";
- rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the Issuer's obligations in respect of the Revolving Credit Facility;
- be effectively senior to all of the Issuer's existing and future indebtedness that is unsecured, or secured on a basis junior to the security granted by the Issuer in respect of the Notes, in each case to the extent of the value of the Issuer's property or assets securing the Notes;
- rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes, including the Subordinated Shareholder Funding;
- be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness;
- be effectively junior to any existing and future indebtedness of the Issuer that will receive proceeds from any enforcement action over and certain distressed disposal of the property and assets securing the Notes on a priority basis, including indebtedness under the Revolving Credit Facility and certain other future indebtedness; and
- be structurally subordinated to any future and existing indebtedness of subsidiaries of the Issuer that are not Guarantors.

Guarantees: . . . . On the Issue Date, the Issuer's obligations under the Notes will be guaranteed (collectively, the "**Guarantees**") on a senior basis by Gym Topco Limited, Gym Midco Limited, Gym Midco 2 Limited, Gym Bidco Limited and Pure Gym Limited (the "**Guarantors**" and each a "**Guarantor**").

The Guarantees will be subject to certain contractual and legal limitations under applicable laws, and may be released in certain circumstances. See "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*", "*Description of Notes—Guarantees*" and "*Risk Factors—Risks relating to the Notes, the Guarantees and the Collateral*".

The Guarantors accounted for substantially all of the Group Adjusted EBITDA for the twelve months ended September 30, 2017 and substantially all of our consolidated total assets as of September 30, 2017.

Ranking of the Guarantees: . . . . . . Each Guarantee will:

- be a general, senior obligation of the relevant Guarantor, secured on a first-priority basis as set forth below under "*—Security*";
- rank *pari passu* in right of payment with all existing and future indebtedness of that Guarantor that is not subordinated in right of payment to such Guarantee, including obligations in respect of the Revolving Credit Facility;
- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is subordinated in right of payment to such Guarantee;
- be effectively senior to all of that Guarantor's existing and future indebtedness that is unsecured, or secured on a basis junior to the security granted by such Guarantor in respect of its Guarantee, in each case to the extent of the value of such Guarantor's property or assets securing its Guarantee;
- be effectively subordinated to any existing and future indebtedness of that Guarantor that is secured by property or assets that do not secure such Guarantee on an equal basis, to the extent of the value of the property or assets securing such indebtedness;
- be effectively junior to any existing and future indebtedness of such Guarantor that will receive proceeds from any enforcement action over and certain distressed disposal of the property and assets securing the Guarantee of such Guarantor on a priority basis, including indebtedness under the Revolving Credit Facility and certain other future indebtedness; and
- be structurally subordinated to all existing or future Indebtedness of the Subsidiaries of such Guarantor that do not guarantee the Notes.

The Guarantees will be subject to the terms of the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Security:	The Notes and the Revolving Credit Facility will be secured by a first-priority security interest in the assets of the Issuer and the Guarantors as of the Issue Date, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens (the "**Collateral**"). See "*Description of Notes—Security*". The Intercreditor Agreement provides that lenders under the Revolving Credit Facility and certain other indebtedness permitted to be secured by the Collateral will receive the proceeds from the enforcement of security over, and certain distressed disposals of, the Collateral in priority to holders of the Notes. See "*Description of Notes—Security*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*". The security interests securing the Notes and the Guarantees may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See "*Risk Factors—Risks relating to the Notes, the Guarantees and the Collateral*". The security interests securing the Notes and the Guarantees may be released under certain circumstances. See "*Risk Factors—Risks relating to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically without your consent or the consent of the Trustee*", "*Description of Notes—Security—Release of Liens*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*".
Additional Amounts:	Any payments made by or on behalf of the Issuer or any Guarantor with respect to the Notes will be made without withholding or deduction for or on account of Taxes in any Relevant Taxing Jurisdiction (as defined in the "*Description of Notes*") unless required by law. If withholding or deduction for such Taxes is required to be made with respect to such a payment under the Notes, subject to certain exceptions, the Issuer or the relevant Guarantor will pay the additional amounts necessary so that the net amount received by the holders of the relevant Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction. See "*Description of Notes—Withholding Taxes*".
Optional Redemption:	At any time prior to February 15, 2021, the Issuer will be entitled at its option, on one or more occasions, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes, plus a "make-whole" premium as of, and accrued and unpaid interest and additional amounts, if any, to the redemption date, as described under "*Description of Notes—Optional Redemption*". At any time on or after February 15, 2021, the Issuer will be entitled at its option, on one or more occassions, to redeem all or a portion of the Notes at the redemption prices set forth under the caption "*Description of Notes—Optional Redemption*".

	At any time prior to February 15, 2021, the Issuer will be entitled at its option, on one or more occasions, to redeem the Notes in an aggregate principal amount not to exceed 40% of the original aggregate principal amount of the Notes (including any Additional Notes (as defined in "*Description of Notes*")) with the net cash proceeds from certain equity offerings at a redemption price equal to 106.375% of the principal amount of such Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, so long as of least 50% of the original aggregate principal amount of the Notes (including any Additional Notes) remains outstanding immediately after each such redemption and each such redemption occurs no later than 180 days after the date of closing of the relevant equity offering. Prior to February 15, 2021, the Issuer may, during each twelve-month period commencing with the Issue Date, redeem up to 10% of the aggregate principal amount of the Notes at a redemption price equal to 103% of the principal amount of such Notes, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. See "*Description of Notes—Optional Redemption*".
Optional Redemption for Tax Reasons:	In the event of certain changes affecting taxation in the law of any Relevant Taxing Jurisdiction that become effective after the issuance of the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "*Description of Notes—Redemption for Taxation Reasons*".
Change of Control:	Upon the occurrence of certain events constituting a "change of control," the Issuer may be required to offer to repurchase the Notes at a purchase price in cash equal to 101% of the principal amount of such Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. See "*Description of Notes—Repurchase at the Option of Holders—Change of Control*". However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event.
Certain Covenants:	The Indenture will limit, among other things, our ability to: • incur or guarantee additional indebtedness and issue certain preferred stock of our restricted subsidiaries; • pay dividends or make other distributions or purchase or redeem our stock; • make investments or other restricted payments; • transfer or sell assets; • engage in certain transactions with affiliates; • create liens on assets to secure indebtedness; • impair the security interests for the benefit of the holders of the relevant series of Notes; and

	• merge or consolidate with other entities. Each of these covenants is subject to significant exceptions and qualifications. See "*Description of Notes—Certain Covenants*".
Transfer Restrictions:	The Notes and the Guarantees have not been, and will not be, registered under the US Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale and may only be offered or sold in transactions that are exempt from, or not subject to, the registration requirements of the US Securities Act. We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer) under the US Securities Act. See "*Transfer Restrictions*" and "*Plan of Distribution*".
Use of Proceeds:	We will use the net proceeds from the Offering to repay amounts drawn under the Bridge Facility. See "*Use of Proceeds*" and "*Certain Relationships and Related Party Transactions—Certain financing arrangements*".
No Prior Market Listing:	The Notes will be new securities for which there is currently no established trading market. Although each of the relevant Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Listing:	Application will be made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange in accordance with the rules and regulations of such exchange.
Governing Law for the Notes, the Guarantees and the Indenture:	New York.
Governing Law for the Intercreditor Agreement:	English.
Governing Law for the Security Documents:	English.
Trustee:	Deutsche Trustee Company Limited.
Paying Agent:	Deutsche Bank AG, London Branch.
Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.
Security Agent:	Deutsche Bank AG, London Branch.
Listing Agent:	Carey Olsen Corporate Finance Limited.

Investing in the Notes involves a high degree of risk. See the "*Risk Factors*" section in this Offering Memorandum for a description of certain of the risks you should carefully consider before investing in the Notes.

RISK FACTORS

An investment in the Notes involves risks. In addition to considering carefully, in light of the circumstances and your individual investment objectives, the information contained elsewhere in this Offering Memorandum including the Financial Statements and related notes, you should carefully consider the risks described below before investing in the Notes. If any of the events described below actually occurs, our business, results of operations, financial condition or prospects could be materially adversely affected and, accordingly, the value and the trading price of the Notes may decline, resulting in a loss of all or part of any investment in the Notes. Furthermore, the risks and uncertainties described herein may not be the only ones that we face. Additional risks and uncertainties not presently known to us or that we currently consider to be immaterial may also have a material adverse effect on our business, results of operations, financial condition or prospects.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those included in these forward-looking statements as a result of various factors including the risks described below and elsewhere in this Offering Memorandum. See "Information Regarding Forward-Looking Statements".

Risks relating to our business

The success of our business depends on our ability to attract and retain gym members, while maintaining sustainable and profitable membership fees.

Our success is dependent on our ability to attract and retain members to our gyms. We generate almost all of our revenue from membership fees (representing 89% of our revenue for the year ended December 31, 2016). As a result, we must continually engage existing members and attract new members in order to maintain or increase our gym membership levels. In addition, as our members do not enter into any fixed-term contracts, they can terminate their membership at any time without notice or penalty. If we are unable to attract and retain gym members, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

One of the most significant factors affecting our ability to attract and retain members is the membership and joining fees we charge. However, we are also dependent on our ability to charge membership and joining fees at a level that both attracts members and generates an appropriate fee yield relative to our costs. While we have certain flexibility on a gym by gym basis to vary the membership fees we charge existing members and the membership and joining fees we can charge to prospective members, our ability to increase such fees to offset potential cost increases while maintaining or increasing membership levels may be limited. Furthermore, we may even need to decrease membership fees or joining fees over time to maintain or increase membership levels. If we are unable to maintain or increase such fees as necessary or are forced to decrease such fees, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

Additional factors that could lead to a decline in membership levels, prevent us from increasing membership levels, or negatively affect the fees we can charge members include:

- direct local competition from value and other health and fitness club operators;
- saturation of local health and fitness club markets;
- harm to our reputation or brand;
- a decline in our ability to deliver a high-quality service to our members;
- changes in consumer preference away from the value gym offering to gym offerings with more amenities or that offer specialized or trend-driven exercises;
- increasing popularity of home fitness equipment, fitness apps and other online exercise programs;
- increasing popularity of studio gyms and outdoor fitness activities;
- a decline in the public's interest in health and fitness;
- a decline in time available for consumers to pursue leisure activities;

- changes in discretionary consumer spending habits due to deterioration of general economic conditions in the UK or demographic shifts; and
- changes in the level of positive referrals from current and former members, due to a decline in our ability to deliver high-quality services or from harm to our reputation or brand or other reasons.

A decline in membership levels, membership and joining fees and profitability as a result of any of the above factors, individually or in aggregate, could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we are unable to identify and secure sites on favorable terms for new gyms that meet our selection criteria, we may not be able to implement our growth strategy.

An important part of our growth strategy is the opening of new gyms. As we lease all of our gym sites, we are dependent upon finding and securing new leasehold sites at which to open new gyms. We employ an extensive site selection strategy that incorporates a number of selection criteria such as site size, location, configuration, local population density, demographic characteristics of the local catchment, proximity of transportation networks, availability of car parks and local competitive dynamics, amongst other criteria. Our ability to identify and negotiate financially acceptable lease terms for new sites may be adversely affected by the availability of suitable sites that meet our selection criteria, fluctuations in the property rental market or significant competition for suitable sites from competitors, other commercial enterprises such as retailers, leisure and office space operators and residential operators. As a result, we may be unable to identify suitable sites and secure them at rental prices or on terms acceptable to us, or in a timely manner. If we are unable to secure sufficient sites that meet our selection criteria at acceptable rental prices within the planned roll out timeframe, we may not be able to implement our growth plan.

Any inability to identify or secure sites on favorable terms for new gyms, including for any of the above reasons, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We cannot assure you that the locations of our gyms will continue to be economically viable.

The locations of our gyms have significant influence on their results of operations. We cannot assure you that current locations will continue to be economically viable. As demographic and economic patterns change, current locations may not continue to be attractive and profitable. Decrease in the population of neighborhoods where our gyms are located or adverse economic conditions in these areas and those surrounding those neighborhoods could result in reduced revenue in those locations. Furthermore, we may relocate or open gyms in new areas in anticipation of future development, which ultimately may not materialize.

Businesses in the UK are required to pay a tax for occupying a property, namely "business rates". The UK government adjusts the value of business rates to reflect changes in the property market approximately every five years. The most recent revaluation came into effect on April 1, 2017. The adjustments of the business rates could result in increased estate costs and consequently could have an adverse effect on the economic viability of certain gyms.

Our gyms may not achieve expected or minimum financial performance levels or ROCEs, which may negatively impact our financial performance.

We generally target a minimum Mature Gym return on capital employed ("**ROCE**") of 30% per organically opened gym. If our gyms do not achieve expected membership levels or membership fees, which has occurred in a percentage of the Mature Gym estate, then the financial performance of the gyms may be negatively impacted, resulting in a lower ROCE. The financial performance and ROCEs of gyms can also be negatively impacted by higher than expected operating, maintenance and property costs, or if such gyms experience higher than expected Initial Capital Investment costs, refurbishment costs and Pre-Opening Costs. We may not be able to recover the capital investment required to develop and operate our gyms.

Our expectations for the financial performance and Mature Gym ROCEs of our gyms, including future gyms to be opened, can be influenced by a wide variety of factors such as incorrect analyses of the suitability of sites, future changes in competitive dynamics or higher levels of future cost inflation, amongst numerous others. See "*—The success of our business depends on our ability to attract and retain gym members, while maintaining sustainable and profitable membership fees,*" "*—Our low-cost operating structure is one of our primary competitive advantages, but many factors could affect our ability to control costs*" and "*—Our lease costs may increase, which may negatively impact our profitability*". As a result, our New Gyms, which have been open for less than 24 months, or future gyms to be opened may take longer than expected to reach minimum or targeted levels of financial performance or ROCE, or may never reach such minimums or targets. Additionally, ROCE of our Mature Gyms, which have been open for 24 months or more, may decline as a result of similar factors. We might decide to close our gyms that are underperforming and may incur unrecoverable costs due to terminating leases and employment agreements. If our gyms do not achieve minimum or targeted levels of financial performance or ROCE due to lower than expected membership levels and/or membership and joining fees, or higher than expected property, maintenance and operating costs, or higher than expected fit-out, refurbishment or Pre-Opening Costs, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our low-cost operating structure is one of our primary competitive advantages, but many factors could affect our ability to control costs.

We believe that our low-cost operating structure is one of our primary competitive advantages. However, we have limited control over many of our operating and capital costs and costs may increase in the future. For example, labor costs may increase due to, among other things, increases in minimum pension contributions or changes in labor laws (including any potential re-characterization of independent contractors as employees) or intense competition for qualified personnel or personal trainers. Additionally, the cost of certain service providers' services, such as cleaning and site construction, may increase due to increases in the UK "national living wage". In addition, we have limited control over the cost of rent and utilities, including water, electricity and gas, the price and availability of insurance, corporate taxes, the cost of meeting changing regulatory requirements and the cost to access capital or financing. These and other costs, including the costs of developing and fitting out and refurbishing our sites, may increase due to inflationary pressures or other factors. If we experience such cost increases and are unable to offset these cost increases by increasing membership levels or membership and joining fees or achieving other cost efficiencies, such cost increases could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our lease costs may increase, which may negatively impact our profitability.

Property leases constitute a large component of our operating cost base (a total of £30.4 million for the year ended December 31, 2016, representing 19% of our revenue). The leases for our gyms generally have upwards-only rent adjustments every five years that are typically in line with the retail prices index (the "**RPI**") subject to a 0–2% per annum collar and 3–4% per annum cap. However, some of our leases (mainly those acquired from the LA Fitness Group) have differing terms which include open market rent reviews and fixed rent uplifts. If we are unable to increase our revenue by increasing membership levels and/or membership or joining fees or reduce other costs in response to potential future increases in rents on our sites, then such increasing lease costs could have a material adverse effect on our business, results of operations, financial condition and prospects.

If we are unable to renew our existing leases on favorable terms or at all, we may have to close sites.

We lease all of our gym sites. Our ability to renegotiate financially acceptable lease terms for our sites with expiring leases may be adversely affected by fluctuations in the property rental market, such as increases in market rents or competition for sites from other health and fitness operators, commercial enterprises such as retailers and office space operators and residential operators. Although the majority of our leases benefit from the Landlord and Tenant Act of 1954, which provides security of tenure at the expiration of the lease term, there can be no assurance that we will be able to renew our existing leases on commercially acceptable terms or at all.

If leases are not renewed, we may be required to find alternative sites to operate such gyms. We could incur significant additional costs in identifying and securing suitable alternative sites or may be forced to close gyms in desirable locations if alternative sites cannot be secured. If gyms are closed, we may be unable to attract members from those gyms to other Pure Gym locations in significant numbers. Such members may cancel their memberships due to, among other reasons, our inability to deliver the services they require in a convenient location for them. If we are unable to renew our leases as they expire, renew them on commercially acceptable terms or secure other favorable sites on acceptable terms, or if a significant number of our existing lease agreements are terminated for any reason, our business, financial condition, results of operations and prospects could be materially adversely affected.

We are generally unable to terminate our property leases for a period of ten years from the start of the lease, and may be obliged to pay rent and pay losses if we close a location.

We are generally unable to terminate our property leases before we can exercise our tenant-only break rights, which can be found in the majority of our leases. These rights are generally exercisable at the end of the tenth year of the lease term, although, in some leases, these rights are not exercisable until the end of the fifteenth year of the lease term and in some leases, there are no rights at all to terminate before the end of the lease term. In circumstances where we are unable to terminate our property leases, we may not be able to sublet or assign our leases on commercially acceptable terms or at all. Accordingly, if we close a gym prior to being able to exercise our tenant-only break right, or prior to the end of the lease term in cases where we do not have a tenant-only break right, we may be obligated to continue to pay rent and incur operating losses at the relevant site, which could adversely affect our business, financial condition, results of operations and prospects.

Disruptions and failures involving our information technology systems could adversely affect member enrollment, member services and financial and administrative functions.

Our ability to enroll members, engage and market to our existing members, target former members to rejoin, process payments, control gym access, monitor security and engage in other critical business tasks is dependent on the efficient and uninterrupted performance of our information technology systems. In particular, disruptions or failures that affect our website, gym access, marketing, billing and other administrative functions could have an adverse effect on our financial performance. While we fully back up all of our membership and business information using third-party locations and have a full business continuity plan in place, any delay or failure on the part of the data back-up provider or in executing our business continuity plan may hinder our ability to resolve information technology system disruptions or failures in a timely and effective manner. Any disruption or failure involving our information technology systems could have a material adverse effect on our business, results of operations, financial condition and prospects.

Any issues, viruses, data inconsistencies, outages, interruptions or security breaches in connection with our information technology systems could cause significant disruption to us, and our members may become dissatisfied if such disruption or failure interrupts our ability to provide our members with access to our gyms or to other services. Member dissatisfaction may cause members to stop using our services, cancel their membership or otherwise generate negative publicity, which could result in a material adverse effect on our business, results of operations, financial condition and prospects.

Some of our information technology systems, such as our membership management and billing systems, are outsourced to third-party providers, which in this instance is Exerp. In addition, we periodically update or change our information technology systems. Any disruptions to our information technology systems as a result of a failure by one of our third-party providers, or termination of our relationship with Exerp for any reason, could have a material adverse effect on our business, results of operations, financial condition and prospects.

Given we are a technologically enabled company and hold a large amount of sensitive and potentially valuable member information, we may be subject to cyberattack. Such an attack could take a variety of forms, for example, a denial of service/mass attack, penetration of network access in one of our sites and hacking into our network in our offices in London, Leeds or Southampton. Successful penetration of our defenses against cyberattack could lead to the loss of member data and the direct costs associated with this as well as broader reputational damage. We commissioned a detailed cybersecurity review of our IT infrastructure, software, processes and culture by a cybersecurity consultant, which identified a number of areas of potential vulnerability from a technical point of view. Management and leadership of the technology function were fully engaged in this process and have moved swiftly to address the lone critical technical risk identified, which has now been fully addressed. All of the high and medium risks identified were also addressed by the end of 2016. While we believe that the actions being taken have and will continue to reduce our cybersecurity risk, there can be no assurance that our business, results of operations, financial condition and prospects will not be adversely impacted by a breach of our cybersecurity systems.

Our success is dependent on our brand and reputation.

We rely on positive brand recognition, among other factors, to attract and retain members. Brand value or reputation can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Some of these incidents may relate to our growth strategies, our development efforts or the ordinary course of our business, such as:

- unsatisfactory customer service, which impact may be magnified by negative commentary on social media;
- poor condition of a gym, including age of equipment, cleanliness or overcrowding;
- reductions in amenities after the conversion or refurbishment of an existing gym, for example, when swimming pools or other amenities are removed from gyms that previously offered such facilities;
- gym access or other issues resulting from a failure of our information technology systems; or
- breach or allegations of breach of legal and regulatory obligations, including health and safety requirements.

Other incidents that may disrupt the gym experience of our members or generate negative publicity or harm our brand or reputation may arise from events that are or may be beyond our control, such as:

- data security breaches or fraudulent activities associated with our customer records or electronic payment systems;
- incidents related to member safety, such as physical or verbal harassment or abuse;
- inappropriate member behavior;
- litigation and legal claims;
- third-party misappropriation, dilution or infringement of our intellectual property;
- the occurrence of a major incident at one of the gyms such as a flooding, major fire or a terrorist attack; or
- illegal activity targeted at Pure Gym or others (for example, illegal use of gyms by non-members).

Failure to address, or appearing to fail to address, these and other issues could erode consumer confidence in our gyms or our brand and may significantly reduce consumer demand for our gyms, which may result in fewer memberships sold or renewed and diminish our ability to attract and retain quality staff. Furthermore, negative commentary about Pure Gym may be posted on social media or similar platforms at any time and may harm our reputation or business. Consumers value readily available information about gyms and often act on such information without further investigation and without regard to its accuracy. The harm may be immediate without affording us an opportunity for redress or correction. Restoring the brand and reputation of Pure Gym may be costly and difficult to achieve.

If our efforts to maintain our brand and reputation are unsuccessful, or if Pure Gym's brand or reputation are harmed due to the above factors or otherwise, our business, results of operations, financial condition and prospects could be materially adversely affected.

We may be unable to obtain the requisite planning permission to open new gyms and could face delays in opening new gyms.

When opening new gyms, we may require planning consents from local authorities if a potential gym site does not already have the requisite use or planning permission. Additionally, the majority of Pure Gyms are open 24/7, which often requires various specific consents from local authorities. Any inability or delays in receiving such consents could restrict or delay our roll out plans or increase our roll out costs.

We may also experience other unanticipated roll out costs or delays in opening new gyms for a variety of reasons, such as shortages of materials or skilled labor, labor disputes and modifications in design. Any delays in new gym openings or the failure to achieve any required consents, including for any of the above reasons, could have a material adverse effect on our business, financial condition, results of operations and prospects.

The opening of new gyms near our existing locations may negatively impact our membership levels and fees at our existing gyms and accordingly, the profitability of such sites.

We intend to continue opening new Pure Gyms near certain of our existing gyms as part of our growth strategy. The opening of new gyms in the catchment areas of our existing gyms may attract some members away from our existing gyms for a number of potential reasons, such as the new gyms' closer proximities to such members' places of work or residence. This may result in lower revenue and profitability at our existing gyms, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to successfully execute our growth strategy or effectively manage our growth.

Our growth strategy contemplates a significant expansion in the number of gyms we operate. Successful implementation of our growth strategy will require significant expenditures before any substantial associated revenue is generated. We cannot assure you that our recently opened or future gyms will generate revenue and cash flow comparable with those generated by our existing mature gyms. Furthermore, we cannot assure you that our new gyms, on average, will continue to mature at the same rate as our existing gyms, especially if economic conditions deteriorate.

Our growth could place strains on our management, employees, information systems and internal controls, which may adversely impact our business.

Growing the number of gyms that we operate will place significant demands on our management resources. We will be required to identify attractive gym locations, negotiate rental terms and open new gyms on a timely and cost-effective basis while maintaining a high level of quality, efficiency and performance at both mature and newly opened gyms. Moreover, we plan to diversify our offering in certain ways, such as opening small box format gyms, and we could encounter unanticipated problems, cost overruns or delays in opening or growing revenue from these gyms or in the market acceptance for our gyms. See "*Business—Our Gyms—Gym size and format*". We will also need to recruit and retain new employees and maintain close coordination among our executive, accounting, finance, marketing, sales and operations functions.

These processes are time-consuming and expensive and may divert management's attention. We may not be able to effectively manage our growing number of gyms, and any failure to do so could have a material adverse effect on our rate of growth, business, financial condition and results of operations.

If we cannot retain senior management, and retain and attract other key managers, we may not be able to manage our operations successfully and pursue our strategic objectives.

The successful implementation of our strategy is dependent on our ability to recruit, retain and motivate high-quality senior management and other personnel with extensive experience and knowledge of the fitness industry, including gym managers and regional managers who play an important role in the operation of our gyms. Availability of such personnel is limited and competition for such personnel is strong. If we are unable to effectively recruit such employees and manage our employee turnover rate, there could be a material adverse effect on our business. Our ability to meet our labor needs is subject to many external factors, including competition for and availability of qualified personnel in a given market, unemployment levels within those markets, wage rates, health and other insurance costs, pension costs and changes in employment, labor or other workplace regulations. Increased competition for qualified employees could lead to salary cost inflation. The departure of senior management personnel or a failure to attract and retain other managers or qualified employees while simultaneously controlling labor costs could delay or prevent the achievement of our strategic objectives and could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be adversely affected by a change in the employment status of personal trainers operating at our gyms.

All of our personal trainers are independent contractors who pay an annual license fee and are permitted to train their clients at our gyms. In exchange for accessing our gyms and marketing their sessions to members, under our "hours" agreement, a proportion of our personal trainers, in addition to paying us the annual licensing fee, also provide gym services to us for a set number of hours per week, such as teaching group exercise classes and monitoring the gym floors. As an alternative to providing these gym services, they can elect to pay us a monthly fee (known as "rent" in the gym industry) rather than provide these gym services. Personal trainers in a small number of our gyms are engaged as employees on a part-time basis for a set number of hours to provide gym services and are separately engaged as independent contractors to pay a monthly rent in order to access our gyms and market their services to members. See "*Business—Management, Employees and Personal Trainers—Personal Trainers*". As independent contractors, the personal trainers are responsible for their own tax and National Insurance contributions. The vast majority of our personal trainers are engaged on either a "rent agreement" or an "hours agreement", with approximately 27% being party to a rent agreement. Although we believe that these arrangements are in accordance with industry practice, there is a risk that personal trainers could be reclassified either due to a change in law or by the UK tax authorities and/or an employment tribunal as either "employees" or "workers" (a quasi-employment status) rather than independent contractors. In relation to its correspondence with respect to other gym operators in the United Kingdom, the U.K. Work and Pensions Committee sent an inquiry to the Group in December 2017 stating that certain aspects of our personal training contract would seem to be incompatible with self-employment and requesting an explanation with respect to the inclusion of certain of these contract provisions. If we were to reclassify our personal trainers as employees or were required to amend our contracts significantly in response to regulatory requirements, our net expense related to personal trainers could increase as a result of modifying the applicable arrangements, including in respect of increased tax and wage costs, and any such increase may be significant.

In addition, if a personal trainer was reclassified by the UK tax authorities as an employee or a worker, we could be subject to back payment of taxes and National Insurance contributions. If an employment tribunal found that a personal trainer was an employee or a worker, we could be subject to claims regarding back-payment of minimum wage, holiday pay, and potentially pensions auto-enrolment in connection with such reclassification. Aside from the monetary expense of participating in any legal or regulatory proceedings on this issue and any damages, penalties or settlements resulting from such proceedings, which may be significant, involvement with such proceedings could negatively affect our brand and require management attention. Any of the above could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to attract, train and retain a sufficient number of qualified personal trainers.

We engage approximately 10 to 15 personal trainers per gym. Personal trainers interact with members within the gyms and form a core part of our value proposition to members. Availability of suitable personal trainers is limited and competition for them is strong. Although we believe that our personal trainers wish to retain their independent status, any transition or lack of transition in their employment status may negatively affect our ability to attract and retain personal trainers. If we are unable to attract or retain qualified and suitable personal trainers to our gyms, the customer proposition could be diluted and staff costs could increase, as we would be required to hire additional staff. If we fail to attract, train and retain a sufficient number of qualified and suitable personal trainers, there could be a material adverse effect on our business, financial condition, results of operations and prospects. See "—*We may be adversely affected by a change in the employment status of personal trainers operating at our gyms*".

Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity and collaboration fostered by this culture.

We believe that a critical contributor to our success has been our corporate culture, which we believe fosters collaboration, innovation and entrepreneurship. As we grow, employees and independent contractors (including personal trainers) will become more dispersed and we may find it increasingly difficult to maintain the beneficial aspects of our corporate culture. If we are unable to maintain our corporate culture, we may find it difficult to attract and retain motivated employees, continue to perform at current levels or execute on our business strategy, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Due to the capital-intensive nature of our business, we may incur additional indebtedness in the medium term if our cash flow or current facilities cannot support our capital requirements and, if we are not able to access additional financing or capital as and if necessary, our ability to operate successfully or expand our business may be impaired and our results of operations could be adversely affected.

Opening new gyms and maintaining existing gyms is capital intensive, and we require significant capital to finance such activities, as well as to fund ongoing investments in our business and to meet our debt obligations. We are pursuing a roll out strategy and, although we believe that we have sufficient working capital for the next 12 months to achieve our strategy, there can be no assurance that we may not need to incur additional indebtedness or substantially reduce our growth plans to meet our capital requirements in the medium term. Raising new debt securities could increase our finance costs or be available only on terms that restrict our business.

Any inability or delay in raising additional capital when and if required may affect our ability to execute on our growth strategy or cause us to lose future opportunities or hinder our ability to respond to competitive pressures, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our dependence on third-party contractors and suppliers for site fit out, equipment provision, equipment maintenance and certain other products and services could result in disruptions to our business.

We rely on third-party contractors and suppliers for various services and products, such as site fit out, gym equipment supply, gym equipment maintenance services, cleaning services, certain marketing functions and certain security and first-aid monitoring and response services, amongst others. Although we believe that adequate substitutes are currently available, we depend on these third-party contractors and suppliers to consistently and efficiently operate its day-to-day business. The ability of these third-party contractors and suppliers to successfully provide reliable and high-quality services is subject to technical and operational risks that are largely beyond our control. Any disruption to the operations of our contractors and suppliers could impact our ability to service our existing gyms, maintain the quality of our product offering and open new gyms on time or at all.

If we lose such contractors and suppliers or such contractors and suppliers encounter financial hardships unrelated to demand from us, we may not be able to identify or enter into agreements with alternative contractors and suppliers on a timely basis on acceptable terms, if at all. Transitioning to new contractors and suppliers may be time consuming and expensive and may result in interruptions to our operations. For example, substantially all of our gym equipment is provided and serviced by a single supplier, Matrix, and, if such relationship were terminated or if Matrix was unable to honor its commitments for any reason, we would need to find suitable alternative suppliers on short notice and may be unable to negotiate equally favorable terms. Any significant increase in the price of gym equipment or difficulties in securing the quantity of equipment we require to open new and maintain or upgrade existing gyms could adversely impact our financial condition and results of operation.

If we encounter delays or difficulties in securing the products or services provided by our third-party contractors and suppliers or there is a deficiency, lack of or poor quality of such products or services provided, our ability to serve our members and grow our brand and gym footprint would be interrupted. Any of these events could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our intellectual property rights, including trademarks and trade names, may be infringed, misappropriated or challenged by others.

We believe our brand "PUREGYM" and related intellectual property are important to our continued success. We seek to protect our trademarks, trade names, copyrights and other intellectual property by exercising our rights under applicable laws. We may also from time to time be required to initiate litigation or other enforcement action to enforce our trademarks, trade names and other intellectual property. Third parties may also assert that we have infringed, misappropriated or otherwise violated their intellectual property rights, which could lead to litigation or other enforcement action against us. Litigation whether pending, threatened or actual, is inherently uncertain and could divert the attention of management, result in substantial costs and diversion of resources, and could negatively affect our membership sales and profitability regardless of whether we are able to enforce or defend our rights successfully. If we fail to successfully protect our intellectual property rights for any reason, or if any third party misappropriates, dilutes or infringes our intellectual property, the value of our brand may be harmed, which could have an adverse effect on our business, financial condition, results of operations and prospects.

We may be unable to maintain the required level of insurance cover on acceptable terms or at an acceptable cost.

We might not be able to maintain general liability insurance on acceptable terms in the future or maintain a level of insurance that would provide adequate coverage against potential health and safety claims. An increase in the number of claims against health and fitness gym operators generally may result in the cost of insurance for the industry as a whole to rise and comprehensive insurance coverage may become more difficult to attain. Any increase in the cost of insurance in the market is likely to impact our business, financial condition, results of operations and prospects.

We may be forced to close gyms temporarily or other adverse consequences could result due to unforeseen circumstances.

We may be forced to temporarily close gyms in the future or other adverse consequences such as property damage or personal injury due to any number of unforeseen circumstances, including as a result of fire, flood, technical difficulties, loss of power, health and safety incident, terrorist incident or natural disaster. Political crises, such as riots, terrorist attacks, war and other political instability could also disrupt our operations. In the past, we have had to close a small number of gyms temporarily, primarily due to flooding. Any prolonged closures may adversely affect our results of operations and may also result in longer term reductions in revenue and profitability for a number of reasons, such as termination of memberships by members of the affected gyms. Any losses may be in excess of, or outside the scope of, our insurance. Failure to properly manage any temporary closures could have an adverse effect on our business, financial condition, results of operations and prospects.

We may identify and pursue the acquisitions of other health and fitness businesses or existing gyms and may fail to successfully integrate such businesses or gyms, may have liabilities that we are not aware of or may not be as profitable as we expected them to be.

As opportunities arise, we will continue to assess possible acquisitions of other health and fitness operators, as well as select gyms from other health and fitness operators, to complement our organic site roll out strategy. Our ability to make such acquisitions could be affected by a number of factors, including legal and regulatory changes, competition regulations, general macroeconomic, social and political conditions and available capital.

Even if we are successful in acquiring target businesses, we may experience difficulties in integrating targets into our business, may incur higher than expected costs or fail to realize the anticipated benefits. Acquiring new businesses can place significant demands on management, employees, suppliers, systems and resources and can expose us to new or unidentified liabilities. An acquired business also may not perform in line with our expectations at the time of the acquisition. Furthermore, we may not achieve the desired level of revenue or cost synergy benefits on integration of new businesses or gyms and the cost of achieving those benefits may be higher than anticipated. Failure to integrate acquisitions successfully or the manifestation of unexpected liabilities or costs associated with such acquisitions could have a material adverse effect on our business, financial condition, results of operations and prospects.

Additionally, we may be exposed to unexpected costs or liabilities resulting from acquisitions which may not be covered by contractual representations and indemnities. Although we typically conduct due diligence investigations prior to each acquisition, we can provide no assurance that we will discover all deficiencies, facts or material liabilities of an acquired business for which we may be responsible as a successor owner or operator, and actual developments may differ significantly from our expectations. Additionally, acquisitions may require the approval of governmental or regulatory authorities which can block, impose conditions on, or delay the process, resulting in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth.

Any acquisition or other strategic transaction we may undertake in the future could result in the incurrence of debt and contingent liabilities, an increase in interest expenses and amortization expenses related to goodwill or other intangible assets or in the use by us of available cash on hand to finance any such acquisitions. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—LA Fitness Acquisition*".

In identifying acquisition targets, we may incorrectly assess the market position, growth prospects of the target business, or whether the business' geographic location, equipment or other assets fit within our existing operations. We may incorrectly assess the success of the location of the target business, as well as the potential to enhance these locations following the acquisition, upon which the price paid for acquisitions is primarily based. Unanticipated events or liabilities relating to these businesses could have a material adverse effect on our results of operations, financial condition and cash flow. Such failures to achieve our acquisition target performance goals and could in turn have material adverse effects on our revenue, results of operations, financial condition and cash flow.

We may invest in new business lines, which may not achieve expected results.

As part of our business strategy, we may diversify into new formats of gym, such as small box format, and new lines of business within the health and fitness market in which we have not previously directly participated. See "*Business—Our Gyms—Gym size and format*". New business lines would require the investment of additional capital and the involvement of our senior management, which would divert management time away from other matters, such as our core operations. We may be unable to develop new business lines and they may not perform in line with expectations, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may expand into new international markets, which may have different market conditions and consumer preferences than the UK and expose us to other potential risks.

We may consider potential expansion into new international markets either through the acquisition of existing gym portfolios or through organic roll out. Such international markets may have different competitive conditions, market conditions, value gym penetration rates, consumer culture and preferences and discretionary consumer spending habits than the UK, which may cause gyms in these markets to perform differently than our gyms in the UK and thus fail to deliver the expected financial performance and ROCEs. In addition, any such future expansion would result in our operations being subject to new laws and regulations and could increase costs associated with complying with existing laws, regulations or licensing and authorization regimes. Expansion into new international markets could also subject us to risks related to adverse fluctuations in currency exchange rates. Any of the above factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain non-IFRS measures such as Group Run-Rate Adjusted EBITDA incorporate forward-looking estimates that may differ from actual results.

Certain expected or estimated non-IFRS measures, such as Group Run-Rate Adjusted EBITDA, incorporate forward-looking estimates and assumptions made by our management. See "*Information Regarding Forward-Looking Statements*". Run Rate Adjustment replaces the Adjusted EBITDA earned by our gyms that are less than three years old at the end of a certain reporting period with the projected Adjusted EBITDA for their third year of operation. Although we believe that Group Run-Rate Adjusted EBITDA is a useful metric to describe the Group Adjusted EBITDA before Pre-Opening Costs that our existing business may generate as it matures, we cannot assure you that we will be successful in achieving forecast levels of Gym Site Adjusted EBITDA within the timelines anticipated or at all. The assumptions we have made with respect to the Group Run-Rate Adjusted EBITDA and other non-IFRS Financial Measures that we represent in this Offering Memorandum are based on our current estimates and they involve risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by such adjusted financial information.

Other companies, research agencies or market reporters may include other items or factors in their calculation of similar metrics and may use certain estimates and assumptions that we do not use when calculating these metrics. These factors may cause the calculations by others of similar metrics to differ substantially from our calculations. None of the calculations of these measures should be considered in isolation or as an alternative measure of performance under International Financial Reporting Standards.

The unaudited financial information presented herein has been prepared by management. The independent auditors of Topco have not audited, reviewed, compiled or performed any procedures with respect to such unaudited financial information for the purpose of its inclusion herein and accordingly, they have not expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum. Furthermore, the unaudited financial information does not take into account any circumstances or events occurring after the period to which it refers. You should therefore not place undue reliance on the information presented above.

Risks relating to the industry

The UK health and fitness industry is highly competitive and we may fail to compete effectively.

The UK health and fitness industry is highly competitive. Competition for provision of health and fitness services is highly localized, and we compete with all local public and private health and fitness operators, gyms and leisure centers offering exercise facilities, including boutique exercise studios. Our competitors have opened and may open further gyms or exercise facilities in the catchment areas of our existing or planned gyms.

Competitors, which may be new or existing operators, including companies that have greater resources or greater name recognition than us, may compete to attract members in our current or prospective markets. Non-profit organizations and local authorities in our markets may be able to obtain land and construct gyms at a lower cost and may be able to collect membership fees without paying taxes or receive preferential VAT treatment, thereby allowing them to potentially charge lower prices. Due to the increasing number of value gyms in the UK, we may face increased direct competition in the value segment of the market, especially if the operators of such value gyms charge lower membership prices than us or gain access to significant amounts of capital to enable them to rapidly build new sites. In addition, because we do not have exclusive rights to many of the elements that comprise our in-gym experience and service offering, competitors may attempt to copy or improve on our business model, or portions thereof, which could erode our competitive position, market share and brand recognition and adversely affect our prospects. There is also a risk that traditional mid-market and premium health and fitness club operators may change their models and lower prices or create lower price brand alternatives to more effectively compete with us.

In addition, individuals wishing to exercise have a wide variety of options available to them other than using purpose-built health and fitness facilities. These include engaging in outdoor activities such as cycling, running and group exercise programs, participating in other sports (including team sports) or using exercise machines or weights, fitness apps or other online programs at home.

Increased competition in the health and fitness industry could result from new market entrants or existing operators expanding their operations or lowering their prices, including operators who have traditionally participated in the mid-market and premium segment, particularly large multi-facility operators that are able to compete for attractive property opportunities. Some competitors may have lower fixed or variable costs, or have lower ROCE expectations than us, which means that they may be able to offer lower membership fees for equivalent services. We also face competition from operators offering comparable or higher pricing in conjunction with higher levels of service and other amenities. In response to competition, our business may from time to time make certain pricing, service, sales and marketing or capital decisions that could have an adverse effect on our results of operations and financial condition. If we cannot compete adequately, our growth strategy as well as our business, financial condition, results of operations and prospects could be materially adversely affected.

Our success is dependent on the continuing popularity of health and fitness in the UK, and the popularity of value gyms in particular.

Our success is dependent on the continuing popularity of value gyms in the UK. Alternative forms of fitness or venues for fitness may become popular and trends in the type of gyms that consumers wish to join may change in the future. Changes in consumer preferences that could affect us include, for example, a preference for in-home exercise, team sports, outdoor fitness activities or studio-based group exercises.

There may also be a change in the public's perception of the general benefits of exercise, which could lead to less demand for gyms. In addition, the development of pharmaceutical drugs that lead to weight loss may impact overall demand for our product. If we are unable to anticipate and adapt to consumer preferences or industry changes, or if we are unable to adapt our services on a timely basis, we may lose members, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We operate in the consumer sector and our business may be significantly adversely affected by economic conditions and other factors in the UK affecting levels of disposable income and consumer confidence.

We currently operate exclusively in the UK, which exposes us to potentially adverse developments related to changes in consumer preferences, general deterioration in economic conditions and demographic changes in the UK market. On June 23, 2016, a majority of voters in the UK opted to withdraw from the EU in a national referendum and on March 29, 2017, the Government formally initiated the withdrawal process ("**Brexit**"). The terms of withdrawal are subject to a negotiation period that could last at least two years. The result of the UK general election on June 8, 2017 has added to the uncertainty around the terms of the UK's withdrawal from the European Union. Depending on the final terms of Brexit, the UK could lose access to the single European Union market, which could result, among other things, in the disruption of the free movement of goods, services and people between the UK and the European Union, undermine bilateral cooperation in key geographic areas and significantly disrupt trade between the UK and the European Union or other nations as the UK pursues independent trade relations. This could have an impact on the general and economic conditions in the UK, which will directly adversely affect the financial condition of our members.

These developments, as well as any other adverse developments in macroeconomic conditions in the UK, or the perception that any of them could occur, may result in the lower availability of credit, higher interest rates and tax rates, increased unemployment, higher consumer debt levels, lower consumer confidence, lower wage and salary levels, inflation or the public perception that any of these conditions may occur, could adversely impact demand for gym memberships in the UK. Membership of a gym may be viewed as a non-essential item and, in times of economic uncertainty or recession, members of gyms may terminate or suspend their membership. Macroeconomic conditions and uncertainties may also impact our suppliers in ways that would adversely affect our business and results of operations, including supplier closures or increases in the costs of products or services they supply. Lower levels of future economic growth, or any deterioration in the economy or any of the factors mentioned above could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks relating to the regulatory environment

We could be subject to material fines and claims related to health and safety risks at our gyms.

Physical exercise and the use of our gym services and facilities, including exercise equipment, poses potential health and safety risks, including serious injury or death, to members, employees and third party contractors. For example, water hygiene problems could develop in our changing facilities that may cause a potential health risk to members and employees, or an accident on the gym floor involving fitness equipment could result in injury or death. We may be subject to material claims asserted against us for any injury or death suffered by someone using our facilities or services. We might not be able to successfully defend such claims and we may be liable for fines, damages and costs in excess of, or outside the scope of, our insurance coverage. Even with adequate insurance, such claims may cause significant damage to our reputation and may have a material impact on our ability to attract or retain members. Any such fines or claims may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our operations and gyms are subject to various laws, regulations and planning and licensing regimes, including in-person marketing, licensing, signage planning, advertising standards and noise abatement requirements. Some environmental laws and regulations impose liability and responsibility on present and former owners, operators or users, including tenants, of sites for the clean-up of contamination at, or arising from, such sites, without regard to causation or knowledge of contamination. For example, we have historically incurred costs for remedial actions when asbestos was discovered at a number of gyms. Although we are not aware of any material actual or pending liabilities, claims or actions relating to contamination of any of our current sites, future investigations may lead to discoveries of contamination that we are required to remedy or damage that may subject us to claims or regulatory proceedings. A breach of environmental regulations, standards relating to health and safety or marketing and advertising or other applicable standards could potentially lead to the mandatory closure of a gym or multiple gyms for a period of time. We may also be subject to claims by members and other visitors alleging exposure to potentially harmful substances that may be present within our gym sites. We may not be able to successfully defend against such claims or regulatory proceedings or our insurance coverage may be insufficient to cover the costs of such claims. Any such actions may also lead to negative publicity for us and adversely affect our ability to attract new and retain existing members, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

New laws, regulations and licensing regimes or changes in existing laws and regulations, particularly those relating to environmental protection, health and safety, labor and employment, tax, competition, consumer protection, marketing and advertising practices, privacy and information security, may require extensive system and/or operating changes that may be difficult to implement and could increase our operating expenses or subject us to additional costs, fines or other penalties. For example, a change in the VAT or other tax regimes applicable, or the application thereof, to our business may result in uncertainty, disruption to operations and implementation costs, which we may not be able to pass on to our customers. Compliance with, or any violation of, current and future laws, regulations or licensing regimes could require material expenditures by us, expose us to government enforcement action and claims by members or otherwise materially adversely affect our business, financial condition, results of operations and prospects.

Failure to comply with data protection legislation or a security breach or system failure in our technical or information technology infrastructure could result in significant harm to us.

In the ordinary course of business, we collect, transmit and store member and employee data, including dates of birth, bank account details and other highly sensitive personally identifiable information (including information about their physical health), in information systems that we maintain. We have a large membership database made up of prospective, current and former members. This data could be an attractive target for cyber-attack by malicious third parties with a wide range of motives and expertise, including organized criminal groups, hackers, disgruntled current or former employees and others. The protection of such member and employee data is critical to us.

Furthermore, our use of this information is subject to numerous laws, regulations and standards designed to protect sensitive or confidential client and employee data, including, among others, the UK Data Protection Act 1998 (the "**DPA**") and the UK Payment Card Industry Data Security Standard ("**PCI DSS**"), which impose significant compliance obligations. The new EU-wide General Data Protection Regulation (the "**GDPR**") will become applicable on May 25, 2018. It will be substantively transposed into UK law by a Data Protection Act, replacing the current DPA. The GDPR will implement more stringent operational requirements for controllers and processors of personal data, including, for example, expanded disclosures about how personal information is to be used. Regulators will also have the ability to impose larger fines of up to €20 million or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. The GDPR provides that EU member states may make their own further laws and regulations limiting the processing of certain types of data (e.g. health data), which could further limit our ability to use and share personal data.

We use a third party based in the US for marketing purposes, which may involve the processing of our member data, and thus, we are also subject to the evolving EU laws on data export. We rely on a mixture of mechanisms for the transfer of data to and from our EU business to the United States, and could be impacted by changes in law as a result of the current challenges to these mechanisms in the European courts, for example in 2015, the Court of Justice of the European Union invalidated the US EU Safe Harbor framework regarding the transfer of personal data from the EU to the US. Although the US and EU negotiators agreed to a new framework in February 2016, there is currently litigation against this new framework as well as other challenges to EU mechanisms for data transfers, and there can be no assurance that the outcome of the litigation and new agreements will not impact our business or results of operations.

We also use cookies and similar technology for online behavioral advertising. In the UK, informed consent is required for the placement of a cookie on a user's device. The current EU laws that cover the use of cookies and similar technology and direct marketing are under reform. Regulation of cookies and web beacons may lead to broader restrictions on our research activities, including efforts to understand users' Internet usage and attract prospective users. Such regulations may increase the costs for collecting or using online usage information, increase regulatory scrutiny and increase the potential for civil liability under consumer protection laws. Similarly, changes to direct marketing rules may also have a significant effect on how we market to prospective and current members.

Compliance with evolving privacy and security laws, requirements and regulations may result in cost increases due to necessary systems changes, new limitations or constraints on our business models and the development of new administrative processes. Although we monitor the changes in law in this regard closely and make an effort to ensure compliance, there can be no assurance that we will be in compliance at all times, and this could lead to governmental enforcement actions, litigation, fines and penalties or adverse publicity, which could have an adverse effect on our reputation and business.

Despite the security measures we have in place to comply with applicable laws, regulations and standards, our facilities and systems, and those of our third-party providers, may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, misplaced or lost data, cyber fraud, programming and human errors or other similar events. A breach of data protection legislation involving the unlawful processing, misappropriation, loss or other unauthorized disclosure of sensitive or confidential member information, including the use of such information for direct marketing purposes, whether by us, one of our sub-contractors or service providers or an unrelated party, could result in regulatory action, compensation claims, fines of up to €20 million or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, potential loss of business and adverse publicity. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be adversely affected by licensing regimes, tariffs or taxes.

Any significant increase in the rates, taxes and other costs and tariffs levied by local municipalities where our gyms are located or by the UK government could have a material adverse effect on our profitability and financial condition if we are unable to control costs in other areas. We have no control over the amounts levied and could experience increases in the future. Compliance with and future changes to relevant planning laws and building regulations, or the requirement to pay increased regulatory rates and taxes, could restrict or delay our expansion plans or increase our costs. In addition, when modernizing, refurbishing or expanding existing gyms or opening new gyms, we may require change of use or planning consents from local authorities. Any inability or delays in receiving such consents could delay or inhibit our refurbishment, extension or new gym opening plans or increase costs associated with these plans. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks relating to the Notes, the Guarantees and the Collateral

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes.

We are highly leveraged and the issuance of the Notes will increase our leverage significantly. As of September 30, 2017, on a *pro forma* basis after giving effect to the Transactions, including the

Offering and the application of the proceeds therefrom, we would have had total senior debt of £364.8 million, including indebtedness under the Notes and certain finance leases. See "*Capitalization*".

The degree to which we will be leveraged following the issuance of the Notes could have important consequences to holders of the Notes offered hereby, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- making us vulnerable to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund new debt portfolio purchases, working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

Despite our substantial leverage, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our business.

The terms of the Indentures will permit the Issuer and its restricted subsidiaries to incur substantial additional indebtedness, including in respect of committed borrowings of up to £60.0 million under the Revolving Credit Facility and additional Notes issued by the Issuer. The new debt that we incur in the future, including for example in connection with acquisitions, may rank *pari passu* with, be structurally senior to, or be secured by assets that do not form part of the Collateral for the Notes and the Guarantees. Any such additional indebtedness could mature prior to the Notes. We may also enter into qualified securitization facilities, pursuant to which we would pledge receivables that either do not form part of the Collateral or would be released from the Collateral in connection with any such program. Although the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the Indenture will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. Furthermore, if we are able to designate some of our restricted subsidiaries under the Revolving Credit Facility and the Indenture as unrestricted subsidiaries, those unrestricted subsidiaries would be permitted to borrow beyond the limitations specified in the Indenture and engage in other activities in which restricted subsidiaries may not engage. See "*Description of Notes*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*". If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase.

We may not be able to generate sufficient cash to service our indebtedness and may be forced to take other actions to meet our obligations under our indebtedness, which may not be successful.

After the issuance of the Notes, we will have significant debt service obligations. Our ability to make principal or interest payments when due on our indebtedness, including our drawings under the Revolving Credit Facility and the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors, many of which are beyond our control. See "*Risk Factors—Risks relating to our business*". If cash generated by our subsidiaries is insufficient, we may need to draw on our Revolving Credit Facility to make interest payments on the Notes

The Revolving Credit Facility will mature in 2024 and the Notes will mature in 2025. See "*Description of Certain Financing Arrangements*" and "*Description of Notes*". At the maturity of loans outstanding under the Revolving Credit Facility and of the obligations under the Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business obligations, activities or capital expenditures, sell assets, raise additional debt or equity financing in amounts that could be substantial, or restructure or refinance all or a portion of our debt, including the Notes, on or before maturity. We cannot guarantee that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that those actions would secure sufficient funds to meet our obligations under our indebtedness.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time as well as on many factors outside of our control, including then prevailing conditions in the international credit and capital markets. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants. The terms of existing or future debt instruments and the Indenture and the Revolving Credit Facility Agreement may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

In the absence of operating results and resources sufficient to service our indebtedness we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including the terms of the Indenture and the Revolving Credit Facility Agreement, will restrict our ability to transfer or sell assets and the use of proceeds from any such disposal. We may not be able to carry out certain disposals or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations.

Drawings under the Revolving Credit Facility will bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

Drawings under the Revolving Credit Facility will, and future indebtedness that we may incur could, bear interest at floating rates of interest per annum equal to LIBOR (or in relation to advances in euro, EURIBOR), as adjusted periodically, plus a spread. These interest rates could rise significantly in the future. Although we may enter into certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

The Issuer is a holding company that has no revenue-generating operations of its own and depends on cash received from our operating companies to be able to make payments on the Notes.

The Issuer is a holding company with no independent business operations or significant assets other than investments in its subsidiaries. The Issuer's material liabilities will include the Notes, obligations under the Revolving Credit Facility Agreement, liabilities under the Subordinated Shareholder Funding and any additional debt it may incur in the future. See "*Description of Notes*" and "*Description of Certain Financing Arrangements*". The Issuer depends upon the receipt of sufficient funds from its subsidiaries to meet its obligations.

Various agreements governing our debt may restrict and, in some cases may prohibit, the ability of these subsidiaries to make cash distributions or dividends. Applicable tax laws may also subject such payments to further taxation. The ability of the direct or indirect subsidiaries of the Issuer to pay dividends or to make other payments or advances will depend on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject and, in some cases, receipt of such payments or advances may be subject to onerous tax consequences. Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In addition, the subsidiaries of the Issuer that do not guarantee the Notes have no obligation to make payments with respect to any of the Notes.

The inability to transfer cash among entities may mean that, even though the entities, in aggregate, may have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from one entity to another entity in order to make payments to the Issuer in order for it to meet its obligations under the Notes.

The Indenture governing the Notes and the agreement governing our Revolving Credit Facility impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and restrict our ability to operate our business.

The Indenture governing the Notes contains, and the documentation governing our Revolving Credit Facility contains, customary restrictions on our activities, including covenants that limit our and our restricted subsidiaries' ability to:

- transfer or sell assets or use asset sale proceeds;
- incur or guarantee additional debt or issue preferred equity securities;
- pay dividends, redeem subordinated debt or make other restricted payments;
- make certain investments;
- create or incur certain liens on our assets;
- incur dividend or other payment restrictions affecting our restricted subsidiaries;
- enter into certain transactions with affiliates;
- merge, consolidate or transfer all or substantially all of our assets; and
- take or omit to take any actions that would adversely affect or impair in any material respect the collateral securing the Notes.

Our ability to borrow under our Revolving Credit Facility will be subject to compliance with these covenants as well a senior secured net leverage financial covenant applicable under some circumstances. In the event we breach our financial covenants, we would be in default under our Revolving Credit Facility, which could allow the lender to declare all amounts outstanding under our Revolving Credit Facility to become due and payable. Additionally, an acceleration event under one debt instrument could allow for acceleration under other debt instruments with cross-acceleration provisions (including the Notes). If this happens, there would be a material adverse effect on our financial position and results of operations.

Further, the restrictions in the Indenture governing the Notes and in the agreement governing our Revolving Credit Facility may prevent us from taking actions that we believe would be in the best interest of our business, and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We also may incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility. We cannot assure you that we will be granted waivers or amendments to these agreements if for any reason we are unable to comply with these agreements, or that we will be able to refinance our debt on terms acceptable to us, or at all. The breach of any of these covenants and restrictions could result in a default under the Indenture governing the Notes or under the agreement governing our Revolving Credit Facility. An event of default under our Revolving Credit Facility could permit some of our lenders to declare all amounts borrowed from them to be due and payable.

The Notes will be structurally subordinated to the liabilities of non-Guarantor subsidiaries.

As of the Issue Date, the Notes will be guaranteed by the Guarantors. Certain of our subsidiaries are not expected to guarantee the Notes. Such subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of debt or preferred stock of, and trade creditors of, non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payment of their claims from the assets of such subsidiaries before these assets are made available for distribution to the direct or indirect shareholder of any such subsidiary. Accordingly, in the event that any non-Guarantor subsidiary becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer (including the holders of the Notes) and the Guarantors will have no right to proceed against the assets of such subsidiary; and
- the creditors of such non-Guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As of September 30, 2017, after giving *pro forma* effect to the Transactions, our non-Guarantor subsidiaries would not have had any third-party financial indebtedness. The consolidated financial statements included in this Offering Memorandum refer to the Group and therefore contain information on both Guarantors and non-Guarantors. As of the Issue Date, the Guarantors will constitute substantially all of our Group Adjusted EBITDA. If in the future our non-Guarantor subsidiaries constitute a material portion of our operations then our consolidated financial statements may be of limited use in assessing the results of operations and financial position of the Issuer and the Guarantors.

The claims of the holders of the Notes are effectively subordinated to the rights of our future secured creditors to the extent of the value of the assets securing such indebtedness which does not constitute Collateral.

The Notes will only be secured by the Collateral. The Indenture will provide for a negative pledge but will allow us and our restricted subsidiaries, subject to specified limitations, to incur secured indebtedness that will be effectively senior to the Notes to the extent of the value of the non-collateral assets that secure that indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, the proceeds from the sale of non-collateral assets securing any indebtedness will be available to pay obligations on the Notes only after all such secured indebtedness (including claims preferred by operation of law) has been paid in full. As a result, holders of Notes may receive less, ratably, than holders of indebtedness secured by assets that do not constitute Collateral.

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically without your consent or the consent of the Trustee.

Under various circumstances, the Guarantees and the Collateral securing the Notes will be released automatically. In addition, if the Security Agent sells Collateral comprising the shares of subsidiaries that provide Collateral or Guarantees as a result of an enforcement action in accordance with the Intercreditor Agreement, then claims under the Security Documents and the Guarantees may be released. Your ability to recover on the Notes could be materially impaired in such circumstances. See "*Description of Notes—Security—Release of Liens*", "*Description of Certain Financing Arrangements—Intercreditor Agreement—Release and/or Transfer of Claims and Liabilities in Respect of the Permitted Senior Financing Debt and the Notes and the Transaction Security—Non-Distressed Disposals*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement—Release and/or Transfer of Claims and Liabilities in Respect of the Permitted Senior Financing Debt and the Notes and the Transaction Security—Distressed Disposals*".

The Intercreditor Agreement will also provide that the Collateral securing the Notes may be released and retaken in connection with certain corporate reorganizations and the incurrence at additional secured indebtedness. In certain jurisdictions, including England and Wales, such a release and retaking of Collateral may give rise to the start of a new "hardening period" in respect of such

Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of such Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of such Collateral and thus reduce your recovery under the Notes. The Intercreditor Agreement will also provide that the Guarantees and the security interests in the Collateral will be subject to release in connection with a distressed disposal. See "*Description of Certain Financing Arrangements—Intercreditor Agreement—Release and/or Transfer of Claims and Liabilities in Respect of the Permitted Senior Financing Debt and the Notes and the Transaction Security—Distressed Disposals*".

Additionally, even though the holders of Notes will share in the Collateral with the creditors under the Revolving Credit Facility, the creditors under the Revolving Credit Facility will receive the proceeds of the enforcement of the Collateral in priority to the holders of the Notes and, under certain circumstances, the creditors under the Revolving Credit Facility and the counterparties to certain of our hedging obligations, if any, will control enforcement actions with respect to the Collateral through the Security Agent, whether or not the holders of the Notes agree with those actions. See "*—Holders of the Notes will not control certain decisions regarding the Collateral and other distressed disposals".*

The Collateral may not be sufficient to secure the obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances.

The Notes will be secured by security interests in the Collateral as described in this Offering Memorandum, which Collateral will also secure our obligations under the Revolving Credit Facility Agreement. Creditors under the Revolving Credit Facility (and counterparties under certain hedging agreements, if any) will receive the proceeds of the enforcement of the Collateral in priority to the holders of the Notes. Upon a refinancing of the Revolving Credit Facility, or if the lenders under the Revolving Credit Facility Agreement consent to an increase of the commitments under the Revolving Credit Facility Agreement, or if we exercise our right to incur additional priority debt and/or hedging obligations, the amount that will benefit from super priority interests in the Collateral may be increased, subject to the limits imposed under the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement. The Collateral may also secure additional debt ranking *pari passu* with the Notes to the extent permitted by the terms of the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement. Your direct and indirect rights to the Collateral may therefore be diluted by any increase in the super-priority debt secured by the Collateral, an increase in obligations secured on a *pari passu* basis with the Notes, or a reduction of the Collateral securing the Notes.

The book value of the Collateral should not be relied on as a measure of realizable value for such assets. No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the Offering. The fair market value of the Collateral is subject to fluctuations based on factors that include, among others, our ability to implement our business strategy, whether or not the business is sold as a going concern, the ability to sell the Collateral in an orderly sale, general economic conditions, the availability of buyers, whether any approvals required to purchase the business would be available to a potential buyer and similar factors. Hence, the amount to be received upon a sale of any Collateral would be dependent on numerous factors, including but not limited to the actual fair market value of the Collateral at such time, general market and economic conditions and the timing and the manner of the sale.

There also can be no assurance that the Collateral will be sellable and, even if sellable, the timing of any liquidation or foreclosure is uncertain. To the extent that liens, rights or easements granted to third parties encumber assets located on property owned by us, such third parties have or may exercise rights and remedies with respect to the property subject to such liens that could materially adversely affect the value of the Collateral and the ability of the Security Agent to realize or foreclose on the Collateral. By the nature of our business, some or all of the Collateral may be illiquid and may have no readily ascertainable market value. Also, certain of our contracts, including the Indenture and the Revolving Credit Facility Agreement, include a change of control clause, which may be triggered by enforcement of Collateral and limit the value of the Collateral.

In the event that a bankruptcy case is commenced by or against us, if the value of the Collateral is less than the amount of principal and accrued and unpaid interest on the Notes and other senior secured obligations, interest may cease to accrue on the Notes from and after the date the bankruptcy petition is filed. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of the Collateral will be sufficient to pay the obligations due under the Notes. If the proceeds of any enforcement (including, where applicable, a sale) of Collateral are not sufficient to repay all amounts due on the Notes (to the extent not repaid from the proceeds of the sale of the Collateral), you would only have a senior unsecured claim against the Issuer's remaining assets.

The Indenture will also permit the granting of certain liens other than those in favor of the holders of the Notes on the Collateral, such as certain pre-existing or statutory liens. Holders of such other secured indebtedness may have rights and remedies which, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. Moreover, if we issue additional Notes, holders of such additional Notes would benefit from the same Collateral as the holders of the Notes, thereby diluting such holder's ability to benefit from the Collateral.

Under certain circumstances, following a tender offer or offer to purchase the Notes, the Issuer may, at its option, redeem the Notes of non-tendering holders.

If, pursuant to any tender offer or other offer to purchase all of the Notes, holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not withdraw such Notes, the Indenture will permit the Issuer, at its option, to redeem the remaining outstanding Notes at a price equivalent to that paid pursuant to such purchase or tender offer. As a consequence, you may be required to surrender the Notes against your will at a price below par, and may not receive the return you expect to receive on the Notes. See "*Description of Notes—Optional Redemption*".

Holders of the Notes will not control certain decisions regarding the Collateral and other distressed disposals.

The Notes and the Guarantees will be secured on a first-priority basis by the same Collateral securing the obligations under Revolving Credit Facility. In addition, under the terms of the Indentures, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral on a *pari passu* or on a super priority basis relative to the Notes.

Pursuant to the Intercreditor Agreement, lenders under the Revolving Credit Facility, providers of certain additional super senior indebtedness, certain hedging obligations, the Security Agent, any receiver and certain creditor representatives, including the Trustees, are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale and all amounts received by the Security Agent pursuant to the turnover provisions of the Intercreditor Agreement in priority to the Notes. As such, in the event of a foreclosure of the Collateral or any other distressed disposal, you may not be able to recover on the Collateral if the aggregate of the then outstanding claims under super senior indebtedness are greater than or equal to the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor and all amounts received by the Security Agent pursuant to the turnover provisions of the Intercreditor Agreement will, after all obligations under super senior indebtedness have been discharged from such recoveries, be applied *pro rata* in repayment of the Notes, any other obligations secured by the Collateral which are permitted to rank *pari passu* with the Notes and certain non-priority hedging obligations.

The Intercreditor Agreement provides that a common Security Agent, who will also serve as the security agent for the lenders under the Revolving Credit Facility, the hedging obligations which are permitted to be secured on the Collateral, the holders of the Notes and the creditors of any additional debt secured by the Collateral permitted to be incurred by the Revolving Credit Facility Agreement and the Indenture, will act only as provided for in the Intercreditor Agreement and the security documents. The Intercreditor Agreement also regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an Instructing Group (as defined below under "*Description of Certain Financing Arrangements—Intercreditor Agreement*") that comprises (i) creditors holding in aggregate more than 66⅔% of the aggregate commitments under the Revolving Credit Facility, the aggregate commitments under any super senior Credit Facility and the aggregate of hedging exposures under certain priority hedging obligations (the "**Majority Super Senior Creditors**") and (ii) creditors holding in aggregate more than 50% of the outstanding principal amount of the Notes and the outstanding principal amount of any indebtedness ranking *pari passu* with the Notes (the "**Majority Senior Secured Creditors**") (in each case, except for any hedge counterparties, acting through their respective creditor representative). If, however, before the discharge of all super senior obligations, the Security Agent has received conflicting enforcement instructions from the creditor representatives (and for these purposes, silence is deemed to be a conflicting instruction) then, to the extent the instructions from the Majority Senior Secured Creditors (to the extent given) comply with the initial consultation requirements and the security enforcement principles set forth in the Intercreditor Agreement (one of which states that the primary and overriding objective of an enforcement of security over the Collateral is the maximization, so far as is consistent with prompt and expeditious realization of value, of recoveries by the Super Senior Creditors and the Senior Secured Creditors (each as defined below under "*Description of Certain Financing Arrangements—Intercreditor Agreement*")), the Security Agent will comply with the instructions from the Majority Senior Secured Creditors, provided that if the super senior liabilities have not been fully discharged within six months, or no enforcement action has occurred within three months of the date on which the first such enforcement instructions were issued, then the instructions of the Majority Super Senior Creditors will prevail. To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Notes, the voting interest of the holders of the Notes in an instructing group will be diluted commensurately with the amount of indebtedness we incur.

The lenders under our super senior indebtedness may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies in respect of the Collateral at a time when it would be disadvantageous for the holders of the Notes to do so.

In addition, if the Security Agent sells Collateral comprising the shares of any subsidiary of the Issuer as a result of an enforcement action or other distressed disposal in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees, as applicable, against, and the liens over any other assets of, such entities and any subsidiaries of such entity securing the Notes and Guarantees may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*", "*Description of Notes—Guarantees—Release of Guarantee*" and "*Description of Notes—Security—Release of Liens*".

The Issuer and the Guarantors will have control over the Collateral and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents will, subject to the terms of the Indenture and the Revolving Credit Facility Agreement, allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral to the extent it relates to their assets. So long as no enforcement event has occurred or would result therefrom, the Issuer and the Guarantors may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, modifying or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Collateral in the case of an enforcement of the liens on the Collateral.

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture and the change of control provisions contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events and change of control events.

Upon the occurrence of certain events constituting a "change of control" under the Indenture, the Issuer is required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in the Revolving Credit Facility Agreement, the Intercreditor Agreement or our other existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or the acceleration or mandatory prepayment of, the Revolving Credit Facility and other indebtedness. Furthermore, the repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes, following the occurrence of a change of control, may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon the occurrence of a change of control. We cannot assure you that we would be able to obtain such financing.

Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the Revolving Credit Facility Agreement and certain other indebtedness. See "*Description of Notes—Repurchase at the Option of Holders—Change of Control*".

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger, recapitalization or other similar transaction involving us that may materially adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" (as defined in the Indenture).

In addition, the occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control if *pro forma* for such change of control the consolidated net leverage ratio of the Issuer and its restricted subsidiaries does not exceed a certain threshold as defined in "*Description of Notes—Certain Definitions—Specified Change of Control Event*".

The definition of "Change of Control" in the Indenture includes a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise, established definition of that phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Your rights in the Collateral may be materially adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The security interests in the Collateral securing the Notes and the Guarantees may not be perfected with respect to the claims of the Notes or Guarantees if we fail or are unable to take the actions required to perfect any of these security interests. Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest or the holder of the security interest having difficulty enforcing such holder's rights in the Collateral with regard to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property and equipment, only be perfected at or promptly following the time such property and rights are acquired and identified. None of the Trustee or the Security Agent has any obligation to monitor the acquisition of additional property or rights that constitute Collateral or the perfection of, or to take steps to perfect, any security interest in the Notes against third parties.

The insolvency and administrative laws of England and Wales may not be as favorable to creditors, including investors in the Notes, as the insolvency laws of the jurisdictions with which you are familiar and may limit your ability to enforce your rights under the Notes, the Guarantees or the security interests in the Collateral.

The Notes will be issued by the Issuer and guaranteed by the Guarantors, which are organized and existing under the laws of England and Wales. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in England and Wales. In addition, certain security interests will be granted in favor of the Notes in England and Wales. The bankruptcy, insolvency, administrative and other laws of England and Wales may be materially different from, or in conflict with, those of the United States or other jurisdictions with which you are familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post commencement interest and duration of the proceedings.

Although laws differ among these jurisdictions, in general, applicable fraudulent transfer and conveyance laws and equitable principles, insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Notes against the Issuer, the enforceability of a Guarantee against a Guarantor and the enforceability of the security interests in the Collateral. Courts may also in certain circumstances avoid the security interest or the Guarantees where the debtor is close to or near insolvency.

See "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—England and Wales*" for more information on the insolvency laws of England and Wales.

You may not be able to recover in civil proceedings for US securities law violations.

The Issuer and the Guarantors are companies incorporated outside the United States. All of our directors and executive officers and the directors and executive officers of the Guarantors are non-residents of the United States. Although the Issuer and the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under US securities laws, you may be unable to effect service of process within the United States on our directors and executive officers or the directors and executive officers of the Guarantors. In addition, as all of our assets and those of our directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the US courts predicated upon civil liability provisions of the federal securities laws of the United States. In addition, we cannot assure you that an English court would accept jurisdiction and impose civil liability if the original action were commenced in England and Wales instead of the United States, predicated solely upon US Federal securities laws or other laws. See "*Limitations on Validity of Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*".

The transferability of the Notes may be limited under applicable securities laws.

The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable securities laws of any state or any other jurisdiction. See "*Transfer Restrictions*". We have not agreed to or otherwise undertaken to register the Notes or conduct an exchange offer for registered notes, and do not have any intention to do so. It is the obligation of holders of the Notes to ensure that their purchase and any subsequent transfer of the Notes within the United States and other countries comply with applicable securities laws.

An active trading market may not develop for the Notes or may have limited liquidity.

We cannot assure you as to the liquidity of any market in the Notes, your ability to sell your Notes or the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be materially adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application is expected to be made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "**Exchange**"), the Notes may not become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Official List of the Exchange, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes from the Official List of the Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

In addition, the Indenture will allow us to issue additional notes in the future, which could materially adversely impact the liquidity of the Notes.

We have been informed by the Initial Purchasers that they intend to make a market for the Notes after the Offering is completed. Nevertheless, the Initial Purchasers are not obligated to do so and may cease their market making activity at any time without notice. In addition, such market making activity will be subject to limitations imposed by the Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may materially adversely affect the cost and terms and conditions of our financings and could materially adversely affect the value and trading of the Notes.

Investors may face foreign exchange risks by investing in the Notes.

The Notes offered hereby are denominated and payable in pounds sterling. If you measure your investment returns by reference to a currency other than pounds sterling, an investment in the Notes will entail foreign exchange risks related to, among other factors, possible significant changes in the value of the pound sterling relative to the currency by reference to which you measure the return on your investments because of economic, political and other factors over which we have no control. Depreciation of the pound sterling against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes, below the stated coupon rate and could result in a loss to you when the return on the Notes, as applicable, is translated into the currency by reference to which you measure the return on your investments. There may be tax consequences for you as a result of any foreign exchange gains or losses resulting from an investment in the Notes.

The Notes will initially be held in book entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until definitive notes are issued in exchange for book entry interests in the Notes (which will only occur in very limited circumstances), owners of the book entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for the accounts of Euroclear and Clearstream will be the sole registered holder of the Notes in global form. Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to the Principal Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, such payments will be credited to Euroclear and Clearstream participants' accounts that hold book-entry interests in the Notes in global form and credited by such participants to indirect participants. After payment to the common depositary, we and the Trustee will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book entry interest in the Notes, you must rely on the procedures of Euroclear or Clearstream, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture. See "*Book-Entry, Delivery and Form*".

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Notes, including enforcement of security for the Notes. Instead, if you own a book-entry interest, you will be reliant on the common depositary (as registered holder of the Notes) to act on your instructions and/or will be permitted to act directly only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book entry interests, if you own a book entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

The interests of our sponsor may conflict with the interests of the holders of Notes.

The interests of our sponsor may, in certain circumstances, conflict with your interests as a holder of Notes. Our sponsor and its affiliates control the Issuer. As a result, it has, and will continue to have, the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operations. Our sponsor may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, will enhance its equity investments, although such transactions might involve risks to you as a holder of Notes. For example, our sponsor could vote to cause us to incur additional indebtedness, to sell certain material assets or pay dividends, in each case so long as the Indenture so permits. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate sales, each of which could adversely affect you as a holder of Notes. In addition, our sponsor may, in the future, own businesses that directly compete with ours or do business with us.

Investors in the Notes may have limited or no recourse against the independent auditors.

In respect of the auditors' reports relating to our consolidated financial statements reproduced herein, PricewaterhouseCoopers LLP, our independent accountants, states the following: "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".

Investors in the Notes should understand that, in making these statements, the independent accountants confirmed that they do not accept or assume any liability to parties (such as the purchasers of the Notes) other than us with respect to the report and to the independent accountants' audit work and opinion. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the US Securities Act, or in a report filed under the US Exchange Act. If a US court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent accountants based on their report or the combined and consolidated financial information to which they relate could be limited.

USE OF PROCEEDS

The gross proceeds of the Offering of the Notes are expected to be £360.0 million. We will use the proceeds from the Offering to repay amounts drawn under the Bridge Facility.

Sources and uses for the transactions

The estimated sources and uses of the Offering are set out in the table below. The actual amounts set forth in the table are subject to adjustment and may differ at the time of the consummation of the Offering, depending on several factors, including differences from our estimate of fees and expenses.

Sources	(£ millions)	Uses	(£ millions)
Notes offered hereby	360.0	Repayment of the Bridge Facility[(1)]	360.0
Cash from Group balance sheet	30.0	Transaction fees, expenses and other payments[(2)]	30.0
Total sources	**390.0**	**Total uses**	**390.0**

(1) Represents the full repayment of the principal amount outstanding under the Bridge Facility on the Issue Date, excluding accrued and unpaid interest.

(2) Represents an estimate of the costs, fees and expenses incurred in connection with the Transactions, including with respect to the Acquisition, fees payable in connection with the Bridge Facility and Revolving Credit Facility, fees payable in connection with the Offering of the Notes and accrued and unpaid interest on the Bridge Facility and other payments incurred on completion of the Transactions. Actual costs, fees and expenses may vary and certain of the costs, fees and expenses were paid prior to and may be payable after the Issue Date.

CAPITALIZATION

The following table sets forth on a consolidated basis cash and cash equivalents and the capitalization of:

- the Group, on a historical basis, derived from the Group's unaudited consolidated financial information as of September 30, 2017, appearing elsewhere in this Offering Memorandum; and
- the Issuer, as adjusted to give effect to the consummation of the Acquisition and refinancing of existing debt of the Group, the drawing of the loan under the Bridge Facility, the offering of the Notes and the use of proceeds therefrom as described in "*Use of Proceeds*" as if each had occurred on September 30, 2017.

You should read the following table in conjunction with the Financial Statements "*Use of Proceeds*", "*Management's Discussion and Analysis of Our Financial Condition and Results of Operations*", "*Description of Certain Financing Arrangements*" and the financial information and related notes included elsewhere in this Offering Memorandum.

Except as set forth below and the drawings under the Bridge Facility to consummate the Acquisition, there have been no other material changes to the Group's capitalization since September 30, 2017.

	As of September 30, 2017	
(£ millions)	**Actual**	**As Adjusted**
Cash and cash equivalents(1)	**31.1**	**1.1**
Debt:		
Existing senior facility of the Group(2)	215.0	—
Revolving Credit Facility(3)	—	—
Notes offered hereby(4)	—	360.0
Finance leases	4.8	4.8
Total senior debt(5)	**219.8**	**364.8**
Existing shareholder indebtedness of the Group(6)	182.7	—
Subordinated shareholder funding(7)	—	288.5
Total equity(8)	**(70.5)**	**292.4**
Total capitalization(9)	**332.0**	**657.2**

(1) Cash and cash equivalents is as reported in the Group's unaudited consolidated financial information as of September 30, 2017, included elsewhere in this Offering Memorandum. Cash and cash equivalents as adjusted gives effect to the use of £30.0 million from the Group balance sheet to pay certain Transaction fees, miscellaneous expenses and other payments incurred on completion of the Transactions.

(2) Represents £215.0 million outstanding under the Group's pre-Acquisition senior credit facility, which was refinanced on the Acquisition Date.

(3) In connection with the Offering, the Issuer entered into a revolving credit facility agreement, with Barclays Bank PLC, Jefferies Finance LLC, Royal Bank of Canada, Credit Suisse AG, London Branch and ING Bank N.V., London Branch, as mandated lead arrangers, Barclays Bank PLC, as facility agent, and Deutsche Bank AG, London Branch, as security agent, providing for a revolving credit facility in an aggregate principal amount of £60 million. The terms of the Revolving Credit Facility are described further under "*Description of Certain Financing Arrangements—Revolving Credit Facility*". We expect to have utilized as of the Issue Date a portion of the Revolving Credit Facility's £10.0 million overdraft facility for working capital and general corporate purposes.

(4) Represents the aggregate principal amount of the Notes offered hereby, without giving effect to unamortized debt issuance costs.

(5) As of September 30, 2017, total senior debt comprised the existing senior facility of the Group and obligations under finance leases. As adjusted to give effect to the Transactions, total senior debt comprises the Notes and obligations under finance leases.

(6) Represents (i) £134.4 million outstanding under shareholder loan notes, including principal and accrued and unpaid interest, and (ii) £48.3 million outstanding amount preference share capital, including accrued and unpaid interest, each of which were refinanced on the Acquisition Date.

(7) In connection with the Acquisition, the Issuer incurred £288.5 million in subordinated shareholder indebtedness in the form of £10.6 million shareholder loan notes and £278.0 million through an intercompany loan from Pinnacle Midco 2 Limited, each of which will be subordinated under the terms of the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of Certain Financing Arrangements—Subordinated Shareholder Funding*".

(8) Total equity (actual) is as reflected in the Group's unaudited consolidated financial information as of September 30, 2017. Total equity (as adjusted) is calculated as the sum of the subordinated shareholder funding and £3.9 million of new equity funding contributed in connection with the Transactions. Total equity (as adjusted) refers to the total equity of the Issuer, is calculated independently from the total equity (actual) of the Group and may differ from the total equity in the audited financial statements of the Issuer for the year ended December 31, 2017.

(9) Total capitalization (actual) comprises total senior debt, existing shareholder indebtedness of the Group, subordinated shareholder funding and total equity. Total capitalization (as adjusted) comprises total senior debt and total equity.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Consolidated statement of comprehensive income

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2014	2015	2016	2016	2017	2017
			(£'000s)			
Revenue	68,631	125,201	159,937	117,236	146,580	189,281
Other administrative expenses	(60,976)	(111,665)	(144,498)	(108,231)	(118,988)	(155,255)
Exceptional administrative expenses	(2,237)	(10,654)	(12,712)	(9,020)	(1,956)	(5,648)
Administrative Expenses	(63,213)	(122,319)	(157,210)	(117,251)	(120,944)	(160,903)
Operating profit	**5,418**	**2,882**	**2,727**	**(15)**	**25,636**	**28,378**
Finance income	63	48	44	7	34	71
Finance costs	(16,695)	(26,070)	(30,571)	(22,529)	(24,731)	(32,773)
Profit/(Loss) before income tax	**(11,214)**	**(23,140)**	**(27,800)**	**(22,537)**	**939**	**(4,324)**
Income tax credit/(expense)	364	1,806	8,035	8,289	(2,391)	(2,645)
Loss for the period	**(10,850)**	**(21,334)**	**(19,765)**	**(14,248)**	**(1,452)**	**(6,969)**

Consolidated statement of financial position

	As of December 31,			As of September 30,
	2014	2015	2016	2017
			(£'000s)	
Non-current assets	186,438	314,640	349,848	352,434
Current assets	16,907	27,888	28,331	43,715
Total assets	**203,345**	**342,528**	**378,179**	**396,149**
Current liabilities	(70,228)	(107,015)	(111,976)	(119,233)
Non-current liabilities	(161,145)	(284,825)	(335,275)	(347,428)
Total liabilities	**(231,373)**	**(391,840)**	**(447,251)**	**(466,661)**
Net liabilities	**(28,028)**	**(49,312)**	**(69,072)**	**(70,512)**
Total shareholders' equity	**(28,028)**	**(49,312)**	**(69,072)**	**(70,512)**

Consolidated cash flow statement data

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
			(£'000s)		
Net cash generated from operating activities	21,984	9,139	19,568	10,034	35,914
Net cash used in investing activities	(35,237)	(94,513)	(51,968)	(45,400)	(23,431)
Net cash generated from financing activities	12,158	83,036	39,184	39,396	4,134
Net increase/(decrease) in cash and cash equivalents	**(1,095)**	**(2,338)**	**6,784**	**4,030**	**16,617**
Cash and cash equivalents on the first day of the period	11,135	10,040	7,702	7,702	14,486
Cash and cash equivalents at end of period	**10,040**	**7,702**	**14,486**	**11,732**	**31,103**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial information in this Offering Memorandum is the historical consolidated financial information of Gym Topco Limited and its consolidated subsidiaries.

The following is a discussion and analysis of the results of consolidated operations and financial condition of the Group as of and for the years ended December 31, 2016, 2015 and 2014 and for the nine months ended September 30, 2017 and 2016. Accordingly, the discussion and analysis of historical periods does not reflect the significant impact that the Transactions will have on us.

We prepared our consolidated financial statements as of and for the year ended December 31, 2014 in accordance with the Former UK GAAP. Our consolidated financial statements as of and for the years ended December 31, 2016 and 2015 have been prepared in accordance with IFRS, and have been audited by PricewaterhouseCoopers LLP. Accordingly, our consolidated financial statements as of and for the year ended December 31, 2015 presented certain prior-period results in accordance with IFRS for purposes of comparison. The financial information presented in this section for the year ended December 31, 2014 is the financial information provided in accordance with IFRS and was provided as comparative financial information in our consolidated financial statements as of and for the year ended December 31, 2015. For an analysis of the main adjustments and reclassifications, please see note 26 to the audited consolidated financial statements of the Group as of and for the year ended December 31, 2015, included elsewhere in this Offering Memorandum.

The following discussion of our results of operations and financial conditions contains forward-looking statements. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this document, particularly under the sections headed "Risk Factors", "Presentation of Financial and Other Data," and "Information Regarding Forward-Looking Statements". In addition, certain industry issues also affect our results of operations and are described in "Industry Overview".

Prospective investors should read this section in conjunction with "Presentation of Financial and Other Information," "Industry Overview," "Business" and "Selected Consolidated Financial Information" and "Capitalization". Prospective investors should read the entire document. The financial information considered in this section is extracted from the financial information set out in "Selected Consolidated Financial Information".

Overview

We are a value gym operator that opened our first gym in 2009 and have rapidly become the largest operator of gyms in the United Kingdom by number of gyms and members. As of September 30, 2017, we operated 186 gyms in cities and towns across the UK, including 47 gyms within greater London, and had 922,860 members. Our vision is to provide affordable, flexible, and "value-for-money" memberships to high quality gyms to all people in the UK who want to increase their level of fitness, as demonstrated by our inclusive "everybody welcome" philosophy.

We have a powerful and highly disruptive customer value proposition that is differentiated from traditional UK gym operators and appeals to a broad range of consumers. The key elements of the proposition include affordable membership fees, no fixed term contracts, and "24x7x365" access to high quality gyms. The proposition is underpinned by Pure Gym's differentiated low cost, capital efficient, and technology-enabled gym operating model, which enables our gyms to support high levels of membership, operate on low costs, and generate strong unit economics, cash flow conversion, and ROCE.

As a result of our disruptive customer value proposition and differentiated business model, Pure Gym has grown rapidly. For the year ended December 31, 2016, Pure Gym generated revenue of £159.9 million and Group Adjusted EBITDA of £47.2 million, representing a growth of 27.7% and 32.2%, respectively, as compared to the year ended December 31, 2015. In the twelve months ended September 30, 2017, Pure Gym generated revenue of £189.3 million and Group Adjusted EBITDA of £66.3 million, representing growth of 26.1% and 53.8%, respectively, as compared to the twelve months ended September 30, 2016.

Significant factors affecting our results of operations

This section discusses key factors that we believe have had a material effect on Pure Gym's results of operations and financial condition during the periods under review, as well as those that are reasonably likely to have a material effect on its results of operations and financial condition in the future.

Roll out of Pure Gyms

New gym openings have been a significant driver of our growth during the periods under review and our roll out strategy has had, and is expected to continue to have, a significant effect on our results of operations. We opened 24 gyms in 2014, 48 gyms in 2015 (including 11 LA Fitness Conversions), 38 gyms in 2016 (including 18 LA Fitness Conversions) and 16 gyms in the nine months ended September 30, 2017 (including two LA Fitness Conversions).

Pre-opening period

Prior to opening, each new gym typically undergoes a two to three-month long pre-opening period following commencement of the lease. During this period, construction of the gym is completed, a significant amount of marketing is conducted and discounted membership offers are typically made to attract new members. Pre-Opening Costs during the pre-opening period, which largely consist of staff costs, marketing expenses and rent, averaged £104,430 per New Gym opened in the year ended December 31, 2016 (excluding LA Fitness Conversions. See "—*LA Fitness acquisition*" for a discussion on LA Fitness Conversion Pre-Opening Costs). On average, for New Gyms opened over 2014 to 2016, 25% of Pre-Opening Costs were rent, while the remainder were other operating expenses, including staff costs and marketing expenses.

Maturity profile

Once a new gym opens, its membership base generally increases rapidly in the first three to six months eventually reaching mature levels after approximately 24 months. Revenue per member also increases as members who join following opening typically pay higher monthly membership fees than those on pre-opening offers. Growth in revenue per member is also supported by the expiration of pre-opening offers, which generally terminate between three and 12 months after opening, when members who remain on these offers receive an automatic price uplift. Together, these factors typically drive increases in revenue and result in growth in Gym Site Adjusted EBITDA as a significant proportion of gym operating and property costs are fixed.

We categorize a gym as a Mature Gym at the end of its second year of operation, as a gym's EBITDA tends to stabilize after 24 months, whereas during the first 24 months we usually see an increase in EBITDA. Typically, a gym's third year is the first full year during which it delivers an annual Mature Gym EBITDA. For example, we consider a gym that opened in August 2014 a Mature Gym for the year ended December 31, 2016, although its EBITDA tends to stabilize after August 2016. Accordingly, the period from January 1, 2017 to December 31, 2017 would be the first full financial year during which that gym delivers an annual Mature Gym EBITDA.

Financial Performance of New Gyms vs. Mature Gyms

Given Pre-Opening Costs and the time it takes a new gym to reach maturity, there are substantial differences between the financial performance of New Gyms and Mature Gyms. The following table shows select financial information for these two categories of gym portfolios for the periods indicated, as well as Average Mature Gym Return on Capital Employed ("**ROCE**") for each cohort of Mature Gym as of December 31, 2016. For information regarding the calculation of these items, see "*Presentation of Financial and Other Data—Non-IFRS Measures*". Mature Gym EBITDA and New Gym EBITDA figures exclude the results of the Unconverted LAF Gyms and Planned LAF Disposals.

	Year ended December 31,		
	2014	2015	2016
New Gym portfolio			
Total number of New Gyms	46	72	86
New Gym EBITDA(1) (£ million)	4.5	4.3	14.7
Average New Gym EBITDA(2) (£ million)	0.1	0.1	0.2
Average New Gym EBITDA Margin(3) (%)	18.1	12.6	22.9
Pre-Opening Costs included in New Gym EBITDA (£ million)	3.5	4.5	3.2
Average Initial Capital Investment for New Gyms (£ million)	1.1	1.2	1.2
Mature Gym portfolio			
Total number of Mature Gyms	38	60	84
Mature Gym EBITDA(4) (£ million)	20.6	30.0	39.0
Average Mature Gym EBITDA(5) (£ million)	0.5	0.5	0.5
Average Mature Gym EBITDA Margin(6) (%)	47.3	45.8	43.6
Average Mature Gym ROCE (%)	51.9	47.2	42.6
Average Initial Capital Investment for Mature Gyms (£ million)	1.0	1.1	1.1
Average Mature Gym ROCE (%)			
2009–2011 Cohort (22 gyms)	N/A	N/A	56.4
2012 Cohort (16 gyms)	N/A	N/A	43.0
2013 Cohort (22 gyms)	N/A	N/A	38.2
2014 Cohort(7) (24 gyms)	N/A	N/A	34.9

(1) We define New Gym EBITDA as profit for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment, amortization of intangible fixed assets, profit/loss on disposal of property, plant and equipment and exceptional administrative expenses and Head Office Costs for New Gyms. New Gym EBITDA does not include the Non-Cash Rent Adjustment or adjustments for Pre-Opening Costs or other extraordinary items that were added back to Group Adjusted EBITDA and Gym Site Adjusted EBITDA.

(2) We define Average New Gym EBITDA as New Gym EBITDA for a certain period divided by the number of New Gyms in that period.

(3) We define Average New Gym EBITDA Margin as New Gym EBITDA for a certain period divided by the revenue attributable to New Gyms for that period.

(4) We define Mature Gym EBITDA as profit for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment, amortization of intangible fixed assets, profit/loss on disposal of property, plant and equipment and exceptional administrative expenses and Head Office Costs for Mature Gyms. Mature Gym EBITDA does not include the Non-Cash Rent Adjustment or adjustments for Pre-Opening Costs or other extraordinary items that were added back to Group Adjusted EBITDA and Gym Site Adjusted EBITDA.

(5) We define Average Mature Gym EBITDA as Mature Gym EBITDA for a certain period divided by the number of Mature Gyms in that period.

(6) We define Average Mature Gym EBITDA Margin as Mature Gym EBITDA for a certain period divided by the revenue attributable to Mature Gyms for that period.

(7) Not indicative of Average Mature Gym ROCE at maturity for 2014 Cohort. We categorize a new gym as a Mature Gym at the end of its second year of operation, as a gym's EBITDA tends to stabilize after two years, whereas during the first two years we usually see an increase. Typically, a gym's third year is the first full year during which it delivers an annual mature Gym Site Adjusted EBITDA. Average Gym EBITDA in the 2014 Cohort was up 17.0% in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016.

New Gym EBITDA increased from £4.5 million for the year ended December 31, 2014 to £14.7 million for the year ended December 31, 2016, reflecting a CAGR of 80%, as a result of the significant growth in the number of New Gyms and an increase in Average New Gym EBITDA. New Gym EBITDA decreased from £4.5 million to £4.3 million for the years ended December 31, 2014 and 2015, respectively, due to the acquisition of the LAF gyms, which were acquired in May 2015 and many were subsequently closed for conversion. See "*—Acquisition of the LA Fitness Group*". Average New Gym EBITDA decreased over the same period as a result of a greater proportion of gyms being less than 12 months old and the average age of a New Gym being lower. In 2016, 56% of New Gyms were greater than 12 months old compared to 33% and 48% in 2015 and 2014, respectively.

Mature Gym EBITDA increased from £20.6 million for the year ended December 31, 2014 to £39.0 million for the year ended December 31, 2016, reflecting a CAGR of 38%, as a result of new gyms opened in the previous two years maturing in this period and growth of the existing mature portfolio. Average Mature Gym EBITDA, Average Mature Gym EBITDA Margin and Average Mature Gym ROCE have decreased over the period 2014 to 2016 largely due to the higher returns achieved in the oldest cohorts. The oldest gyms' higher than average revenues were balanced out, on average, by lower revenues of our recently matured gyms. As mentioned above, gyms typically reach maturity after approximately 24 months and a gym's third year is the first full year during which it delivers an annual Mature Gym EBITDA. Accordingly, while gyms opened in 2014 were considered mature at the end of 2016, they did not generally deliver mature levels of EBITDA for the entire year in the year ended December 31, 2016. Average Gym EBITDA in the 2014 Cohort was up 16.1% in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016.

Gyms opened in 2015 and 2016 have performed in line with senior management's expectations and membership, yields and site profitability continue to grow. As of September 30, 2017, the average age of gyms in the 2015 Cohort and 2016 Cohort (excluding LA Fitness Conversions) was 27 months and 16 months, respectively.

Like-for-Like Revenue Growth

Like-for-Like Revenue Growth compares revenue in a given period with the same period in the previous financial year, expressed as a percentage change between the two periods. "1-year Like-for-Like Revenue Growth" includes revenues from our gyms which have traded for at least 12 months. "2-year Like-for-Like Revenue Growth" includes revenues from our gyms which have traded for at least 24 months. Gyms are included on a rolling basis as each new gym has traded for 12 months or 24 months, as applicable.

	For the year ended December 31,			For nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
1-year Like-for-Like Revenue Growth	15.4%	7.0%	8.9%	8.4%	14.0%
2-year Like-for-Like Revenue Growth	5.9%	1.0%	0.6%	0.2%	4.8%

Initial Capital Investment

Opening gyms is capital intensive, and we incur capital costs to construct and fit out new gyms. The Average Initial Capital Investment for Mature Gyms for the years ended December 31, 2014, 2015 and 2016 was £1.0 million, £1.1 million and £1.1 million, respectively. The Average Initial Capital Investment for New Gyms for the years ended December 31, 2014, 2015 and 2016 was £1.1 million, £1.2 million and £1.2 million, respectively.

Membership volumes

Pure Gym derives substantially all of its revenue from monthly membership fees (89% of our revenue in the year ended December 31, 2016) and joining fees (3% of Group revenue in the year ended December 31, 2016) paid by its members. Accordingly, our revenue is significantly dependent on membership volumes. Membership volumes are affected by numerous factors, including the total number of Group gyms in operation, the prices our gyms charge, the sizes and locations of our gyms, competitive dynamics in the value gym market and seasonality, amongst others.

Our membership has grown substantially from approximately 412,000 as of December 31, 2014 to approximately 822,000 as of December 31, 2016 and approximately 923,000 as of September 30, 2017. This growth has been driven by the opening of new gyms, the maturation of the New Gym portfolio as of December 31, 2014 and the acquisition of LA Fitness in May 2015. We believe that our 2017 openings will reach an average of 4,900 members at maturity. The 10 gyms that we opened between January and June 2017 have already achieved, on average, 88% of the maturity membership target as of September 30, 2017. The following table shows certain membership information for different categories of our gym portfolios for the periods indicated. New Gyms have lower membership levels than Mature Gyms as they have not reached maturity.

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
Total number of Mature Gym members	213,086	324,779	436,155	—	—
Total number of New Gym members	198,680	297,397	381,670	—	—
Total number of Pure Gym members	411,766	622,176	817,825	800,712	922,860
Total number of Unconverted LAF Gym members(1)	—	47,432	4,323	4,720	—
Total number of members(1)	**411,766**	**669,608**	**822,148**	**805,432**	**922,860**

(1) 2015 data excludes Planned LAF Disposals.

Membership pricing

Our revenue is also dependent on the fee rates we charge. Pure Gym operates a dynamic pricing model with the objective of maximizing each site's revenue. To this end, membership fee and joining fee rates are set on an individual gym basis and take into account a number of factors such as a gym's membership level, its utilization profile, its capacity, the demographic profile of its local catchment and the degree of local competition, amongst others. See "*Business—Members—Membership Pricing*".

The following table sets forth the Average Revenue per Member per Month and for different categories of our gym portfolios for the periods indicated. The figures exclude VAT.

	For the year ended December 31,			For nine months ended September 30,	
	2014	2015	2016	2016	2017
Average New Gym Revenue per Member per Month	14.02	14.39	17.04	n/a	n/a
Average Mature Gym Revenue per Member per Month	16.25	16.16	16.28	n/a	n/a
Average Pure Gym Revenue per Member per Month(1)	15.36	15.51	16.59	n/a	n/a
Average Revenue per Member per Month(2)	15.36	17.92	16.96	16.87	17.88

(1) We define average revenue per member per month as revenue for that period divided by the number of months in that period and further divided by the average number of members during that period.
(2) 2015 data excludes Planned LAF Disposals. All data includes Unconverted LAF gyms where relevant.

Average Pure Gym Revenue per Member per Month increased from £15.36 for the year ended December 31, 2014 to £16.59 for the year ended December 31, 2016 and Average Revenue per Member per Month grew from £15.36 to £16.96 as a result of both increased membership fees and additional charges for value-added options that we offer such as Multi and Extra memberships.

For an additional monthly premium, Pure Gym's members can choose to upgrade to a Multi membership. This allows access to additional gyms in our portfolio. An Extra membership, which is also available for an additional monthly premium, allows access to additional gyms and provides members with a number of additional benefits, for example, the ability to book classes earlier than standard members. We started offering Extra membership benefits and Multi membership in the last quarter of 2016, and as of September 30, 2017, 5.3% and 7.2% of our members are paying for these services, respectively.

Due to the effect of pre-opening offers, Average New Gym Revenue per Member per Month is generally lower than Average Mature Gym Revenue per Member per Month. However, in the year ended December 31, 2016, the mix of LAF conversions (which generally have higher membership fees than other gyms in our Group) resulted in an increase in Average New Gym Revenue per Member per Month. The decline in Average Mature Gym Revenue per Member per Month in 2015 is a result of the increasing mix of gyms with lower membership fee rates partially offset by increasing yields in established Mature Gyms.

Administrative Costs

Low-cost gym operating model

Pure Gym employs a low-cost, technology-enabled gym operating model, which enables our Pure Gyms to offer a compelling customer value proposition while simultaneously delivering strong operating margins and profitability. See "*Business—Key Strengths—Highly cash flow generative profile underpinned by exceptional profitability and positive working capital cash inflows".* The majority of site operating costs are controlled centrally and senior management is focused on leveraging our scale and implementing other initiatives to control costs and improve efficiencies. Site operating costs, other than property costs, are generally consistent across all Pure Gyms and do not typically vary significantly between gyms. Accordingly, site operating costs as a percentage of revenue for a Mature Gym are substantially lower than for a New Gym. For the year ended December 31, 2016, site operating costs, including depreciation, as a percentage of revenue for our 84 Mature Gyms was 69.2% as compared to 81.4% for all of our gyms.

The following table sets out our gym site operating costs and the Mature Gym portfolio for the year ended December 31, 2016. Our figures below include the results of the Unconverted LAF Gyms and Planned LAF Disposals.

	For the year ended December 31, 2016	
As a percentage of revenue	**(£'000s)**	**(%)**
Group		
Revenue	159,937	—
Employee costs	13,193	8.2
Property lease rental costs	30,350	19.0
Other fixed property costs	17,076	10.7
Other operating costs(1)	45,947	28.7
Depreciation	23,682	14.8
Total Gym Site Operating Costs	**130,249**	**81.4**
Mature Gyms		
Revenue	89,246	—
Employee costs	5,793	6.5
Property lease rental costs	13,725	15.4
Other fixed property costs	8,175	9.2
Other operating costs(1)	22,602	25.3
Depreciation	11,457	12.8
Total Mature Gym Site Operating Costs	**61,752**	**69.2**

(1) Includes maintenance, cleaning, utilities, marketing and other expenses.

Going forward, we believe site level operating costs other than rent and depreciation will generally increase with inflation. We believe that property lease rental costs per gym will generally increase at 2–3% per annum given upcoming rent reviews and a greater focus on gym openings in the South East where rents tend to be more expensive.

Head Office Costs

We have made substantial investments in Head Office Costs over the past three years to gain more control over certain key business functions, such as IT, and deliver the management and technology infrastructure to support our enlarged estate and future growth plans. These investments have included hiring additional staff, including senior managers, particularly in the property, IT, marketing and finance teams, as well as making investments in our management processes and IT systems. In addition, we absorbed additional Head Office Costs following the acquisition of the LA

Fitness Group in May 2015, although, these costs have been substantially reduced following the restructuring of the LA Fitness head office that was completed during the first half of 2016. See "—*LA Fitness acquisition*" below. In line with our goal to build and maintain an industry-leading technology platform, we have invested over £10 million in IT over the past three years. Although we expect to continue investing in our key business functions, including IT, our Head Office Costs as a percentage of revenue increased from 8.7% for the year ended December 31, 2014 to 10.4% for the year ended December 31, 2015 before reducing back to 8.7% for the year ended December 31, 2016 following the successful integration of the LAF head office function. The following table sets out our Head Office Costs for the year ended December 31, 2016.

As a percentage of revenue	For the year ended December 31, 2016	
	(£'000s)	(%)
Employee costs	8,362	5.2
Marketing costs	643	0.4
Administration costs	1,400	0.9
Professional fees	908	0.6
Other	2,534	1.6
Total Head Office Costs	**13,846**	**8.7%**

We believe that our central functions are now well invested and that Pure Gym will be able to grow with more limited levels of incremental Head Office Cost investment in the medium term.

Acquisition of the LA Fitness Group

In May 2015, we acquired the LA Fitness Group for a consideration of £37.1 million as well as the assumption of £37.5 million of indebtedness. Substantially all of the indebtedness of the LA Fitness Group was refinanced with borrowings under a £195 million committed financing facility ("**Existing Senior Facilities**").

We acquired the LA Fitness Group to accelerate our gym roll out strategy, augment our presence in London and Southeast England, and improve profitability by converting the LA Fitness gyms to the Pure Gym operating model and reducing central costs.

As of the date of acquisition, the LA Fitness Group operated 43 health and fitness clubs across the United Kingdom. Subsequent to the acquisition, we sold or closed 12 LA Fitness gyms that we did not consider attractive site locations and converted the remaining 31 LA Fitness gyms to the Pure Gym operating model and brand. The Average Initial Capital Investment for converting these 31 sites was £1.1 million and from 2014 to September 2017, we spent £35 million in expansionary capital expenditures for the LAF conversions.

Similar to an organic new Pure Gym, each LA Fitness Conversion underwent a pre-opening period. During this period, the gyms were generally closed while the conversion was completed and a significant amount of marketing was conducted to attract new members and retain existing LA Fitness members. The LA Fitness Conversions incurred on average £136,000 of Pre-Opening Costs during their pre-opening periods. We generally did not provide pre-opening offers to members that joined LA Fitness Conversions, as a substantial number of LA Fitness members were already transferring to Pure Gyms at lower membership fee rates than they were paying under their LA Fitness contracts. As a result, on average, LA Fitness Conversions have opened at lower membership levels, but higher membership fee rates, than organic new Pure Gyms.

Following the acquisition of the LA Fitness Group, we restructured the LA Fitness Group's central functions and took other actions to reduce its Head Office Costs. These initiatives were completed in 2016 and resulted in the incurrence of certain exceptional costs, including severance payments. In total, we recognized exceptional costs of £5.6 million in the year ended December 31, 2015 and for the year ended December 31, 2016, we recognized exceptional costs of £2.7 million related to the acquisition, transition and integration of the LA Fitness Group and exceptional costs of £1.8 million related to loss on disposal and impairment charges on certain LA Fitness Group assets. See "*—Description of key income statement items—Exceptional administrative expenses".*

Subsequent to the acquisition of the LA Fitness Group, HMRC issued a challenge to the LA Fitness Group's historical treatment of VAT, seeking to recover £5.8 million, including interest and penalties. As of September 30, 2017, the dispute has been settled at £4 million (paid in full) with penalties and interest currently being finalized. Additionally, prior to being acquired by Pure Gym, the LA Fitness Group went through a restructuring process, through which it reached certain company voluntary arrangements ("**CVAs**") with its property lease lessors. When the acquisition of the LA Fitness Group was completed, these CVAs were still in force. Accordingly, the Group had an obligation to pay LA Fitness Group's compromised lease creditors a settlement based on the EBITDA performance of the acquired LA Fitness Group's business for 2015 and 2016, totaling £130,000, which we paid in full in January 2017.

Tax

The Group recognized expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgment as to the ultimate tax treatment of certain items. During the period under review, we recorded income tax credits of £0.4 million, £1.8 million, £8.0 million, £8.3 million during the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016, respectively, and an income tax expense of £2.4 million during the nine months ended September 30, 2017. In all periods up to and including December 31, 2016 the credit relates to deferred tax. In the nine months ended September 30, 2017, the expense includes corporate tax of £1.8 million. We believe that we will have effective tax rates of approximately 19.25% for 2017, 19% for 2018 and 19% for 2019.

Seasonality

Pure Gym experiences a small degree of seasonality. The majority of our membership growth takes place in January, February, September and October. Seasonality is generally positively driven by consumers' desire to improve their fitness at the start of the year and the start of new university/school terms, and negatively driven by Christmas and summer holidays. We generally focus our marketing spend around peak joining periods, particularly the January/February period.

Recent developments

We estimate that our Group Adjusted EBITDA for the two months ended November 30, 2017 was in the range of £15.0 to £15.5 million, compared to £11.5 million for the same period in 2016. This increase is primarily due to the increased number of gyms in operation, greater maturity of certain gyms and increased revenue from existing gyms on a like-for-like basis.

The outperformance of £3.5 million to £4.0 million for the two months ended November 30, 2017, compared to the same period in 2016, increased the last twelve months Group Adjusted EBITDA from £66.3 million (as of September 30, 2017) to between £69.8 and £70.3 million (as of November 30, 2017).

We estimate that the 1-year and 2-year Like-for-Like Revenue Growth for the 11 months ended November 30, 2017 were +13.6% and +4.9%, respectively.

As of and for the year ended December 31, 2017, we opened a total of 20 organic gyms, bringing the total number of gyms in our estate to 192 with a total of approximately 927,000 members, compared to a total of 172 gyms and approximately 822,000 members as of and for the year ended December 31, 2016. For the year ended December 31, 2017, we had a total of 132 Mature Gyms, compared to 84 Mature Gyms for the year ended December 31, 2016.

The above information is based solely on preliminary results and estimates and is not intended to be a comprehensive statement of the Group's financial or operational results for the two month period ended November 30, 2017. The Group's preliminary results in relation to the two month period ended November 30, 2017 are based on a number of assumptions that are subject to inherent uncertainties and subject to change. While we believe these estimates to be reasonable, the above information has not been and will not be audited or reviewed in accordance with any generally accepted accounting standards. As such, you should not place undue reliance on them. See "Information Regarding Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect our future performance and results of operation.

Description of key income statement items

Revenue

Revenue primarily comprises monthly membership fees paid by members, including fees paid by members who freeze their memberships, additional fees for value add options, such as our "Multi" and "Extra" products, and non-refundable joining fees paid by new members in the period. Membership fees and joining fees represented 89% and 3%, respectively, of our total revenue for the year ended December 31, 2016. Monthly membership fees are recognized evenly over the month on a daily basis with deferred revenue recorded at the month end for any revenue that is to be recognized in the following month. Joining fees are recognized in the month of receipt, with the exception of joining fees received from members who sign up during the pre-opening period of a new gym, which are recognized as revenue in the month the relevant gym opens. We also generate revenue from day-pass sales, vending sales, marketing contributions from suppliers, direct debit bounce fees and other ancillary activities, which together represented 8% of our total revenue for the year ended December 31, 2016. Revenue is stated excluding value added tax and other sales-related taxes.

Our revenue was £68.6 million, £125.2 million and £159.9 million for the years ended December 31, 2014, 2015 and 2016, respectively.

Other administrative expenses

Other administrative expenses comprise the costs incurred in administering our operations, including employee costs, property lease rental costs, marketing costs, other fixed property costs, other operating costs, head office costs, depreciation of property, plant and equipment and amortization of intangible assets. Gains and losses on disposals of property, plant and equipment are also included in other administrative expenses. Employee costs consist of wages and salaries, social security and pension costs. Property lease rental costs consist of property rental charges. Marketing costs comprise expenditure relating to attracting new members and retaining existing members. Other fixed property costs includes rates, services charges, and other costs related to property. Other operating costs comprise repairs, maintenance, cleaning, insurance, security, and utilities expenses, and other costs. Head office costs comprise costs that are not allocated to our gyms and are generally incurred in administrating our estate and our business, including central and regional support staff costs and their associated administration costs, technology and website costs, professional fees and other costs. The largest component of head office costs is employee costs. Depreciation of property, plant and equipment relates to depreciation of fixtures and fittings, leasehold improvements and fitness equipment. Capital costs are depreciated over six years for fixtures, fittings and fitness equipment, three to 15 years for leasehold improvements and the life of the lease for leasehold costs. Initial Capital Investment is generally depreciated over a blended average useful life of nine years while refurbishment capital spend is generally depreciated over a blended average useful life of six years. Amortization includes amortization of intangible assets, which primarily comprises intangible brands and customer lists created in connection with our acquisition of the LA Fitness Group in May 2015.

Exceptional administrative expenses

Exceptional administrative expenses include items that are material in size and unusual or infrequent in nature. The separate reporting of exceptional administrative expenses helps provide an indication of our underlying performance. In 2014, exceptional administrative expenses consisted of costs related to an aborted merger with The Gym Group. In 2015, exceptional administrative expenses consisted of £2.8 million of transaction fees relating to the acquisition of the LA Fitness Group, £2.8 million of costs associated with the transition and integration of the LA Fitness Group into Pure Gym operations and £5.1 million of costs incurred in the rebranding of the entire Pure Gym estate. In the year ended December 31, 2016, exceptional administrative expenses were £0.4 million relating to the acquisition of the LAF Group, £2.3 million due to the transition and integration of the LA Fitness Group into Pure Gym operations, £6.8 million costs related to preparations for an aborted initial public offering and £3.3 million costs related to the impairment of property, plant and equipment. In the nine months ended September 30, 2017, exceptional administrative expenses of £2.0 million primarily consisted of costs associated with the sale of the business.

Net finance costs

Net finance costs are finance costs net of finance income. Finance costs represent the charges (accrued or paid) associated with shareholder loans, vendor loan notes, bank loans and overdrafts, preference shares, finance leases, and interest rate derivatives. Going forward, finance costs will include interest on the Notes and any borrowings under the Revolving Credit Facility. Finance costs also include the amortization of any fees associated with the raising of finance that have been capitalized. Finance costs are recognized using the effective interest method. Finance income consists of interest (accrued or paid) on cash held at the bank.

Income tax (expense)/credit

Income tax (expense)/credit comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Results of operations

	For the year ended December 31,			For the nine months ended September 30,	
	2014[1]	2015	2016	2016	2017
			(£000s)		
Revenue	68,631	125,201	159,937	117,236	146,580
Other administrative expenses	(60,976)	(111,665)	(144,498)	(108,231)	(118,988)
Exceptional administrative expenses	(2,237)	(10,654)	(12,712)	(9,020)	(1,956)
Administrative Expenses	(63,213)	(122,319)	(157,210)	(117,251)	(120,944)
Operating profit/(loss)	**5,418**	**2,882**	**2,727**	**(15)**	**25,636**
Finance income	63	48	44	7	34
Finance costs	(16,695)	(26,070)	(30,571)	(22,529)	(24,731)
Profit/(Loss) before income tax	**(11,214)**	**(23,140)**	**(27,800)**	**(22,537)**	**939**
Income tax expense	364	1,806	8,035	8,289	(2,391)
Loss for the financial year	**(10,850)**	**(21,334)**	**(19,765)**	**(14,248)**	**(1,452)**

(1) The financial information for the year ended December 31, 2014 is the financial information provided in accordance with IFRS and was provided as comparative financial information in our consolidated financial statements as of and for the year ended December 31, 2015. See "*Presentation of Financial and Other Data*".

Results of operations for nine months ended September 30, 2016 and 2017

Revenue

Revenue for the nine months ended September 30, 2017 was £146.6 million, an increase of £29.4 million, or 25.1%, compared to £117.2 million in the nine months ended September 30, 2016. This increase was principally as a result of opening of 17 new organic gyms and two LAF conversions in the period between September 30, 2016 and September 30, 2017 and maturation of the gyms opened in the past two years.

Other administrative expenses

The table below presents a breakdown of other administrative expenses for the nine months ended September 30, 2017.

	For the nine months ended September 30,	
	2016	2017
	(£'000s)	
Employee costs	16,214	18,443
Property lease rental costs	22,539	25,150
Marketing costs	7,014	7,353
Other fixed property costs	12,410	14,110
Other operating costs	27,906	29,509
Head office costs (excluding personnel and marketing costs)	3,846	4,217
Depreciation of property, plant and equipment	17,488	19,438
Amortization of intangible assets	921	229
Profit/(Loss) on disposal of property, plant and equipment	(107)	539
Other Administrative expenses	**108,231**	**118,988**

Our other administrative expenses for the nine months ended September 30, 2017 were £119.0 million, an increase of £10.8 million, or 9.9%, compared to £108.2 million in the nine months ended September 30, 2016. This increase was principally as a result of growth in the number of gyms, the full period effect of gyms opened in the prior period and investment in personnel at the headquarters through pay reviews for existing staff and recruitment of new staff.

Exceptional administrative expenses

Our exceptional administrative expenses for the nine months ended September 30, 2017 were £2.0 million, a decrease of £7.0 million, or 77.7%, compared to £9.0 million in the nine months ended September 30, 2016. This decrease was principally as a result of expenses incurred in the prior period associated with the aborted initial public offering.

Net finance costs

Our net finance costs for the nine months ended September 30, 2017 were £24.7 million, an increase of £2.2 million, or 9.7%, compared to £22.5 million in the nine months ended September 30, 2016. This increase was principally as a result of the full period effect of borrowings drawn down in the prior period due to LAF conversions and roll out of new organic gyms.

Income tax credit

Our income tax expense for the nine months ended September 30, 2017 was £2.4 million, an increase of £10.7 million compared to £8.3 million of income tax credit in the nine months ended September 30, 2016. The current period charge includes a corporate tax expense of £1.8 million and was principally due to changes in tax legislation, which cap interest deductions available to be offset against the Group's taxable profits. It also includes a deferred tax charge of £0.6 million, which has increased compared to a credit of £8.3 million in the prior period, due to a combination of normalized capital expenditure in the period and increased capital allowance utilized.

Results of operations for years ended December 31, 2016 and 2015

Revenue

Revenue for the year ended December 31, 2016 was £159.9 million, an increase of £34.7 million, or 27.7%, compared to £125.2 million in the year ended December 31, 2015. This increase was principally as a result of our opening of 38 new gyms including 18 LA Fitness conversions in the year ended December 31, 2016 and contribution of revenues made as a result of Extra and Multi membership fees.

Other administrative expenses

The table below presents a breakdown of other administrative expenses for the years ended December 31, 2016 and 2015.

	For the year ended December 31,	
	2015	**2016**
	(£'000s)	
Employee costs	21,009	21,555
Property lease rental costs	23,060	30,632
Marketing costs	6,080	8,755
Other fixed property costs	12,500	17,076
Other operating costs	29,529	37,835
Head office costs (excluding personnel and marketing costs)	5,034	4,560
Depreciation of property, plant and equipment	16,391	23,682
Amortization of intangible assets	1,270	1,093
Profit/(Loss) on disposal of property, plant and equipment	(3,208)	(690)
Other Administrative expenses	**111,665**	**144,498**

Other administrative expenses for the year ended December 31, 2016 were £144.5 million, an increase of £32.8 million, or 29.4%, compared to £111.7 million in the year ended December 31, 2015. This increase was principally as a result of growth in number of gyms and the full year effect of gyms opened in the prior year.

Exceptional administrative expenses

Exceptional administrative expenses for the year ended December 31, 2016 were £12.7 million an increase of £2.0 million, or 18.7%, compared to £10.7 million in the year ended December 31, 2015. Exceptional administrative expenses in the year ended December 31, 2016 related to the acquisition, transition and integration of the LA Fitness Group, costs incurred on an aborted initial public offering and impairment of property, plant and equipment, while exceptional administrative expenses in the year ended December 31, 2015 related to the acquisition, transition and integration of the LA Fitness Group and the rebranding of the entire Pure Gym estate.

Net finance costs

Our net finance costs for the year ended December 31, 2016 were £30.5 million, an increase of £4.5 million, or 17.3%, compared to £26.0 million in the year ended December 31, 2015. This increase was principally as a result of the full year effect of increased borrowings drawn down during the prior year.

Income tax credit

Our income tax credit for the year ended December 31, 2016 was £8.0 million compared to £1.8 million in the year ended December 31, 2015. This increase was principally as a result of an increase in deferred tax assets associated with accelerated capital allowances (where the value of significant capital expenditure in the period outweighed the level of capital allowances required to offset taxable profits) and the unwind of deferred tax liabilities on non-qualifying assets in business combinations.

Results of operations for years ended December 31, 2015 and 2014

Revenue

Revenue for the year ended December 31, 2015 was £125.2 million, an increase of £56.6 million, or 82.5%, compared to £68.6 million in the year ended December 31, 2014. This increase was principally as a result of an increase in members resulting from the opening of 48 new gyms, the maturation and growth of existing gyms, the full year effect of the 24 gyms opened in 2014, and the acquisition of the LA Fitness Group in May 2015.

Other administrative expenses

The table below presents a breakdown of other administrative expenses for the years ended December 31, 2014 and 2015.

	For the year ended December 31,	
	2014	2015
	(£'000s)	
Employee costs	7,846	21,009
Property lease rental costs	12,156	23,060
Marketing costs	3,735	6,080
Other fixed property costs	6,582	12,500
Other operating costs	16,261	29,529
Head office costs (excluding personnel and marketing costs)	2,900	5,034
Depreciation of property, plant and equipment	11,343	16,391
Amortization of intangible assets	—	1,270
Profit/(Loss) on disposal of property, plant and equipment	153	(3,208)
Other Administrative expenses	**60,976**	**111,665**

Other administrative expenses for the year ended December 31, 2015 were £111.7 million, an increase of £50.7 million, or 83.1%, compared to £61.0 million for the year ended December 31, 2014. This increase was principally as a result of the 48 new gyms opened during the year ended December 31, 2015, the full year effect of the 24 gyms opened in 2014, an increase in the number of gyms in pre-opening periods, an increase in head office costs due to investment in personnel and systems, and the acquisition of the LA Fitness Group in May 2015.

Exceptional administrative expenses

Exceptional administrative expenses for the year ended December 31, 2015 were £10.7 million consisting of £5.1 million of costs attributable to the rebranding of the entire Pure Gym estate, £2.8 million of costs relating to the acquisition of the LA Fitness Group, and £2.8 million of costs relating to the transition and integration of LA Fitness into our operations.

Exceptional administrative expenses for the year ended December 31, 2014 were £2.2 million and related to costs associated with the aborted merger with The Gym Group in 2014.

Net finance costs

Net finance costs for the year ended December 31, 2015 were £26.0 million, an increase of £9.4 million, or 56.6%, compared to £16.6 million in the year ended December 31, 2014. This increase was principally as a result of the significant increase in borrowings against the Existing Senior Facilities entered into in May 2015 as part of the acquisition of the LA Fitness Group and the write off of the financing fee that was capitalized at the time of the acquisition of Pure Gym by the CCMP Funds and the Hermes Funds.

Income tax credit

Income tax credit for the year ended December 31, 2015 was £1.8 million, an increase of £1.4 million compared to an income tax credit of £0.4 million in the year December 31, 2014. This increase was principally as a result of movements in deferred tax assets associated with depreciation in excess of capital allowances claimed and the release of assets due to losses arising on accounting for leases under IFRS which were offset against profits in the year. This increase was partially offset by the release of deferred tax liabilities on non-qualifying assets on acquisition of subsidiaries.

Liquidity and capital resources

Pure Gym's liquidity requirements arise primarily from the need to fund its roll out strategy, make interest payments on its indebtedness, fund its working capital requirements and invest in the upkeep of its existing gyms and central systems and capabilities. Pure Gym's principal sources of liquidity have been its cash flow from operating activities, its banking facilities, and its finance leases. Following the

Offering, we expect to fund our working capital and capital expenditure requirements with future cash flow from operating activities and cash holdings and, if necessary, additional borrowings under the Revolving Credit Facility. On a *pro forma* basis as of September 30, 2017, after giving effect to the Transactions, we would have had £1.1 million cash and cash equivalents, and £60 million available for drawing under the Revolving Credit Facility. Historically, our liquidity needs were also met through drawings under the Existing Senior Facility, which was repaid and cancelled as part of the Transactions.

Cash flows

The table below presents a summary of our cash flows for the periods indicated:

	For the year ended December 31,			For the nine months September 30,	
	2014	2015	2016	2016	2017
			(£'000s)		
Net cash flows from operating activities	21,984	9,139	19,568	10,034	35,914
Net cash flows used in investing activities	(35,237)	(94,513)	(51,968)	(45,400)	(23,431)
Net cash flows generated from financing activities	12,158	83,036	39,184	39,396	4,134
Net increase/(decrease) in cash and cash equivalents	**(1,095)**	**(2,338)**	**6,784**	**4,030**	**16,617**
Cash and cash equivalents at the beginning of the period	11,135	10,040	7,702	7,702	14,486
Cash and cash equivalents at end of period	**10,040**	**7,702**	**14,486**	**11,732**	**31,103**

Net cash flows from operating activities

Pure Gym's net cash flows from operating activities comprise our operating profit before interest, tax, profit/(loss) on disposals, depreciation, amortization and impairment charges, net of the movement in net working capital and less tax, exceptional costs paid, net interest and debt issuance costs paid.

The Group's net cash flows from operating activities for the nine months ended September 30, 2017 were a £35.9 million inflow, an increase of £25.9 million, or 259%, compared to a £10.0 million inflow in the nine months ended September 30, 2016. This increase was principally as a result of revenue growth following the maturation of sites opened or converted in prior periods and reduced exceptional expenditure.

The Group's net cash flows from operating activities for the year ended December 31, 2016 were £19.6 million, an increase of £10.5 million, or 115.4%, compared to £9.1 million in the year ended December 31, 2015. This increase was principally as a result of increased operating profit net of working capital movements.

The Group's net cash flows from operating activities for the year ended December 31, 2015 were £9.1 million, a decrease of £12.9 million, or 58.6%, compared to £22.0 million in the year December 31, 2014. This decrease was principally the result of increased exceptional expenditure and increased net finance costs following the acquisition of the LA Fitness Group in May 2015.

The Group benefited from Working Capital Cash Flow of £5.4 million, £6.9 million and £(0.8) million, for the years ended December 31, 2014, 2015 and 2016, respectively. Our Working Capital Cash Flow is generally positive, largely because membership fees are paid by members one month in advance, we benefit from favorable payment terms with our suppliers, and the fact that cash property lease rental costs are lower than our property lease rental costs accrued in the income statement due to rent free periods on new gyms and the accounting requirement that future minimum or expected increases in rents are amortized equally over the life of each lease. In the year ended December 31, 2016, our cash property lease rental costs were £26 million, or 16% of revenue, while property lease rental costs accrued in our income statement were £30 million, or 19% of revenue.

Net cash flows used in investing activities

Net cash flows used in investing activities consist of expenditure on property, plant and equipment and intangibles and amounts paid for acquisitions, less proceeds from disposals and the portion of any capital expenditure funded through finance leases.

Net cash flows used in investing activities for the nine months ended September 30, 2017 were £23.4 million, which was primarily a result of the purchase of property, plant and equipment for new gyms.

Net cash flows used in investing activities for the year ended December 31, 2016 were £52.0 million, which was primarily the result of the purchase of property, plant and equipment for new gyms and LAF conversions.

Net cash flows used in investing activities for the year ended December 31, 2015 were £94.5 million, which was primarily a result of the acquisition of the LA Fitness Group in May 2015 and the purchase of property, plant and equipment for new gyms and LA Fitness Conversions.

Net cash flows used in investing activities for the year ended December 31, 2014 were £35.2 million, which was primarily a result of the purchase of property, plant and equipment for new gyms.

Net cash flows used in financing activities

The Group's net cash flows used in financing activities consists of the drawdown and repayment of bank loans, finance leases and shareholder debt.

Net cash flows generated from financing activities for the nine months ended September 30, 2017 were £4.1 million, which was primarily a result of additional finance leasing drawn down in the period, net of capital repayments.

Net cash flows generated from financing activities for the year ended December 31, 2016 were £39.2 million, which was primarily a result of drawdown of loans to fund our expansion.

Net cash flows generated from financing activities for the year ended December 31, 2015 were £83.0 million, which was primarily a result of the drawdown on the Existing Senior Facilities, which was partially offset by the repayment of the financing facilities it replaced.

Net cash flows generated from financing activities for the year ended December 31, 2014 were £12.2 million, which was primarily a result of the drawdown of loans to fund our expansion.

Capital expenditures

The table below presents a breakdown of our capital expenditures for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017. For more information on these measures, including the calculation thereof, see "*Presentation of Financial and Other Data—Non-IFRS Measures*".

	For the year ended 31 December,			For nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
(£ millions)					
Expansionary Capital Expenditures	(31.9)	(64.2)	(45.5)	(40.0)	(19.9)
Maintenance and Corporate Capital Expenditures	(2.4)	(5.9)	(9.5)	(7.7)	(4.2)
Total capital expenditures	**(34.3)**	**(70.1)**	**(55.0)**	**(47.7)**	**(24.1)**

Our capital expenditures increased from £34.3 million in the year ended December 31, 2014 to £55.0 million in the year ended December 31, 2016 primarily as a result of Initial Capital Investments made for the LA Fitness gym conversions. Maintenance and Corporate Capital Expenditures also increased over the same period due to the growing portfolio of gyms and ongoing investments in our management systems and IT systems. Maintenance and Corporate Capital Expenditures of approximately £3 million were incurred between 2015 and 2016 in bringing IT functions in-house and the development of Pure Gym's website, which was launched in 2016. We believe that such expenditures will decrease to approximately £1 million to £2 million per annum thereafter. These amounts are in addition to our spend on the maintenance and refurbishment of our gyms. The Group maintains a comprehensive maintenance and refurbishment program for its gyms. The Group believes that the breakdown of the initial and ongoing capital expenditures consists of expenses in relation to furniture, fixtures and IT, equipment and leasehold costs. The Group estimates that a gym will generally be fully refurbished within six to eight years of opening at a cost of approximately £510,000 per gym, and this cost will typically be phased in over the sixth to eighth years following opening. More than 20 Pure Gyms are expected to undergo partial refurbishment in 2018. In addition, each Pure Gym generally requires approximately £25,000 of capital investment on an annual basis for maintenance, incorporating some minor enhancements. Furthermore, in 2018, we expect to open approximately 25 to 30 new Pure Gyms and 5 to 15 small box gyms. The Initial Capital Investment for each Pure Gym is estimated to be in the range of £1.2 million to £1.3 million, and each small box gym to be in the range of £0.4 million to £0.6 million. See "*Business—Our Gyms—Gym size and format*".

Contractual obligations and commitments

Other than our debt obligations described above and the debt we will incur as a result of the Transactions, our contractual commitments are principally related to property lease rentals, representing rent payable by us for our gym sites. The following table sets forth our total contractual obligations and commitments as of September 30, 2017 after giving *pro forma* effect to the Transactions, including the issuance of the Notes in the Offering and entry into the Revolving Credit Facility Agreement.

	Less than one year	One to five years	More than five years	Total
		(£'000s)		
Notes offered hereby[1]	—	—	360,000	360,000
Operating lease commitments[2]	32,698	139,617	305,069	477,384
Finance leases	1,017	3,775	—	4,792
Total	**33,715**	**143,392**	**665,069**	**842,176**

(1) Represents £360.0 million of Notes offered hereby, without giving effect to the unamortized debt issuance costs.
(2) Represents rent under our gym site leases.

Off balance sheet arrangements

As of September 30, 2017, the Group had no material off balance sheet arrangements or funding arrangements that would be classified as a contingent liability under IFRS.

Qualitative and quantitative disclosures concerning market risk

In the ordinary course of business, we are exposed to a variety of market risks including credit risk, liquidity risk and interest rate risk. We monitor and manage these risks as part of its overall risk management and seeks to minimize potential adverse effects on its financial position and performance. The Group's exposures to market risk are discussed in more detail in note 19 of our consolidated financial statements as of and for the year ended December 31, 2016, included elsewhere in this Offering Memorandum. This discussion does not address other risks to which we are exposed in the ordinary course of business, such as operational risks. See "*Risk Factors*".

Market risk

Market risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market prices. Pure Gym's exposure to the risk of changes in market interest rates relates primarily to our long-term debt obligations with floating interest rates and interest rate derivatives. After giving effect to the Transactions, our only floating rate debt obligation will be any drawings under the Revolving Credit Facility.

Pure Gym's historical exposures to interest rate risk are discussed in note 18 of our combined financial statements included herein. Our interest rate risk policy will aim to manage our interest cost within the constraints of our financial covenants and business plan.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet our financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board. We manage 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 Group's exposures to liquidity risk are discussed in note 18 of our consolidated financial statements as of and for the year ended December 31, 2016, included elsewhere in this Offering Memorandum.

Credit risk

Credit risk is the risk of financial loss to Pure Gym if a member or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments. The Group's credit risk is limited primarily to 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. There is no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Exposures to credit risk are discussed in note 18 of our consolidated financial statements as of and for the year ended December 31, 2016, included elsewhere in this Offering Memorandum.

Critical accounting policies and estimates and forthcoming changes

In the application of its accounting policies, the Group is required to make judgements, estimates and assumptions that affect the application of our accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Significant accounting policies are set out in note 2 of our consolidated financial statements as of and for the year ended December 31, 2016, and significant accounting judgements, estimates and assumptions are set out in note 3 of our consolidated financial statements as of and for the year ended December 31, 2016, included elsewhere in this Offering Memorandum.

The information in the following section has been provided for background purposes. The information has been extracted from a variety of sources released by public and private organizations. The industry information has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Overview of the UK health and fitness club market

The UK health and fitness club market has grown over the past five years from a total value of £3.9 billion as of March 2012 to £4.7 billion as of March 2017, reflecting a compound annual growth rate ("**CAGR**") of 4% (*Source: CSR Report estimates*). Over this same period, the number of health and fitness clubs grew from 5,900 to 6,663, reflecting a CAGR of 2%, while the number of health and fitness club members grew from 7.6 million to 9.7 million, reflecting a CAGR of 5% (*Source: LDC, CSR Report estimates*). As of March 31, 2017, 15% of the UK population was a member of a health and fitness club (*Source: LDC, CSR Report estimates*).

The 5% CAGR in health and fitness club members from March 2012 to March 2017 can be primarily attributed to the growth of value clubs and the increasing focus of UK consumers on health and wellness. This increasing focus on wellbeing is partially driven by consumers' growing awareness of the significant benefits of a healthy lifestyle, as well as government initiatives such as "Change4Life", a public health program that began in 2009 to tackle unhealthy lifestyles by encouraging exercise and healthy eating, and "This Girl Can", an award-winning campaign launched in January 2015 to encourage more women in England to take part in sports and physical activity. Other factors have also contributed to the growth of the market over the past five years, including modest population growth, increases in consumers' disposable incomes and innovation and new technology in fitness.

The UK health and fitness club market is split into two main segments: public clubs and private clubs. The private clubs segment can be further split into: (i) premium clubs; (ii) mid-market clubs and (iii) value clubs. Figure 1 shows the total number of clubs and total number of members within the UK health and fitness club market split by these segments.

Figure 1: Number of clubs and members in the UK health and fitness club market and market value as of March 2017 (Source: LDC, CSR Report estimates)

	Fitness Clubs	**Members**	**Market Value(1)**
	('000)	**(million)**	**(£ billion)**
Public	2,709	3.3	1.3
Premium	607	1.6	1.6
Mid-market	2,832	2.6	1.3
Value	515	2.2	0.5
Total	**6,663**	**9.7**	**4.7**

(1) Calculated as the estimated total annual membership revenue, exclusive of joining fees, of all health and fitness clubs in the United Kingdom.

Public Clubs

Public clubs are those funded and operated by local authorities or county councils. They are typically larger in size compared to private clubs and offer a wide variety of facilities such as sports halls, studios and swimming pools. Some public clubs are managed or operated by private companies on behalf of local authorities and county councils. Public clubs are generally open to members of the public on a pay-and-play or membership basis. As of March 31 2017, there were 2,709 public clubs with a total of 3.3 million members, equivalent to an average of 1,233 members per club. On average, public clubs charged monthly membership fees of £30 as of March 31, 2017 (*Source: LDC*). The number of public clubs decreased marginally over March 2012 to March 2017 from 2,724 to 2,709, while the number of public club members increased from 3.1 million to 3.3 million, reflecting a CAGR of

2%, and the market value of the public club market increased from £1.2 billion to £1.3 billion, reflecting a CAGR of 2%. The three largest public club operators in the United Kingdom (by number of clubs) are Greenwich Leisure Limited, Sports and Leisure Management Ltd. (trading as Everyone Active) and Places for People Leisure (*Source: LDC*).

Private Clubs

Private clubs are those funded and operated by commercial enterprises. The private club market is significantly larger than the public club market, with approximately 4,000 clubs and 6.4 million members (*Source: LDC)*, equivalent to an average of approximately 1,600 members per club. On average, private clubs charged monthly membership fees of £41.03 as of March 31, 2017 (*Source: LDC*). The number of private clubs increased from 3,176 as of March 2012 to 3,954 as of March 2017, reflecting a CAGR of 4% (*Source: LDC, CSR Report estimates).* Over this same period, the number of private club members grew from 4.5 million to 6.4 million, reflecting a CAGR of 7%, while private club market value increased from £2.7 billion to £3.4 billion, reflecting a CAGR of 4% (*Source: LDC, CSR Report estimates)*. The growth in the private club market over the past five years was primarily driven by the growth of value clubs. The private club market is fragmented, and the ten largest private club operators only accounted for 20% of the private club market (by number of gyms) as of March 2017. (*Source: LDC*).

Figure 2: Top 10 private club operators in the United Kingdom by number of members as of March 2017 (Source: LDC, CSR Report estimates)

#	Operator	Club type	Number of members (‘000)	Number of gyms	Average membership fee
1	Pure Gym(1)(2)	Value	925	175	£19
2	The Gym(3)(4)	Value	488	91	£17
3	David Lloyd	Premium	427	80	£91
4	Nuffield Fitness	Mid-market	363	113	£69
5	Xercise 4 Less	Value	335	47	£20
6	DW Fitness(5)	Mid-market	256	74	£50
7	Virgin Active	Premium	226	48	£92
8	Bannatynes	Mid-market	196	67	£55
9	Fitness First(5)	Mid-market	156	54	£64
10	Lifestyle(4)	Value	113	51	£20
	Total		**3,395**	**800**	**£50**

(1) Pure Gym figures are from management data.

(2) As of September 30, 2017, Pure Gym operated 186 gyms and had approximately 922,860 members.

(3) As of June 30, 2017, The Gym operated 95 gyms and had approximately 508,000 members (*Source: The Gym Group, H1 Results Presentation, August 30, 2017*).

(4) On September 15, 2017, The Gym acquired 18 sites from Lifestyle Fitness *(Source: The Gym Group Investor Relations, “Acquisition of 18 Gyms from Lifestyle Fitness”, September 15, 2017).* This change of ownership is excluded from the above figures.

(5) In September 2016, DW Fitness acquired Fitness First. This change of ownership is excluded from the above figures.

Pure Gym’s market share by members has grown from 3% in 2013 to 9% in 2017. The evolution of Pure Gym’s market share, and The Gym’s to a lesser extent, coincided with a decline in market share for public gyms and mid-market gyms.

Figure 2: Market share evolution by number of members in the UK health and fitness club market and market value (Source: LDC, CSR Report estimates)

	2013	2015	2017
	(%) (unless otherwise indicated)		
Pure Gym	3	5	9
The Gym	2	4	5
David Lloyd	5	5	4
Virgin Active	6	5	2
Other Operators	44	44	46
Public	40	38	34
Total	**100**	**100**	**100**
Total Market Value (million members)	**7.9**	**8.8**	**9.7**

Composition of the private health and fitness club market

The private club market is split into three primary segments: (i) premium clubs; (ii) mid-market clubs and (iii) value clubs.

Value versus Mid-Market and Premium

As compared to mid-market and premium private clubs, value clubs typically charge lower monthly membership fees, do not require their members to enter into fixed duration contracts, provide a smaller range of facilities and have longer opening hours.

Mid-market and premium clubs are generally larger in size and contain a wide range of facilities including, for example, wet areas (e.g. swimming pools, spas and saunas), racquet sports courts (e.g. tennis courts and squash courts), and social areas for members (e.g. bars and cafes), in addition to standard gym equipment and exercise classes. As of March 31, 2017, there were 2,832 mid-market clubs in the UK with 2.6 million members, equivalent to an average of 924 members per club. As of March 31, 2017, there were 607 premium clubs in the UK with 1.6 million members, equivalent to an average of 2,574 members per club. Members are often required to sign up to fixed-duration membership contracts, which typically include early termination fees.

Mid-market and premium clubs generally have higher operating costs than value clubs due to their larger size, increased number of facilities offered, greater number of staff (e.g. in-gym sales and marketing teams and fully staffed reception and refreshment areas) and higher maintenance costs (e.g. cleaning and maintenance of wet areas) (*Source: CSR Report*).

Mid-market private clubs generally have a lower standard product relative to premium clubs and typically charge monthly membership fees between £20 to £60. Premium private clubs generally offer a higher standard product (e.g. higher specification exercise equipment and luxury amenities) and typically charge monthly membership fees in excess of £60. As of March 2017, the largest mid-market private club operators (by number of members) were Nuffield Fitness, Anytime Fitness and DW Fitness, while the largest premium club operators were David Lloyd and Virgin Active. (*Source: CSR Report*).

Value clubs (consisting of "low cost" clubs as defined by LDC) are private clubs that in general charge a monthly membership fee of less than £20 per month. Value clubs offer a more focused product that is designed for consumers who only want to pay for and use fitness equipment (e.g. cardiovascular machines, fixed resistance machines, free-weights and fitness studios), rather than wet facilities such as swimming pools. Accordingly, only 5% of value clubs offer wet facilities as compared to 37% for UK private club operators (*Source: LDC*). Members of value clubs are generally not required to sign up to fixed-duration membership contracts and can cancel their memberships at any time without material financial consequence. Value clubs also generally have longer opening hours than traditional private clubs (e.g., the majority of Pure Gyms are open 24x7x365). The largest value club operators are Pure Gym and The Gym. (*Source: LDC*).

The value club market has experienced rapid growth over the past five years. Since March 2012, the number of value clubs increased from 112 to 515 as of March 2017, reflecting a CAGR of 36%, while the number of value club members grew from 0.4 million to 2.2 million, reflecting a CAGR of 43% (*Source: LDC, CSR Report estimates).* While value clubs only represented 8% of the total number of health and fitness clubs in the UK as of March 2017, they represented 23% of the total number of health and fitness club members. This is because value clubs have a substantially higher number of average members per club which was 4,272 members, as compared to both mid-market clubs with 924 members and premium clubs with 2,574 members. (*Source: LDC, CSR Report estimates*).

Figure 3: Number of clubs and members in the private UK health and fitness club market by price segment as of March 2012 and March 2017 (Source: CSR Report)

	As of March		CAGR	As of March		CAGR
	2012-2017		2012-2017	2012-2017		2012-2017
	Number of clubs ('000)		(%)	Number of members (million)		(%)
Value clubs	0.1	0.5	36	0.4	2.2	43
Mid-market private clubs	2.6	2.8	2	3.0	2.6	(3)
Premium private clubs	0.5	0.6	6	1.1	1.6	7
Total private clubs	**3.2**	**4.0**	**4**	**4.5**	**6.4**	**7**

The UK value club market is expected to continue growing, with value clubs potentially reaching approximately 1,000, or 14% of total health and fitness clubs in the UK, by 2022 and value club members comprising 35% of total gym members.

Figure 4: Market forecast of number of private UK health and fitness clubs and members as of March 2022 (Source: LDC, CSR Report estimates)

	Fitness Clubs ('000)	Members (million)
Value clubs	1.0	4.1
Mid-market private clubs	2.7	2.4
Premium private clubs	0.7	2.0
Total private clubs	**4.3**	**8.4**

Private sector growth characteristics

As Figure 3 illustrates, the number of private clubs grew from 3,176 as of March 2012 to 3,954 as of March 2017, reflecting a CAGR of 4%. Similarly, the number of private club members grew from 4.5 million to 6.4 million over the same period, reflecting a CAGR of 7%. The growth of the private club market over the past five years has largely been driven by the growth of value clubs. From March 2012 to March 2017, the number of value club members increased from 0.4 million to 2.2 million, reflecting a CAGR of 43%. While the number of premium club members grew modestly over the same period, the number of mid-market club members noticeably decreased. Between March 2012 and March 2017 the number of mid-market private club members fell from 3.0 million to 2.6 million, reflecting a CAGR of negative 3%. This decline is due to the competitive headwinds caused by the growth of value clubs and a number of mid-market operators exiting the market or downsizing their portfolios (e.g. LA Fitness was acquired by Pure Gym in May 2015).

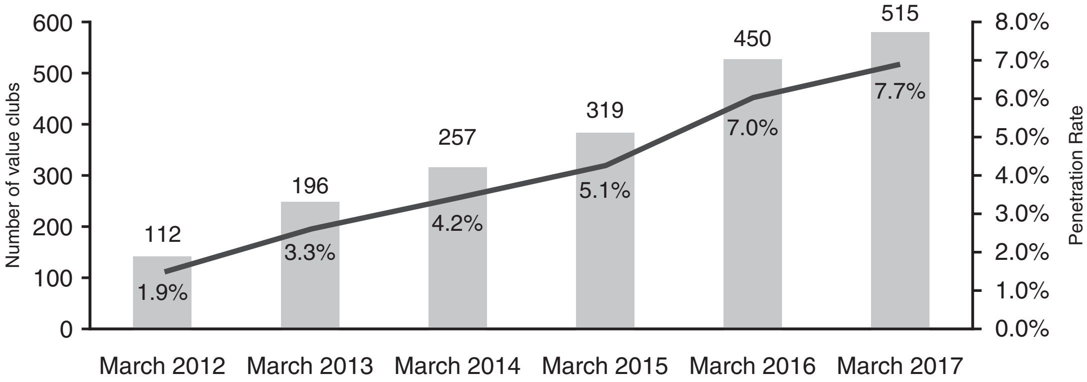
The UK value gym segment

Growth of the value segment

The number of value clubs and value club members increased significantly over the past five years and as of March 2017, there were 515 value clubs in the UK with 2.2 million members (*Source: LDC)*. As a result of the strong growth in value club gyms and members, the value club market increased rapidly over March 2012 to March 2017 from £0.1 billion to £0.5 billion, a CAGR of 45%

(*Source: LDC, CSR Report estimates)*. Despite this strong growth, value clubs still only represented 8% of the total number of health and fitness clubs in the UK as of March 2017 (*Source: LDC, CSR Report estimates*).

Figure 5: UK Penetration Rate of value clubs and number of value clubs (Source: LDC, CSR Report estimates)



The private club market has historically been served primarily by mid-market and premium private clubs. However, value clubs have made a significant entrance into the market over the past five years by taking market share from mid-market clubs and growing the overall number of private club members by attracting new consumers to the market that have not previously been members of health and fitness clubs. We believe that value clubs have been able to take market share because they offer a more affordable, flexible and "value for money" product than other private clubs. According to a consumer survey conducted by the CSR Report on our behalf in January 2016, 27%, 27% and 26% of consumers surveyed listed their primary reason for selecting a gym as proximity, price and value for money, respectively. We also believe that value clubs have been able to grow the overall number of private club members as value clubs address the most significant barriers to UK consumers taking on gym memberships (high membership fees and the desire not to enter into a fixed-duration membership contract) and appeal to a broad range of consumers (*Source: CSR Report*).

The recent shift in UK consumer trends towards "value for money" is also prevalent in other industries such as the supermarket industry where value operators such as Lidl and Aldi have taken market share from incumbent mid-market operators such as Wm Morrison and Tesco, and in the airline industry where value carriers, such as EasyJet and Ryanair, have taken market share from traditional premium airlines such as British Airways. An underlying element of this trend is the simplicity and consistency of a high-quality, yet affordable offering that aims to perfect the core product with "no frills", akin to Premier Inn or Travelodge in the hospitality sector.

Value gym segment operators

The table below shows the ten largest value club operators in the UK. Pure Gym is the largest value club operator (186 clubs and 923,000 members as of September 30, 2017 (*Source*: Management data)) and is 1.9 times larger (by number of clubs) than the second largest value club operator, The Gym (*Source: LDC)*. There can be significant differences in the product offering of value club operators. For example, only Pure Gym and The Gym generally offer 24x7x365 access to clubs. In addition, certain value operators, such as Xercise4Less, require a contractual commitment to receive the lowest available monthly membership fee rate. Furthermore, Pure Gym clubs generally have dedicated group exercise studios, including purpose built stationary cycling studios and offer a wide variety of instructor led exercise classes in such studios, while The Gym's clubs generally do not.

Figure 6: Top 10 value gym operators in the UK by number of members as of March 2017. (Source: LDC, CSR Report estimates).

#	Operator	Number of members ('000)	Number of gyms	Average membership fee
1	Pure Gym[(1)(2)]	925	175	£19
2	The Gym[(3)(4)]	488	91	£17
3	Xercise4Less	335	47	£20
4	Lifestyle Fitness[(4)]	113	51	£20
5	Sports Direct Fitness	90	29	£18
6	Fit4Less	90	54	£21
7	EasyGym	65	15	£20
8	24/7 Fitness	38	12	£20
9	JD Gyms	34	9	£20
10	Simply Gym	33	11	£20
	Total	**2,211**	**494**	**£20**

(1) Pure Gym figures are from management data as of March 31, 2017.

(2) As of September 30, 2017, Pure Gym operated 186 gyms and had approximately 923,000 members.

(3) As of June 30, 2017, The Gym operated 95 gyms and had approximately 508,000 members.

(4) On September 15, 2017, The Gym acquired 18 sites from Lifestyle Fitness. This change of ownership is excluded from the figures.

As illustrated by Figure 7, the value club market has become more concentrated since March 2013. From March 2014 to March 2017, the number of value clubs opened by Pure Gym as a percentage of the total number of value clubs opened in the preceding 12 months increased from 31% to 42%. Overall, according to the CSR Report, Pure Gym accounted for 48% of new value clubs opened during the past three years. As of March 2017, the top two value club operators, Pure Gym and The Gym, accounted for 54% of the total number of value clubs and 64% of the total number of value club members. We believe that the increasing concentration of the value club market is a result of the benefits of scale that larger value club operators are able to effectively leverage.

Figure 7: Percentage of value club openings in the preceding 12 months by value club operator (Source: CSR Report)

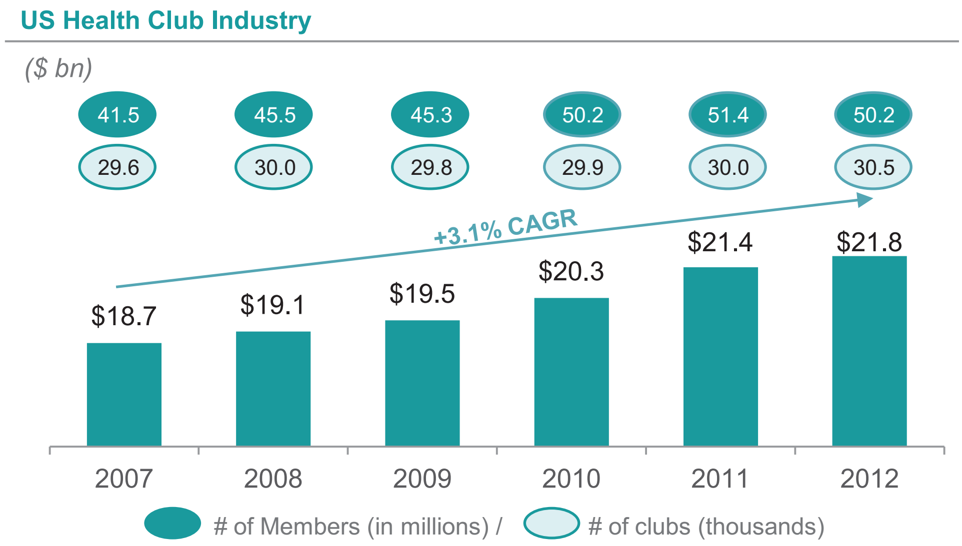
	Last twelve months ended			
	March 2014	**March 2015**	**March 2016**	**March 2017**
Pure Gym	31%	44%	54%	42%
The Gym	13%	23%	18%	25%
Xercise4Less	13%	15%	10%	18%
Other	43%	19%	19%	15%
Total	**100%**	**100%**	**100%**	**100%**

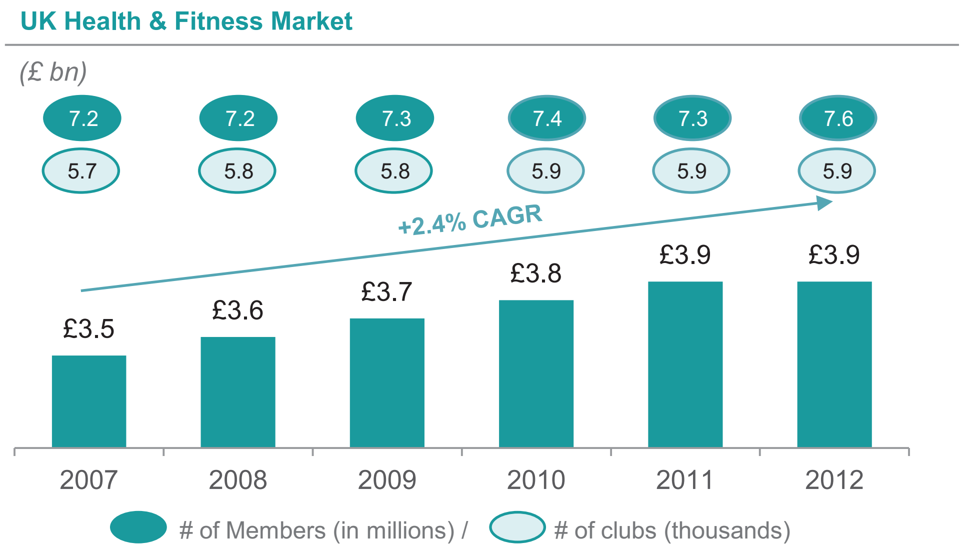
We believe the UK health and fitness market was the largest in Europe by revenue in 2016 with high average membership fee rates (compared to the rest of Europe) but with a membership penetration rate of under 15%, below the equivalent rates in Sweden (21%), the USA (18%) and the Netherlands (17%) (*Source: CSR Report)*. Furthermore in 2016, average membership fees in the UK are among the highest in Europe at £41, after Switzerland, Austria and Ireland at £58, £45 and £42, respectively. As a result, we believe that the UK health and fitness market is an attractive growth market for value gym operators in Europe.

UK and US Health and Fitness Markets Overview During Economic Downturn

The UK and US health and fitness markets have proven resilient in periods of economic downturn, as shown in Figure 8 below.

Figure 8: Amount of revenue, number of members and number of clubs from 2007-2012 (Source: Management data, CSR Report)





BUSINESS

The following information should be read in conjunction with the more detailed information appearing elsewhere in this document, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Selected Consolidated Financial Information” and “Risk Factors”. The financial information included in this section has been extracted without material adjustment from “Selected Consolidated Financial Information,” or has been extracted without material adjustment from our accounting records, which formed the underlying basis of the financial information in “Selected Consolidated Financial Information”. It should be noted that any financial information that has not been extracted without material adjustment from the “Selected Consolidated Financial Information” has not been audited.

Overview

We are a value gym operator that opened our first gym in 2009 and have rapidly become the largest operator of gyms in the United Kingdom by number of gyms and members. As of September 30, 2017, we operated 186 gyms in cities and towns across the UK, including 47 gyms within greater London, and had 922,860 members. Our vision is to provide affordable, flexible, and “value-for-money” memberships to high quality gyms to all people in the UK who want to increase their level of fitness, as demonstrated by our inclusive “everybody welcome” philosophy.

We have a powerful and highly disruptive customer value proposition that is differentiated from traditional UK gym operators and appeals to a broad range of consumers. The key elements of the proposition include affordable membership fees, no fixed term contracts, and “24x7x365” access to high quality gyms. The proposition is underpinned by Pure Gym’s differentiated low cost, capital efficient, and technology-enabled gym operating model, which enables our gyms to support high levels of membership, operate on low costs, and generate strong unit economics, cash flow conversion, and ROCE.

As a result of our disruptive customer value proposition and differentiated business model, Pure Gym has grown rapidly. For the year ended December 31, 2016, Pure Gym generated revenue of £159.9 million and Group Adjusted EBITDA of £47.2 million, representing a growth of 27.7% and 32.2%, respectively, as compared to the year ended December 31, 2015. In the twelve months ended September 30, 2017, Pure Gym generated revenue of £189.3 million and Group Adjusted EBITDA of £66.3 million, representing growth of 26.1% and 53.8%, respectively, as compared to the twelve months ended September 30, 2016.

Key Strengths

We have grown rapidly to become the largest gym operator in the UK by number of gyms and members. We believe that our key strengths are as follows:

Attractive resilient market driven by established trends towards the value segment

The UK health and fitness club market had a market value of £4.7 billion as of March 2017 (*Source: LDC*). This market continues to benefit from the UK population becoming more health conscious and from various government initiatives designed to promote healthy living and active lifestyles, as well as the increasing prevalence of value gyms, which have increased the availability of fitness facilities to a larger proportion of the population. These factors have helped to grow the total number of UK gym members from 7.6 million as of March 2012 to 9.7 million members as of March 2017, which reflects a compound annual growth rate (“**CAGR**”) of 5% (*Source: LDC*).

Historically, the UK health and fitness market has been served by mid-market and premium private gym operators and by public gym operators. Over the last five years, the value segment has grown rapidly. Between March 2012 and March 2017, 86% of the 2.1 million net new members that joined the UK health and fitness club market joined value gyms (*Source: LDC*). This growth has resulted from significant consumer demand for the value gym product as well as a significant increase in the number of value gyms. While the value gym segment has grown quickly, we believe there remains significant opportunity for further growth as evidenced by value gyms’ broad consumer appeal and the fact that value gyms only represented 8% of the total number of gyms in the United Kingdom as of March 2017. Furthermore, 15% of the United Kingdom population is a member of a gym, which is a lower proportion than several other Western markets where value gyms have been in existence for longer.

Consumer spending on gyms has shown resilience during periods of decreased overall economic activity, as demonstrated by a 2.1% CAGR in total gym spend in the UK health and fitness club market between 2006 and 2012, during which period total gym spend did not fall during any individual year. From 2008 to 2012, value gyms grew significantly, with membership increasing by a CAGR of 121%, according to the CSR Report. Based on a survey conducted by the CSR Report, we believe that consumers are substantially less likely to reduce their spending on gyms during periods of depressed economic activity than they are to reduce their spending on a number of other areas of discretionary spend (including eating/drinking out, cinema/theatre, holidays and clothing). Within the UK health and fitness club market we expect the value gym sub-segment to benefit from those gym users in the premium, mid-market and public gym sectors who are looking to reduce spending and may switch to a lower cost option rather than ceasing gym usage altogether. Industry level research-based modelling suggests that the value gym segment will outperform base case forecasts and gain further market share in the event of an economic downturn or mid-market contraction of the mid-market segment of the fitness industry (*Source: CSR Report).*

Standout market leader in the value segment

Pure Gym is one of the pioneering operators of value gyms in the UK and has been the leading contributor towards the growth of the market. Since opening our first gym in 2009, we have grown to 186 gyms and 922,860 members as of September 30, 2017. Over the last three years, Pure Gym openings alone accounted for 48% of the total number of value gym openings *(Source: CSR Report).* Pure Gym is the largest gym operator in the UK by both number of gyms and number of members and has an established nationwide footprint. By number of gyms, Pure Gym was 1.9 times larger than its nearest competitor in the value segment (The Gym) and 2.3 times larger than the nearest private operator (DW Fitness, a mid-market operator) as of March 31, 2017 (*Source*: LDC). Pure Gym's scale and market leading position provide us with significant competitive advantages, including:

- *Property Acquisition*—Pure Gym has a strong landlord covenant rating and benefits from "tenant of choice" status given its scale, strong brand and high quality product. As a result, we are generally able to secure our selected sites on attractive lease terms.
- *Purchasing Scale*—We believe we are the largest purchaser of gym equipment in the UK and one of Matrix's largest customer globally. We are able to leverage our scale to negotiate substantial purchasing discounts, thereby reducing the costs of constructing and operating our gyms.
- *Commercial Offer*—Our national footprint of 186 gyms as of September 30, 2017, enables us to offer our members multi-site access in more locations than any other gym operator. In addition, our scale enables us to pursue partnerships and other commercial arrangements that further differentiate our product offer, such as our partnerships with AXA PPP and UNiDAYS that both went live in 2016.
- *Brand*—Pure Gym has a national brand that benefits from higher levels of brand awareness than any other value gym operator. Our scale and nationwide footprint allow us to effectively pursue national marketing campaigns, such as TV advertisements, which first aired in early 2016. Pure Gym has subsequently had three further successful TV advertising campaigns.
- *Ability to invest*—Pure Gym's scale and resources mean it is able to rapidly develop new sites and invest in other areas of its business, such as technology, that enable it to operate more efficiently and deliver a better customer experience.
- *Technology*—We have invested in building our own website, which launched in 2016, and have recruited a strong software engineering team. As a result, we have a high degree of control over, and ability to improve, our web, mobile and application based offerings, which we believe will help reduce costs and increase revenues over time. For example, in 2016, we further invested in our website and member management systems to allow us to sell the "Extra" products online to members for an additional monthly premium, as described below. Furthermore, Pure Gym has invested in superior technology-based systems across the business, such as our automatic gym entry systems.

Powerful and highly disruptive customer value proposition

We believe that Pure Gym's customer value proposition, which is focused on providing affordable and flexible memberships to high-quality fitness facilities, is powerful and highly disruptive to the industry. The strength of Pure Gym's proposition has enabled us to grow rapidly by gaining significant market share from traditional mid-market and premium operators, as well as attracting consumers to our gyms who have never previously been a member of fitness clubs. Of Pure Gym members who joined our Mature Gyms in the nine months ended September 30, 2017, 30% were formerly members of other UK operators' gyms while 28% had never been a member of a gym before (with the majority of the remainder being rejoiners), according to Pure Gym's new joiner surveys. The key characteristics of Pure Gym's customer proposition are as follows:

- *Everybody welcome philosophy*—Pure Gyms have welcoming environments and we seek to support all members in the pursuit of their fitness goals, regardless of their current abilities.
- *Affordable pricing*—Pure Gym's average monthly membership fee for its standard "no contract" membership (inclusive of VAT) across its gym estate was £20.89 (excluding pre-opening offers) as of September 30, 2017, which is substantially below the private sector average monthly membership fee of £41.03 as of March 31, 2017 (*Source: LDC).* When selecting a gym, consumers ranked price as one of the two top purchasing criteria they use when selecting a gym (*Source: CSR Report)*.
- *No contracts*—Pure Gym offers a flexible membership with no fixed term contracts. Accordingly, members have the freedom and the flexibility to leave at their convenience without incurring cancellation fees.
- *24x7x365 access*—Pure Gyms are generally open 24 hours a day, seven days a week, 365 days a year. This contrasts with the opening hours of mid-market and premium operators, which are generally far more restricted.
- *High quality facilities*—Pure Gyms are equipped with a large number of pieces of high-specification gym equipment, including a broad selection of cardio machines, fixed resistance machines, free weights and functional and other exercise equipment, such as TRX bands and kettlebells. Pure Gyms are clean and well maintained and are fitted out with high quality changing rooms and shower facilities, as well as commercial HVAC and audio/visual systems.
- *Free classes*—Pure Gyms generally have one or two dedicated group exercise studios, including purpose-built stationary cycling studios in many locations. Each gym offers approximately 50–80 free classes per week taught by professional personal trainers. Other operators in the value market do not typically offer an extensive range of free classes.
- *Multi-site access*—For an additional monthly premium, Pure Gym's members can extend their memberships to access additional Pure Gyms beyond their chosen single gym.
- *Extra membership*—For an additional monthly premium, Pure Gym's members can choose to upgrade to an Extra membership, which provides them with a number of additional benefits, for example, the ability to book classes earlier than standard members.
- *Off-peak membership*—Members who wish to exercise at off-peak times are able to take advantage of monthly membership fees that are lower than the standard rates.
- *Online membership management*—Pure Gym operates a simple online joining process and allows members to manage their membership online. Members are able to freeze or cancel their membership through our website and are also able to use the Pure Gym app to book classes and find and explore gym facilities.

We believe that the strength of our proposition is evidenced by Pure Gym's ability to appeal to a broad range of consumers, regardless of age, sex or socioeconomic background, its increasingly loyal membership base and high re-joiner rates.

- *Broad consumer appeal*—Based on the CAMEO Report, 22% of Pure Gym's members were from "business elite", "prosperous professionals" and "flourishing society" groups, 41% were from "content communities", "white collar neighborhoods", enterprising mainstream" and "paying the mortgage" groups and 36% were from "cash conscious communities", "on a budget" and "family value" groups. Based on management data, as of September 30, 2017, 58% of Pure Gym's customer base was male and 42% was female.
- *Increasing membership tenures*—Our 22 oldest Mature Gym's Average Continuous Membership Tenure increased from 14.7 months in May 2014 to 18.3 months in April 2017.
- *High re-joiner rates*—Of Pure Gym's new members that joined Mature Gyms between January 1, 2017 and September 30, 2017, 40% were re-joiners.

- *High member satisfaction*— Based on the CSR Report, Pure Gym has a net promotor score ("**NPS**"), an index ranging from -100 to +100 measuring the willingness of our members to recommend our services to others, of +34.

As evidence of the strength of our customer value proposition, we attract new joiners from a variety sources: in the nine months ended September 30, 2017, of the new joiners to our Mature Gyms, 28% had never been members of a gym before, 40% were former members of Pure Gym and 30% came from other gyms.

Pure Gym has developed clear, hard to replicate sources of competitive advantage and differentiation

Expertise in property management—Given our established operating track record (leveraging experience from more than 190 openings) and position as the industry leader with national scale, we have acquired significant expertise in property acquisition and management. We have a strong landlord covenant rating and benefit from ''tenant of choice'' status given our scale and proven ability to generate footfall. As a result, we secure attractive sites on what we believe to be favorable lease terms. We consider this to be a significant competitive advantage, given that the property space within the UK gym market is competitive, making it hard for new or smaller players to secure attractive locations. In order to maintain our position in the market, we have a strong site selection and property development team of 15 full time employees with industry expertise supported by an external team of professionals, such as lawyers, architects and planning consultants.

Market share and scale translating into superior purchasing power—We have the largest gym estate and membership base in the UK market with 9% of total UK gym members and 38% of the value segment (*Source: CSR Report)*. We believe that this allows us to procure services and products on favorable terms due to our larger volumes and superior purchasing power compared to new or smaller players.

Industry leading technology platform—We continue to invest in our technology platform, consisting of both a website and a mobile application, where our members can take a variety of actions, such as book classes, pay for their memberships and other ancillary services. As fitness begins to move towards the online sector, we believe that our technology platform allows our members to more easily access and purchase our services, which helps us attract and retain members and stay ahead of the digitization of the health and fitness industry. Additionally, our technology-enabled platform allows us to analyze significant user specific data which in turn, drives our operational capabilities. This allows our management to better control all aspects of our pricing strategy, product development and promotional activities.

Leading marketing expertise driving strong brand awareness—We have an increasingly sophisticated, multi-channel digital-led marketing strategy which is not overly reliant on any single channel. We have invested over £24 million in all forms of marketing since 2015, in order to promote a contemporary and differentiated brand, which would be difficult for new entrants to replicate. The result of our marketing spend is that we now benefit from a high volume, sustainably low CPA, which is below £10, and relatively high customer lifetime revenue value, which is approximately £250 (*Source: CSR Report*), with scale benefits becoming more evident, as our marketing spend is decreasing as a proportion of our revenue.

Superior convenience as a result of network scale—We have the largest gym network in the UK, with 24x7x365 access, which allows us to capitalize on potential members' desire for proximity. We believe this to be a competitive advantage, given that research indicates that proximity is among the top two most important factors for members when choosing a gym. Our multi-site membership penetration is already above 35% in some central metro gyms.

Greater access to capital allowing for rapid growth—Based on our strong operating cash flow conversion, which is driven by low maintenance capital expenditure requirements and positive working capital inflows, we are able to continue investing in new and existing sites. This allows us to protect and grow our market share, as many mid-market gym operators are often choosing to reinvest in their existing sites, rather than in expansion. New market entrants also face substantial capital allocation challenges as payback periods for new value-segment gyms are typically no less than four years.

Highly experienced team with significant industry know-how—Our team has exceptional local knowledge, which is based on strong relationships that they have developed over time. We have made significant investments in our management team over the last three years and have hired an experienced team with an established track record.

Highly cash flow generative profile underpinned by exceptional profitability and positive working capital cash inflows

We believe that Pure Gym has a low cost, capital efficient and technology-enabled gym operating model that provides a competitive advantage over mid-market and premium gym operators. The operating model enables Pure Gym to offer a compelling customer proposition, support high levels of membership and require low levels of operating and Initial Capital Investment costs. Collectively, these factors drive strong unit economics and ROCEs. The key characteristics of the model are as follows:

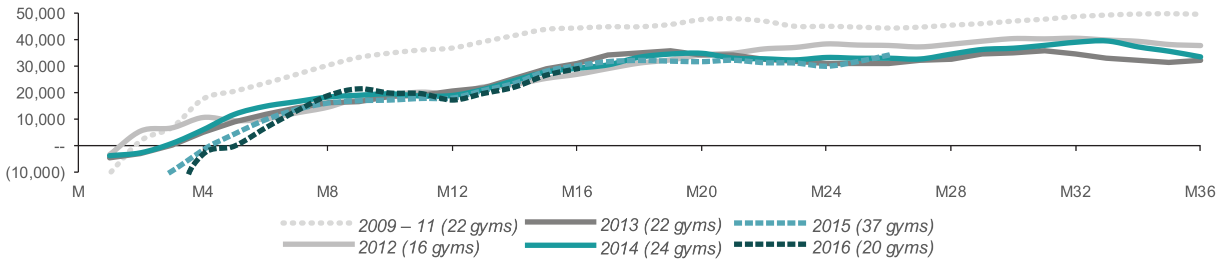
- *Low personnel costs*—Our gyms generally employ only two full time employees, which results in low personnel costs. For the year ended December 31, 2016, employee costs for Pure Gym's Mature Gyms totaled only 6.5% of revenue. We are able to operate our gyms with low levels of employed personnel primarily through the use of technology. For example, Pure Gym uses an online joining process that eliminates the need for dedicated in-gym sales forces which are commonly used by mid-market and premium operators. Members also use fully-automated PIN-controlled entry portals to facilitate secure access to gyms, which eliminates the need for reception staff. In addition, self-employed personal trainers provide gym floor cover, teach classes and conduct member inductions in return for being able to market their services to members and use our gyms to train clients.

- *No high cost, but low-utilization amenities*—Unlike most mid-market and premium operators, Pure Gym does not install pools, spas, saunas, steam room, cafes or other high-end amenities in its gyms. These amenities are generally expensive to construct, operate and maintain and take up a significant amount of leased space. We believe that these amenities are generally less utilized by members and that by eliminating them we are able to install a greater number of pieces of high utilization fitness equipment, such as treadmills, free weights and stationary bikes. For example, Pure Gyms have an average of more than 200 stations per gym as compared to the private sector average of 61 stations per gym as of September 30, 2017 (*Source: LDC*). As a result, Pure Gyms can support high levels of membership while operating on low operating and Initial Capital Investment costs.

- *Efficient use of outsourcing*—Pure Gym outsources many non-core functions such as cleaning and maintenance to specialists. The efficient use of outsourcing minimizes operating costs and also allows gym managers to focus on engaging with members and delivering the best in-gym experience.

Our gyms generated revenues of £159.9 million, Gym Site Adjusted EBITDA of £61.1 million, Gym Site Adjusted EBITDA margin of 38.2% and Mature Gym ROCE of 42.6% in the year ended December 31, 2016. All but one of Pure Gym's Mature Gyms were profitable in 2016 and we have never closed or relocated a Pure Gym site. We believe that this is testament to Pure Gym's robust operating model, coupled with its structured and disciplined site selection strategy, and operational expertise.

The following chart sets out the profitability on a cohort by cohort basis (excluding LAF conversions). Gym cohorts have delivered consistent levels of profitability, with 2009-2011 outperformance driven by larger gyms with minimal initial competition. 2015 and 2016 cohorts are ramping up consistently with 2012-2015 cohorts, albeit with slightly lower initial profitability due to a change in accounting for pre-opening costs (excluding rent, as pre-opening costs were previously recognized in the month they were incurred, i.e. prior to opening, but from 2015, are held on the balance sheet and released in the month of opening). The jump in profitability after month 12 is partly driven by a transition from discounted pre-opening rates (typically offered for a 12 month period historically) to standard headline prices. Membership growth in the first 12 months post a gym opening is fairly consistent, and gyms typically follow a consistent maturity cycle with the majority of the members attained within 6 months. The consistent performance of each cohort gives us confidence in our run rate assumptions and our ability to continue to generate value in newer cohorts.



The attractive performance of our gyms on an individual basis has resulted in strong historical performance as a whole. Our revenue increased from £68.6 million for the year ended December 31, 2014 to £159.9 million for the year ended December 31, 2016, representing a CAGR of 52.7%. Similarly, Group Adjusted EBITDA increased from £25.0 million for the year ended December 31, 2014 to £47.2 million for the year ended December 31, 2016, representing a CAGR of 37.3%. For the nine months ended September 30, 2017, we reported revenue of £146.6 million and Group Adjusted EBITDA of £52.9 million, reflecting 25% and 56.0% growth compared to the nine months ended September 30, 2016.

We benefit from a highly cash generative business model with Group Operating Cash Flow Conversion over the last three fiscal years of 94%. This is driven by minimal maintenance capital expenditure requirements of approximately £25,000 per gym per annum and positive working capital inflows. The working capital dynamics are underpinned by rent free periods for new leases (typically 9-12 months), favorable terms with the main gym equipment provider (10% paid on delivery, 90% paid six month later) and all payments from members being received in advance while major suppliers are paid in arrears. Following the historical period of investment, there is limited further expenditure required in central functions (i.e. Head Office) which helps to ensure that Pure Gym is a fully scalable platform going forward.

Highly experienced executive leadership team

Our senior management has an established track record of delivering growth and operational excellence at Pure Gym and similar businesses. Senior management is supported by an experienced management team in key areas, including property, development, operations, IT, human resources and finance. The individuals that form part of Pure Gym's property acquisition and development teams are highly experienced in the UK property market. They have strong relationships with landlords, agents, developers and contractors and a proven ability to identify and develop a large number of successful sites as evidenced by our estate growth over the last five years. We believe that the strength and experience of the property acquisition and development teams ensures that we are well placed to secure attractive new gym sites.

Pure Gym has made substantial investments in management over the past two years and important business functions are now generally managed internally, which we believe provides us with a competitive advantage. For example, important IT functions were brought in-house in 2015 and the IT team was strengthened with a number of new hires, including the recruitment of Daniel Glyde as the new chief technology officer from a leading UK online business. Pure Gym's in-house IT team designed and developed our current website that was launched in May 2016. Pure Gym hired Stephen Rowe as chief marketing officer in January 2016 and the marketing and commercial teams have been further strengthened with a number of other experienced individuals. Additionally, Rebecca Passmore, who has substantial previous experience in multi-site retail businesses, joined Pure Gym as Director of Operations in October 2017. Following these and other additions, we believe that our senior management and other important management teams are well invested and are capable of executing Pure Gym's growth strategy.

Pure Gym has a strong and differentiated culture centered on collaboration, innovation and entrepreneurship and we believe that this culture has been a key driver of our ability to deliver strong historical growth and widen the gap between it and other operators in the value gym market.

This culture has also helped us to attract and retain high quality personnel and create a highly motivated work force that is dedicated to delivering the best product possible. We believe that Pure Gym is recognized as an "employer of choice" after being ranked 33rd in the Sunday Times 100 Best Companies to Work For in 2016 (the results of which are based on employee feedback).

Strategy

Our strategy is to continue to lead the revolution of the UK health and fitness industry by providing affordable, flexible and value-for-money memberships to high-quality gyms to anybody that wants to increase their level of fitness, while simultaneously delivering profitable growth. We believe there is a substantial opportunity for Pure Gym to continue its roll-out of gyms and strengthen its position as the market leader. The key elements of Pure Gym's strategy include:

Driving the operational and financial performance of New Gyms as they mature

Pure Gym has significantly increased its number of gyms in recent years as a result of its organic roll-out strategy as well as through conversions of sites acquired from LA Fitness. As of December 31, 2016, we had 86 New Gyms and in the nine months ended September 30, 2017, we opened a further 16 Pure Gyms, including 14 new organic Pure Gyms and the final two LA Fitness Conversions. While we have incurred the Initial Capital Investment costs and Pre-Opening Costs for these 102 New Gyms as of September 30, 2017, they have yet to reach maturity and, as a result, have not yet achieved their full financial performance and ROCE potential. We continue to focus on driving the operational and financial performance of New Gyms as they mature, with key areas of focus including:

- Investing effectively in marketing to drive local awareness and membership growth;
- Delivering a strong in-gym membership experience to drive customer satisfaction and retention, as well as "word of mouth" recommendations;
- Adjusting pricing to deliver consistent membership growth and to optimize yields; and
- Incentivizing local gym management to meet gym-specific budget and other performance indicators.

The 86 New Gyms as of December 31, 2016 and 16 gyms opened in the nine months ended September 30, 2017 are currently performing in line with our expectations and membership, yields and site profitability continue to grow.

As a result of Pure Gym's focused and technology enabled business model, Mature Gyms generated 43.6% Mature Gym EBITDA margin and 42.6% ROCE during the year ended December 31, 2016.

Continuing the organic roll out of new gyms with high returns on capital

We believe that there is a market opportunity for approximately 950-1,050 value gyms and approximately 4.0 million to 4.5 million value gym members in the UK health and fitness club market as compared to the 515 value gyms and 2.2 million value gym members as of March 31, 2017 (*Source: LDC*). Future growth in the value segment will be driven by the development of new value gyms, continued market share gains from mid-market and premium operators as well as public gyms operated by local authorities, and overall growth in UK gym participation rates due in part to the increasing awareness and availability of value gyms. The significant opportunity for further growth in the UK value gym market is evidenced by:

- The significant success of the value gym concept to date and its broad consumer appeal across the UK.
- The currently low penetration rate of value gyms in the United Kingdom. As of March 31, 2017, value gyms only represented 8% of the total number of UK gyms, (*Source: LDC)*.
- The significant number of remaining mid-market, premium and public gyms in the UK. As of March 31, 2017, according to LDC, there were 3,439 gyms in the private mid-market and premium sectors with 4.2 million members in total. Furthermore, there were 2,709 public gyms with 3.3 million members, (*Source: LDC)*.
- The historical ability of value gyms to grow the overall gym market. Between March 31, 2012 and March 31, 2017, the number of UK fitness club members increased by 2.1 million, of which 86% joined value gyms.
- The current overall penetration rates of gym membership in the UK. As of March 31, 2017, only 15% of the UK population were members of a gym, (*Source: LDC)*.
- The success of value operators within different industries in the UK and internationally.

We believe Pure Gym is ideally positioned to capitalize on this substantial market opportunity as it is the standout market leader in the United Kingdom and has a long, successful track record of opening new gyms and rapidly growing membership, revenue and profitability. Our gyms typically have been profitable at a gym level after a relatively short period and we consider them to be mature after two years of operations, although profitability has typically continued to increase throughout the third year of operation. We target a minimum mature individual ROCE of 30% on organic site openings.

Pure Gym has a structured and disciplined approach to site identification, acquisition and development. Our property acquisition team is highly experienced and Pure Gym has a strong network of property agents, landlords and developers that provide us with a substantial number of new site opportunities. Our gyms have been proven to work across the United Kingdom in a wide variety of property types and, accordingly, management considers a broad number of locations for new gyms.

We seek to grow our organic gym estate by both opening new Pure Gyms at sites that were not previously operated as gyms ("**Organic Greenfields**") as well as sites that were previously operated as gyms ("**Organic Conversions**"). Pure Gym has a long history of identifying and developing both types of sites and of its 154 organic gyms as of September 30, 2017, 122 were Organic Greenfields and 32 were Organic Conversions. See *"—Our Gyms—Estate Overview".* We believe that there will continue to be new Organic Conversion site development opportunities as mid-market and premium operators continue to face structural and competitive market headwinds.

Executing new initiatives to drive growth and profitability at all Pure Gyms

We remain focused on maintaining the performance of all open Pure Gyms and delivering profitable growth across our estate. Management is implementing and has planned a number of key initiatives to develop revenue performance, including:

- *Expanding site capacity*—Pure Gym seeks to expand the capacity of its existing gyms where this is possible and viable. Capacity expansion can involve the physical extension of gyms, or the redesign of certain aspects of gyms to eliminate site-specific utilization bottlenecks, such as the substitution of low utilization equipment, or the installation of additional automated entry portals to increase capacity.
- *Developing new commercial products*—We have implemented and continue to develop new membership options to attract certain types of new members to our gyms and increase membership fee yields and/or member numbers. For example, following a successful trial in 2016, Pure Gym has rolled out its Extra product across all gyms. This product takes advantage of our technology platform to offer members the option to pre-book classes on a priority basis, take a friend to the gym, obtain multi-site access and freeze their memberships.

- *Maximizing revenue through site level yield management*—Pure Gym sets its prices at the local level and management reviews all gyms' prices regularly. Pricing changes are implemented to improve revenue performance through yield or membership increases.
- *Marketing and CRM*—Pure Gym has strengthened its marketing and we are taking a more sophisticated and data-driven approach to membership acquisition and retention. Pure Gym's brand awareness remains relatively low in the context of our large estate of gyms and we utilize channels, such as television advertising, to increase brand awareness and drive membership growth.
- *Development of new sales channels and cross marketing*—Pure Gym is leveraging its nationwide scale to identify opportunities to partner and enter into commercial arrangements with large UK corporations that have the potential to deliver incremental membership volumes.
- *Implementing new technology infrastructure*—Pure Gym continues to invest approximately 3% of revenues in IT. The IT team is focused on designing solutions that enhance the membership experience, facilitate efficient relationships with corporate partners and enable management to better manage the business.
- *Maintaining high standards*—We are focused on maintaining the high quality of our gyms and continuously improving the member experience in order to drive growth in membership volumes and tenures, word of mouth recommendations and yields. We strive to innovate our product offering, and we regularly introduce new types of equipment and new exercise classes.

Maintaining a rigorous focus on cost containment

Pure Gym's ability to offer low membership fees and generate strong unit economics and ROCEs is underpinned by its low-cost operating model. As a result, we are focused on optimizing and controlling gym-level operating costs, as well as Initial Capital Investment Costs. These costs are controlled centrally and we intend to continue to leverage our growing scale in order to achieve more favorable purchasing terms with third-party suppliers, service providers and contractors. In addition, we are pursuing a number of other ongoing operational efficiency projects, such as energy saving initiatives, to minimize future gym-level cost increases and improve returns.

Following several years of investment into central functions such as IT, marketing and finance, we believe that our central functions are well invested and that Pure Gym will not require significant incremental central cost expansion in the medium term.

History

Pure Gym was established in September 2008 by entrepreneur Peter Roberts, who recognized that there was a significant opportunity in the UK health and fitness market for a value gym offering. Peter launched Pure Gym to disrupt the market by providing high quality exercise facilities to a broad consumer base at affordable prices and on flexible contract terms.

In November 2009, the first two Pure Gyms were opened in Manchester and Leeds, with a third gym opened in Edinburgh in December 2009. We are built upon the success of our first three gyms and opened six new gyms in 2010. Since 2010, we have increased the pace of our roll out of new gyms, opening 13 gyms, 16 gyms, 22 gyms, 24 gyms, 48 gyms (including 11 LA Fitness Conversions) and 38 gyms (including 18 LA Fitness Conversions) in 2011, 2012, 2013, 2014, 2015 and 2016, respectively. In the nine months ended September 30, 2017, we have opened 16 gyms (including two LA Fitness conversions).

In January 2015, Humphrey Cobbold, formerly the CEO of Wiggle, an online cycling goods retailer, joined Pure Gym as our chief executive officer. In June 2015, Sir Chris Hoy, an eleven-time world champion and six-time Olympic champion track cyclist, invested in Pure Gym and was appointed as a special advisor and brand ambassador.

In 2015, we completed a corporate rebranding, investing £5.1 million in the process, which included the design and rollout of a new logo, color scheme and corporate brand image across all Pure Gym locations. In December 2014, we acquired 100% of the issued share capital of Mega Gym Limited (now Pure Gym (Dudley) Limited), a business with one gym that was converted to a Pure Gym. In May

2015, we acquired the LA Fitness Group and its 43 LA Fitness and LAX branded gyms. Subsequent to the acquisition, Pure Gym divested or closed 12 LA Fitness gyms while retaining 31 LA Fitness gyms and, as of September 30, 2017, we have completed the conversion of all of the LA Fitness gyms to the Pure Gym format.

Our Gyms

Estate Overview

Since opening our first gym in 2009, our estate has grown rapidly. The following table sets out the number of gyms and the total number of members as of the end of each period indicated.

	Number of Gyms(1)	Number of Members(1)
As of December 31		
2009	3	12
2010	9	45
2011	22	119
2012	38	183
2013	60	284
2014	84	412
2015	152	670
2016	172	822
As of September 30, 2017	186	923

(1) Excludes gyms and members of Planned LAF Disposals in 2015.

We have largely grown our estate organically, primarily by opening Organic Greenfields. For an Organic Greenfield, Pure Gym enters into a lease directly with a landlord. Pure Gym has also driven growth by opening Organic Conversions and through M&A Conversions. For an Organic Conversion, Pure Gym takes on a lease directly from another gym operator via a lease assignment or a sublease agreement, or enters into a new lease directly with a landlord following the relinquishment of a lease by another gym operator. We have primarily developed our Organic Conversion gyms at sites that were previously operated by mid-market and premium operators, including Virgin Active (8 sites), Fitness First (12 sites including Klick), LA Fitness (3 sites) and Fit4Free (2 sites). We have supplemented our organic growth through the acquisition of the LA Fitness Group in May 2015 and MegaGym (single site) in December 2014. At an M&A Conversion site, we acquire the gym and its membership for consideration and convert it to the Pure Gym brand and operating model. The following table sets out our gym estate by type of site as of September 30, 2017.

	As of September 30, 2017
	Number of Gyms
Organic Greenfield	122
Organic Conversion	32
M&A Conversion	32
Total gyms	**186**

Given Pure Gym's rapid roll out and the acquisition of the LA Fitness Group in May 2015, our estate has varying numbers of Mature Gyms, New Gyms and Unconverted LAF Gyms throughout the reporting period. The following table sets out the number of such gyms as of the dates indicated. See "*Presentation of Financial Information*".

	As of December 31,			As of September 30,
	2014	2015	2016	2017
Mature Gyms	38	60	84	—
New Gyms	46	72	86	—
Total Pure Gyms	**84**	**132**	**170**	**186**
Unconverted LAF Gyms(1)	—	20	2	—
Total Gyms(1)	**84**	**152**	**172**	**186**

(1) Excludes Planned LAF Disposals in 2015.

Gym locations

Our gyms are located in towns, cities and other populous areas and we have a balanced portfolio of gyms throughout the UK, including a strong presence in Central London and the Greater London area. The Pure Gym model has proven successful in a wide variety of property types, such as former retail park warehouses, offices, car showrooms and night clubs and demographic catchments, which we believe indicates that there are a significant number of site alternatives that can be selected for future gyms.

The following table sets forth the percentage of our gyms by site type as of September 30, 2017.

	As of September 30, 2017
	Percentage of Gyms (%)
City Centre	23
High Street	6
Shopping	14
Retail Park	24
Arterial Route	16
Residential	10
Leisure Park	4
Business Centre/Park	3
Total	**100**

The following table sets forth the number of our gyms by region of the UK as of September 30, 2017.

	As of September 30, 2017
	Percentage of Gyms (%)
Eastern	2
East Midlands	4
London	25
North East England	3
North West England	16
Northern Ireland	4
Scotland	10
South East England	10
South West England	6
Wales	2
West Midlands	11
Yorkshire & Humber	8
Total	**100**

We strategically focus our property acquisition efforts in five distinct conurbation types. The acquisition of the LA Fitness substantially increased the number of our gyms in the Greater London conurbation. The following table sets forth the number of our gyms in each type of conurbation as of September 30, 2017.

	As of September 30, 2017	
	Typical Population	**Number of Gyms**
London (Inner)	3.7 million	26
London (Outer)	6.6 million	23
Primary Metro	>1.5 million	38
Secondary Metro	0.5 million-1.5 million	26
Primary City	0.35 million-0.5 million	17
Secondary City	0.17 million-0.35 million	24
Small City/Town	50,000-0.17 million	27
Smaller Town	<50,000	5
Total		**186**

In addition to opening gyms in new geographic locations, we have opened, and intend to continue opening, new gyms in certain areas where we already operate a gym (or gyms) and where we believe there is sufficient demand for additional gyms. We believe that this strengthens our membership proposition over our competitors by providing members with the flexibility and convenience to use multiple gyms (e.g., near both home and work) and strengthening the local Pure Gym brand.

Gym size and format

Our gyms vary in size between approximately 9,000 square feet and 37,000 square feet (gross), with an average size of approximately 19,300 square feet (gross) as of September 30, 2017. Pure Gym's estate can be divided into the following size categories as of September 30, 2017:

	As of September 30, 2017
Size (in gross square feet)	**Total Gyms**
26,000+	13
22,000–26,000	31
18,000–22,000	61
16,000–18,000	44
<16,000	37
Total	**186**

Pure Gyms generally have the following characteristics:

- located in populous areas with nearby transportation links and/or on-site parking and good site visibility from the street;
- average total area of approximately 15,000–20,000 square feet (gross) and designed to maximize high utilization exercise space;
- 24 hours a day, seven days a week, 365 days a year gym access, which allows Pure Gym's members to adapt their use of the gym to fit their individual lifestyles;
- a large number and wide range of high quality, award-winning Matrix gym equipment;
- one or two dedicated studio fitness areas, including in many cases dedicated stationary cycling studios, which enable each Pure Gym to offer approximately 50–80 free classes per week;
- extensive free weights areas, typically with a full range of weights, benches, squat racks and lifting platforms;
- functional training spaces, including functional training rigs;
- high quality property fit-out, with air conditioning and ventilation units designed for high usage and efficient maintenance;

- clean and well-appointed shower and changing facilities;
- members' areas with vending machines, day lockers and bulletins, on which are posted notifications about personal training and other club announcements;
- two to four fully-automated PIN and RFID tag-controlled entry portals for secure member access;
- free Wi-Fi internet access, TVs and professional sound system;
- internet-enabled kiosks that allow prospective members to sign up for memberships and receive immediate access to gyms "at the gym door";
- continuously recording CCTV security cameras, proactively managed and monitored by our in-house team during non-peak hours;
- emergency help points;
- automatic defibrillators;
- at least one member of staff, a personal trainer or a member of the cleaning or maintenance team, who is trained in first aid, present at every site 24 hours a day, seven days a week; and
- disabled access and disabled toilets and shower facilities.

Pure Gym tailors its format to local market conditions to offer the best possible member experience. As a result, in addition to the common features described above, certain gyms may have specific features, such as "ladies' only" areas. None of our gyms have cafes, saunas, steam rooms, spas or pools, which are typically used by a small percentage of gym members. These amenities result in higher operating and Initial Capital Investment costs, and lower the amount of high utilization gym floor space, which limits the number of members gyms can support.

We are planning to test a new format of gym, which we refer to as "small box format" gyms. These gyms will be very similar to our other Pure Gyms but just be smaller in size, typically in the range of 5,000 to 8,000 square feet. We believe that these gyms would enable us to grow into areas that cannot currently support a larger sized gym.

Fitness equipment

We equip our gyms with a broad range of high-quality fitness equipment primarily consisting of Matrix cardiovascular and resistance equipment such as treadmills, cross trainers, stationary bikes and fixed resistance weight machines. In addition, Pure Gym also equips its gyms with an extensive free weights section, as well as other specialized training equipment such as kettlebells, TRX bands, medicine balls, core vibration stands and foam rollers. The majority of gyms also have specialized stationary bikes for our free cycling classes. On average, Pure Gyms have 117 pieces of free weight equipment, 96 pieces of cardio equipment and 169 pieces of functional and resistance equipment per gym. New types of fitness equipment are regularly added to ensure that our gyms cater to the latest exercise and fitness trends. We only select equipment we believe to be high quality and designed for heavy and frequent use. We believe that purchasing high quality equipment results in an improved member experience, reduces maintenance expenditure and ensures a longer equipment lifecycle.

The specific fitness equipment installed in each Pure Gym is designed for each space based on management's view of expected utilization allowing for demographic and other factors. Gym equipment is generally installed in phases. At opening, a base level of equipment is installed in each gym. This base level is then increased as membership begins to increase and actual usage patterns are observed and analyzed. This is part of our capital efficient fit-out strategy and ensures that we are able to tailor our product offering at the local level.

Gym equipment utilization is monitored in gyms to identify usage patterns. This is done through the usage data held in certain pieces of equipment and the selective use of RFID tags. This monitoring has been enhanced through the development of an equipment utilization and capacity bottleneck model. Management also regularly engages with its managers at each gym for feedback specific to that location. Customer Net Promoter Score surveys are also routinely completed to understand customers' perceptions of the product offering. Depending on the results of these combined efforts, management may alter the number, composition or placement of fitness equipment in gyms to maximize member usage and prolong the life of the equipment. As an example, increased free weights areas have been added to many gyms, which has had a positive effect on growing our membership numbers. We believe close monitoring of equipment usage enables us to increase member satisfaction and improve the efficiency of our gyms.

Pure Gym is highly focused on maintaining the high quality of our gym equipment in order to provide our members with a compelling in-gym experience. As such, we have a comprehensive fitness equipment and maintenance program with Matrix, who are contracted to repair any non-functioning piece of equipment within 48 hours. We have a six-year replacement cycle for Matrix equipment over which time the equipment is depreciated on a straight line basis. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Personal trainers

All Pure Gyms offer personal training sessions for an additional fee with fitness professionals who have attained Level 3 of the Register of Exercise Professionals qualifications, which includes first aid training. The additional fee is agreed with and paid directly to the personal trainer. There are typically between 10 and 15 self-employed personal trainers at each gym, depending on the number of members and they wear Pure Gym branded uniforms. We aim to have personal trainers who are passionate about fitness and many of the personal trainers specialize in specific areas such as sports therapy, injury rehabilitation, nutrition and strength and conditioning.

In addition to providing paid personal training services, personal trainers also have a visible presence on the gym floor, lead induction sessions for new members and lead many of our free group exercise classes. They are also available to answer questions members may have about fitness or Pure Gym generally.

Based on the information currently available as well as high level business forecasts, we would not currently expect the impact of a potential change in our personal trainers' employment status from independent contractors to employees to cause a material adverse change to our Group Adjusted EBITDA. See "*Risk Factors—We may be adversely affected by a change in the employment status of personal trainers operating at our gyms*".

Other fitness services

Pure Gym also offers our members other fitness services that are not consistently offered by other operators in the value sector. For example, Pure Gyms typically have one or two dedicated group exercise studios, including cycling studios outfitted with purpose built stationary bikes, per gym and generally offer approximately 50–80 free classes per week taught by qualified personal trainers. In addition to free classes, premium classes led by specialist instructors, such as Zumba, are typically offered for £2 per class outside of London and £4 per class in London. In some gyms, video/virtual classes are also offered that are accessible at any time, such as Les Mills video classes. Members are able to book places in studio classes using the Pure Gym app, the Pure Gym website or in-gym kiosks. We believe that dedicated studio areas and a large fitness class offering attract a broader demographic of members, enhance member satisfaction and offer greater utilization of space during peak times. Members who attend group exercise classes generally have longer tenures (a longer tenure by two months for studio area users and a longer tenure by four months for spin studio users amongst members who joined in 2014). Pure Gyms also typically have functional training zones, which targets an area of fitness that has significantly grown in popularity recently. These zones typically include functional training rigs, TRX bands and battle ropes and are especially popular for personal training sessions. We strongly believe these additional fitness services differentiate Pure Gym from our competitors in the value gym market.

Members

Overview

Pure Gym's customer value proposition is based on providing members with affordable, flexible and value for money access to a national network of high quality and well maintained gyms. As a result of our affordable price point, strong value for money offer and "everybody welcome" philosophy and marketing message, Pure Gym attracts a broad range of consumers, many of whom have not been members of a gym in the past due to high prices or the lack of flexibility and value in the offering. Pure

Gym also attracts many members from traditional UK health club operators because of our more compelling product offer and lower price points. For members joining a Pure Gym in the nine months ended September 30, 2017, 30% were former members of other health or fitness clubs, 28% had not previously been a member of a gym, and 40% were rejoiners.

The following table sets forth the total number of our members as of December 31 for the years listed below, except as otherwise indicated.

	2010	2011	2012	2013	2014	2015	2016	2017[(2)]
Number of members[(1)] *(000s)*	45	119	183	284	412	670	822	923

(1) Excludes Planned LAF Disposals in 2015.
(2) As of the nine months ended September 30, 2017.

Member Demographics

Pure Gym's proposition has broad appeal and our consumers come from a wide variety of demographic and socio-economic backgrounds. This broad appeal allows for significant market penetration and potential growth. As of September 30, 2017, 58% of Pure Gym's customer base was male and 42% was female.

The following table sets forth the breakdown of Pure Gym's membership base by age as compared to UK gym-goers and the UK population overall. (*Source: CSR Report*).

	As of April 1, 2017		
Age	**Percentage of Members**	**Percentage of UK Gym-Going Population (%)**	**Percentage of UK Population**
16-24	28	19	10
25-34	40	27	14
35-44	18	20	13
45-54	10	15	14
55-65	3	8	11
65+	1	11	17
Total	**100**	**100**	**100**

The following table sets forth the breakdown of Pure Gym's membership base by lifestyle group as compared to the UK population overall (*Source: Javelin Group / Callcredit*).

	Percentage of Lifestyle Group[(1)] (%)	
As of February 2016	**Members**	**UK Population**
Business Elite	11	6
Prosperous Professionals	4	5
Flourishing Society	7	10
Content Communities	8	11
White Collar Neighborhoods	12	10
Enterprising Mainstream	7	9
Paying the Mortgage	14	15
Cash Conscious Communities	12	13
On a Budget	14	12
Family Value	10	9
Total	**100**	**100**

(1) Represents allocation of 731,000 member records, according to the CAMEO Report.

Membership Duration

Average Continuous Membership Tenure for our 22 oldest Pure Gyms increased from 14.7 months in May 2014 to 18.3 months in April 2017, which is longer than a typical one-year gym contract. Among active members at our 38 gyms opened prior to 2013, 39% have held memberships for less than six months, 29% for between six and 18 months and 32% for at least 18 months *(Source: CSR Report).* While the average tenure per membership at these gyms is 17.2 months, many members who terminate their memberships later return *(Source: CSR Report).* As a result, the average Pure Gym member is active for 22.5 months and remains affiliated with Pure Gym for 25.4 months from the date of first becoming members *(Source: CSR Report).* We believe this long continuous membership tenure and retention of former members is a testament to Pure Gym's strong customer proposition.

The table below sets forth a breakdown of the percentage of members by band of continuous membership tenure for our 22 oldest Pure Gyms as of April 1, 2017.

	As of April 1, 2017
Continuous membership tenure band	**Percentage of Members (%)**
0-3 months	26
3-6 months	13
6-12 months	17
1-2 years	19
2 years +	25
Total	**100**

"No Contract" Memberships

A key component of Pure Gym's proposition is our simple and transparent "no contract" month-to-month membership model in which members are not bound to a fixed-term contract, unlike many health and fitness memberships in the UK. All members under "no contract" memberships pay membership fees one month in advance per this specific membership type, but have the option to leave at any time without paying a cancellation fee.

Members under "no contract" memberships also have the ability to freeze their memberships, whereby for a monthly fee of up to £5.99, they can retain their current monthly membership fee rate on reactivation without paying a joining fee. The ability to freeze memberships has allowed Pure Gym to retain members who do not need gym access for a certain time period such as students, who may wish to suspend their memberships during the summer holiday period. As of September 30, 2017, approximately 1% of Pure Gym's members were on frozen memberships.

Standard "No Contract" Memberships

Pure Gym's standard "no contract" membership allows a member to access his or her chosen "home" gym during all trading hours (typically 24x7x365) and utilize all of the gym's exercise facilities and services, including an extensive range of free group exercise classes. As of September 30, 2017, 81.8% of Pure Gym members were on the standard "no contract" membership. A further 12.5% of Pure Gym members were on premium "no contract" memberships (either the Multi or Extra products, as explained below).

Members under the standard "no contract" membership are able to pay an additional monthly premium for the multi product, which allows them to access gyms other than their chosen "home" gym. Furthermore, members can choose to pay an additional monthly premium for the Extra product, which provides them with a number of additional benefits as previously described. We believe Pure Gym's ability to provide Multi-site access and Extra benefits across our nation-wide gym footprint, which is the largest of any UK operator, provides us with a significant advantage over our competitors and improves the proposition and customer experience.

Off Peak "No Contract" Memberships and Day Passes

At certain Pure Gym locations, members can choose to pay a lower monthly membership fee than the standard "no contract" membership to access the gym only during off-peak hours. Off peak "no contract" memberships are generally available for approximately 75% of the monthly standard "no contract" membership fee rate, depending on location. As of September 30, 2017, 3.0% of members were on off-peak "no contract" memberships, which were available at 122 Pure Gym locations.

Pure Gym also offers "Pay As You Go" memberships, where individuals can purchase one-day, three-day, seven-day and thirty-day passes to access single gyms. Pricing for these products is at a premium to the equivalent pro-rata charge for standard members paying monthly. These individuals are not considered members. Pure Gym sold 214,000 day and multi-day passes in the nine months ended September 30, 2017 (excluding sales of day passes in Unconverted LAF Gyms). We believe that offering day passes is a useful tool to generate ancillary revenues while also enabling first-time gym goers, or prospective customers interested in the Pure Gym brand, to try the Pure Gym product.

Membership pricing

Pure Gym's transparent and affordable pricing is an important component of our proposition and an integral part of our differentiation versus traditional UK health and fitness club operators. Pure Gym's members pay the following amounts to join and use our gyms under the standard "no-contract" membership as of September 30, 2017 (all figures below are inclusive of VAT and exclude pre-opening offers).

- a joining fee ranging from £Nil to £25 with an average of £12.27; and
- a monthly membership fee ranging from £12.99 to £24.99 outside the M25, depending on the location, with an average of £18.85; or
- a monthly membership fee ranging from £16.99 to £49.99 inside the M25, depending on the location, with an average of £27.03.

Pure Gym's average monthly membership fee for our standard "no contract" membership was £20.89 as of September 30, 2017 (inclusive of VAT; excluding pre-opening offers and Unconverted LAF Gyms), as compared to the UK average private club monthly membership fee of £41.03 as of March 31, 2017 (*Source: LDC*). The pricing of Pure Gym's joining fees and monthly membership fees is transparent, simple and clearly displayed on our website.

Pure Gym operates a dynamic pricing strategy, with membership fees and joining fees set at the individual gym level. Pricing is regularly reviewed by senior management with input from local gyms' general and regional managers. The goal of Pure Gym's dynamic pricing model is to optimize site profitability as well as the proposition and member experience. Pricing decisions are influenced by a broad number of site specific factors such as membership levels, peak time capacity, trends in new joiners and leavers, the demographic profile of the catchment area and local competition. For example, Pure Gym may drop joining fees to encourage new joiners in clubs with lower membership levels or may increase pricing at gyms that are reaching or have reached capacity. If Pure Gym increases or decreases a gym's joining or membership fee, all subsequent new joiners will pay the new fees.

In the case of gyms that are yet to open, Pure Gym typically offers a special pre-opening rate for our standard "no contract" membership to attract members (a "**pre-opening offer**"). For example, Pure Gym may offer members who join prior to or shortly after the opening of a new club a monthly membership fee that is 30–50% below the planned full price membership fee for the standard "no contract" membership. Typically after three to twelve months, however, members on pre-opening offers are automatically moved to the monthly membership fee that is indicated as the "full price" rate of the gym. Once a gym has opened, Pure Gym will generally increase prices for new joiners based on local demand and the remaining capacity of the gym. As of September 30, 2017, 2% of Pure Gym's members were on pre-opening offers. As a result of pre-opening offers, average membership fees paid by existing members of all of our Pure Gyms are below the average membership fees paid by existing members of only the Mature Gyms.

The table below sets forth the distribution of members across various membership fee rates as of September 30, 2017 for the entire estate of Pure Gyms and the 84 Mature Gyms classified as such as of September 30, 2017.

As of September 30, 2017	**Total Gym Estate (%)**	**Mature Gyms (%)**
£10.99–14.99	6%	8%
£15.00–19.99	66%	71%
£20.00–29.99	23%	20%
£30+	5%	0%

Pure Gym offered a “price for life” guarantee to members who joined prior to January 1, 2016, which guaranteed that their monthly membership fees would not increase for as long they retained their standard “no contract” membership without cancellation (excluding specific promotion offers, such as pre-opening offers). This price for life guarantee was also offered to all members of LA Fitness gyms who retained their membership after their gym was converted to a Pure Gym. As of September 30, 2017, 21% of members benefitted from the price for life guarantee. Members joining after January 1, 2016, with the exception of the aforementioned transferred LA Fitness members, do not receive the benefit of the price for life guarantee and Pure Gym has the contractual ability to raise their membership fees at any time. To date, Pure Gym has raised membership fees for approximately 8,000 members who joined after January 1, 2016 (excluding those members moving off pre-opening offers), and we could consider implementing further increases in the future.

Members who cancel their memberships and later rejoin provide Pure Gym with the opportunity to increase membership fee yields on those members due to subsequent increases in gyms’ headline prices. For example, 78% of members who joined since January 1, 2013 and who rejoined again between January 1, 2013 and January 1, 2017, did so at the same or a higher price than their previous membership.

Collection of Membership Fees

Pure Gym utilizes direct debit for the collection of the majority of our membership fees; however, in all gyms, the joining fees and the first month’s membership fees are collected by credit cards in order to mitigate the risk of the first payment not being made. Membership fees are paid one month in advance, which minimizes customer credit risk. We believe there are advantages to receiving ongoing payments via direct debit rather than credit or debit cards, including less frequent expiration of billing information and lower processing fees. However, there are certain groups of consumers who do not have UK bank accounts or prefer paying by credit or debit card, and therefore we are exploring ways in which we can meet the requirements of such consumers while retaining direct debit as the core payment method. Payment processing is done in-house at Pure Gym. If any scheduled debit payment is not successfully processed, we use our in-house call center to contact the customer and take an immediate payment by credit card.

Online Joining and Membership Management

Pure Gym operates a fully automated and convenient online joining process. Prospective members may either join online through Pure Gym’s website or in person at a gym using internet-connected kiosks provided on the gym premises. Our in-house call center is able to assist members with the joining process if required. Automated online joining is a key part of Pure Gym’s ability to operate on costs lower than traditional UK health and fitness operators as it enables us to operate without an expensive sales force. Online joining also provides other benefits, including:

- improves the customer experience as it is more convenient than joining in the gym and does not result in a high-pressure sales environment;
- allows for the consistent collection of customer data; and
- enables gym managers to focus on delivering the best in-gym experience to members, rather than spending time on tasks related to membership enrolment and management.

In addition to joining, many aspects of a customer’s membership can be managed by members online or via the Pure Gym mobile app such as booking places in classes and freezing memberships. We believe Pure Gym’s online membership management services are highly differentiated in the UK health and fitness market.

Member engagement and satisfaction

We believe that regular, relevant engagement with members results in a better customer experience and inspires members to use the gym more frequently and achieve their fitness goals. Higher satisfaction and more active gym usage in turn typically increases membership duration and leads to recommendations to family, friends, and relatives. Pure Gym seeks to engage with our current members in a number of ways. On a personal level, gym managers and personal trainers are encouraged to develop relationships with members and support the achievement of their fitness goals. Pure Gym also uses technology to engage with customers and educate them about fitness. See "*Technology*". Pure Gym also seeks to engage with former members and encourage them to return to Pure Gym. This is done by email and outbound calls from the call center. See "*—Call center*".

Achieving high levels of customer satisfaction is our key objective and management tracks satisfaction levels closely. Pure Gym gathers feedback from members largely through regular NPS monitoring and customer surveys and uses the results in all levels of decision making, including operations, product design, and site fit-out. NPS scores are also used as a component of the incentive and bonus awards for gym managers and assistant managers. Based on exit surveys for the year ended December 31, 2016, the top two reasons given by members for leaving were moving/location and not using the gym.

Call center

We operate our own member services call center. The objective of the call center is to provide customer service to existing members (e.g. managing payment issues, resolving site access issues and answering general questions about members' gyms) and enable prospective members to speak to a person regarding any questions they may have about our product. The call center also has outbound calling capability and contacts certain members who have cancelled their memberships to encourage them to rejoin. As of September 30, 2017, 102 people worked in the call center (both full- and part-time), which is based at our headquarters in Leeds. We believe the call center is a valuable tool in maintaining high levels of customer service and enhancing the proposition and member experience.

Access

All of our Pure Gyms open as of September 30, 2017 were accessible by members seven days a week and 365 days a year and 93% were accessible 24 hours a day. Entry and exit is controlled via automated and computer controlled entry portals and members have their own unique PIN-codes and/or RFID bands or key fobs which grant them access. Fraud prevention measures are in place to limit the risk of multiple individuals using the same membership or PIN number. Our automated entry systems track and provide data on usage patterns so that gym managers can actively manage capacity and monitor key performance indicators. Pure Gym's usage patterns indicate that longer opening hours expand gym capacity, with a significant percentage of visits occurring during the "shoulder periods" of 8:00pm to 11:00pm and 5:00am to 7:00am on weekdays and 5:00pm to 10:00pm on weekends as well as the night periods of 11:00pm to 5:00am on weekdays and 10:00pm to 8:00am on weekends.

Property

Pure Gym's overall strategic objective is to secure and develop gyms at properties that are well located, contribute to positive "cluster effects" and deliver attractive and sustainable returns on invested capital. A structured and disciplined approach has been crucial for successful site acquisition and has helped Pure Gym build a strong nationwide site portfolio. Pure Gym has a four-stage new site acquisition process which includes: (1) Initial Site Targeting; (2) Preliminary Screening of Opportunities; (3) Detailed Evaluation and Assessment of Priorities; and (4) Formal Feasibility Reports and Investment Decision Making (as described below). We lease all of our gym sites.

The Property Acquisition Team

Pure Gym has a dedicated four-person property acquisition team, headed by the property acquisition director, who is responsible for the acquisition of new gym sites. The responsibilities of the property acquisition team include identifying potential site locations, evaluating their suitability as Pure Gyms, developing financial forecasts for prospective sites in conjunction with the operations, finance and development teams and negotiating lease terms with landlords. The individuals who form part of Pure Gym's property acquisition team are highly experienced in the UK property market and have strong relationships with landlords, developers, agents and other gym operators who may be looking to divest sites. The property acquisition team uses extensive data and proprietary tools to identify and evaluate new gym sites.

Initial Site Targeting

Pure Gym uses a number of approaches to ensure it is identifying a large number and broad cross section of potential new locations for our gyms across the UK. First, we have categorized the UK into different catchment areas from major conurbations to cities and towns to ensure we have a "top down" list of priority site locations from across the country. Second, we have worked with external consultants to build a proprietary postcode driven assessment model to help us identify potentially attractive locations using demographic, socio-economic, and other data. The model forecasts estimated financial returns expected from gyms opened in those locations. The model is tested against proprietary data from Pure Gym's portfolio of existing sites, which is the largest network of gyms in the UK. This "bottom up" approach generates a prioritized list of over 200 locations which are a key focus area for the property acquisition team. Third, our property acquisition team continually reviews sources such as planning registers as well as maintaining close contact with landlords, property agents and developers. Fourth, we are active in seeking out and pursuing opportunities to take over leases from existing gym operators. Since inception, we have taken on 32 leases of sites at which a gym was previously operated by another operator (excluding an incremental 32 M&A Conversions). Last, we consistently update our processes and databases and analyze the performance of our existing gyms in order to identify similar locations that build on previous successes.

Applying these methodologies, we were able to identify over 500 sites for consideration and review in 2016, of which we selected approximately 417 sites to screen further. Management believes that having such a broad pool of sites for initial consideration provides a competitive advantage in selecting the most economically favorable and strategically important Pure Gym locations.

Preliminary Screening of Opportunities

Given the number of locations and opportunities that we identify, the business has developed a disciplined and efficient approach to screening opportunities. There are six key evaluation parameters to this screening process:

- site characteristics;
- headline population and demographic characteristics;
- likely lease terms;
- location characteristics;
- local competitive dynamics; and
- other important local considerations.

The preliminary screening process uses data, analysis, internal tools and the judgment of the property acquisition team to decide whether or not to proceed with a given site opportunity. The key output of the preliminary screening stage is a decision to complete a formal site assessment.

Detailed Evaluation and Assessment of Priorities

Of the approximately 417 sites screened by our property acquisition team in 2016, approximately 283 passed into more formal, rigorous and comprehensive evaluations. Of these 283 sites, full evaluations were completed on approximately 110 sites. At this stage of the process, we invest more time, effort and money to reach a decision on whether to prepare a formal feasibility report and ask the Board of Directors for formal approval for the site. The key steps at this stage are:

- two members of property acquisition team visit the site;
- development team, architectural design team and a nominated contractor visit the site;
- discussions and negotiations with the landlord, planners and potentially other leaseholders;
- detailed analysis and consolidation of feedback from the operations and development teams;
- creation of financial forecast and returns model; and
- analysis of potential impact on existing sites, if relevant.

Formal Feasibility Report and Investment Decision Making

If a site is deemed to be attractive following the detailed evaluation, a formal feasibility report is prepared. In 2016, we prepared approximately 40 formal feasibility reports and presented them to the Board of Directors for approval. The work and documentation for these reports is standardized and they are prepared by the property acquisition team. If the Board approves a formal feasibility report, the lease for the site will be entered into, unless the circumstances change in the intervening period.

We believe that we have developed a rigorous, transparent and professional approach to identifying new sites and to guiding decision making over capital investment. We also believe that the discipline of Pure Gym's property acquisition process, combined with the institutional knowledge gained from opening more gyms than any other private, low-cost gym operator in the UK since 2009 is a major contributor to Pure Gym's significant growth, competitive advantage and success. We believe the power of Pure Gym's property acquisition team and process is evidenced by the fact that we have never closed or relocated a Pure Gym site, and had only one loss-making Mature Gym as of December 31, 2016, and our Mature Gyms delivered an Average Gym ROCE of 42% in 2016.

Site Development

Once a lease for a new site has been entered into, the development team takes responsibility for managing the construction of the gym. Pure Gym has robust processes, a proprietary data set of benchmark costs, and very strong contractor and supplier relationships to assist in the development of sites. These factors continue to be a major contributor to our strong growth, competitive advantage and success. The development team consists of 6 people, including the property development director and the four project managers. The development team is responsible for managing the development of new sites and the refurbishment of existing sites.

The development team uses third party contractors to execute actual site works. Each new gym fit out is put out to tender with at least two contractors. Pure Gym has longstanding relationships with our contractors as well as with other key third-party business partners such as architects, acoustic engineers and other building services providers. Pure Gym's strong relationships and continuity with these partners has enabled us to cost effectively develop and open a large number of new gyms each year, while simultaneously delivering a consistent, high level of quality. The strength of our development team and our relationships with our business partners was exemplified by our ability over the course of 2015 and 2016 to execute the conversion of 29 LA Fitness gyms while opening 57 organic gyms and rebranding all of the existing Pure Gyms. For a discussion of the rebranding program, see "—*Marketing*".

Construction and development of each new gym generally takes 8 to 10 weeks and the costs and timings of developing an Organic Conversion gym is generally the same as for an Organic Greenfield gym. Pure Gym follows the traditional method of development in the UK health and fitness industry, by which the landlord is generally responsible for the shell of the unit, while the operator is responsible for the design and fit-out of the unit.

Gym opening targets and pipeline

We are targeting to open approximately 22 gyms in 2017 (including approximately 20 organic gyms and two LA Fitness Conversions) and 25–30 organic gyms in 2018. We have a strong pipeline of new organic gyms. As of September 30, 2017, Pure Gym had opened 14 organic sites in 2017, committed on a further 18 organic sites by exchange of agreements for lease, was in the process of progressing legals with a view to exchange on a further 9 organic sites and made formal offers on a further 20 organic sites. Of these 27 organic sites in the advanced pipeline, we expect a minimum of additional six gyms to open in period from October to December 2017 (subject to any unforeseen delays that can occur in the construction timetable) and 25–30 to open in 2018.

We believe that Pure Gym has a substantial advantage over competitors for acquiring leased space given our strong brand, leading market position, strong landlord covenant, excellent reputation and proven ability to drive foot traffic to landlords' properties. We believe that there is a market opportunity for around 1,000 value gyms and approximately 4.0 million to 4.5 million value gym members in the UK market.

Property leases

Pure Gym seeks to enter economically feasible leases with sufficient terms to justify the development costs of gyms. In addition, Pure Gym also seeks to ensure that our leases protect us from substantial increases in rents due to potential future volatility in the commercial property market and provide it with sufficient flexibility to exit unprofitable locations. Pure Gym's lease agreements typically include the following key terms, which provide us with substantial visibility over our future property costs:

- monthly or quarterly rents paid in advance based on a fee per square foot of leased space;
- monthly or quarterly service charges, where relevant, paid in advance;
- typically up to 12 months rent-free period at the start of the lease;
- landlord contributions to fund a certain amount of fit-outs costs;
- 15-year terms;
- no landlord breaks;
- tenant-only break rights at year 10;
- rent reviews every five years, based largely on RPI with caps of approximately 3–4% per annum and collars of approximately 0–2% per annum; and
- security of tenure at the expiration of the lease, whereby we have the right to apply for a new tenancy at the end of the term, and the landlord may only oppose the grant of a new tenancy on very limited grounds.

While we are generally able to standardize these terms for most of our gyms, many of the leases that were acquired from LA Fitness have different terms than described above. These alternate terms include longer lease terms, fixed rent uplifts not tied to RPI, open market rent reviews and no tenant break rights. Despite these differences, we believe the leases acquired from LA Fitness are attractive.

The following table sets forth the remaining lease lengths for our estate of gyms. As reflected in the table below, 78% of our leases have at least ten years remaining on their terms.

Remaining Lease Length	As of September 30, 2017 Percentage of Gyms
	(%)
15+ years	19
10-15 years	59
5-10 years	21
<5 years	—
Total	**100**

Seasonality

Pure Gym experiences a small degree of seasonality. The majority of membership growth is in January, February, September and October. Seasonality is generally positively driven by consumers' desire to improve their fitness at the start of the year and the start of new university/school terms and negatively driven by Christmas and summer holidays. We generally focus our marketing spend around peak joining periods, particularly the January/February period.

Marketing

Pure Gym's "everybody welcome" philosophy and marketing message positions us as an affordable provider of high-quality health and fitness facilities that welcome all people regardless of their current levels of fitness or fitness goals. Pure Gym's marketing message and brand image focuses on affordable and transparent pricing, "no contract" memberships and convenient 24 hours a day, seven days a week, 365 days a year access to a national network of clean and well-maintained gyms that house high-quality equipment and offer a large number free exercise classes. Pure Gym has clearly defined brand guidelines to which our agencies and staff are expected to adhere in order to protect the brand and ensure consistent messaging, tone of voice and look and feel, regardless of the medium.

We have invested in our marketing capabilities in recent years and the marketing team consists of 17 employees as of September 30, 2017. The marketing team, which is led by the chief marketing officer, is focused on delivering several key objectives including driving the acquisition of new members to both existing and new sites, engaging with existing customers to increase membership duration and lifetime value, and advancing the awareness and perception of the Pure Gym brand in the UK. To complement and augment our internal capabilities, the marketing team works with third parties such as Carat (one of the UK's largest media agencies) and BJL (a creative design agency).

Pure Gym operates national, regional, and local/site-specific marketing campaigns and programs. Considerable focus and attention is placed on local advertising campaigns for gyms that are in the pre-opening phase or have recently opened. Approximately £50,000 is budgeted for each gym opening to support all advertising and in-gym communications. A specific campaign for each new gym is developed with the close cooperation of the new openings team, the relevant gym manager, the relevant regional manager and the marketing team with marketing spend focused on the relevant local catchment area. Once opened, gyms also maintain their own advertising budgets and gym and regional managers develop their own local marketing plans with input from the marketing team.

Pure Gym's local, regional and national campaigns primarily consist of online marketing, hand to hand/leaflets, out-of-home advertisements and TV advertisements. We believe that as the largest UK gym operator, Pure Gym has substantial marketing advantages as compared to other operators, particularly with regards to our ability to cost effectively pursue national brand building campaigns.

Pure Gym markets to prospective, former and current members across a broad number of channels, including:

- digital, such as paid searches on Google, including both generic and brand-specific pay per clicks, online display ads and behavioral retargeting;
- social media, using display and video ads on platforms such as Facebook and Instagram;
- outdoor, such as billboards and underground advertising;
- television;
- print, such as newspaper advertisements and leafleting;
- radio;
- email;
- text message; and
- tech-enabled local marketing platforms, such as Sky Adsmart and Cinema (both in development).

Marketing spend by channel is actively managed to drive results and minimize customer acquisition costs and is generally focused around key joining periods to maximize customer acquisition. Google analytics premium, channel attribution modelling, TV Efficiency models and other techniques are used to ensure that Pure Gym can track and measure CPA and marketing return on investment as accurately as possible. Pure Gym seeks to maximize the volume of acquisitions from free or close-to-free channels, which are defined as channels where the direct CPA is under £5. Based on Google analytics and search engine optimization reports, approximately 54% of customer acquisitions were through close-to-free channels, while approximately 7% were through paid channels and approximately 38% were through free channels in the six months ended September 30, 2017. Total marketing expenditure for the year ended December 31, 2016 was £8.8 million and both the efficiency and effectiveness of this expenditure is an important focus area for senior management. In the nine months ended September 30, 2017, Pure Gym measured an average CPA of £7.

In December 2015, we launched our first national television advertising campaign which performed ahead of management expectations, delivering over 8,000 new members and significantly improved brand awareness. Pure Gym has subsequently run four further campaigns, each of which has delivered improvements in CPA while increasing overall investment (CPA was £68 in January 2016 compared to £36 in January 17).

We maintain an active social media presence and regularly engage with our members on key platforms such as Facebook and Twitter. In the nine months ended September 30, 2017, Pure Gym's web platform hosted 23.6 million sessions from 7.7 million unique users and had 99.1 million page views. During this period, Pure Gym had a leading share of UK online search for gyms with 20.1% and was in the top two in search engine optimization for all gym terms. Pure Gym's average online conversion has been relatively consistent at between 4% and 7% in the nine months ended September 31, 2017.

In 2015, we completed a corporate rebranding, investing £5.1 million in the process. The rebranding program included the design and rollout of a new logo, color scheme and corporate brand image across all Pure Gym locations. Since then, we have continued to invest in maturing the brand identity to further differentiate Pure Gym within the market (including TV advert development, imagery and identity improvements).

Sir Chris Hoy, an eleven-time world champion and six-time Olympic champion track cyclist, joined Pure Gym as a brand ambassador in June 2015 for a period of five years and plays an important role in much of our marketing material. Sir Chris appeared in Pure Gym's first television advertising campaign, has produced video and other exercise-related content for us, has attended our events and has also supported other various marketing and brand-building initiatives. Sir Chris's overall role is to provide authority and credibility for the Pure Gym brand by virtue of his history as a world-class athlete.

In 2015, Pure Gym signed a three-year partnership with The Great Run Company, the UK's biggest mass participation running series. Pure Gym has also had brand partnerships with O2, TomTom, Superdry, Evans Cycles, British Rowing and UNiDAYS. In February 2016, we signed a partnership with AXA PPP, and since July 2016 AXA PPP has been able to offer its members discounted membership to Pure Gym.

Our brand awareness remains relatively low in the context of our market leading position and nationwide footprint due to the fact that we have been in existence for less than eight years. However, Pure Gym's brand awareness is growing strongly. According to a Pure Gym brand tracking survey, unprompted brand awareness grew from 17% in December 2015 to 24% in February 2017, while prompted brand awareness grew from 30% to 38% over the same period. We believe there remains a significant opportunity to increase overall brand awareness going forward, which we believe could have a positive effect on membership recruitment.

Technology

Technology is a critical component of Pure Gym's business model. We use technology to enhance our customer value proposition and augment the membership experience, while simultaneously using it to drive operating and capital cost efficiencies and enable the senior management team to better manage the business.

For members, technology enables convenient and easy online joining and membership management as well as 24 hours a day, seven days a week, 365 days a year access to the majority of our gyms. Customers can sign up for memberships via the Pure Gym website, which can be accessed using kiosks at our gyms or anywhere else with internet access. Members can also use the Pure Gym website and mobile app to book places in exercise classes and manage their membership status.

In addition to enhancing the proposition, our technology infrastructure enables us to lower operating costs and more efficiently run our business. For example, Pure Gym uses an online member management system provided and hosted by Exerp to process new memberships, update member information and store member data. The Exerp system interfaces with the Gantner gym access system, which controls gym access for members via PIN, RFID wristband and key fob. These systems allow our gyms to operate without a staffed reception. Our online joining process also allows us to operate without an expensive in-gym sales force.

Technology is also used to reduce fit out and maintenance costs. For example, equipment heat maps are developed in partnership with suppliers and used to configure newly opened gyms to reduce wear and tear on equipment and provide equipment utilization reports. Pure Gym has also developed and uses a proprietary capacity management tool, which allows it to track and monitor the capacity of gyms and identify bottlenecks at different stages of the member journey. Eliminating these bottlenecks allows gyms to support higher levels of membership.

We invested substantially in our internal IT capabilities in 2015 and 2016 and brought a number of core IT functions in-house. Pure Gym's IT team is led by a chief technology officer with over 20 years' experience in the information technology industry. He is supported by a team of 15 who together have over 240 years of relevant experience. We believe that direct ownership of, and control over, our core technology interface with members and business partners is a source of competitive advantage for us.

In May 2016, we relaunched our website to improve the user experience. The website is hosted via cloud computing and managed by Pure Gym's internal IT team. Both the Pure Gym website and the smart phone app are connected directly to Exerp. Pure Gym's website is fully optimized for mobile, and mobile is the leading device through which people access Pure Gym's website. Approximately 63% of site visits were through mobile in September 2017, while approximately 31% were through desktop and approximately 6% were through tablet. The website is HTTP secure and customer bank data is encrypted to 256-bit AES. The website provides the facility to allow users to purchase premium level memberships (Multi and Extra), premium courses, bolt products on to their memberships and upgrade from Off Peak to Standard and Standard to Extra online.

In 2016 and 2017, as part of the normal course of business, we commissioned detailed and comprehensive cybersecurity reviews of our IT infrastructure, software, processes and culture, as well as key IT suppliers such as Exerp and Nomical, by a cybersecurity consultant. In the most recent review it was found that all critical, high and medium rated risks have been resolved leaving only 10 low level risks and 4 info level risks, which we believe to be an acceptable position.

Individual gyms have IT infrastructures to provide local access network service, provide free Wi-Fi to members, ensure back-up PIN data for site access and enable in-gym TVs to display video and advertisement feeds. Each gym is equipped with continuously recording closed-circuit television security cameras. These are proactively monitored outside of normal staffing hours by an in-house team and video is recorded at each access control point for fraud detection and prevention.

Pure Gym's back office computer systems are comprised of a variety of technologies designed to assist in the management and analysis of our revenue, costs and key operational metrics as well as support the daily operations of Pure Gym's office-based and remotely located staff. These include a third-party hosted financial system, a third-party hosted business intelligence system and third-party hosted call center software to manage and track member-related requests.

Our information technology strategy is aligned to support our business strategy and operating plans. Pure Gym maintains an on-going comprehensive program to replace or upgrade key systems, enhance security and optimize performance. We believe that Pure Gym's IT systems are scalable and can support our growth plans.

Information Back-Up and Disaster Recovery

We fully back up all of our membership and business information using third-party data locations and have a full business continuity plan in place. Our third-party technology systems are backed up regularly, with frequency varying depending on the third-party supplier. For example, Exerp provides daily back-up of our operative systems, all client data are stored in Oracle with twice weekly full and once daily incremental backup. Nomical, the supplier for our head office IT infrastructure, provides daily incremental backups and bimonthly full backups. All database backups for the content management system and assets such as images are stored in Azure geo-redundant storage and these are replicated across the datacenter and across the globe totaling 6 copies of the data.

Our third-party suppliers undergo periodic testing of their disaster recovery plans. The disaster recovery plan for Exerp is audited and tested annually. Website beta disaster recovery failovers take place monthly and production failovers take place every quarter.

Suppliers

We outsources numerous functions of our business to third parties, which allows us to minimize fixed costs, maintain lean staff levels and scale rapidly. Services outsourced include maintenance and repair of fitness equipment, construction of new gyms, maintenance and repair of fixtures and fittings, cleaning, human resources support and various other professional services.

Due to our leading position in the UK health and fitness market, we are able to purchase equipment, supplies and services on a larger scale than most of our competitors, which we believe allows us to purchase at lower prices. Pure Gym's procurement is centrally managed by members of the senior management team. We have good relationships with our suppliers and service providers, including our supplier of fitness equipment, Matrix, and proactively use key performance indicators and a partnership approach to ensure consistent and improving levels of quality and service. See "*Material Contracts*".

Intellectual Property

We own registered trademarks in the UK, Ireland and Europe in respect of the PUREGYM name and logo in various classes of goods and services including fitness-related categories. We also own a registered trademark in the UK for a logo embodying our tagline "everybody welcome" in several classes of services. We believe that the PUREGYM name and "everybody welcome" tagline are valuable and are important to our business. Accordingly, as a general policy, we will pursue registration of our marks in select international jurisdictions where we use or are intending to use the marks, and we actively monitor the use of our marks in the UK and internationally and seek to proactively oppose and take prompt action with respect to any unauthorized use of the marks of which we become aware.

Insurance

We maintain insurance policies customary in our industry to cover certain risks. The principal risks covered by our insurance policies are public and employer liability, asset risks and business interruption resulting from riot and commercial crime and force majeure events.

Environment

We focus on ways to reduce energy consumption in our gyms and have placed emphasis on designing all of our gyms with a number of energy saving and "green" features. The following is a selection of features that have been incorporated throughout the estate, where practically possible:

- mechanical and electrical systems that comply with government energy-saving schemes, including HMRC's Enhanced Capital Allowance scheme for energy-saving technologies;
- LED energy-saving lighting and water-saving bathroom and shower facilities; and
- energy-efficient fitness equipment, including treadmills, exercise bikes and other self-powered cardio equipment that have display screens powered by batteries and user-generated electricity.

  In addition, we seek to recycle the building materials from the fit out of our gyms.

Management, Employees and Personal Trainers

Management structure

Pure Gym's senior management is composed of the chief executive officer, the chief financial officer, the director of operations, the chief marketing officer, the director of commercial and strategic development, the chief technology officer and the human resources director. Pure Gym operates with a clear management structure that is organized around the following key functions:

- Operations team: the director of operations leads the operations team and is supported by the product director, the sales director, one regional director and 15 regional managers to which the general managers of each gym report. Additionally, the team includes two new opening managers and a facilities team of six. The role of the operational team is to ensure the successful launch and ongoing operation of every gym.

- Marketing team: the chief marketing officer leads the marketing team of 16 people and is supported by the marketing director and seven marketing managers. The role of the marketing team is to oversee our customer proposition, brand, marketing initiatives, public relations, member communications, customer analytics and sales. The chief marketing officer also leads the member services function, a team of 102, supported by the head of member services and four member services managers.
- Finance & Property teams: the chief financial officer leads the finance and property teams and is supported by the finance director, the commercial finance director, the property director, the development director and their respective teams. The CFO also manages company secretarial and commercial legal services, as well as the risk management function with support from the head of risk and his team.
- HR team: the human resources director leads the HR team and is supported by two human resource managers, an assistant and a learning and development team.
- IT team: the chief technology officer leads the IT team and is supported by the head of IT and 11 permanent software and quality assurance engineers and an infrastructure services manager. The role of the IT team is to oversee our technology platform and work alongside the other business areas to explore new opportunities and support growth.
- Commercial team: the director of commercial and strategic development leads the commercial team and corporate sales. The role of the commercial team is to develop and drive value from existing and new partnerships, build existing and create new ancillary revenue streams and strategically develop new formats and concepts.

Employees

As of September 30, 2017, Pure Gym employed 795 people, including 242 people in management and administrative roles and 552 in gym operational roles. The business' organizational and technology structures are specifically designed to minimize the number of employed staff at each Pure Gym location and, accordingly, each gym generally only employs a gym manager and an assistant gym manager. A large number of gym functions, including maintenance, cleaning and security monitoring are outsourced to third parties. See "—*Suppliers*".

The below table shows the breakdown of the number of Pure Gym employees as of September 30, 2017.

Management and Admin:	**As of September 30, 2017**
Management board	5
Operations team	26
Health and safety team	13
Property acquisition team	4
Development team	6
Marketing team	17
Finance team	29
HR team	8
IT team	13
Commercial team	4
Sales team	7
Membership services team	102
Facilities team	8
Total management and administration	**242**
Gym operational:	
General managers	196
Assistant general managers and other gym staff	356
Total gym operational	**552**
Total employees	**794**

The majority of Pure Gym's employees are employed on a full-time and salaried basis and none of our employees are expected to be affected by the living wage legislation. Employee benefits currently include health and life insurance cover, 22–25 days of annual leave, contributory pension arrangements, cycle and child care voucher schemes and a complimentary gym membership for each employee and an immediate family member. Currently, no employees are parties to "zero hour contracts" and therefore none will be affected by any future regulation of such contracts.

We believe that attracting, motivating and retaining high caliber employees with the desire, ability and passion to operate within Pure Gym's values and culture is key to our continued success. Pure Gym places importance on professional development and training and runs several programs aimed at improving employees' management abilities, performance levels and retention rates. Pure Gym has a culture that promotes excellence irrespective of age, gender or seniority.

We believe that we have a good relationship with our employees. None of our gyms has suffered a material work stoppage or strike and Pure Gym is recognized as an employer of choice within the UK as evidenced by the fact that we were ranked 33rd in the Sunday Times 100 Best Companies To Work For in 2016.

Personal trainers

Pure Gym primarily contracts with self-employed personal trainers on a gym-by-gym basis. Each general manager is responsible for a team of personal trainers with an appropriate range of skills and specializations. Unlike many other health and fitness clubs, Pure Gym is not involved in the booking of, or collection of payment for, personal training sessions. Instead, members pay personal training fees directly to their chosen personal trainer. Personal trainers set their own pricing, though a minimum charge per session is required, which is agreed at a local level.

All of our personal trainers are independent contractors who pay an annual license fee and are permitted to train their clients at our gyms. In exchange for accessing our gyms and marketing their sessions to members, under our "hours" agreement, a proportion of our personal trainers, in addition to paying us the annual licensing fee, also provide gym services to us for a set number of hours per week, such as teaching group exercise classes and monitoring the gym floors. As an alternative to providing these gym services, they can elect to pay us a monthly fee (known as "rent" in the gym industry) rather than provide these gym services. Personal trainers in a small number of our gyms are engaged as employees on a part-time basis for a set number of hours to provide gym services and are separately engaged as independent contractors to pay a monthly rent in order to access our gyms and market their services to members. As independent contractors, the personal trainers are responsible for their own tax and National Insurance contributions. The vast majority of our personal trainers are engaged on either a "rent agreement" or an "hours agreement", with approximately 27% being party to a rent agreement.

There are typically between 10 and 15 self-employed personal trainers at each gym, depending on the size of the membership, and all personal trainers wear Pure Gym branded clothing. All of the personal trainers who have access to our gyms are qualified to Level 3 of the Register of Exercise Professionals, which includes first aid training.

We believe that we have a strong record of maintaining good relationships with our self-employed personal trainers, which results in a low level of turnover. Many personal trainers successfully apply to become assistant general managers at our gyms and a number have subsequently progressed to more senior positions.

Health and Safety

We recognize that the health and safety of our employees, members, associates and business partners is of paramount importance and accordingly have adopted health and safety policies that comply with applicable health and safety legislation. Pure Gym's risk management team is led by an in-house head of risk, supported by two regional health and safety managers and two health and safety administrators. Pure Gym has also retained a third-party health and safety services provider to conduct initial and annual risk assessments and on-site audits. We believe that this ensures consistent application of our health and safety policies across our estate. Pure Gym employees undergo a continuous and extensive training program in health and safety policies, which is conducted through e-learning modules.

Our gyms incorporate a number of features to ensure the health and safety of our members, staff, associates and business partners. For example, our gyms always have a Pure Gym employee, personal trainer or employee of a supplier or contractor present on site at all times and all such staff are trained in first aid. In addition, each of our gyms has continuously recording closed-circuit television security cameras, which are proactively monitored during non-peak hours, for the monitoring and reporting of accidents and other emergencies. Furthermore, our gyms have help points where members can speak live to the individuals who are monitoring the CCTV feeds and automated defibrillators are installed in all gyms.

In the nine months ended September 30, 2017, of the approximately 40 million visits to a Pure Gym, only 0.01% resulted in health and safety incidents.

Government Regulation and Industry Standards

UK Data Protection Act

UK data protection law is primarily set out in the UK Data Protection Act 1998 (the "**DPA**"), though this will be replaced and repealed by a new Data Protection Act that is currently going through the UK legislative process. The current and new DPA restricts the processing of personal data. Processing is defined extremely broadly and will include any activity relating to the obtaining, recording, holding, disclosure or use of personal data.

Personal data is any information relating to an identified or identifiable natural person. An identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to his identity. The DPA imposes additional restrictions with respect to any processing of sensitive personal data which includes personal data revealing racial or ethnic origin, political opinions, religious or similar beliefs, trade-union membership, data concerning health or sex life and data concerning the commission or alleged commission of an offence or sentence or any proceedings in relation to such offences.

The DPA distinguishes between data controllers and data processors. All direct obligations under the DPA in relation to the processing of personal data currently fall upon data controllers as opposed to data processors. Once the GDPR is in force, data processors will also have direct liability under the new rules. A data controller is a person who (either alone or jointly or in common with other persons) determines the purposes for which and the manner in which personal data are processed (i.e. how and why personal data are processed). A data processor is a person who processes personal data on behalf of the data controller.

Currently, data controllers are required to submit a notification to the UK data protection regulator, the Information Commissioner's Office (the "**ICO**"), prior to processing any personal data. This notification must describe at a high level the processing activity that will be undertaken by that data controller. Notifications must be renewed annually and failure to notify is a criminal offence, as is a failure to keep an existing notification up to date. This notification requirement may remain under UK law once the GDPR comes into force.

Data controllers are obliged to comply with the eight data protection principles set out in the DPA (the "**Principles**"), which principles broadly seek to ensure that a data controller is processing personal data in a manner that is fair, lawful, proportionate and secure. The principles under the GDPR are broadly similar and will be confirmed in the new Data Protection Act, which is currently going through the UK legislative process.

In summary, the Principles are as follows:

- personal data must be fairly and lawfully processed;
- personal data must be processed only for specified and lawful purposes;
- personal data must be adequate, relevant and not excessive;
- personal data must be accurate and, where necessary, kept up to date;
- personal data must not be kept for longer than necessary;
- personal data must be processed in accordance with the rights of the data subject;
- personal data must be protected by appropriate technical and organizational security measures; and

- personal data must not be transferred to a country outside the EEA unless the personal data is adequately protected or an exemption applies.

The ICO may bring a criminal action through the courts for certain breaches of the DPA. The Information Commissioner currently also has the power to impose fines of up to £500,000 for serious breaches of the DPA. The fining power of the ICO will be significantly increased by the GDPR (see further below).

Pure Gym has adopted policies and procedures designed to ensure compliance with the Principles and the DPA. Pure Gym is registered with the ICO as a data controller and regularly takes legal advice on DPA-related matters and, where appropriate, involves our Board of Directors in DPA-related queries. In addition, we ensure that our staff and suppliers are aware of the Principles and the DPA's requirements. Pure Gym's policies and procedures are designed to restrict employee access to personal data (unless required in that employee's role), ensure that secure methods are used in the collection and transmission of personal data and ensure that we only enter into appropriate data sharing agreements with our suppliers.

Future changes to EU data protection law

The Data Protection Act 1998 will be amended by a new Data Protection Act which will transpose the obligations of the GDPR and clarify the UK's stance on the GDPR derogations. The GDPR comes into force on May 25, 2018. The regulation will require several significant changes to our data protection requirements, and greatly increases our exposure to risk, as regulators are empowered to impose fines of up to €20 million or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. We have commenced a project to evaluate the GDPR's requirements and will implement any changes required before it becomes applicable.

UK Payment Card Industry Data Security Standard

The PCI DSS is a proprietary information security standard for organizations that handle cardholder information for the major debit, credit, prepaid, e-purse, ATM, and point-of-sale cards. The PCI DSS helps to reduce the risk of theft of customers' card data through controls concerning the storage, transmission and processing of cardholder data that businesses handle. It also includes standards that promote the detection of fraud and appropriate reactions to security incidents.

All entities that store, process or transmit cardholder data must be PCI DSS compliant. It is not, however, mandatory for all entities to obtain formal validation of PCI DSS compliance. This depends on the payment brand to which the merchant has subscribed or is in agreement.

An organization's compliance with the PCI DSS is validated annually, either by an external Qualified Security Assessor who creates a Report on Compliance for organizations that handle a large volume of transactions, or by a Self-Assessment Questionnaire for companies that handle a smaller volume of transactions.

We make use of a third-party payment services provider and do not store cardholder information on our own systems. As we do not store any cardholder information, we are not required to be PCI DSS compliant; however, we are currently reviewing our PCI DSS compliance as part of a wider IT and cyber security review. We plan to review our website and member management system on a regular basis in line with PCI DSS requirements going forward.

Legal Proceedings

We have been, and may from time to time be, party to various claims and legal proceedings arising in the ordinary course of our business, such as contract claims, employee claims and intellectual property disputes, among others. We have not been within the last 12 months, and we are not currently a party to any governmental, legal, administrative, arbitration or dispute proceedings, either individually or in the aggregate, that has had, or is expected to have, a material adverse effect on our financial position and results of operations.

MANAGEMENT

Directors

The Issuer is a public limited company incorporated on October 30, 2017 under the laws of England and Wales. The following table sets forth the names, ages and positions of the current members of the board of directors of the Issuer. Our principal shareholder, Leonard Green & Partners, L.P., has the right to appoint the directors to the board. The address for each of the directors and officers is C/O Pure Gym Limited Town Centre House, Merrion Centre, Leeds, LS2 8LY, United Kingdom.

Name	Age	Position	Date appointed to Board
Humphrey Cobbold	53	Director	November 30, 2017
Adam Bellamy	48	Director	November 30, 2017

The management expertise and experience of each of the directors is set out below:

Humphrey Cobbold, Chief Executive Officer

Humphrey Cobbold joined Pure Gym in 2015 as Chief Executive Officer. Mr. Cobbold was previously CEO of Wiggle Ltd, an online retailer of cycling and triathlon related products, during which time he launched the international business across Europe, Japan, Australia, USA and China. He is a former Chairman of Fish4, a British classified advertising website, as well as the Director of Strategic Development and an Executive Committee member of Trinity Mirror, the newspaper publisher. Prior to joining Trinity Mirror, he was a partner and the co-head of the UK media and corporate finance practices for the global management consulting firm McKinsey & Company. He graduated in Natural Sciences from the University of Cambridge and holds an M.B.A. with Distinction from INSEAD.

Adam Bellamy, Chief Financial Officer

Adam Bellamy joined Pure Gym in 2012 as Chief Financial Officer. He is a qualified accountant with experience in multi-site retail, hospitality and entertainment businesses. Prior to joining Pure Gym, Mr. Bellamy served as the Finance Director of Atmosphere Bars & Clubs from 2009 to 2012. Prior to this he served as the Finance Director of D&D London from 2006 to 2009 and also held various senior finance roles in House of Fraser and Whitbread (both publically listed businesses).

Senior Managers

The following senior managers are considered relevant to establishing that the Company has the appropriate expertise and experience for the management of its business:

Name	Age	Position
Humphrey Cobbold	53	Chief Executive Officer
Adam Bellamy	48	Chief Financial Officer
Rebecca Passmore	36	Chief Operating Officer
Stephen Rowe	48	Chief Marketing Officer
Daniel Glyde	43	Chief Technology Officer
Eve Sukhnandan	36	Director of Human Resources
Francine Davis	49	Strategic Development Director

The business address of each of the senior managers is Pure Gym Head Office, Town Centre House, Merrion Centre, Leeds, LS2 8LY.

The management expertise and experience of each of the managers is set out below:

Rebecca Passmore, Chief Operating Officer

Rebecca Passmore joined Pure Gym in October 2017. Ms. Passmore is an experienced Operations Director with over 15 years in the retail sector across food, general merchandise and DIY. She joined Pure Gym directly from Wickes where she held the role of Store Operations Director, leading the retail team through Wickes' transformation program. Prior to Wickes, Ms. Passmore held various senior roles in Asda, TKMaxx and Asda. She holds a BA Honors Degree in Business Management at University of Nottingham and most recently attended the Program for Leadership Development at Harvard Business School.

Stephen Rowe, Chief Marketing Officer

Stephen Rowe joined Pure Gym in January 2016. Mr. Rowe has been a marketing director for over 15 years, during which time he has helped develop major UK brands and manage multi-million member customer bases in a number of consumer industries, including energy, financial services and retail. Prior to joining Pure Gym, Mr. Rowe served as Marketing Director of Npower and also founded and led his own marketing agency. He has held a variety of senior marketing roles in a range of business, including Shop Direct and National Australia Bank. He holds a BA Honors degree in Business and Marketing from Humberside University.

Daniel Glyde, Chief Technology Officer

Daniel Glyde joined Pure Gym in April 2015. Prior to joining Pure Gym, Mr. Glyde was the Head of Technology for Wiggle Ltd, where he was responsible for the software engineering and IT operations teams. Before joining Wiggle in 2009, Mr. Glyde held various senior software engineer positions in a range of businesses over a twelve-year period, including High Integrity Solutions Ltd and BAE Systems plc. He holds a Bachelor's Degree in Computer Studies from the Southampton Institute of Higher Education.

Eve Sukhnandan, Human Resources Director

Eve Sukhnandan was appointed as Human Resources Director of the Group in October 2015 following Pure Gym's acquisition of LA Fitness. Ms. Sukhnandan joined LA Fitness in 2008 as a Human Resources Manager, and became Human Resources Director in December 2013. She has held a number of positions over her 14 year career in Human Resources, in a combination of retail, hospitality and pub businesses, including Argos and Punch Taverns. Ms. Sukhnandan began her career as a fitness instructor and received her Human Resources professional qualifications from BPP Malpas. She is a Chartered member of the Chartered Institute of Personnel and Development.

Francine Davis, Commercial and Strategic Development Director

Francine Davis joined Pure Gym in April 2015. Prior to joining Pure Gym, Ms. Davis was Commercial Director at the Snow & Rock Group with responsibility for the Cycle Surgery and Runners Need businesses. Prior to this, she held several senior management roles in private equity backed businesses. Ms. Davis started her career with Bunzl plc, where she spent 13 years working in a variety of business development functions with leading brands such as Marks & Spencer, Asda and Starbucks. During this time, she worked alongside the Starbucks team to implement the supply chain strategy for their entry and growth into the UK, European and Australian markets.

Senior management compensation

The aggregate compensation paid to our senior management for the year ended December 31, 2016 amounted to approximately £1.4 million.

Share Ownership

As a result of the Acquisition, certain members of management beneficially hold approximately 13% of the ordinary shares of our ultimate parent company, Pinnacle Topco Limited, with the remaining equity interests in Pinnacle Topco Limited held by our principal shareholders or reserved for subsequent allocation to senior management. Members of management hold their equity interests through a combination of classes of ordinary shares (including preference shares and incentive shares). These shares held by management are not transferrable or redeemable other than pursuant to certain exit events and in other limited circumstances. Pursuant to the terms of the investment agreement among our principal shareholders and members of management, LGP has the right to appoint our board of directors and control all decisions with regard to the Group (subject to a narrow set of decisions over which management has a customary veto right).

PRINCIPAL SHAREHOLDERS

The Issuer

The Issuer is a public limited company incorporated under the laws of England and Wales. The Issuer was incorporated on October 30, 2017 and its registered office is at C/O Pure Gym Limited Town Centre House, Merrion Centre, Leeds, LS2 8LY, United Kingdom. The Issuer is registered with the Registrar of Companies for England and Wales under company number 11038859. The Issuer is a wholly-owned subsidiary of Pinnacle Midco 2 Limited, which in turn is an indirect wholly-owned subsidiary of Pinnacle Topco Limited, our ultimate parent.

As of the Issue Date, our principal shareholder, LGP, (together with a minority equity co-investor), holds approximately 83% of the issued ordinary shares of Pinnacle Topco Limited, our ultimate parent. In connection with the Transactions, several current members of management of the Group rolled their previous shareholdings in Topco into shares in Pinnacle Topco Limited. Management holds approximately 17% of the ordinary shares of Pinnacle Topco Limited, with certain of such management shareholders able to vote up to 20% of the ordinary shares.

The Sponsor

LGP is a leading private equity firm, which since its inception, has invested in 90 companies with an aggregate value of over $125 billion. Founded in 1989 and based in Los Angeles, U.S.A., LGP invests in market leading companies across a range of industries. LGP seeks to back companies that are leaders in their respective industries, have robust growth potential and are led by exceptional management teams.

In total, LGP has raised approximately $25 billion across its seven funds, with consistent top quartile returns in its 28-year history. Other current and prior LGP investments include Equinox, Soul Cycle, Life Time Fitness, Shake Shack, Whole Foods, BJ's Wholesale Club, Troon Golf, Mister Car Wash and Activision Blizzard.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We have entered into the following transactions with related parties:

Consultancy Agreement

Peter Roberts was the founder of Pure Gym and a former director of certain companies in the Group. From July 2009 to July 31, 2016, management services were provided to Pure Gym Limited via a management agreement with Mr. Roberts and Caroline Roberts, trading in partnership as Countrywide Leisure Management (the "**Management Agreement**"). The Management Agreement was mutually terminated on July 31, 2016. Effective from August 1, 2016, Pure Gym Limited entered into a new consultancy agreement with Countrywide Leisure Management (the "**Consultancy Agreement**"). Under the Consultancy Agreement, Mr. Roberts performed the role of property consultant and provided advisory services to Pure Gym Limited in relation to its property site selection process and strategy. Pure Gym Limited terminated this arrangement effective October 31, 2017. We paid an aggregate of £0.5 million in fees and expenses during the year ended December 31, 2016 under the Consultancy Agreement.

Payments to Shareholders and Marketing Services Agreement

During the year ended December 31, 2016, we paid an aggregate of £0.1 million in monitoring fees and expense reimbursements to CCMP Capital Advisors LP ("**CCMP**"), our ultimate parent company and controlling party prior to the Acquisition. Also during the year ended December 31, 2016, we paid fees of £0.2 million to Yes Mail Interactive, a common control affiliate of CCMP.

Certain Financing Arrangements

In connection with the Acquisition, the Issuer incurred £288.5 million in subordinated shareholder indebtedness in the form of loan notes and an intercompany loan from Pinnacle Midco 2 Limited, each of which will be subordinated under the terms of the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Subordinated Shareholder Funding*".

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

Intercreditor Agreement

Overview

On November 28, 2017, the Issuer, Pinnacle Midco 2 Limited ("**Holdco**"), the agent for the finance parties under the Revolving Credit Facility Agreement (the "**RCF Facility Agent**"), the lenders (the "**RCF Lenders**") and arrangers (the "**RCF Arrangers**") under the Revolving Credit Facility Agreement, the agent for the finance parties under the Bridge Facility Agreement (the "**Bridge Facility Agent**"), the lenders (the "**Bridge Facility Lenders**") and arrangers (the "**Bridge Facility Arrangers**") under the Bridge Facility Agreement, and the Security Agent, among others, entered into an intercreditor agreement (the "**Intercreditor Agreement**"). The Trustee shall accede to the Intercreditor Agreement on the Issue Date, certain subsidiaries of the Issuer (such subsidiaries, collectively with the Issuer, the "**Debtors**") and certain hedging providers may accede in the future. By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Trustee to accede to the Intercreditor Agreement on its behalf.

The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes following the Trustee's accession to the Intercreditor Agreement on the Issue Date. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes.

The Intercreditor Agreement sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

Unless otherwise defined in this section or elsewhere in this Offering Memorandum to the extent not defined in the Intercreditor Agreement, capitalized terms set forth and used in this section have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

Parties

Upon the issuance of the Notes (and following the relevant accessions), the principal parties to the Intercreditor Agreement will be: (i) Holdco, (ii) the Issuer as the Parent, the Senior Secured Bridge Borrower and a Senior Secured Debt Issuer, (iii) the RCF Facility Agent, (iv) the RCF Lenders and RCF Arrangers, (v) the Bridge Facility Agent (vi) the Bridge Facility Lenders and Bridge Facility Arrangers (vi) the Trustee, (viii) the Security Agent, and (ix) the original Debtors and original Intra-Group Lenders.

The "**Super Senior Creditors**" include the RCF Lenders together with, upon accession, the Priority Hedge Counterparties (as defined below).

The "**Senior Secured Creditors**" include holders of the Original Senior Secured Notes (as defined in the Intercreditor Agreement, referring to the Notes) and the Trustee together with, upon accession, the Non-Priority Hedge Counterparties (as defined below) and the Permitted Senior Secured Financing Creditors (as defined below).

The "**Group**" means the Issuer and its Restricted Subsidiaries.

The "**Holdco Group**" means Holdco and each member of the Group.

The Intercreditor Agreement allows for accession by certain future creditors in order to share (to the extent set out in the Intercreditor Agreement) in the relevant security, including:

(i) hedge counterparties pursuant to interest rate and currency hedging agreements in respect of liabilities to the RCF Lenders, liabilities to the holders of the Notes, the Permitted Senior Secured

Financing Liabilities, the Permitted Senior Financing Liabilities and any other indebtedness which is not prohibited under the Secured Debt Documents and which ranks *pari passu* with any of the foregoing listed debt, which are secured on a super senior basis with (among other liabilities) the Revolving Credit Facility Agreement (the "**Priority Hedging Agreements**" and the providers thereof the "**Priority Hedge Counterparties**");

(ii) hedge counterparties pursuant to interest rate or currency hedging agreements which are secured on a *pari passu* basis with (among other liabilities) the Notes and are not Priority Hedging Agreements (the "**Non-Priority Hedging Agreements**" and the providers thereof, the "**Non-Priority Hedge Counterparties**" and together with the Priority Hedge Counterparties, the "**Hedge Counterparties**," the Non-Priority Hedging Agreements together with the Priority Hedging Agreements, the "**Hedging Agreements**");

(iii) creditors of the Notes and future indebtedness of the Group (the "**Permitted Senior Secured Financing Creditors**"), which is not prohibited under the terms of the Revolving Credit Facility Agreement and the Bridge Facility, Notes, is *pari passu* with, and not subordinated in right of payment to, the liabilities owed to the Senior Secured Creditors and which is not prohibited, under the terms of the Revolving Credit Facility Agreement or the Bridge Facility / the Notes, from sharing in the Transaction Security with the rights and obligations of Permitted Senior Secured Financing Creditors (the "**Permitted Senior Secured Financing Debt**" and the liabilities owed to such creditors being the "**Permitted Senior Secured Financing Liabilities**"); and

(iv) creditors of any Senior Notes (as defined in the Intercreditor Agreement) and other future indebtedness of the Holdco (the "**Permitted Senior Financing Creditors**"), which is not prohibited under the terms of the Revolving Credit Facility Agreement and the Bridge Facility, Notes and which is subject to certain provisions of the Intercreditor Agreement, junior to, and subordinated in right of payment to, the liabilities owed to the Senior Secured Creditors ("**Permitted Senior Financing Debt**"), the liabilities owed to such creditors being the "**Permitted Senior Financing Liabilities**," the agreements evidencing such liabilities (including any Senior Notes Indenture, as defined in the Intercreditor Agreement) and the fee letters in connection therewith (and any other document or instrument designated as such by Holdco and any Senior Notes Trustee (as defined in the Intercreditor Agreement) or other agent, trustee or other relevant representative in respect of such liabilities (the "**Permitted Senior Financing Representative**")) being the "**Permitted Senior Debt Documents**".

In addition: (i) the Intercreditor Agreement contains customary subordination provisions and restrictions relating to the receivables owing from any member of the Holdco Group to any direct or indirect shareholder of Holdco or otherwise an Affiliate of Holdco (an "**Investor**" and such receivables the "**Investor Liabilities**"); (ii) certain members of the Group that lend to a Debtor that is a member of the Group (each an "**Intra-Group Lender**") shall be a party to the Intercreditor Agreement with respect to such loans or indebtedness (but excluding any cash pooling arrangements entered into in the ordinary course of business with any Debtor) owing from such Debtor to such members of the Group (the "**Intra-Group Liabilities**") provided the aggregate amount (expected to be outstanding for more than 20 Business Days) due by such Debtors to any such member of the Group exceeds £2,500,000. The Intercreditor Agreement contains subordination provisions relating to any such Intra-Group Liabilities. However, Debtors will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the Revolving Credit Facility Agreement or the Bridge Facility / the Indenture or any Senior Notes Indenture is continuing; and (iii) the Intercreditor Agreement contains subordination provisions relating to loans or indebtedness owed by a member of the Group to Holdco (Holdco in its capacity as creditor of such liabilities being the "**Holdco Lender**" and such liabilities being the "**Holdco Liabilities**", which includes the on-lending of the proceeds of any Permitted Senior Financing Debt by the Holdco Lender (the "**Holdco (Proceeds Loan) Liabilities**")).

The Intercreditor Agreement also includes the ability to: (i) replace the Revolving Credit Facility Agreement with a replacement revolving credit facility benefiting from a similar position under the terms of the Intercreditor Agreement; and (ii) issue further senior secured notes and/or senior notes after the Issue Date. The terms set out in this summary in relation to the Revolving Credit Facility Agreement will apply to such replacement revolving credit facility and in relation to the Notes or any Senior Notes, will apply to such further senior secured notes or senior notes (as applicable).

Ranking and Priority

The Intercreditor Agreement provides that the liabilities of the Debtors (other than any Senior Debt Issuer, as defined in the Intercreditor Agreement) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) ***first***, the liabilities owed to the Super Senior Creditors (the "**Super Senior Creditor Liabilities**"), the liabilities owed to the Senior Secured Creditors including with respect to the Bridge Facility and/or Notes (the "**Senior Secured Liabilities**"), the liabilities owed to any Hedge Counterparty (the "**Hedging Liabilities**") (to the extent not already included in the Super Senior Creditor Liabilities), the Permitted Senior Secured Financing Liabilities, certain customary costs and expenses of the Trustee and any Senior Notes Trustee (as defined in the Intercreditor Agreement) and any representative acting as a trustee under any issue of notes (the "**Trustee Liabilities**"), the liabilities owed to any agent (the "**Agent Liabilities**") under any Debt Documents (as such term is defined in the Intercreditor Agreement) the liabilities owed to any arranger under any Debt Document (the "**Arranger Liabilities**") and the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), *pari passu* and without any preference between them;

(b) ***second***, any guarantee liabilities owed to any Permitted Senior Financing Creditor (the "**Senior Guarantee Liabilities**," and, together with the Permitted Senior Financing Issuer Liabilities, the "**Senior Liabilities**") *pari passu* and without any preference between them;

(c) ***third***, the Holdco (Proceeds Loans) Liabilities;

(d) ***fourth***, the Intra-Group Liabilities; and

(e) ***fifth***, the Holdco Liabilities (other than the Holdco (Proceeds Loans) Liabilities).

The Intercreditor Agreement also provides that the liabilities of any Senior Debt Issuer (which term means Holdco) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) ***first***, the Super Senior Creditor Liabilities, the Senior Secured Liabilities, the Hedging Liabilities (to the extent not already included in Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), the Trustee Liabilities, any Senior Liabilities due by any Senior Debt Issuer in its capacity as a principal debtor with respect to the Permitted Senior Financing Liabilities (the "**Permitted Senior Financing Issuer Liabilities**") *pari passu* and without any preference amongst them; and

(b) ***second***, any Investor Liabilities.

Priority of Security

The Intercreditor Agreement provides that (subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below) the security provided for the Super Senior Creditor Liabilities, the Senior Secured Liabilities (including the Permitted Senior Secured Financing Liabilities), the Hedging Liabilities (to the extent not already included in the Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar) and the Trustee Liabilities (the "**Transaction Security**") shall secure these liabilities *pari passu* and without any preference among them (but only to the extent that such Transaction Security is expressed to secure those liabilities).

The Intercreditor Agreement contemplates that certain of the Collateral that is permitted to also be for, or is expressed to be for, or is not prohibited from being for, the benefit of the Permitted Senior Financing Creditors (which includes the security granted to secure any Senior Notes) by the terms of the finance documents shall be "Shared Security" as defined in the Intercreditor Agreement (the "**Shared Security**") and shall rank and secure liabilities listed at (a) and (b) below in the following order:

(a) ***first***, the Super Senior Creditor Liabilities, Senior Secured Liabilities (including the Permitted Senior Secured Financing Liabilities), the Hedging Liabilities (to the extent not already included in the Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), and the Trustee Liabilities, *pari passu* between them (but only to the extent that such Transaction Security is expressed to secure those liabilities); and

(b) ***second***, the Permitted Senior Financing Liabilities *pari passu* between them (but only to the extent that such Transaction Security is expressed to secure those liabilities).

The Investor Liabilities, the Holdco Liabilities and the Intra-Group Liabilities shall not be secured by the Transaction Security or the Shared Security.

Payments and Prepayments; Subordination of the Permitted Senior Financing Debt

The Debtors may make payments and prepayments in respect of the Senior Secured Liabilities and the Trustee Liabilities at any time in accordance with their terms. The Debtors may make payments and prepayments in respect of the Priority Hedging Agreements and the Non-Priority Hedging Agreements if such payment is a scheduled payment arising under any such agreement or other customary payments under such agreement.

Any Senior Debt Issuer may make payments and prepayments in respect of any Senior Liabilities at any time in accordance with the terms of the relevant senior finance documents in its capacity as a borrower, issuer or equivalent.

Prior to the discharge of all Senior Secured Liabilities and all the Super Senior Creditor Liabilities due to the RCF Lenders (themselves the "**Senior Secured Debt Liabilities**" and such date being "**Senior Secured Debt Discharge Date**" and with the discharge date of all Super Senior Creditor Liabilities due to the RCF Lenders being the "**RCF Lenders Discharge Date**"), no member of the Group may make payments in respect of the Senior Liabilities without the Required Senior Consent (as that term is defined in the Intercreditor Agreement) except, and in addition to the paragraph above, as permitted by the Intercreditor Agreement including the following:

(1) if:

(a) the payment is of:

(i) any of the principal amount of or capitalized interest on the Senior Liabilities which is either (1) not prohibited from being paid by the Revolving Credit Facility Agreement, the Bridge Facility and/or Indenture or any Permitted Senior Secured Financing Debt finance document or (2) paid on or after the final maturity date of the relevant Senior Liabilities or, in each case, a corresponding amount of Holdco Liabilities; or

(ii) any other amount which is not an amount of principal or previously capitalized interest (including any scheduled interest (whether cash pay or payment-in-kind) and default interest) or a corresponding amount of Holdco Liabilities;

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Senior Liabilities (a "**Senior Payment Stop Notice**") is outstanding; and

(c) no event of default under the finance documents in respect of the Senior Secured Debt Liabilities arising by reason of non-payment of any amounts due in connection therewith (a "**Senior Secured Payment Default**") has occurred and is continuing; or

(2) certain amounts due to any Senior Notes Trustee (as defined in the Intercreditor Agreement) for its own account;

(3) costs and expenses of any holder of a mortgage, charge, pledge, lien or other security interest having a similar effect ("**Security**") in relation to the protection, preservation or enforcement of such Security;

(4) administrative and maintenance costs, taxes, fees and expenses of any Senior Debt Issuer (in its capacity as a borrower or issuer) incurred in respect of or in relation to (or reasonably incidental to) any Permitted Senior Debt Documents (including in relation to any reporting or listing requirements), provided that such costs and expenses are not incurred in respect of current, threatened or pending litigation against the Secured Parties (as such term is defined in the Intercreditor Agreement) (other than any Permitted Senior Financing Creditor); or

(5) costs, commissions, taxes, fees, premiums and expenses incurred in respect of or in relation to (or reasonably incidental to) any refinancing of the Permitted Senior Financing Liabilities not prohibited by the Intercreditor Agreement, the Revolving Credit Facility Agreement, the Bridge Facility / Indenture and any Permitted Senior Secured Financing Document.

Prior to the Senior Secured Debt Discharge Date, if a Senior Secured Payment Default is continuing all payments in respect of the Senior Liabilities (other than those for which Required Senior Consent has been obtained) will be suspended.

In addition, if an event of default (other than a Senior Secured Payment Default) under the finance documents in respect of the Senior Secured Debt Liabilities (each "**Senior Secured Event of Default**") is continuing and any relevant Permitted Senior Financing Representative has received a Senior Payment Stop Notice from either the RCF Facility Agent or the Trustee or the Bridge Facility Agent or other relevant representative of the Permitted Senior Secured Financing Debt (each, a "**Senior Secured Agent**"), from the date the relevant Permitted Senior Financing Representative, the Security Agent and Holdco receive the Senior Payment Stop Notice, all payments in respect of Senior Liabilities (other than those for which Required Senior Consent has been obtained) are suspended until the earliest of:

(a) 179 days after the receipt by the relevant Permitted Senior Financing Representative of the Senior Payment Stop Notice;

(b) if a Senior Standstill Period (as defined below) is in effect at any time after delivery of that Senior Payment Stop Notice, the date on which that Senior Standstill Period expires;

(c) the date on which there is a waiver or remedy of the relevant Senior Secured Event of Default;

(d) the date on which the Senior Secured Agent which delivered the Senior Payment Stop Notice notifies (among others) the relevant Permitted Senior Financing Representative, the Security Agent and Holdco that the Senior Payment Stop Notice is cancelled;

(e) the Senior Secured Debt Discharge Date; and

(f) the date on which the Security Agent or Senior Secured Agent takes any enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") against a Debtor which it is permitted to take in accordance with the Intercreditor Agreement,

provided that none of the circumstances described above shall prevent the Senior Debt Issuer from making or the Permitted Senior Financing Creditors from receiving payments in respect of the Permitted Senior Financing Liabilities in accordance with the terms of the relevant Permitted Senior Debt Documents as a borrower and/or an issuer but only to the extent that the payment is not funded from the proceeds of a payment received from a member of the Group which is otherwise prohibited by the above or the relevant provisions in respect of Holdco Liabilities.

No new Senior Payment Stop Notice may be served by a Senior Secured Agent unless 360 days have elapsed since the immediately prior Senior Payment Stop Notice. No Senior Payment Stop Notice may be served in respect of a Senior Secured Event of Default more than 60 days after the date that the Senior Secured Agent received notice of that Senior Secured Event of Default. No Senior Secured Agent may serve more than one Senior Payment Stop Notice with respect to the same event or set of circumstances, and no Senior Payment Stop Notice may be served in respect of a Senior Secured Event of Default notified to a Senior Secured Agent at the time at which an earlier Senior Payment Stop Notice was issued.

If a Senior Payment Stop Notice ceases to be outstanding or the relevant Senior Secured Event of Default or Senior Secured Payment Default has ceased to be continuing (by being waived by the relevant creditors/creditor's representative or remedied) the relevant Debtor may then make those payments it would have otherwise been entitled to pay under the Permitted Senior Financing Debt and if it does so promptly any Senior Event of Default (as defined below) (and any cross-default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived and any notice which may have been issued as a result of that Senior Event of Default (as defined below) shall be waived. A Senior Secured Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by the Permitted Senior Financing Debt; Senior Standstill Period

Without prejudice to the rights of the Permitted Senior Financing Creditors to take Enforcement Action in relation to the Permitted Senior Financing Issuer Liabilities, prior to the Senior Secured Debt Discharge Date, no Permitted Senior Financing Creditor shall:

(a) direct the Security Agent to enforce or otherwise require the enforcement of any Transaction Security; or

(b) take or require the taking of any Enforcement Action in relation to the Senior Guarantee Liabilities,

without the prior consent of or as required by an Instructing Group (as defined below), except that such restriction will not apply if:

(a) an event of default under the finance documents in respect of the Senior Liabilities (a "**Senior Event of Default**") is continuing;

(b) each Senior Secured Agent has received notice of the relevant Senior Event of Default from the relevant Permitted Senior Financing Representative;

(c) a Senior Standstill Period (as defined below) has expired; and

(d) the relevant Senior Event of Default is continuing at the end of the Senior Standstill Period.

A "**Senior Standstill Period**" shall mean the period starting on the date that the relevant Permitted Senior Financing Representative serves an enforcement notice on each of the Senior Secured Agents until the earliest of:

(a) 179 days after such date;

(b) the date on which the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Liabilities (a "**Senior Guarantor**"), *provided* that the Permitted Senior Financing Creditors may only take the same Enforcement Action against such Senior Guarantor as is taken by the Senior Secured Parties;

(c) the date on which an insolvency event occurs in respect of any Senior Guarantor, in which case Enforcement Action is to be taken only against such Senior Guarantor;

(d) the date of the consent of the relevant Senior Secured Agents (acting on behalf of the relevant creditors); and

(e) the expiration of any other Senior Standstill Period which was outstanding at the date that the current Senior Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

Consultation

Prior to the Credit Facility Lender Discharge Date, if the Security Agent has received Conflicting Enforcement Instructions (as defined in the Intercreditor Agreement), it shall promptly notify each Hedge Counterparty (as applicable) and the agents for each of the Super Senior Creditors and/or the Senior Secured Agents (each, an "**Agent**") and each such Agent will consult with each other and the Security Agent in good faith for 30 days (or as may be agreed) from the earlier of (i) the date of the latest such Conflicting Enforcement Instruction and (ii) the date falling ten Business Days after the date the original Enforcement Proposal (as such term is defined in the Intercreditor Agreement) is delivered in accordance with the Intercreditor Agreement (the "**Consultation Period**").

No such consultation shall be required where the Agents are in agreement with regard to any proposed Enforcement Action, or if:

(a) any of the Transaction Security has become enforceable as a result of an insolvency event; or

(b) creditors holding more than 50.1% of the participations in the Super Senior Credit Liabilities (the "**Majority Super Senior Creditors**") or the creditors holding more than 50.1% of the participations in the Senior Secured Liabilities (the "**Majority Senior Secured Creditors**") determine in good faith (and notify each other representative agent of the Super Senior Creditors, the Senior Secured Creditors and the Permitted Senior Secured Financing Creditors, as applicable) that any delay caused by such consultation could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce any of the Transaction Security or the realization proceeds of any enforcement of the Transaction Security.

Following the Consultation Period (or if the Consultation Period was terminated or not required as provided for above), there shall be no further obligation to consult and the Security Agent may act in accordance with the instructions as to enforcement (an "**Enforcement**") then or previously received from the Instructing Group (as defined below) and the Instructing Group may issue instructions as to Enforcement to the Security Agent at any time thereafter.

If the Majority Super Senior Creditors or the Majority Senior Secured Creditors (acting reasonably) consider that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with the Security Enforcement Principles (as defined below), subject to the above, the relevant Senior Secured Agent shall give notice to the other representatives after which each such representative shall consult with the Security Agent for a period of 30 days (or such lesser period as the Senior Secured Agents may agree) with a view to agreeing the manner of Enforcement, *provided* that such representatives shall not be obliged to consult more than once in relation to each Enforcement.

For the purposes of Enforcement, an "**Instructing Group**" means,

(a) if prior to the Credit Facility Lender Discharge Date (as that term is defined in the Intercreditor Agreement), the Majority Super Senior Creditors and the Majority Senior Secured Creditors (in each case acting through its respective Agent), *provided* that if:

(i) the Super Senior Creditor Liabilities have not been repaid in full in cash within six months of the date of the first instructions of Enforcement given to the Security Agent; or

(ii) the Security Agent has not commenced any Enforcement (or any transaction in lieu thereof) or other Enforcement Action within three months of the date of the first instructions of Enforcement given to the Security Agent,

then the Security Agent shall thereafter follow any instructions that are given (at the same time or subsequently) by the Majority Super Senior Creditors (in each case provided the same comply with the Security Enforcement Principles ("**Qualifying Instructions**") to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors) and "Instructing Group" in relation to such Enforcement shall mean the Majority Super Senior Creditors.

Subject to the foregoing, if at the end of the Consultation Period, the Security Agent has received Conflicting Enforcement Instructions then, in relation to such Enforcement, "Instructing Group" shall mean the Majority Senior Secured Creditors, *provided* that such instructions from the Majority Senior Secured Creditors are Qualifying Instructions, it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the timeframe for the realization of value from the enforcement of the Transaction Security or Distressed Disposal (as defined below) pursuant to such instructions will be determined by the Majority Senior Secured Creditors.

(b) after the Credit Facility Lender Discharge Date (as that term is defined in the Intercreditor Agreement), creditors holding more than 50.1% of the participations in the aggregate of the total Senior Secured Credit Liabilities and all Super Senior Credit Liabilities of all Priority Hedge Counterparties, in each case, at that time; and

(c) on or after the Senior Secured Debt Discharge Date but before the Permitted Senior Financing Discharge Date (as each such term is defined in the Intercreditor Agreement), subject to the other provisions of the Intercreditor Agreement, creditors holding more than 50.1% of the participations in the Permitted Senior Financing Liabilities.

Security Enforcement Principles

The Intercreditor Agreement provides that Enforcement instructions must be consistent with the following principles (the "**Security Enforcement Principles**"):

(c) It shall be the primary and overriding aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realization of value from Enforcement of the Transaction Security, recovery by the Super Senior Creditors and the Senior Secured Creditors (the "**Security Enforcement Objective**").

(d) The Transaction Security will be enforced and other action as to Enforcement will be taken such that either (i) all proceeds of Enforcement are received by the Security Agent in cash for distribution in accordance with the Payments Waterfall (as defined below); or (ii) if Enforcement is at the direction of the Majority Senior Secured Creditors, sufficient proceeds from Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Creditor Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).

(e) The Enforcement Action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for the realization of value from the Enforcement of the Transaction Security or Distressed Disposal will be determined by the Instructing Group, *provided* that it is consistent with the Security Enforcement Objective.

(f) On (i) a proposed Enforcement of any of the Transaction Security over assets other than shares in a member of the Holdco Group, where the aggregate book value of such assets exceeds £5,000,000 (or its equivalent); or (ii) a proposed Enforcement of any of the Transaction Security over some or all of the shares in a member of the Holdco Group over which Transaction Security exists, the Security Agent shall, upon instruction from the Instructing Group (unless it is incompatible with enforcement proceedings in a relevant jurisdiction) appoint an accounting firm of international standing and reputation, any reputable and independent international investment bank or other reputable and independent professional services firm with experience in restructuring and enforcement, in each case as selected by the Security Agent acting reasonably and in good faith (a "**Financial Advisor**") to opine as expert that the proceeds received from any such Enforcement are fair from a financial point of view after taking into account all relevant circumstances (the "**Financial Advisor's Opinion**").

(g) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement.

(h) The Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met.

(i) Where the Instructing Group is the Majority Senior Secured Creditors, the Majority Senior Secured Creditors may waive the requirement for a Financial Advisor's Opinion where sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall below, the Super Senior Creditor Liabilities are repaid and discharged in full.

(j) In the event that an Enforcement of the Transaction Security is over assets and shares referred to in (d) above and such Enforcement is conducted by way of public auction, the Super Senior Creditors and the Senior Secured Creditors shall be entitled to participate in such auction on the basis of equal information and access rights as other bidders and financiers in the auction. There is no requirement in the Security Enforcement Principles summarized in this paragraph (h) that requires the Enforcement of Transaction Security to take place by way of public auction.

(k) In the absence of written notice from a Secured Party or group of Secured Parties that are not part of the relevant Instructing Group that such Secured Party/ies object to any Enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an "**Objection**"), the Security Agent is entitled to assume that such Enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.

(l) If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other advisors and/or exercise its own judgment in accordance with the

Intercreditor Agreement), a Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the requirement of paragraph (a) above has been met.

The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors and the Majority Senior Secured Creditors, *provided* that no additional obligations may be imposed on a member of the Holdco Group without the consent of the Issuer.

Turnover

Subject to certain exclusions set out therein, the Intercreditor Agreement also provides that if any Senior Secured Creditors, Permitted Senior Financing Creditors or Super Senior Creditors (each, a "**Primary Creditor**") receives or recovers the proceeds of any enforcement of all or part of the Transaction Security or any Distressed Disposal other than in accordance with the Payments Waterfall, then it shall:

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold an amount of that receipt or recovery equal to the relevant liabilities on trust for the Security Agent and separate from other assets, property or funds and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Certain further turnover obligations following receipt of non-permitted payments apply to Permitted Senior Financing Creditors and Subordinated Creditors.

Application of Proceeds/Waterfall

All amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Transaction Security (other than the Shared Security) and all amounts required to be turned over pursuant to the Intercreditor Agreement (the "**Enforcement Proceeds**") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority (the "**Payments Waterfall**"):

- *first*, in discharging any sums owing to the Security Agent, any receiver or any of its delegates, on a *pro rata* and *pari passu* basis;
- *second*, in discharging (i) any Agent Liabilities, (ii) any Arranger Liabilities and (iii) any Trustee Liabilities, on a *pro rata* and *pari passu* basis;
- *third*, in or towards payment of all costs and expenses incurred by the Super Senior Creditors or Senior Secured Creditors in connection with any realization or enforcement of the Transaction Security (other than Shared Security) taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *fourth*, in payment to the Super Senior Creditors for application towards the discharge of the Super Senior Creditor Liabilities on a *pro rata* basis and *pari passu*;
- *fifth*, in payment to the Senior Secured Creditors for application towards the discharge of the Liabilities owed to the Senior Secured Creditors on a *pro rata* basis and *pari passu*;
- *sixth*, after the Final Discharge Date (as defined in the Intercreditor Agreement), in payment of the balance, if any, to the relevant Debtor or any other person entitled to it.

All amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Shared Security and all amounts required to be turned over pursuant to the Intercreditor Agreement shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

- *first*, in discharging any sums owing to the Security Agent, any receiver or any of its delegates, on a *pro rata* and *pari passu* basis;
- *second*, in discharging (i) any Agent Liabilities or (ii) Arranger Liabilities and (iii) any Trustee Liabilities, on a *pro rata* and *pari passu* basis;
- *third*, in payment of all costs and expenses incurred by any Super Senior Creditor or Senior Secured Creditor in connection with any realization or enforcement of the Shared Security taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *fourth*, in payment to the Super Senior Creditors for application towards the discharge of the Super Senior Creditor Liabilities on a *pro rata* basis and *pari passu*;
- *fifth,* in payment to the Senior Secured Creditors for application towards the discharge of the Liabilities owed to the Senior Secured Creditors on a *pro rata* basis and *pari passu*;
- *sixth*, in payment of all costs and expenses incurred by any Permitted Senior Financing Creditor in connection with any realization or enforcement of the Shared Security taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *seventh*, in payment to the Permitted Senior Financing Creditors for application towards the discharge of the Senior Liabilities on a pro rata basis and *pari passu*; and
- *eighth*, following the Final Discharge Date, the balance, if any, in payment to the relevant Debtor to the relevant Debtor or any other person entitled to it.

Release and/or Transfer of Claims and Liabilities in Respect of the Permitted Senior Financing Debt and the Notes and the Transaction Security

Non-distressed Disposal

The Security Agent will (at the request and cost of the relevant Debtor or the Parent) promptly release from the Transaction Security and the relevant documents:

- any Transaction Security (and/or any other claim relating to a relevant finance document (a "**Secured Debt Document**")) over any asset which is the subject of:

  (i) a disposal not prohibited by the terms of any Secured Debt Document; or

  (ii) any other transaction not prohibited by the terms of any Secured Debt Document pursuant to which that asset will cease to be held or owned by a member of the Holdco Group;
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any document or other agreement requested in order for any member of the Holdco Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Secured Debt Document);
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any asset of any member of the Holdco Group which has ceased to be a Debtor in accordance with the terms of the Secured Debt Documents; and
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any other asset to the extent that such release is in accordance with the terms of the Secured Debt Documents.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor, in each case, *provided* that such disposal or other transaction is not prohibited under a Secured Debt Document, the Security Agent will (at the request and cost of the relevant Debtor or the Parent) promptly release that Debtor and its Subsidiaries from all present and future liabilities (both actual and contingent) under the Secured Debt Documents and the respective assets of such Debtor and its Subsidiaries (and the shares in any such Debtor and/or Subsidiary) from the Transaction Security and the Secured Debt Documents (including any claims relating to a Secured Debt Document and any guarantee or other liabilities).

When making any request for a release pursuant to the above the Parent will confirm in writing to the Security Agent that: (i) in the case of any release requested pursuant to sub-paragraph (i) above, the relevant disposal or other action is not prohibited by the terms of any Secured Debt Document; and (ii) the release requested (or relevant action needing the release) is in accordance with (or is not prohibited by) the terms of, any Secured Debt Document and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent will (at the cost and expense of the relevant Debtor but without the need for any further consent, sanction, authority or further confirmation from any Creditor or Debtor) promptly enter into and deliver such documentation and/or take such other action as the Parent (acting reasonably) will require to give effect to any release or other matter contemplated by this section.

Without prejudice to the foregoing and for the avoidance of doubt, if requested by the Parent in accordance with the terms of any of the Secured Debt Documents, the Security Agent and the other Secured Party will (at the cost of the relevant Debtor and/or the Parent) promptly execute any guarantee, security or other release and/or any amendment, supplement or other documentation relating to the Transaction Security documents as contemplated by the terms of any of the Secured Debt Documents (and the Security Agent is authorized by the Secured Parties to execute, and will promptly execute if requested by the Parent, without the need for any further any consent, sanction, authority or further confirmation from any Secured Party, any such release or document on behalf of the Secured Parties). When making any request pursuant to this paragraph, the Parent will confirm in writing to the Security Agent that such request is in accordance with the terms of a Secured Debt Document and the Security Agent will be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

In the case of any release of Transaction Security requested by the Parent pursuant to the Revolving Credit Facility Agreement as part of a Permitted Transaction (as that term is defined in the Revolving Credit Facility Agreement) (a "**Permitted Transaction Request**"), when making that request the Parent will confirm to the Security Agent that:

- such request is a Permitted Transaction Request (and absent any such statement in a request for a release the Security Agent shall be entitled to assume for all purposes that such request is not a Permitted Transaction Request); and
- it has determined in good faith (taking into account any applicable legal limitations and other relevant considerations in relation to that Permitted Transaction) that it is either not possible or not desirable to implement that Permitted Transaction on terms satisfactory to the Parent by granting additional Transaction Security and/or amending the terms of the existing Transaction Security in lieu of the requested release,

and the Security Agent will be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

For the avoidance of doubt and notwithstanding anything to the contrary in the Permitted Senior Debt Documents, if any member of the Holdco Group is required to apply, or not prohibited under the Permitted Senior Debt Documents from applying, the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Secured Liabilities:

- no such application of those proceeds will require the consent of any party or Permitted Senior Financing Creditor or will result in a direct or indirect breach of any Permitted Senior Debt Document; and
- any such application will discharge in full any obligation to apply those proceeds in prepayment, redemption or any other discharge or reduction of any Permitted Senior Financing Liabilities.

The above paragraph is without prejudice to any right of any member of the Holdco Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Permitted Senior Financing Liabilities to the extent permitted or contemplated by the Intercreditor Agreement or not prohibited by any other Secured Debt Document.

Nothing in any Transaction Security shall operate or be construed so as to prevent any transaction, matter or other step not prohibited by the terms of the Intercreditor Agreement and any Secured Debt Document (a "**Permitted Transaction**"). The Security Agent (on behalf of itself and the Secured Parties) agrees (and is irrevocably authorized and instructed to do so without any consent, sanction, authority or further confirmation from any party to the Intercreditor Agreement) that it shall (at the request and cost of the relevant Debtor or the Parent) promptly execute any release or other document and/or take such other action under or in relation to any Secured Debt Document (or any asset subject or expressed to be subject to any Transaction Security) as is requested by the Parent in order to complete, implement or facilitate a Permitted Transaction.

The Security Agent is irrevocably authorized to:

- release the Transaction Security; and
- release each investor (an "**Investor**"), Debtor and other member of the Group from all liabilities, undertakings and other obligations under the Secured Debt Documents,

on the Final Discharge Date (or at any time following such date on the request of Holdco), subject, in respect of the second bullet point above, to certain agency or trustee protective provisions in any of the Secured Debt Documents, which will survive the termination of the Intercreditor Agreement.

Distressed Disposal

A "**Distressed Disposal**" means a disposal of an asset of a member of the Holdco Group subject to the Transaction Security which is:

(a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable in accordance with the terms of the relevant Transaction Security documents;

(b) being effected by enforcement of the Transaction Security in accordance with the terms of the relevant Transaction Security documents; or

(c) being effected, after the occurrence of an Acceleration Event, by a Debtor or Holdco to a person or persons which is not a member of the Holdco Group.

Where a Distressed Disposal is being effected, the Intercreditor Agreement provides that the Security Agent is authorized:

(i) to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of an Debtor, to release on behalf of the relevant Creditors, Debtors and Agents (a) that Debtor and any subsidiary of that Debtor from all or any part of: (x) the liabilities it may have as a principal Debtor in respect of financial indebtedness arising under the Debt Documents (whether incurred solely or jointly) (the "**Borrowing Liabilities**") (other than Borrowing Liabilities of the Issuer and the Senior Debt Issuer); (y) the liabilities under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have as or as a result of its being a guarantor or surety or giving an indemnity, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Senior Secured Liabilities Documents or the Permitted Senior Debt Documents (as each such term is defined in the Intercreditor Agreement) (the "**Guarantee Liabilities**") and (z) any trading and other liabilities (not being Borrowing Liabilities or Guarantee Liabilities) it may have to any Agent (other than any Hedge Counterparty), Arranger (as such term is defined in the Intercreditor Agreement), any Intra-Group Lender or any Debtor (the "**Other Liabilities**"); (b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and (c) any other claim of an Investor, an Intra-Group Lender, Holdco or other Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release on behalf of the relevant Creditors, Debtors and Agents (a) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities (other than Borrowing Liabilities of the Issuer or the Senior Debt Issuer), Guarantee Liabilities and Other Liabilities; (b) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets; and (c) any other claim of any Investor, Intra-Group Lender, Holdco or another Debtor over the assets of that holding company or of any subsidiary of that holding company;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent decides to dispose of all or any part of (y) all present and future moneys, debts, liabilities and obligations due at any time of any Debtor or any holding company of such Debtor or any subsidiary of such Debtor or holding company owed to any Creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly with any other person or in any other capacity, together with any additional liabilities (the "**Liabilities**") (other than Borrowing Liabilities of the Issuer or the Senior Debt Issuer); or (z) any liabilities owed by that Debtor to any other Debtor (whether actual or contingent and whether incurred solely or jointly) (the "**Debtor Liabilities**") (A) if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Debtor Liabilities *provided* that notwithstanding any other provision of any Debt Document, the transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and (B) if the Security Agent does intend that any transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of (I) all (and not part only) of the Liabilities owed to the Primary Creditors; and (II) all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case the relevant creditors and Debtors; and

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "**Disposed Entity**") and the Security Agent decides to transfer to another Debtor all or part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of (x) the Intra-Group Liabilities; (y) the Holdco Liabilities; or (z) the Debtor Liabilities, to execute and deliver or enter into any agreement to (A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders, the Holdco Lender and relevant Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (B) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the receiving entity or receiving entities to which the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities are to be transferred.

If a Distressed Disposal is being effected such that Shared Security or any guarantees in respect of the Permitted Senior Financing Debt will be released or Permitted Senior Financing Debt will be disposed of, it is a condition to the release that either:

(i) each Permitted Senior Financing Representative has approved the release and/or disposal (as applicable) (acting on the instructions of the required percentage of Permitted Senior Financing Creditors in respect of which it is the Permitted Senior Financing Representative under the relevant Permitted Senior Debt Documents); or

(ii) where shares or assets of a Senior Guarantor or assets of the Senior Debt Issuer are sold:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash); and

(B) all present or future obligations owed to the Super Senior Creditors and Senior Secured Creditors under the applicable Secured Debt Documents (the "**Senior Secured Debt Documents**") and the Hedging Agreements by a member of the Holdco Group all of whose shares are sold or disposed of pursuant to such Distressed Disposal, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale, provided that if each Senior Secured Agent (acting reasonably and in good faith):

- determines that the Super Senior Creditors and the Senior Secured Creditors (excluding in each case for these purposes the Hedge Counterparties) will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released and discharged; and
- serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(C) such sale or disposal is made:

- pursuant to a public auction; or
- where a Financial Adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement and the circumstances giving rise to such sale or disposal, *provided* that the liability of such Financial Adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Application of Proceeds of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of Liabilities or Debtor Liabilities) will be paid to the Security Agent for application in accordance with the provisions set forth under "*—Application of Proceeds/Waterfall*" as if those proceeds were the proceeds of an enforcement of the Transaction Security.

Voting and Amendments

Voting in respect of the Revolving Credit Facility Agreement, the Notes and/or Permitted Senior Secured Financing Debt will be in accordance with the relevant documents.

Except for amendments of a minor, technical or administrative nature which may be effected by the Security Agent and subject to the paragraph below and certain customary exceptions contained in the Intercreditor Agreement, amendments to or waivers and consents under the Intercreditor Agreement requires the written consent of:

(a) if the relevant amendment or waiver (the "**Proposed Amendment**") is prohibited by the Revolving Credit Facility Agreement, the RCF Facility Agent in accordance with that agreement;

(b) if any Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Secured Notes Indenture (as defined in the Intercreditor Agreement), the Trustee;

(c) prior to the Senior Secured Bridge Discharge Date (as defined in the Intercreditor Agreement), if the Proposed Amendment is prohibited by the terms of the Bridge Facility Agreement, the Bridge Facility Agent (acting on the instructions of the requisite Bridge Lenders in accordance with that agreement;

(d) if any Permitted Senior Secured Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Secured Financing Agreement, the Permitted Senior Secured Financing Representative in respect of that Permitted Senior Secured Financing Debt in accordance with that agreement;

(e) if any Permitted Senior Financing Debt (including any Senior Notes) has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Debt Document, the Permitted Senior Financing Representative (as defined in the Intercreditor Agreement) in respect of that Permitted Senior Financing Debt in accordance with that document;

(f) if a Hedge Counterparty is providing hedging to a Debtor under a Hedging Agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable Hedging Agreement, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver); and

(g) the Parent.

An amendment, waiver or consent which only affects secured parties under one Debt Document and does not materially and adversely affect the interests of other creditors, will require only the written agreement from the affected Secured Parties.

Other than when any such amendments, waivers or consents would adversely affect the nature of the Charged Property or the manner in which enforcement proceeds are applied, the Security Agent may, if authorized by an Instructing Group, and if the Parent consents, amend the terms of, waive any of the requirements of or grant consents under, any of the Transaction Security documents which shall be binding on each party to the Intercreditor Agreement.

An amendment, waiver or consent which adversely relates to the express rights or obligations of an Agent, an Arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that Agent, that Arranger or the Security Agent (as the case may be) at such time.

The terms of the immediately preceding paragraph does not apply to any release of Transaction Security, claim or Liabilities or to any consent which the Security Agent gives in accordance with certain clauses of the Intercreditor Agreement.

Option to Purchase

Following an acceleration event under the Revolving Credit Facility Agreement, the Bridge Facility / Indenture, in relation to any Permitted Senior Secured Financing Debt or in relation to any Permitted Senior Financing Debt (including under any Senior Notes Indenture) (an "**Acceleration Event**"), by giving 10 days' notice to the Security Agent, the holders of the Original Senior Secured Notes or the Permitted Senior Secured Financing Liabilities (including the holders of the Notes) may require the transfer to them of all, but not part, of the rights, benefits and obligations in respect of the Credit Facility Lender Liabilities (as such term is defined in the Intercreditor Agreement), subject to certain conditions (including but not limited to full payment of all Credit Facility Lender Liabilities, cash cover, and associated costs and expenses, and provision of certain indemnities).

Following an Acceleration Event or the enforcement of any Transaction Security and after a Senior Secured Acceleration Event (as defined in the Intercreditor Agreement), a simple majority of the Permitted Senior Financing Creditors may, by giving 10 days' notice to the Security Agent, require the transfer to them of all, but not part, of the rights, benefits and obligations in respect of the Senior Secured Liabilities, *provided* that certain conditions are met.

Hedging

All scheduled payments arising under a Hedging Agreement are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement contains customary provisions in relation to the circumstances in which a Priority Hedge Counterparty and a Non-Priority Hedge Counterparty may take Enforcement Action in relation to its hedging.

General

The Intercreditor Agreement contains provisions dealing with:

(a) close-out rights for the Priority Hedge Counterparties and the Non-Priority Hedge Counterparties;

(b) permitted payments (including without limitation, the repayment of Investor Liabilities and the payment of permitted distributions in each case to the extent not prohibited under the terms of the

Revolving Credit Facility Agreement, the Bridge Facility and/or Indenture, or the finance documents relating to the Permitted Senior Secured Financing Debt or the Permitted Senior Financing Debt (including any Senior Notes Indenture));

(c) incurrence of Permitted Senior Secured Financing Debt or additional Permitted Senior Financing Debt that will allow certain creditors and agents with respect to such Permitted Senior Secured Financing Debt or additional Permitted Senior Financing Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement so long as not prohibited under the Revolving Credit Facility Agreement or the Bridge Facility and/or Indenture; and

(d) customary protections for the Security Agent, any future Permitted Senior Financing Representative, any future Permitted Senior Secured Financing Representative, the Trustee of any Senior Notes, the Trustee of any other Senior Secured Notes and the Trustee of the Original Senior Secured Notes.

The Intercreditor Agreement is governed by English law and the courts of England have exclusive jurisdiction to settle any disputes arising from it.

Revolving Credit Facility Agreement

Overview and structure

On November 28, 2017, the Issuer, (as original borrower and original guarantor), Barclays Bank PLC, Jefferies Finance LLC, Royal Bank of Canada, Credit Suisse AG, London Branch and ING Bank N.V., London Branch (as lenders), Barclays Bank PLC (as facility agent) and Deutsche Bank AG, London Branch (as security agent) (among others) entered into the Revolving Credit Facility Agreement.

The Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of £60.0 million on a committed basis. The Revolving Credit Facility may be utilized by any current or future borrower under the Revolving Credit Facility in pounds sterling, euro, US dollars or certain other currencies (if agreed) by the drawing of cash advances, the issue of Letters of Credit (upon the appointment of an Issuing Bank) and by way of any Ancillary Facilities that may be made available thereunder (each as defined in the Revolving Credit Facility Agreement). Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings are available to be used for general corporate and working capital purposes of the Group (as defined in the Revolving Credit Facility Agreement) including, without limitation, for payment of interest under the Notes.

In addition, the Issuer may elect to request additional facilities either as a new facility or as additional tranches of an existing facility under the Revolving Credit Facility Agreement (the "**Additional Facility Commitments**") provided that the aggregate principle amount of Total Commitments (as defined in the Revolving Credit Facility Agreement) (including the Additional Facility Commitments) does not exceed the amount permitted to be incurred under clause (1) of the second paragraph of the covenant described under "*Description of Notes—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" below. The Issuer and the lenders may agree to certain terms in relation to the Additional Facility Commitments, including the margin, the termination date and the availability period (each subject to parameters as set out in the Revolving Credit Facility Agreement). There are certain limitations on the ability to incur Additional Facility Commitments.

Availability

The Revolving Credit Facility may, subject to the satisfaction of customary conditions precedent, be utilized from (and including) the Acquisition Date until the date falling one month prior to the maturity date of the Revolving Credit Facility.

Borrowers and Guarantors

The Issuer is the original borrower under the Revolving Credit Facility. A mechanism is included in the Revolving Credit Facility Agreement to enable certain of its subsidiaries to accede as additional borrowers or additional guarantors under the Revolving Credit Facility, subject to certain conditions. The Revolving Credit Facility Agreement also requires that, subject to, for the avoidance of doubt, the section entitled "*Guarantees*" below, in the future each member of the Group (as defined in the Revolving Credit Facility Agreement) which is required to become a guarantor in order to satisfy the Guarantor Coverage Test (as defined below), becomes an additional guarantor under the Revolving Credit Facility Agreement (subject to agreed security principles).

Maturity and Repayment Requirements

The Revolving Credit Facility matures on the date falling six years from the Acquisition Date. Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Revolving Credit Facility must be repaid in full on or prior to the maturity date for the Revolving Credit Facility. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be re-borrowed during its availability period, subject to certain conditions. The termination date for a facility under an Additional Facility Commitment is the date agreed between the Issuer and the relevant lenders.

Interest Rate and Fees

The interest rate on loans under the Revolving Credit Facility is the rate per annum equal to the aggregate of the applicable margin plus LIBOR (or, in relation to advances in euro, EURIBOR) (as each term is defined in the Revolving Credit Facility Agreement) and, in each case, subject to a zero floor. The initial margin under the Revolving Credit Facility is 3.50% per annum. If at least nine months have expired since the Acquisition Date, provided that no payment (insofar as it relates to non-payment of principal and/or interest and/or certain fees), financial covenant or insolvency / creditors process related event of default has occurred and is continuing, the margin on the loans are reduced if the consolidated senior secured leverage ratio (representing the ratio of Consolidated Senior Secured Net Indebtedness on such quarter date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters (subject to certain provisions and adjustments), the first such period ending on the first quarter date that falls at each nine months after the Acquisition Date (each such term as defined in the Revolving Credit Facility Agreement)) are met.

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility which shall accrue from (and including) the Acquisition Date to (and including) the last day of the availability period for the Revolving Credit Facility at the rate of 30% of the then applicable margin for the Revolving Credit Facility. The commitment fee is payable quarterly in arrear, on the last day of the availability period of the Revolving Credit Facility and on the date the Revolving Credit Facility is cancelled in full or on the date on which a lender's commitment is cancelled. No commitment fee shall be payable unless the Acquisition Date occurs.

Default interest on overdue amounts are calculated at a rate which is 1% higher than that applicable to the loans under the Revolving Credit Facility.

The Issuer is also required to pay customary agency fees to the facility agent and the Security Agent in connection with the Revolving Credit Facility Agreement. No such agency fees are payable unless the Acquisition Date occurs.

Guarantees

The Issuer has provided a senior guarantee of all amounts payable to the Finance Parties (as defined in the Revolving Credit Facility Agreement) by it or any of its subsidiaries which accede to the Revolving Credit Facility Agreement as additional borrowers or additional guarantors.

Under the Revolving Credit Facility Agreement the Issuer must ensure that, within 90 days (or within 120 days in respect of members of the Group not incorporated in England & Wales) of the Acquisition Date and subject to agreed security principles, sufficient members of the Group accede to the Revolving Credit Facility Agreement as additional guarantors in order that the guarantors under the Revolving Credit Facility Agreement represent no less than 80% of the Consolidated EBITDA of the Group (as defined in the Revolving Credit Facility Agreement) (subject to certain exceptions) (the "**Guarantor Coverage Test**").

Furthermore, if on the last day of a fiscal year of the Issuer falling after the Acquisition Date, the Guarantor Coverage Test is not satisfied, within 90 (or within 120 days in respect of members of the Group not incorporated in England & Wales) days following delivery of the annual financial statements for the relevant fiscal year, such other restricted subsidiaries of The Issuer (subject to agreed security principles and certain exceptions) are required to become additional guarantors until the Guarantor Coverage Test is satisfied (to be calculated as if such additional guarantors had been guarantors on such last day of the relevant fiscal year).

Security

As from the Acquisition Date the Revolving Credit Facility will benefit from substantially the same security as will be provided for the Notes. Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the Collateral (whether or not shared with the holders of the Notes) will be required to be applied to repay indebtedness outstanding in respect of the Revolving Credit Facility in priority to the Notes.

Any Material Company or other member of the Group (each as defined in the Revolving Credit Facility Agreement) which becomes a guarantor of the Revolving Credit Facility is required (subject to agreed security principles) to grant certain security interests in favor of the Security Agent.

Representations and Warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated, including: (i) status; (ii) binding obligations; (iii) non-conflict with other obligations; (iv) power and authority; (v) validity and admissibility in evidence; (vi) governing law and enforcement; and (vii) accuracy of most recent financial statements delivered.

Covenants

The Revolving Credit Facility Agreement contains certain incurrence covenants and related definitions (with certain adjustments) that will be amended following the Issue Date to reflect the terms of the Indenture. In addition, the Revolving Credit Facility Agreement also contains certain other affirmative and negative covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

The Revolving Credit Facility Agreement also contains a financial covenant, a brief description of which is set out below.

Notes Purchase Condition

The Revolving Credit Facility Agreement restricts the repayment, prepayment, purchase, redemption, defeasance, acquisition or retirement of the principal amount of the Notes or any permitted refinancing thereof prior to its scheduled maturity date in any manner which involves the payment of cash consideration by a member of the Group to a person who is not a member of the Group (each as defined in the Revolving Credit Facility Agreement) (a "**Notes Payment**"). A Notes Payment is permitted under certain circumstances, including where commitments under the Revolving Credit Facility are permanently cancelled (and, as applicable, amounts outstanding under the Revolving Credit Facility are permanently prepaid) in at least the same proportion as that by which the Notes or permitted refinancing thereof (as applicable) is repaid, prepaid, purchased, redeemed, defeased, acquired or otherwise retired (calculated by reference to the total Revolving Credit Facility commitments (as of the date the Revolving Credit Facility Agreement is entered into) and the aggregate principal amount of the Notes or permitted refinancing thereof (as applicable) in existence at the Acquisition Date or incurred at any time thereafter). If the commitments under the Revolving Credit Facility have been reduced to £30 million no further cancellation and repayment under the Notes Purchase Condition shall be required as a condition to making a Notes Payment.

Affirmative Covenants

The affirmative covenants include, among others: (i) providing certain information, including annual audited and quarterly financial statements, compliance certificates, details of any default (including the steps, if any, being taken to remedy it), details of public noteholder calls and details of any material litigation, arbitration or administrative proceedings; (ii) authorizations, (iii) compliance with laws; (iv) discharge of taxes; (v) preservation of assets; (vi) maintenance of *pari passu* ranking of the Revolving Credit Facility;; (vii) rights of access for the facility agent; (ix) maintenance of intellectual property; (x) satisfaction of Guarantor Coverage Test; (xi) repayment of certain existing financing arrangements; and (xii) further assurance provisions.

Negative Covenants

The negative covenants include restrictions, among others, with respect to: (i) substantially changing the general nature of the business of the Group (as a whole) (as defined in the Revolving Credit Facility Agreement); (ii) the holding company activities of the Issuer; (iii) deliberately changing centers of main interest; and (iv) non-compliance with economic sanctions. Otherwise, the negative covenants in the Revolving Credit Facility Agreement are substantially the same as the negative covenants in the Indenture.

Mandatory Prepayment Requirements upon a Change of Control

On a Change of Control (as defined in the Revolving Credit Facility Agreement), each lender under the Revolving Credit Facility Agreement shall be entitled for a 30-day period after receiving notice thereof to require that all amounts payable under the Finance Documents (as defined in the Revolving Credit Facility Agreement) by the obligors to that lender will become due and payable and the borrowers will on the date falling 30 days after notice from such lender has been served on the Issuer and the facility agent prepay or procure the prepayment of all utilizations provided by that lender and the undrawn commitments of that lender will be cancelled and such lender shall have no obligation to participate in further utilizations requested under the Revolving Credit Facility Agreement, in each case save to the extent that any ancillary lender or issuing bank, as between itself and the relevant member of the Group, agrees to continue to provide an ancillary facility or letter(s) of credit, in which case, after notification thereof to the facility agent such arrangements shall continue on a bilateral basis and not as part of, or under, the Finance Documents (each defined term as defined in the Revolving Credit Facility Agreement).

Financial Covenants

If, on any quarter date in respect of the period of the most recent four consecutive financial quarters, the aggregate amount outstanding of all loan utilizations under the Revolving Credit Facility (excluding any amounts utilized by way of Letters of Credit or Ancillary Facilities (as each such term is defined in the Revolving Credit Facility Agreement)) exceeds an amount equal to 40 per cent. of the total commitments under the Revolving Credit Facility, the Issuer is required to confirm whether or not the Leverage Ratio (as defined in the Revolving Credit Facility Agreement and representing the ratio of Senior Secured Indebtedness on such quarter date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters (subject to certain provisions and adjustments) (the first such period ending on the first quarter date that falls at least nine months after the Acquisition Date, each such term as defined in the Revolving Credit Facility Agreement)) exceeds 7.70:1.00. The covenant will be tested quarterly.

The Issuer is permitted to prevent or cure excesses in the Leverage Ratio as described above by applying any cure amount (being amounts received by the Issuer in cash pursuant to any new equity or permitted subordinated debt) as if either (i) Consolidated EBITDA (as defined the Revolving Credit Facility Agreement) had been increased by such amount or (ii) Senior Secured Indebtedness (as defined the Revolving Credit Facility Agreement) had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the Revolving Credit Facility. No more than five cure amounts may be taken into account during the term of the Revolving Credit Facility and no more than two such cure amounts may be made in any period of four consecutive financial quarters.

Events of Default

The Revolving Credit Facility Agreement contains the same events of default, with certain adjustments, as those applicable to the Notes as set forth in the section entitled "*Description of the Notes—Events of Default*". In addition, the Revolving Credit Facility Agreement contains the following events of default:

- breach of the financial covenant;
- inaccuracy of a representation or statement when made;
- breach of the Intercreditor Agreement; and
- unlawfulness, repudiation and rescission of the finance documents entered into in connection with the Revolving Credit Facility Agreement.

Subordinated Shareholder Funding

In connection with the Acquisition, the Issuer incurred £288.5 million in subordinated shareholder indebtedness in the form of loan notes and an intercompany loan from Pinnacle Midco 2 Limited, each of which will be subordinated under the terms of the Intercreditor Agreement (the "**Subordinated Shareholder Funding**"). Until no earlier than the date that is six months subsequent to the maturity date of the Notes, the Subordinated Shareholder Funding will not require any cash payments, will not permit enforcements or accelerations and must remain held by holders of the ordinary share capital of the Issuer. We expect the Subordinated Shareholder Funding to constitute "Subordinated Shareholder Funding" under the Indenture.

Finance Leases

We from time to time we finance a portion of our Initial Capital Investment in a new gym site through finance lease arrangements with respect to the gym equipment to be deployed. We believe that the terms of these finance lease arrangements are customary for our industry. As of September 30, 2017, we had eight such arrangements with a total outstanding aggregate amount of £4.8 million, £3.8 million, of which was payable in greater than one year.

DESCRIPTION OF NOTES

General

Pinnacle Bidco plc (the "*Issuer*") will issue £360 million in aggregate principal amount of 6⅜% senior secured notes due 2025 (the "*Notes*") under an indenture to be dated as of the Issue Date (the "*Indenture*") among itself, Deutsche Trustee Company Limited, as trustee (the "*Trustee*"), Deutsche Bank AG, London Branch, as security agent (the "*Security Agent*"), and the other parties thereto.

Certain terms used in this description are defined under the subheading "*—Certain Definitions*." In this description, (1) the term "*Issuer*" refers only to Pinnacle Bidco plc, and not to any of its Subsidiaries and (2) the terms "*we*," "*our*" and "*us*" each refer to the Issuer and its consolidated Subsidiaries.

The Indenture will not be subject to the provisions of the Trust Indenture Act of 1939, as amended. The Notes will be issued in a private transaction that will not be subject to the registration requirements of the Securities Act. The registered Holder of a Note will be treated as the owner of it for all purposes. Generally, only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

The following description is only a summary of certain provisions of the Indenture, the Intercreditor Agreement and the Security Documents. This description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Indenture, the Intercreditor Agreement and the Security Documents, including the definitions therein of certain terms used below. We urge you to read the Indenture, the Intercreditor Agreement and the Security Documents because they, and not this description, will define your rights as Holders. You may request copies of the Indenture, the Intercreditor Agreement and the Security Documents at our address set forth under the subheading "*Summary*." The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined herein). The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

The proceeds of this offering of the Notes sold on the Issue Date will be used along with certain cash on balance sheet to refinance the loans outstanding under the Senior Secured Bridge Facility and to pay costs and expenses incurred in connection with the Transactions as set forth in this Offering Memorandum under the caption "*Use of Proceeds*."

Brief Description of the Notes

The Notes:

- will be general senior obligations of the Issuer;
- will rank equally in right of payment with all existing and future senior Indebtedness of the Issuer;
- will be guaranteed by the Guarantors on a senior basis;
- will be structurally subordinated to all existing and future Indebtedness, claims of holders of Preferred Stock and other liabilities of Subsidiaries of the Issuer that do not guarantee the Notes;
- will be effectively subordinated to any existing and future Indebtedness of the Issuer secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations;
- will be secured by substantially all assets of the Guarantors (the "*Collateral*"), in each case, on a first-priority basis along with obligations under the Revolving Credit Facility and certain priority Hedging Obligations (*provided* that the proceeds from any recovery from the enforcement of any security interest will be applied to satisfy the obligations under the Revolving Credit Facility, certain priority Hedging Obligations and certain future Indebtedness

permitted under the Indenture, if any, before being applied to satisfy obligations to holders under the Notes and the Indenture); and

- will be senior in right of payment to all future Subordinated Indebtedness of the Issuer.

Although the Indenture will contain limitations on the principal amount of additional Indebtedness that the Issuer and the Issuer's Restricted Subsidiaries (including the Guarantors) may incur, under certain circumstances the amount of such additional Indebtedness could be substantial and, in any case, such additional Indebtedness may be secured on assets other than the Collateral. See "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*."

Guarantees

The Guarantors, as primary obligors and not merely as sureties, will, jointly and severally, irrevocably and unconditionally, guarantee, on a senior secured basis, the full and punctual payment when due, whether at maturity, by acceleration or otherwise, all obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of, premium, if any, or interest in respect of the Notes, expenses, indemnification or otherwise, on the terms set forth in the Indenture by executing the Indenture or a supplement thereto. In the future, subject to the Intercreditor Agreement, the Agreed Security Principles and certain exceptions set forth under the caption *"—Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*," each Restricted Subsidiary of the Issuer that guarantees certain Indebtedness of the Issuer or any Guarantor, including the Revolving Credit Facility and certain Capital Markets Indebtedness of the Issuer or any Guarantor, will guarantee the Notes, subject to release as provided below or elsewhere in this Description of Notes.

Each Guarantee of the Notes by a Guarantor:

- will be a general, secured, senior obligation of such Guarantor;
- will rank equally in right of payment with all existing and future senior Indebtedness of such Guarantor;
- will be effectively subordinated to all existing and future Indebtedness of such Guarantor secured by property or assets that do not secure the Guarantee of the Notes, to the extent of the value of the property and assets securing such obligations;
- will be secured by the Collateral on a first-priority basis along with obligations under the Revolving Credit Facility Agreement and certain priority Hedging Obligations (*provided* that the proceeds from any recovery from the enforcement of any security interest will be applied to satisfy the obligations under the Revolving Credit Facility Agreement, certain priority Hedging Obligations and certain future Indebtedness permitted under the Indenture, if any, before being applied to satisfy obligations to Holders of the Notes);
- will rank senior in right of payment to all future Subordinated Indebtedness of such Guarantor; and
- will be structurally subordinated to all existing and future Indebtedness, claims of holders of Preferred Stock and other liabilities of Subsidiaries of such Guarantor that do not Guarantee the Notes.

Not all of the Issuer's Subsidiaries will guarantee the Notes, and Guarantees provided may be released in certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Notes will be structurally subordinated to the liabilities of non Guarantor subsidiaries.*" In the event of a bankruptcy, liquidation, reorganization or similar proceeding of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer or a Guarantor. As a result, all of the existing and future liabilities of our non-guarantor Subsidiaries, including any claims of trade creditors, will be structurally senior to the Notes. The Indenture will not limit the amount of liabilities that are not considered Indebtedness that may be incurred by the Issuer or its Restricted Subsidiaries, including the non-guarantor Subsidiaries.

For the twelve months ended September 30, 2017, the Guarantors generated substantially all of our consolidated Run-Rate Adjusted EBITDA.

The Issuer is a holding company whose only significant assets will be the Capital Stock of its Subsidiaries and receivables under intra-group financing arrangements. The Issuer's operations are conducted through its Subsidiaries and, therefore, the Issuer primarily depends on the cash flow of its Subsidiaries to meet its obligations.

As of September 30, 2017, after adjusting for the *pro forma* effects of the Transactions:

- the Issuer and its Restricted Subsidiaries would have had no outstanding Indebtedness other than the Issuer's obligations under the Notes and subordinated shareholder funding incurred in connection with the Transactions and obligations of certain Guarantors under finance leases; and
- the Restricted Subsidiaries that will not Guarantee the Notes would have had no third-party indebtedness.

The obligations of each Guarantor under its Guarantee will be limited as necessary to prevent the Guarantee from constituting a fraudulent conveyance under applicable law. This provision may not, however, be effective to protect a Guarantee from being voided under fraudulent transfer law, or may reduce the applicable Guarantor's obligation to an amount that effectively makes its Guarantee worthless. If a Guarantee was rendered voidable, it could be declared entirely void or subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the Guarantor, and, depending on the amount of such indebtedness, a Guarantor's liability on its Guarantee could be reduced to zero. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The insolvency and administrative laws of England and Wales may not be as favorable to creditors, including investors in the Notes, as the insolvency laws of the jurisdictions with which you are familiar and may limit your ability to enforce your rights under the Notes, the Guarantees or the security interests in the Collateral.*"

In addition, there are certain circumstances where the Guarantees may not be granted pursuant to the Agreed Security Principles. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically without your consent or the consent of the Trustee*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility.*"

Any Guarantor that makes a payment under its Guarantee will be entitled upon payment in full of all guaranteed obligations under the Indenture to a contribution from each other Guarantor in an amount equal to such other Guarantor's *pro rata* portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with GAAP.

Release of Guarantee

Each Guarantee by a Guarantor will be automatically and unconditionally released and discharged upon:

(1) any sale, exchange, issuance, disposition or transfer (by merger, amalgamation, consolidation or otherwise) of (a) the Capital Stock of such Guarantor, after which the applicable Guarantor is no longer a Restricted Subsidiary, or (b) all or substantially all of the assets of such Guarantor (other than to the Issuer or a Restricted Subsidiary) in each case, if such sale, exchange, issuance, disposition or transfer is made in compliance with the applicable provisions of the Indenture;

(2) the release or discharge of the guarantee by, or direct obligation of, such Guarantor of Indebtedness that resulted in the creation of such Guarantee as provided in "*—Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*";

(3) the designation of any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in compliance with the applicable provisions of the Indenture;

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*";

(5) as a result of a transaction permitted by "*—Certain Covenants—Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets*";

(6) in accordance with an enforcement action pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) in connection with the implementation of a Permitted Reorganization; or

(8) as described under "*—Amendment, Supplement and Waiver*."

The Trustee and the Security Agent shall, at the cost of the Issuer, take all necessary actions reasonably requested in writing by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee and the Security Agent without the consent of or liability to the Holders or any other action or consent on the part of the Trustee or the Security Agent.

Notwithstanding the foregoing, any guarantee by a Parent Company granted in connection with an incurrence of Senior Notes may be automatically and unconditionally released and discharged for any reason subsequent to the date on which such Senior Notes are no longer outstanding.

Security

General

On or about the Issue Date, the Notes will be secured, subject to the terms of the Security Documents and the Agreed Security Principles, by first-priority security interests over substantially all the assets of the Issuer and the Guarantors. The Collateral will also secure the liabilities under the Revolving Credit Facility, certain Hedging Obligations and any Additional Notes and may also secure certain future Indebtedness. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of the Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Collateral may not be sufficient to secure the obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances*." No appraisals of the Collateral have been made in connection with this issuance of Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all.

Notwithstanding the provisions of the covenant described below under "*—Certain Covenants—Liens*," certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles, including (but not limited to) if:

- providing such security or guarantee would be prohibited by general legal and statutory limitations, such as regulatory restrictions, financial assistance, corporate benefit, capital maintenance, equity subordination, fraudulent preference, "interest stripping", "controlled foreign corporation", transfer pricing or "thin capitalization" rules, tax restrictions, retention of title claims and similar principles; *provided* that the Issuer or the relevant Guarantor shall use reasonable endeavors to assist in demonstrating that adequate corporate benefit accrues to the Issuer and each relevant Guarantor;
- providing such security or guarantee would require the consent of any supervisory board, works council, regulator or regulatory board (or equivalent), or another external body's or person's consent, unless such consent has been received; *provided* that reasonable endeavors (not involving the payment of money or incurrence of any external expenses) have been used by the relevant Restricted Subsidiary to obtain the relevant consent to the extent permissible by law and regulation and such consent has no material adverse impact on commercial relationships with third parties (in each case if the Security Agent, taking into account the Issuer's view on any such potential impact, reasonably requests the Issuer to do so);

- the time and cost of providing such guarantee or security (and the extent of the perfection and/or registration of such security), including adverse effects on taxes, interest deductibility, stamp duty, notarization and registration fees) is disproportionate to the benefit accruing to the holders;
- the assets or companies are subject to third-party arrangements which may prevent those assets from being charged or assigned or those companies from giving a security or guarantee (or assets which, if charged or assigned, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Group in respect of those assets or require any Restricted Subsidiary to take any action materially adverse to the interests of the Group or any member thereof); *provided* that reasonable endeavors (not involving the payment of money or incurrence of any external expenses) to obtain consent to charging any such assets shall be used by the Group if the Security Agent reasonably determines the relevant asset to be material and if, in the view of the Issuer (acting reasonably), taking such security will have no material adverse impact on commercial relationships with third parties (or otherwise cause the Group to incur any material cost); *provided* that, notwithstanding the foregoing but without prejudice to the requirement to use reasonable endeavors as described, no security shall be required over (and no consent or waiver request submitted with respect to) assets, of a member of the relevant target group being acquired, which are required to support indebtedness assumed in connection with an acquisition to the extent permitted by the terms of the Indenture to remain outstanding following a permitted acquisition ("*Acquired Indebtedness*"), and no member of the target group acquired pursuant to a permitted acquisition where Acquired Indebtedness remains outstanding following completion of such permitted acquisition shall be required to become a Guarantor or grant security if prevented by the terms of the documentation governing such Acquired Indebtedness or if becoming a Guarantor or the granting of security would give rise to an obligation (including any payment obligation) under or in relation thereto;
- providing such security or guarantee would not be within the legal capacity of the Issuer or the relevant Restricted Subsidiary, or if the same would conflict with the fiduciary duties of those directors or contravene any legal prohibition or regulatory condition or would result in (or in a material risk of) personal or criminal liability on the part of any director, officer or employee *provided* that the relevant Restricted Subsidiary shall use reasonable endeavours (not involving the payment of money or incurrence of any external expenses) to overcome any such obstacle;
- the giving of a guarantee, the granting of security or (prior to an acceleration event) the perfection of the security granted would have a material adverse effect on the ability of the relevant chargor to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture; and
- the assets are those of any joint venture, similar arrangement or any minority interest or any Restricted Subsidiary that is not wholly owned by another Restricted Subsidiary.

For further information regarding limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law, see "*Certain Limitations on Validity and Enforceability of the Guarantees and the Collateral and Certain Insolvency Law Considerations*."

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "*Security Interests*" and each, a "*Security Interest*") as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent and the Holders of the Notes under the Indenture and (d) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide, among other things, that the obligations under the Revolving Credit Facility, certain Hedging Obligations and the Notes are secured equally and ratably by first-priority Security Interests; however, under the terms of the Intercreditor Agreement, the Holders of the Notes will only receive proceeds from the enforcement of the Collateral after certain super senior priority obligations including (i) obligations under the Revolving Credit Facility and (ii) certain priority Hedging Obligations have been paid in full. In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*," "*—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Security Documents

Under the Security Documents, the Issuer and certain of the Guarantors have granted, or will grant, security over the Collateral to secure the payment when due of the Issuer's and the Guarantors' payment obligations under the Notes, the Guarantees and the Indenture. The Security Documents have been, or will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent has acted in its own name, but also for the benefit of the secured parties (including itself, the Trustee and the Holders of Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations.

The Indenture and the Intercreditor Agreement provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the Holders of the Notes. As a consequence of such contractual provisions, Holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the enforcement of the Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Guarantees, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes, the Guarantees and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Liens*."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders may not be able to recover any amounts under the Security Documents.

Subject to the terms of the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility or certain hedge counterparties. The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The creditors under the Revolving Credit Facility and the counterparties to Hedging Obligations secured by the Collateral will appoint the Security Agent to act as their respective agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the

Security Documents. The creditors under the Revolving Credit Facility and the counterparties to Hedging Obligations secured by the Collateral and the Trustee have authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the relevant Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that it will be subject to the provisions of the Intercreditor Agreement and that the Issuer and the Trustee will be authorized (without any further consent of the Holders of the Notes) to enter into the Intercreditor Agreement and to give effect to its provisions.

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and

(3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the provisions described under "*—Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

The Security Interests in respect of the Collateral may be released under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger, Amalgamation*, *Consolidation or Sale of All or Substantially All Assets*"), if such sale or other disposition does not violate the covenant described under "*—Repurchase at Option of Holders—Asset Sales*" or is otherwise permitted in accordance with the Indenture;

(2) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendment, Supplement and Waiver*";

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) in connection with the implementation of a Permitted Reorganization;

(7) in connection with the granting of Liens on such property or assets, which may include Collateral, or the sale or transfer of such property or assets, which may include Collateral, in each case pursuant to a Qualified Securitization Facility;

(8) in connection with any disposal of Collateral to the Issuer or a Restricted Subsidiary; *provided* that such release is followed by an prompt retaking of a Lien of at least equivalent ranking over the same assets, in accordance with "—*Certain Covenants—Impairment of Security Interest*.";

(9) with respect to the Security Interests in respect of the Capital Stock of the Issuer or any Parent Company to be offered, within a reasonable time to facilitate an Initial Public Offering in which such Person is the IPO Entity; *provided* that such Security Interests so released shall be promptly granted or re-granted, as applicable, in favor of the Notes in the event that such Capital Stock is not sold or the Initial Public Offering does not complete for any reason; or

(10) as otherwise permitted in accordance with the Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under "—*Certain Covenants—Impairment of Security Interest*."

The Security Agent and the Trustee will take all necessary action reasonably requested in writing by the Issuer to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents for the Notes. The initial paying agent for the Notes will be Deutsche Bank AG, London Branch.

The Issuer will also maintain one or more registrars and a transfer agent. The initial registrar and transfer agent with respect to the Notes will be Deutsche Bank Luxembourg S.A. The registrar will maintain a register reflecting ownership of the Notes outstanding from time to time. The paying agent will make payments on the Notes, and the transfer agent will facilitate the transfer of Notes on behalf of the Issuer.

The Issuer may change the paying agent, the registrar or the transfer agent without prior notice to the Holders. The Issuer or any of its Subsidiaries may act as a paying agent, registrar or transfer agent.

For so long as Notes are listed on the Official List of The International Stock Exchange (the "*Exchange*") and if and to the extent the rules of the Exchange so require, the Issuer will notify the Exchange of any change of paying agent, registrar or transfer agent.

Transfer and Exchange

A Holder may transfer or exchange the Notes in accordance with the Indenture and the restrictions set forth in the section of this Offering Memorandum entitled "*Notice to Investors*." The registrar and the Trustee may require a Holder to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. Holders will be required to pay all taxes due on transfer. The Issuer will not be required to transfer or exchange any Note selected for redemption or tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer, an Asset Sale Offer, or other tender offer. Also, the Issuer will not be required to issue, register the transfer of or exchange any Note during the period of 15 days before the delivery of a notice of redemption of Notes to be redeemed.

Principal, Maturity and Interest

The Issuer will issue £360 million in aggregate principal amount of Notes. The Notes will mature on February 15, 2025. Subject to compliance with the covenant described below under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," the Issuer may issue additional Notes from time to time after the Issue Date under the Indenture ("*Additional Notes*"). The Notes offered by the Issuer and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture (except as otherwise provided herein), including waivers, amendments, redemptions and offers to purchase. The Indenture will permit the Issuer to designate the maturity date, interest rate and optional redemption provisions and other provisions applicable to each series of Additional Notes, which may differ from the maturity date, interest rate and optional redemption provisions applicable to the Notes issued on the Issue Date, in which case such Additional Notes will be a separate series. Unless the context requires otherwise, references to "Notes" for all purposes of the Indenture and this Description of Notes include any Additional Notes that are actually issued. The Notes will be issued in denominations of £100,000 and any integral multiples of £1,000 in excess of £100,000.

Interest on the Notes will accrue at the rate of 6.375% *per annum* and will be payable semi-annually in arrears on each February 15 and August 15, commencing August 15, 2018, to the Holders of record on the immediately preceding February 1 and August 1. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid with respect to such Notes, from and including the Issue Date. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payment of Principal, Premium and Interest

Cash payments of principal of, premium, if any, and interest on the Notes will be payable by check mailed to the Holders at their respective addresses set forth in the register of Holders; *provided*, (1) all cash payments of principal, premium, if any, and interest with respect to the Notes represented by one or more global notes registered in the name of or held by Euroclear or Clearstream or their respective nominees will be made by wire transfer of immediately available funds to the accounts specified by the registered Holder or Holders thereof and (2) all cash payments of principal, premium, if any, and interest with respect to certificated Notes will be made by wire transfer to a U.K. pound sterling account maintained by the payee with a bank in the United Kingdom if such Holder elects payment by wire transfer by giving written notice to the Trustee or the paying agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion). If a payment date is on a Legal Holiday, payment will be made on the next succeeding day that is not a Legal Holiday and no interest will accrue for the intervening period.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer will not be required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase Notes as described under "*—Repurchase at the Option of Holders*."

The Issuer or its Affiliates may at any time and from time to time acquire Notes by means other than a redemption, whether by tender offer, in the open market, negotiated transactions, or otherwise.

Optional Redemption

At any time prior to February 15, 2021, the Issuer may, at its option and on one or more occasions, redeem up to 40.0% of the aggregate principal amount of Notes and Additional Notes issued under the Indenture at a redemption price (as calculated by the Issuer) equal to the sum of (1) 106.375% of the aggregate principal amount thereof *plus* (2) accrued and unpaid interest thereon, if any, to, but excluding, the date of redemption ("*Redemption Date*"), subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date, with an amount equal to or less than the net cash proceeds from one or more Equity Offerings to the extent such net cash proceeds are received by or contributed to the Issuer; *provided*, (a) at least 50.0% of the sum of the aggregate principal amount of Notes originally issued under the Indenture on the Issue Date and any Additional Notes issued under the Indenture after the Issue Date remains outstanding immediately after the occurrence of each such redemption and (b) each such redemption occurs within 180 days of the date of closing of each such Equity Offering or contribution.

At any time prior to February 15, 2021, the Issuer may, at its option and on any one or more occasions during each twelve month period, redeem up to 10.0% of the aggregate principal amount of Notes and Additional Notes issued under the Indenture at a redemption price of 103% of the principal amount of the Notes redeemed, *plus* accrued and unpaid interest, if any, to, but excluding, the Redemption Date, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date.

At any time prior to February 15, 2021, the Issuer may at its option on one or more occasions redeem all or a part of the Notes, upon notice as described under "—*Selection and Notice*," at a redemption price (as calculated by the Issuer) equal to the sum of (1) 100.0% of the principal amount of the Notes redeemed, *plus* (2) the Applicable Premium calculated as of the date notice of redemption is given, *plus* (3) accrued and unpaid interest, if any, to, but excluding, the Redemption Date, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date.

In connection with any tender offer or other offer to purchase for all of the Notes, if Holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon notice, given not more than 60 days following such purchase date, to redeem all Notes that remain outstanding following such purchase at a price equal to the price offered to each other Holder in such tender offer, *plus*, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the repurchase date.

Except pursuant to the preceding paragraphs, as described under "—*Redemption for Taxation Reasons*" and as described under "*Repurchase at the Option of Holders—Change of Control*", the Notes will not be redeemable at the Issuer's option prior to February 15, 2021.

On and after February 15, 2021, the Issuer may at its option redeem the Notes, in whole or in part, on one or more occasions, upon notice as described under "—*Selection and Notice*," at the redemption prices (expressed as percentages of principal amount of the Notes to be redeemed) set forth below, *plus* accrued and unpaid interest, if any, to, but excluding, the Redemption Date, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date, if redeemed during the twelve-month period beginning on February 15 of each of the years indicated below:

Year	Percentage
2021	103.1875%
2022	101.5938%
2023 and thereafter	100.000%

Any notice of redemption made in connection with a related transaction or event (including an Equity Offering, contribution, Change of Control, Asset Sale or other transaction) may, at the Issuer's discretion, be given prior to the completion or the occurrence thereof, and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, the completion or occurrence of the related transaction or event, as the case may be. The Issuer may redeem Notes pursuant to one or more of the relevant provisions in the Indenture, and a single notice of redemption may be delivered with respect to redemptions made pursuant to different provisions. Any such notice may provide that redemptions made pursuant to different provisions will have different Redemption Dates. In addition, if such redemption or purchase is subject to satisfaction of one or more conditions precedent, such notice will describe each such condition, and if applicable, will state that, in the Issuer's discretion, the Redemption Date may be delayed until such time (but not more than 60 days after the date the notice of redemption was mailed or delivered, including by electronic transmission) as any or all such conditions are satisfied (or waived by the Issuer in its sole discretion), or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions are not satisfied (or waived by the Issuer in its sole discretion) by the Redemption Date, or by the Redemption Date as so delayed, or such notice may be rescinded at any time in the Issuer's discretion if in the good faith judgment of the Issuer any or all of such conditions will not be satisfied. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

For so long as the Notes are listed on the Exchange and the rules of the Exchange so require, the Issuer will notify the exchange of any such redemption and the principal amount of any Notes outstanding following any partial redemption of such Notes. In no event will the Trustee be responsible for monitoring, or charged with knowledge of, the maximum aggregate amount of Notes eligible under the Indenture to be redeemed. Notes will remain outstanding until redeemed, notwithstanding that they have been called for redemption or are subject to a notice of redemption.

The Trustee or the applicable depositary will select the Notes to be redeemed in the manner described under "—*Selection and Notice*."

Selection and Notice

If the Issuer is redeeming less than all of the Notes issued under the Indenture at any time, the Trustee will select the Notes to be redeemed (1) in compliance with the requirements of any exchange on which the Notes are listed, to the extent applicable, or (2) if the Notes are not listed on an exchange, on a *pro rata* basis or in accordance with the procedures of Euroclear and Clearstream (as applicable, unless otherwise required by law or applicable stock exchange or depositary requirements). Neither the paying agent, the Trustee nor the registrar will be liable for any selections made by it in accordance with this paragraph. No Notes of £100,000 or less can be redeemed in part.

Notices of redemption will set forth the applicable redemption date(s) (which redemption date(s) will be selected by the Issuer in its discretion, subject to any limitations set forth in the Indenture) and will be delivered electronically or mailed by first-class mail, postage prepaid, at least 10 but not more than 60 days before the purchase or redemption date to each Holder at such Holder's registered address or otherwise in accordance with the procedures of Euroclear and Clearstream, except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. If any Note is to be redeemed or purchased in part only, any notice of redemption or purchase that relates to such Note will state the portion of the principal amount thereof that has been or is to be redeemed or purchased.

With respect to Notes represented by certificated notes, upon request the Issuer will issue a new Note in a principal amount equal to the unredeemed or unpurchased portion of the original Note in the name of the Holder upon cancellation of the original Note; *provided*, new Notes will only be issued in denominations of £100,000 and integral multiples of £1,000 in excess of £100,000. Subject to the satisfaction or waiver of any conditions precedent relating thereto, Notes called for redemption or purchase become due on the date fixed for redemption or purchase. On and after the Redemption Date, interest ceases to accrue on the Notes or portions of them called for redemption or purchase.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 days' nor more than 60 days' notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see "—*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations, protocols or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any change in, or amendment to, an official position regarding the application, administration or interpretation of such laws, treaties, regulations, protocols or rulings (including pursuant to a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Payor (as defined under "—*Withholding Taxes*") is, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to such Payor (*provided* that no Payor shall be required to take any measures that in such Payor's good faith determination would result in the imposition on such Payor of any material legal or regulatory burden). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date of this Offering Memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "—*Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 60 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) a written opinion of an independent tax counsel of recognized standing to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as conclusive evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is incorporated or organized or any political subdivision or governmental authority thereof or therein having the power to tax. Any redemption and notice described above will be subject to the receipt by any paying agent of sufficient funds from a Payor to pay the full redemption price payable to Holders on or before the Tax Redemption Date.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (each, a "*Payor*") in respect of the Notes or any Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any tax, duty, levy, impost, assessment or other similar governmental charge (including, penalties and interest related thereto) ("*Taxes*") unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note or Guarantee is made by or on behalf of the Issuer or any Guarantor, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which the Issuer or any Guarantor is incorporated, organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required to be made from any payments made with respect to any Note or Guarantee, as applicable, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received by each Holder in respect of such payments after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will equal the amounts which would have been received in respect of such payments on any such Note in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the jurisdiction by which such Taxes have been imposed (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, such jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note;

(2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to provide (to the extent it is legally entitled to do so) certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, in each case, that is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;

(3) any Taxes that are imposed or withheld as a result of the presentation of any Note for payment (where presentation is permitted or required) more than 30 days after the relevant payment is first made available for payment to the Holder;

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Guarantee;

(5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Tax, assessment or other governmental charge;

(6) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the Code (or any amended or successor version of such sections), any regulations promulgated thereunder, any official interpretations thereof or any agreements entered into or in connection with the implementation thereof and any law, regulation or official guidance pursuant to such agreements;

(7) any Taxes that are imposed or withheld as a result of the presentation of any note for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant note to another paying agent; and

(8) any combination of the above.

In addition, no Additional Amounts shall be paid with respect to any payment to any person who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes to the extent the Tax resulting in such Additional Amounts would not have been imposed or the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant taxing authority in accordance with applicable law. Upon request, the Payor will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Payor and will provide such certified copies to the paying agent or registrar or directly to the Holders. Such copies shall be made available by the paying agent or registrar to the Holders upon request.

If any Payor becomes aware that it will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Guarantee, then, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee, copied to the paying agent, an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the paying agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture or this "*Description of Notes*" there is mentioned, in any context:

- the payment of principal;
- purchase or redemption prices in connection with a purchase or redemption of Notes;
- interest; or
- any other amount payable on or with respect to any of the Notes or any Guarantee,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay (and indemnify the Holder for) any present or future stamp, court or documentary taxes, or any other property or similar taxes, charges or levies (including any interest and penalties related thereto) that arise in and are levied by any Relevant Taxing Jurisdiction on the execution, delivery, issuance, or registration of the Notes or any Guarantee or any other document or instrument in relation thereto (other than a transfer of the Notes other than the initial resale by the initial purchasers), excluding, for the avoidance of doubt, any such taxes, charges or levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business or otherwise resident for tax purposes, or any jurisdiction from or through which payment on the Notes or Guarantees is made, or any political subdivision or governmental authority thereof or therein having the power to tax.

Repurchase at the Option of Holders

Change of Control

The Indenture will provide that if a Change of Control occurs, unless the Issuer has previously or concurrently electronically delivered or mailed a redemption notice with respect to all the outstanding Notes as described under "*—Optional Redemption*" or "*—Satisfaction and Discharge*," the Issuer will make an offer to purchase all of the Notes pursuant to the offer described below (the "*Change of Control Offer*") at a price in cash (the "*Change of Control Payment*") equal to 101.0% of the aggregate principal amount thereof *plus* accrued and unpaid interest, if any, to, but excluding, the date of repurchase, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date prior to such repurchase. Within 60 days following any Change of Control, the Issuer will send notice of such Change of Control Offer electronically or by first-class mail, with a copy to the Trustee, to each Holder with the following information:

(1) a Change of Control Offer is being made pursuant to the covenant entitled "Change of Control" and all Notes properly tendered pursuant to such Change of Control Offer will be accepted for payment by the Issuer;

(2) the purchase price and the purchase date, which will be no earlier than 10 days nor later than 60 days from the date such notice is mailed or otherwise delivered (the "*Change of Control Payment Date*"), subject to extension (in the case where such notice is mailed or otherwise delivered prior to the occurrence of the Change of Control) in the event that the occurrence of the Change of Control is delayed;

(3) any Note not properly tendered will remain outstanding and continue to accrue interest;

(4) unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have the Notes repurchased; and

(6) if such notice is delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of Notes by the Issuer pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described in the Indenture by virtue thereof.

On the Change of Control Payment Date, the Issuer will, to the extent permitted by law:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the aggregate Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(3) deliver, or cause to be delivered, to the Trustee (a) an Officer's Certificate to the Trustee stating that such Notes or portions thereof have been tendered to and purchased by the Issuer and (b) at the Issuer's option, the Notes so accepted for cancellation.

Change of control events with respect to the Issuer will constitute a mandatory prepayment event under the Revolving Credit Facility and future credit agreements or other agreements to which the Issuer (or one of its Affiliates) becomes a party may provide that certain change of control events with respect to the Issuer constitute a default thereunder. If we experience a change of control that triggers a mandatory prepayment event or default under our agreements, we could seek a waiver of such mandatory prepayment event or default or seek to refinance such Indebtedness. However, in the event we do not obtain such a waiver or do not refinance such Indebtedness, amounts outstanding under such Indebtedness could be declared due and payable.

The Revolving Credit Facility will contain, and future credit agreements or other agreements relating to Indebtedness to which the Issuer (or one of its Affiliates) becomes a party may contain, restrictions on the Issuer's ability to repurchase Notes. In the event a Change of Control occurs at a time when the Issuer is prohibited from purchasing Notes, the Issuer could seek the consent of its lenders to the repurchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings, the Issuer will remain prohibited from repurchasing Notes. In such a case, the Issuer's failure to repurchase tendered Notes would constitute an Event of Default under the Indenture, which would, in turn, likely constitute a default under such other agreements.

Our ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by our then-existing financial resources, and sufficient funds may not be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture and the change of control provisions contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events and change of control events*."

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control. The Issuer will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. The Issuer will not be required to make a Change of Control Offer following a Change of Control if, *pro forma* for such transaction, the Issuer's Total Net Leverage Ratio remains below a certain threshold.

A Change of Control Offer may be made in advance of a Change of Control and conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

If Holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third-party will have the right, upon notice given not more than 60 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the aggregate principal amount of such Notes, *plus* accrued and unpaid interest on the Notes that remain outstanding to, but excluding, the date of repurchase (subject to the right of the Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date). A Change of Control Offer may be made at the same time as consents are solicited with respect to an amendment, supplement or waiver of the Indenture, Notes and/or Guarantees (but the Change of Control Offer may not condition tenders on the delivery of such consents).

The definition of "Change of Control" includes a disposition of all or substantially all of the assets of the Issuer and its Subsidiaries, taken as a whole, to certain Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise, established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its Subsidiaries, taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions under the Indenture relative to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified (at any time, including after a Change of Control) with the written consent of the Holders of a majority in principal amount of the Notes then outstanding.

Asset Sales

The Indenture will provide that the Issuer will not, and will not permit any Restricted Subsidiary to, consummate an Asset Sale, unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, in connection with such Asset Sale) at least equal to the fair market value (measured at the time of contractually agreeing to such Asset Sale) of the assets sold or otherwise disposed of; and

(2) except in the case of a Permitted Asset Swap, at least 75.0% of the consideration for such Asset Sale received by the Issuer or a Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents; *provided*, each of the following will be deemed to be cash or Cash Equivalents for purposes of this clause (2):

(a) any liabilities (as shown on the Issuer's or a Restricted Subsidiary's most recent balance sheet or in the footnotes thereto or if incurred or accrued subsequent to the date of such balance sheet, such liabilities that would have been reflected on the Issuer's or a Restricted Subsidiary's consolidated balance sheet or in the footnotes thereto if such incurrence or accrual had taken place on or prior to the date of such balance sheet, as determined in good faith by the Issuer) of the Issuer or any Restricted Subsidiary, other than liabilities that are by their terms subordinated in right of payment to the Notes or any Guarantor's Guarantee of the Notes, that (i) are assumed by the transferee of any such assets (or a third party in connection with such transfer, so long as neither the Issuer nor any Restricted Subsidiary remains obligated therewith) or (ii) are otherwise cancelled or terminated in connection with the transaction with such transferee (other than intercompany debt owed to the Issuer or a Restricted Subsidiary);

(b) any securities, notes or other obligations received by the Issuer or a Restricted Subsidiary from such transferee or in connection with such Asset Sale that are converted by the Issuer or a Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Sale;

(c) any Designated Non-cash Consideration received by the Issuer or a Restricted Subsidiary in such Asset Sale having an aggregate fair market value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (c) that is at that time outstanding, not to exceed the greater of (i) £25 million and (ii) 30% of Run-Rate Adjusted EBITDA of the Issuer for the most recently ended Test Period, with the fair market value of each item of Designated Non-cash Consideration being measured at the time received, or, at the Issuer's option, at the time of contractually agreeing to such Asset Sale, without giving effect to subsequent changes in value;

(d) Indebtedness of any Restricted Subsidiary that ceases to be a Restricted Subsidiary as a result of such Asset Sale (other than intercompany debt owed to the Issuer or a Restricted Subsidiary), to the extent that the Issuer and each other Restricted Subsidiary are released from any guarantee of payment of the principal amount of such Indebtedness in connection with such Asset Sale; and

(e) any Capital Stock or assets of the kind referred to in clause (2) of the next paragraph.

Within 365 days after the receipt of any Net Proceeds of any Asset Sale (as may be extended pursuant to paragraph (2) below, the "*Asset Sale Proceeds Application Period*"), the Issuer or a Restricted Subsidiary, at its option, may apply an amount equal to the Net Proceeds from such Asset Sale:

(1) to repay, prepay, purchase or redeem:

(a) Obligations in respect of a Credit Facility (including the Revolving Credit Facility) incurred under clause (1) of the second paragraph of "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(b) unless included in the preceding clause (1)(a), Obligations in respect of the Notes at a purchase price no less than 100% of the principal amount thereof, and/or any other Indebtedness that is secured by a Lien on the Collateral which is *pari passu* with the Notes and with respect to such other Indebtedness at a price of no more than 100%, plus accrued and unpaid interest and any amount not to exceed the applicable prepayment or redemption premium or any Additional Amounts in respect thereof; or

(c) Obligations in respect of Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness of the Issuer or any Restricted Subsidiary that is secured by Liens on assets that do not constitute Collateral,

in each case, other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary; *provided* that the Issuer or Restricted Subsidiary shall prepay, repay, purchase or redeem Indebtedness (other than the Notes) pursuant to sub-clause (b) only if the Issuer on a *pro rata* basis at its option (i) redeems Notes as described under "*—Optional Redemption*", (ii) purchases Notes through open market purchases, at a price no less than 100% of the aggregate principal amount thereof, or (iii) makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Sale Offer for an aggregate principal amount of Notes, in each case, equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding *plus* the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

provided, further, in the case of an offer pursuant to the preceding proviso, (i) if an offer to purchase any Indebtedness of the Issuer or any Restricted Subsidiary is made, such amount will be deemed repaid to the extent of the amount of such offer, whether or not accepted by the holders of such Indebtedness, and no Net Proceeds in the amount of such offer will be deemed to exist following such offer, and (ii) if the holder of any Indebtedness of a Restricted Subsidiary of the Issuer declines the repayment of such Indebtedness owed to it from such Net Proceeds, such amount will be deemed repaid to the extent of the declined Net Proceeds; or

(2) to make (a) an Investment in any one or more businesses; *provided*, such Investment in any business is in the form of the acquisition of Capital Stock and results in the Issuer or any Restricted Subsidiary owning an amount of the Capital Stock of such business such that it constitutes or continues to constitute a Restricted Subsidiary, (b) capital expenditures, (c) other expenditures made in connection with the construction or development of facilities operated or to be operated by the Issuer or a Restricted Subsidiary, (d) acquisitions of properties (including fee and leasehold interests) or (e) acquisitions of other assets, other than securities, in the case of clauses (a), (d) and this clause (e), either (i) are or will be used or useful in a Similar Business or (ii) that replace, in whole or in part, the properties or assets that are the subject of such Asset Sale; *provided*, in the case of this clause (2), a binding commitment will be treated as a permitted application of the Net Proceeds from the date of such commitment so long as the Issuer or a Restricted Subsidiary enters into such commitment with the good faith expectation that such Net Proceeds will be applied to satisfy such commitment within 180 days of such commitment (or, if later, 365 days after the receipt of such Net Proceeds) (an "*Acceptable Commitment*") and, in the event that any Acceptable Commitment is later cancelled or terminated for any reason before the Net Proceeds are applied in connection therewith, the Issuer or a Restricted Subsidiary enters into another Acceptable Commitment (a "*Second Commitment*") within 180 days of such cancellation or termination (or, if later, 365 days after the receipt of such Net Proceeds); *provided*, *further*, that if any Second Commitment is later cancelled or terminated for any reason before such Net Proceeds are applied, then such Net Proceeds will constitute Excess Proceeds (as defined below); or

(3) any combination of the foregoing.

The amount of Net Proceeds from Asset Sales that are not invested or applied as provided and within the time period set forth in the preceding paragraph (it being understood that any portion of such Net Proceeds used to make an offer to purchase Notes, as described in clause (1)(b) above, will be deemed to have been so applied whether or not such offer is accepted) will be deemed to constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds £25.0 million, the Issuer will make an offer to all Holders and, at the option of the Issuer, to any holders of any Indebtedness that is *pari passu* with the Notes ("*Pari Passu Indebtedness*" and such offer, an "*Asset Sale Offer*"), to purchase the maximum aggregate principal amount of the Notes and such Pari Passu Indebtedness that is in an amount equal to at least £100,000, or an integral multiple of £1,000 in excess of £100,000, that may be purchased out of the Excess Proceeds at an offer price, in the case of the Notes, in cash in an amount equal to 100.0% of the principal amount thereof (or accreted value thereof, if less), *plus* accrued and unpaid interest, if any (or, in respect of such Pari Passu Indebtedness, such other price, if any, as may be provided for by the terms of such Pari Passu Indebtedness), to, but excluding, the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. The Issuer will commence an Asset Sale Offer with respect to Excess Proceeds within thirty days after the date that Excess Proceeds exceed £25.0 million by mailing or electronically delivering the notice required pursuant to the terms of the Indenture, with a copy to the Trustee, or otherwise in accordance with the procedures of Euroclear and Clearstream. The Issuer may satisfy the foregoing obligation with respect to any Net Proceeds from an Asset Sale by making an offer to purchase Notes with respect to all or part of the available Net Proceeds (the "*Advance Portion*") prior to the expiration of the Asset Sale Proceeds Application Period with respect to all or a part of the available Net Proceeds in advance of being required to do so by the Indenture (the "*Advance Offer*").

To the extent that the aggregate principal amount (or accreted value, as applicable) of Notes and such Pari Passu Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds (or in the case of an Advance Offer, the Advance Portion), the Issuer may use any remaining Excess Proceeds (or in the case of an Advance Offer, the Advance Portion) in any manner not prohibited by the Indenture. If the aggregate principal amount (or accreted value, as applicable) of Notes and/or the Pari Passu Indebtedness surrendered in an Asset Sale Offer exceeds the amount of

Excess Proceeds (or in the case of an Advance Offer, the Advance Portion), the Trustee will select the Notes to be purchased in the manner described under "—*Selection and Notice,* " and the Issuer will select such Pari Passu Indebtedness to be purchased pursuant to the terms of such Pari Passu Indebtedness; *provided*, as between the Notes and any Pari Passu Indebtedness, such purchases will be made on a *pro rata* basis based on the accreted value or principal amount of the Notes or such Pari Passu Indebtedness tendered with adjustments as necessary so that no Notes or Pari Passu Indebtedness will be repurchased in part in an unauthorized denomination. Upon completion of any such Asset Sale Offer, for purposes of this provision the amount of Excess Proceeds (or in the case of an Advance Offer, the Advance Portion) that resulted in the Asset Sale Offer will be reset to zero (regardless of whether there are any remaining Excess Proceeds (or Advance Portion) upon such completion). An Asset Sale Offer may be made at the same time as consents are solicited with respect to an amendment, supplement or waiver of the Indenture, Notes and/or Guarantees (but the Asset Sale Offer may not condition tenders on the delivery of such consents).

Pending the final application of any Net Proceeds pursuant to this covenant, the holder of such Net Proceeds may invest such Net Proceeds in any manner not prohibited by the Indenture.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described in the Indenture by virtue thereof.

The provisions under the Indenture relative to the Issuer's obligation to make an offer to repurchase the Notes as a result of an Asset Sale may be waived or modified with the written consent of the Holders of a majority in principal amount of the then outstanding Notes.

The Revolving Credit Facility will contain, and future credit agreements or other similar agreements to which the Issuer (or one of its Restricted Subsidiaries) becomes a party may contain restrictions on the Issuer's ability to repurchase Notes. In the event an Asset Sale occurs at a time when the Issuer is prohibited from purchasing Notes, the Issuer could seek the consent of its lenders to the repurchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings, the Issuer will remain prohibited from repurchasing Notes. In such a case, the Issuer's failure to repurchase tendered Notes would constitute an Event of Default under the Indenture which would, in turn, likely constitute a default under such other agreements.

Certain Covenants

Set forth below are summaries of certain covenants that will be contained in the Indenture.

Changes in Covenants when Notes Rated Investment Grade

During any period of time that (i) the Notes have an Investment Grade Rating and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "*Covenant Suspension Event*" and the date thereof being referred to as the "*Suspension Date*") the Issuer and the Restricted Subsidiaries will not be subject to the covenants described under the following captions (collectively, the "*Suspended Covenants*"):

(1) "—Repurchase at the Option of Holders—Asset Sales";

(2) "—Limitation on Restricted Payments";

(3) "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock";

(4) clause (1)(d) of the first paragraph of "—Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets";

(5) "—Transactions with Affiliates";

(6) "—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries"; and

(7) "—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries."

During a Suspension Period (as defined below), the Issuer may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the second sentence of the definition of "Unrestricted Subsidiary."

If and while the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants, the Notes will be entitled to substantially less covenant protection. In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "*Reversion Date*") the Notes no longer have an Investment Grade Rating, then the Issuer and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events.

The period of time between the Suspension Date and the Reversion Date is referred to in this Description of Notes as the "*Suspension Period*." The Guarantees of the Guarantors will be suspended during the Suspension Period. Additionally, upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds from Net Proceeds will be reset to zero for purposes of the provision described above under "*—Asset Sales*."

In the event of any such reinstatement, no action taken or omitted to be taken by the Issuer or any Restricted Subsidiary or events occurring prior to such reinstatement will give rise to a Default or Event of Default under the Indenture with respect to the Notes; *provided*,

(1) with respect to Restricted Payments made after the Reversion Date, the amount of Restricted Payments made will be calculated as though the covenant described below under "*—Limitation on Restricted Payments*" had been in effect prior to, but not during, the Suspension Period;

(2) all Indebtedness incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (3) of the second paragraph of "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(3) any Affiliate Transaction entered into after the Reversion Date pursuant to an agreement entered into during any Suspension Period will be deemed to be permitted pursuant to clause (6) of the second paragraph of the covenant described under "*—Transactions with Affiliates*";

(4) any encumbrance or restriction on the ability of any Restricted Subsidiary that is not a Guarantor to take any action described in clauses (1) through (3) of the first paragraph of the covenant described under "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*" that becomes effective during any Suspension Period will be deemed to be permitted pursuant to clause (a) of the second paragraph of the covenant described under "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*";

(5) no Subsidiary of the Issuer will be required to comply with the covenant described under "*—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*" after the Reversion Date with respect to any guarantee entered into by such Subsidiary during any Suspension Period; and

(6) all Investments made during the Suspension Period will be deemed to have been outstanding on the Issue Date, so that they are classified as Permitted Investments permitted under clause (5) of the definition of "Permitted Investments."

Notwithstanding that the Suspended Covenants may be reinstated after the Reversion Date, (1) no Default, Event of Default or breach of any kind will be deemed to exist under the Indenture, the

Notes or the Guarantees with respect to the Suspended Covenants, and none of the Issuer or any of its Restricted Subsidiaries will bear any liability for any actions taken or events occurring during the Suspension Period, or any actions taken at any time pursuant to any contractual obligation arising during a Suspension Period, in each case, as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or, upon termination of the Suspension Period or after that time, based on any action taken or event that occurred during the Suspension Period) and (2) following a Reversion Date, the Issuer and each Restricted Subsidiary will be permitted, without causing a Default or Event of Default, to honor, comply with or otherwise perform any contractual commitments or obligations arising during any Suspension Period (that were permitted to be entered into at such time) and to consummate any transactions contemplated thereby.

During the Suspension Period, the Guarantees will be automatically and unconditionally released and discharged and the obligation to grant further Guarantees will be suspended. Upon the Reversion Date, the obligation to grant Guarantees pursuant to the covenant described under "—*Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*" will be reinstated (and the Reversion Date will be deemed to be the date on which any guaranteed Indebtedness was incurred for purposes of the covenant described under "—*Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*").

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Rating.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any payment or distribution on account of the Issuer's or any Restricted Subsidiary's Equity Interests including any dividend or distribution payable in connection with any merger, amalgamation or consolidation, other than:

(a) dividends, payments or distributions payable solely in Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Issuer or in options, warrants or other rights to purchase such Equity Interests; or

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a pro rata basis, measured by value);

(2) purchase, redeem, defease or otherwise acquire or retire for value any Equity Interests of the Issuer or any Parent Company, including in connection with any merger, amalgamation or consolidation, in each case held by Persons other than the Issuer or a Restricted Subsidiary;

(3) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case, prior to any scheduled repayment, sinking fund payment or final maturity, any Subordinated Indebtedness, other than:

(a) Indebtedness permitted under clauses (7), (8) and (9) of the second paragraph of the covenant described under "—*Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; or

(b) the payment, redemption, repurchase, defeasance, acquisition or retirement for value of Subordinated Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such payment, redemption, repurchase, defeasance, acquisition or retirement; or

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment;

(all such payments and other actions set forth in clauses (1) through (5) above being collectively referred to as "*Restricted Payments*"), unless, at the time of and immediately after giving effect to such Restricted Payment:

(1) no Event of Default will have occurred and be continuing or would occur as a consequence thereof;

(2) immediately after giving effect to any such Restricted Payment made pursuant to clause (3)(a) below on a *pro forma* basis, the Issuer could incur £1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in clause (1) of the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments (including the fair market value of any non-cash amount) made by the Issuer and its Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by the next succeeding paragraph other than clauses (1) and (18) thereof), is less than the sum of (without duplication):

(a) 50.0% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period beginning on October 1, 2017 to the end of the most recently ended Test Period preceding such Restricted Payment, or, in the case such Consolidated Net Income for such period is a deficit, *minus* 100.0% of such deficit; *plus*

(b) 100.0% of the aggregate net cash proceeds and the fair market value of marketable securities or other property received by the Issuer since the Issue Date (other than net cash proceeds to the extent such net cash proceeds have been used to incur Indebtedness or issue Disqualified Stock or Preferred Stock pursuant to clause (12)(a) of the second paragraph of "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*") from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares of the Issuer subsequent to the Issue Date (other than (w) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (x) net cash proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) net cash proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses 4 of the second succeeding paragraph, or (z) Excluded Contributions; *plus*

(c) 100.0% of the aggregate net cash proceeds and the fair market value of marketable securities or other property contributed to the capital of the Issuer following the Issue Date (including the fair market value of any Indebtedness contributed to the Issuer or its Restricted Subsidiaries for cancellation) or that becomes part of the capital of the Issuer through consolidation, amalgamation or merger following the Issue Date, in each case not involving cash consideration payable by the Issuer (other than (x) net cash proceeds to the extent such net cash proceeds have been used to incur Indebtedness or issue Disqualified Stock or Preferred Stock pursuant to clause (12)(a) of the second paragraph of "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," (y) cash, Cash Equivalents and marketable securities or other property that are contributed by a Restricted Subsidiary or (z) Excluded Contributions); *plus*

(d) 100% of the aggregate net cash proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange); but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) net cash proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (4) of the second succeeding paragraph, and (y) Excluded Contributions; *plus*

(e) (x) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the disposition of Equity Interests of an Unrestricted Subsidiary or the disposition or repurchase, redemption or other acquisition or retirement of, or any dividend, distribution, interest payments or returns of capital from, any Investment constituting a Restricted Payment made after the Issue Date (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) or (y) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person after the Issue Date, an amount equal to the amount of such Guarantee; *plus*

(f) in the event that an Unrestricted Subsidiary is designated as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of the amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (13) of the definition of "Permitted Investment"; *plus*

(g) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary; *plus*

(h) £15.0 million,

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (a) to the extent that it is (at the Issuer's option) included in clauses (c), (d) or (e); *provided further* that, notwithstanding the foregoing, (x) any amounts (such amounts, the "*Excluded Amounts*") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to the preceding clause (3) will be excluded to the extent (1) such amounts result from the receipt of net cash proceeds or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control, (2) the purpose of the receipt of such net cash proceeds or marketable securities was to reduce the Total Net Leverage Ratio so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such net cash proceeds or marketable securities and (3) no Change of Control Offer is made in connection with such Change of Control in accordance with the requirements of the Indenture and (y) Excluded Amounts shall be limited to the amount of net cash proceeds or marketable securities necessary to reduce the Total Net Leverage Ratio to cause the occurrence of a Specified Change of Control Event, and amounts of net cash proceeds or marketable securities received in excess thereof shall not constitute Excluded Amounts.

The foregoing provisions do not prohibit:

(1) the payment of any dividend or other distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or other distribution or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or other distribution or redemption payment would have complied with the provisions of the Indenture;

(2) (a) the redemption, repurchase, defeasance, discharge, retirement or other acquisition of (i) any Equity Interests of the Issuer, including any accrued and unpaid dividends thereon ("*Treasury Capital Stock*"), or (ii) Subordinated Indebtedness, in each case, made (x) in exchange for, or out of the proceeds of, a sale or issuance (other than to a Restricted Subsidiary) of Equity Interests of the Issuer or any Parent Company or Subordinated Shareholder Funding of the Issuer (to the extent such Equity Interests, Subordinated Shareholder Funding or proceeds therefrom are contributed to the Issuer) (in

each case, other than Disqualified Stock), and (y) within 120 days of such sale or issuance ("*Refunding Capital Stock*"), (b) the declaration and payment of dividends on Treasury Capital Stock out of the proceeds of a sale or issuance (other than to a Restricted Subsidiary of the Issuer or to an employee stock ownership plan or any trust established by the Issuer or any Restricted Subsidiary) of Refunding Capital Stock made within 120 days of such sale or issuance, and (c) if, immediately prior to the retirement of Treasury Capital Stock, the declaration and payment of dividends thereon by the Issuer were permitted under clauses (7)(a) or (b) of this paragraph, the declaration and payment of dividends on the Refunding Capital Stock in an aggregate amount *per annum* no greater than the aggregate amount of dividends *per annum* that were declarable and payable on such Treasury Capital Stock immediately prior to such retirement;

(3) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (3)(b) of the preceding paragraph;

(4) the principal payment on or the defeasance, redemption, repurchase, exchange or other acquisition or retirement of (a) Subordinated Indebtedness of the Issuer or a Guarantor made (i) by exchange for, or out of the proceeds of the sale, issuance or incurrence of, new Indebtedness of the Issuer or a Guarantor or Disqualified Stock of the Issuer or a Guarantor and (ii) within 120 days of such sale, issuance or incurrence, (b) Disqualified Stock of the Issuer or a Guarantor made by exchange for, or out of the proceeds of the sale, issuance or incurrence of, Disqualified Stock or Subordinated Indebtedness of the Issuer or a Guarantor, made within 120 days of such sale, issuance or incurrence, (c) Disqualified Stock of a Restricted Subsidiary that is not a Guarantor made by exchange for, or out of the proceeds of the sale or issuance of, Disqualified Stock of a Restricted Subsidiary that is not a Guarantor made within 120 days of such sale or issuance that, in the case of sub-clauses (a)-(c), is Refinancing Indebtedness incurred or issued, as applicable, in compliance with "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and (d) any Subordinated Indebtedness or Disqualified Stock that constitutes Acquired Indebtedness;

(5) a Restricted Payment to pay for the repurchase, retirement or other acquisition or retirement for value of Equity Interests (other than Disqualified Stock) of the Issuer or any Parent Company held by any future, present or former employee, director, officer, member of management or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members or any permitted transferees thereof) of the Issuer, any of its Subsidiaries or any Parent Company pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, or any equity subscription or equity holder agreement (including, for the avoidance of doubt, any principal and interest payable on any notes issued by the Issuer or any Parent Company in connection with any such repurchase, retirement or other acquisition), including Equity Interests rolled over by management of the Issuer, any of its Subsidiaries or any Parent Company in connection with the Transactions; *provided*, the aggregate amount of Restricted Payments made under this clause (5) does not exceed £5.0 million in any calendar year (increasing to £10.0 million following an underwritten public Equity Offering by the Issuer or any Parent Company) with unused amounts in any calendar year being carried over to succeeding calendar years; *provided*, *further*, such amount in any calendar year under this clause (5) may be increased by an amount not to exceed:

(a) the cash proceeds from the sale of Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Issuer and, to the extent contributed to the Issuer, the cash proceeds from the sale of Equity Interests of any Parent Company, in each case to any future, present or former employee, director, officer, member of management or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members or any permitted transferees thereof) of the Issuer, any of its Subsidiaries or any Parent Company that occurs after the Issue Date, to the extent the cash proceeds from the sale of such Equity Interests or

Subordinated Shareholder Funding have not otherwise been applied to the payment of Restricted Payments by virtue of clause (3) of the preceding paragraph or that constitute Excluded Amounts; *plus*

(b) the cash proceeds of life insurance policies received by the Issuer or its Restricted Subsidiaries (or by any Parent Company to the extent contributed to the Issuer) after the Issue Date; *minus*

(c) the amount of any Restricted Payments previously made with the cash proceeds described in clauses (a) and (b) of this clause (5);

and *provided*, that the Issuer may elect to apply all or any portion of the aggregate increase contemplated by clauses (a) and (b) above in any calendar year and *provided*, *further*, cancellation of Indebtedness owing to the Issuer or any of its Restricted Subsidiaries from any future, present or former employees, directors, officers, members of management or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members or any permitted transferees thereof), of the Issuer, any Parent Company or any of its Restricted Subsidiaries in connection with a repurchase of Equity Interests of the Issuer or any Parent Company will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(6) the declaration and payment of dividends or distributions to holders of any class or series of Disqualified Stock of the Issuer or any Restricted Subsidiary or any class or series of Preferred Stock of any Restricted Subsidiary issued in accordance with the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" to the extent such dividends are included in the definition of "Fixed Charges";

(7) (a) the declaration and payment of dividends or distributions to holders of any class or series of Designated Preferred Stock issued by the Issuer or any Restricted Subsidiary after the Issue Date;

(b) the declaration and payment of dividends or distributions to any Parent Company, the proceeds of which will be used to fund the payment of dividends or distributions to holders of any class or series of Designated Preferred Stock issued by such Parent Company after the Issue Date; *provided* that the amount of dividends and distributions paid pursuant to this clause (b) will not exceed the aggregate amount of cash actually contributed to the Issuer from the sale of such Designated Preferred Stock; or

(c) the declaration and payment of dividends on Refunding Capital Stock that is Preferred Stock in excess of the dividends declarable and payable thereon pursuant to clause (2) of this paragraph;

provided, in the case of each of clauses (a), (b) and (c) of this clause (7), that for the most recently ended Test Period preceding the date of issuance of such Designated Preferred Stock or the declaration of such dividends on Refunding Capital Stock that is Preferred Stock, after giving effect to such issuance or declaration on a *pro forma* basis, the Issuer would have had a Fixed Charge Coverage Ratio of at least 2.00 to 1.00;

(8) (a) payments made or expected to be made by the Issuer or any Restricted Subsidiary in respect of withholding or similar taxes payable by any future, present or former employee, director, officer, member of management or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members or permitted transferees) of the Issuer or any Restricted Subsidiary or any Parent Company, (b) any repurchases or withholdings of Equity Interests in connection with the exercise of stock options, warrants or similar rights if such Equity Interests represent a portion of the exercise of, or withholding obligations with respect to, such options, warrants or similar rights or required withholding or similar taxes or (c) any advances or loans not to exceed £3.0 million per calendar year at any one time outstanding to any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent Company to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Issuer or a Parent Company, or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Issuer or a Parent Company;

(9) the declaration and payment of dividends on the Issuer's common equity (or the payment of dividends to any Parent Company to fund a payment of dividends on such company's common equity), following the first public offering of the Issuer's common equity or the common equity of any Parent Company after the Issue Date, in an amount not to exceed the sum of (a) 6.0% *per annum* of the net cash proceeds received by or contributed to the Issuer in or from any such public offering, other than public offerings with respect to the Issuer's common stock registered on Form S-4 or Form S-8 and other than any public sale constituting an Excluded Contribution, and (b) an aggregate amount *per annum* not to exceed 5.0% of Market Capitalization;

(10) Restricted Payments in an amount that does not exceed the aggregate amount of Excluded Contributions;

(11) Restricted Payments in an aggregate amount taken together with all other Restricted Payments made pursuant to this clause (11) not to exceed the greater of (a) £25.0 million and (b) 30% of Run-Rate Adjusted EBITDA of the Issuer for the most recently ended Test Period on the date of such Restricted Payment; *provided*, if this clause (11) is utilized to make a Restricted Investment, the amount deemed to be utilized under this clause (11) will be the amount of such Restricted Investment at any time outstanding (with the fair market value of such Investment being measured at the time made and without giving effect to subsequent changes in value, but subject to adjustment as set forth in the definition of "*Investment*");

(12) distributions or payments of Securitization Fees;

(13) any Restricted Payment made in connection with the Transactions and the fees and expenses related thereto or owed to Affiliates;

(14) the repurchase, redemption, defeasance, acquisition or retirement for value of any Subordinated Indebtedness pursuant to the provisions similar to those described under "*—Repurchase at the Option of Holders—Change of Control*" and "*—Repurchase at the Option of Holders—Asset Sales*"; *provided*, (i) at or prior to such repurchase, redemption, defeasance, acquisition or retirement, the Issuer (or a third person permitted by the Indenture) has made any required Change of Control Offer or Asset Sale Offer, as applicable, to purchase the Notes on the terms provided in the Indenture applicable to Change of Control Offers or Asset Sale Offers, respectively, and (ii) all Notes validly tendered by Holders in any such Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased, redeemed, acquired or retired for value;

(15) the declaration and payment of dividends or distributions by the Issuer or a Restricted Subsidiary to, or the making of loans or advances to, the Issuer or any Parent Company in amounts required for any Parent Company to pay, in each case without duplication:

(a) franchise, excise and similar taxes, and other fees, taxes and expenses required to maintain their corporate or other legal existence;

(b) for any taxable period for which the Issuer and/or any of its Subsidiaries are members of a consolidated, combined, unitary or similar tax group for U.S. federal, United Kingdom and/or applicable national, state or local income tax purposes of which a Parent Company is the common parent (a "*Tax Group*"), to pay the portion of any U.S. federal, United Kingdom or other national, state and local Taxes of such Tax Group for such taxable period that are attributable to the income of the Issuer and its Subsidiaries; *provided*, that for each taxable period, (A) the amount of such payments made in respect of such taxable period in the aggregate will not exceed the amount that the Issuer and its Subsidiaries that are members of such Tax Group, as applicable, would have been required to pay as stand-alone taxpayers or a stand-alone Tax Group and (B) the amount of such payments made in respect of an Unrestricted Subsidiary will be permitted only to the extent that cash distributions were made by such Unrestricted Subsidiary to the Issuer or any Restricted Subsidiary for such purpose;

(c) salary, bonus, severance and other benefits payable to, and indemnities provided on behalf of, employees, directors, officers, members of management and consultants of any Parent Company and any payroll, social security or similar taxes thereof;

(d) general corporate or other operating, administrative, compliance and overhead costs and expenses (including expenses relating to auditing and other accounting matters) of any Parent Company;

(e) fees and expenses (including ongoing compliance costs and listing expenses) related to any equity or debt offering of a Parent Company (whether or not consummated);

(f) amounts that would be permitted to be paid directly by the Issuer or its Restricted Subsidiaries under the covenant described under "—*Transactions with Affiliates*" (other than clause 2(a) thereof); and

(g) to finance Investments or other acquisitions otherwise permitted to be made pursuant to this covenant if made by the Issuer; *provided* (A) such Restricted Payment must be made substantially concurrently with the closing of such Investment or other acquisition, (B) such Parent Company must, promptly following the closing thereof, cause (1) all property acquired (whether assets or Equity Interests) to be contributed to the capital of the Issuer or one of its Restricted Subsidiaries or (2) the merger, amalgamation, consolidation, or sale of the Person formed or acquired into the Issuer or one of its Restricted Subsidiaries (to the extent not prohibited by the covenant "—*Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets*" below) in order to consummate such Investment or other acquisition, (C) such Parent Company and its Affiliates (other than the Issuer or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture, (D) any property received by the Issuer may not increase amounts available for Restricted Payments pursuant to clause (3) of the preceding paragraph and (E) to the extent constituting an Investment, such Investment will be deemed to be made by the Issuer or such Restricted Subsidiary pursuant to another provision of this covenant (other than pursuant to clause (10) hereof) or pursuant to the definition of "Permitted Investments" (other than pursuant to clause (10) thereof);

(16) the distribution, by dividend or otherwise, or other transfer or disposition of shares of Capital Stock of, Equity Interests in, or Indebtedness owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries, substantially all the assets of which are cash and Cash Equivalents);

(17) cash payments, or loans, advances, dividends or distributions to any Parent Company to make payments, in lieu of issuing fractional shares in connection with share dividends, share splits, reverse share splits, mergers, consolidations, amalgamations or other business combinations and in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Equity Interests of the Issuer, any of its Restricted Subsidiaries or any Parent Company;

(18) Restricted Payments, *provided*, after giving *pro forma* effect thereto and the application of the net proceeds therefrom, the Total Net Leverage Ratio for the Test Period immediately preceding such Restricted Payment would be no greater than 3.5 to 1.00;

(19) payments and distributions to dissenting stockholders pursuant to applicable law, pursuant to or in connection with a consolidation, amalgamation, merger or transfer of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole that complies with the terms of the Indenture or any other transaction that complies with the terms of the Indenture; and

(20) dividends, loans, distributions, advances or other payments by the Issuer or any of its Restricted Subsidiaries to or on behalf of the direct parent of the Issuer to service the substantially concurrent payment of regularly scheduled interest amounts due under any Indebtedness of a Parent Company; *provided* that the net cash proceeds of such Indebtedness or of any Indebtedness for which such Indebtedness constitutes Refinancing Indebtedness have been contributed to the Issuer and such Indebtedness has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries incurred in accordance with the Indenture,

provided, at the time of, and after giving effect to, any Restricted Payment permitted under clauses (11) and (18), no Event of Default will have occurred and be continuing or would occur as a consequence thereof. For purposes of clauses (8) and (15) above, taxes will include all interest and penalties with respect thereto and all additions thereto.

For purposes of determining compliance with this covenant, in the event that any Restricted Payment or Investment (or a portion thereof) meets the criteria of more than one of the categories of

Restricted Payments described in the first paragraph of this covenant or preceding clauses (1) through (20) above and/or one or more of the clauses contained in the definition of "Permitted Investments", the Issuer will be entitled to divide or classify (or later divide, classify or reclassify in whole or in part in its sole discretion) such Restricted Payment or Investment (or any portion thereof) among the first paragraph of this covenant and/or such clauses (1) through (20) and/or one or more clauses contained in the definition of "Permitted Investments," in a manner that otherwise complies with this covenant. The amount of all Restricted Payments (other than cash) will be the fair market value on the date the Restricted Payment is made, or at the Issuer's election, the date a commitment is made to make such Restricted Payment, of the assets or securities proposed to be transferred or issued by the Issuer or any Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

As of the Issue Date, all of the Issuer's Subsidiaries will be Restricted Subsidiaries. The Issuer will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the penultimate sentence of the definition of "Unrestricted Subsidiary." For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments or Permitted Investments in an amount determined as set forth in the penultimate sentence of the definition of "Investments." Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time pursuant to this covenant or if an Investment would be permitted at such time, pursuant to the definition of "Permitted Investments," and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly, liable, contingently or otherwise (collectively, "*incur*" and collectively, an "*incurrence*") with respect to any Indebtedness (including Acquired Indebtedness) and the Issuer will not issue any shares of Disqualified Stock and will not permit any Restricted Subsidiary to issue any shares of Disqualified Stock or Preferred Stock; *provided*, the Issuer may incur Indebtedness (including Acquired Indebtedness) or issue shares of Disqualified Stock, and any Restricted Subsidiary may incur Indebtedness (including Acquired Indebtedness), issue shares of Disqualified Stock and issue shares of Preferred Stock, if

(1) the Fixed Charge Coverage Ratio of the Issuer for the Issuer's most recently ended Test Period preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or Preferred Stock is issued would have been at least 2.00 to 1.00, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the Disqualified Stock or Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such Test Period; and

(2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Senior Secured Net Leverage Ratio for the Issuer for the Issuer's most recently ended Test Period preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or Preferred Stock is issued would have been no greater than 4.6 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the Disqualified Stock or Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such Test Period;

provided, *further*, Restricted Subsidiaries of the Issuer that are not Guarantors may not incur Indebtedness or issue Disqualified Stock or Preferred Stock under this paragraph if, after giving *pro forma* effect to such incurrence (including a *pro forma* application of the net proceeds therefrom), the aggregate amount of Indebtedness and Disqualified Stock and Preferred Stock of Restricted Subsidiaries that are not Guarantors incurred or issued pursuant to this paragraph then outstanding would exceed the greater of (1) £20.0 million and (2) 25% of Run-Rate Adjusted EBITDA of the Issuer for the most recently ended Test Period on the date of such incurrence.

The foregoing limitations will not apply to the following Indebtedness ("*Permitted Debt*"):

(1) the incurrence of Indebtedness pursuant to Credit Facilities by the Issuer or any Restricted Subsidiary and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof) in an aggregate principal amount not to exceed the greater of (a) £80.0 million and (b) 100% of Run-Rate Adjusted EBITDA; *provided* that any Indebtedness incurred under this clause (1) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, plus any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith;

(2) the incurrence by the Issuer and any Guarantor of Indebtedness represented by the Notes and related Guarantees (but excluding any Additional Notes issued after the Issue Date);

(3) the incurrence of Indebtedness by the Issuer and any Restricted Subsidiary outstanding on the Issue Date (excluding Indebtedness described in clauses (1) and (2));

(4) Indebtedness (including Capitalized Lease Obligations and Purchase Money Obligations) and Disqualified Stock incurred or issued by the Issuer or any Restricted Subsidiary and Preferred Stock issued by any Restricted Subsidiary to finance the purchase, lease, expansion, construction, installation, replacement, repair or improvement of property (real or personal), equipment or other assets, including assets that are used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets in an aggregate principal amount, together with any Refinancing Indebtedness in respect thereof and all other Indebtedness, Disqualified Stock and/or Preferred Stock incurred or issued and outstanding under this clause (4) at such time, not to exceed the greater of (i) £20.0 million and (ii) 25% of Run-Rate Adjusted EBITDA of the Issuer for the most recently ended Test Period on the date of such incurrence and any Refinancing Indebtedness thereof;

(5) (a) Indebtedness incurred by the Issuer or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, bank guarantees, banker's acceptances, warehouse receipts, or similar instruments issued or entered into, or relating to obligations or liabilities incurred, in the ordinary course of business or consistent with industry practice, including in respect of workers' compensation claims, performance, completion or surety bonds, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance, unemployment insurance or other social security legislation or other Indebtedness with respect to reimbursement-type obligations regarding workers' compensation claims, performance, completion or surety bonds, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance and (b) the incurrence of Indebtedness by the Issuer or any Restricted Subsidiary as an account party in respect of letters of credit, bank guarantees or similar instruments in favor of suppliers, trade creditors or other Persons incurred in the ordinary course of business or consistent with industry practice;

(6) the incurrence of Indebtedness arising from agreements of the Issuer or any Restricted Subsidiary providing for indemnification, adjustment of purchase price, earnouts or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition;

(7) the incurrence of Indebtedness of the Issuer to a Restricted Subsidiary; *provided*, any such Indebtedness for borrowed money owing to a Restricted Subsidiary that is not a Guarantor is expressly subordinated in right of payment to the Notes to the extent required by the Intercreditor Agreement or any Additional Intercreditor Agreement; *provided*, *further*, any subsequent issuance or transfer of any Capital Stock or any other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien or Permitted Collateral Lien) will be deemed, in each case, to be an incurrence of such Indebtedness (to the extent such Indebtedness is then outstanding) not permitted by this clause (7);

(8) the incurrence of Indebtedness of a Restricted Subsidiary to the Issuer or another Restricted Subsidiary; *provided*, any such Indebtedness for borrowed money incurred by a Guarantor and owing

to a Restricted Subsidiary that is not a Guarantor is expressly subordinated in right of payment to the Guarantee of the Notes of such Guarantor to the extent required by the Intercreditor Agreement or any Additional Intercreditor Agreement; *provided*, *further*, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any such subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien or Permitted Collateral Lien) will be deemed, in each case, to be an incurrence of such Indebtedness (to the extent such Indebtedness is then outstanding) not permitted by this clause (8);

(9) the issuance of Shares of Preferred Stock or Disqualified Stock of a Restricted Subsidiary issued to the Issuer or another Restricted Subsidiary; *provided*, any subsequent issuance or transfer of any Capital Stock or any other event that results in any such Restricted Subsidiary that holds such Preferred Stock or Disqualified Stock ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock or Disqualified Stock (except to the Issuer or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien or Permitted Collateral Lien) will be deemed, in each case, to be an issuance of such shares of Preferred Stock or Disqualified Stock (to the extent such Preferred Stock is then outstanding) not permitted by this clause (9);

(10) the incurrence of Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes);

(11) the incurrence of Obligations in respect of self-insurance and Obligations in respect of performance, bid, appeal and surety bonds and performance, banker's acceptance facilities and completion guarantees and similar obligations provided by the Issuer or any Restricted Subsidiary or Obligations in respect of letters of credit, bank guarantees or similar instruments related thereto, in each case in the ordinary course of business or consistent with industry practice, including those incurred to secure health, safety and environmental obligations;

(12) (a) the incurrence of Indebtedness or Disqualified Stock of the Issuer and Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary in an aggregate principal amount or liquidation preference up to 100.0% of the net cash proceeds received by the Issuer since the Issue Date from the issue or sale of Equity Interests or Subordinated Shareholder Funding of the Issuer or contributions to the capital of the Issuer including through consolidation, amalgamation or merger (in each case, other than proceeds of Disqualified Stock or sales of Equity Interests to the Issuer or any Subsidiary) as determined in accordance with clauses (3)(b) and (3)(c) of the first paragraph of "*—Limitation on Restricted Payments*" to the extent such net cash proceeds or cash have not been applied pursuant to such clauses to make Restricted Payments pursuant to the first paragraph of "*—Limitation on Restricted Payments*"; and

(b) the incurrence of Indebtedness or Disqualified Stock of the Issuer and Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary in an aggregate principal amount or liquidation preference that, when aggregated with the principal amount and liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and incurred or issued, as applicable, pursuant to this clause (12)(b), does not, together with any Refinancing Indebtedness in respect thereof, exceed the greater of (x) £40.0 million and (y) 50% of Run-Rate Adjusted EBITDA of the Issuer for the most recently ended Test Period on the date of such incurrence (and any Refinancing Indebtedness thereof); plus, in the event of any extension, replacement, refinancing, renewal or defeasance of any such Indebtedness or Disqualified Stock, an amount equal to the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness or Disqualified Stock and any defeasance costs and any fees and expenses (including original issue discount, upfront fees or similar fees) incurred in connection with the issuance of such new Indebtedness or the extension, replacement, refunding, refinancing, renewal or defeasance of such Indebtedness or Disqualified Stock;

(13) the incurrence or issuance by the Issuer or a Restricted Subsidiary of Refinancing Indebtedness that serves to refund, refinance, extend, replace, renew or defease (collectively, "*refinance*" with "refinances," "refinanced," and "refinancing" having a correlative meaning) any Indebtedness incurred or Disqualified Stock or Preferred Stock issued as permitted under the first paragraph of this covenant and clauses (2), (3) and (12)(a) above, this clause (13) and clauses (14) below, or any successive Refinancing Indebtedness with respect to any of the foregoing;

(14) the incurrence of:

(a) Indebtedness or Disqualified Stock of the Issuer or Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary, incurred or issued to finance an acquisition or Investment (or other purchase of assets) or that is assumed by the Issuer or any Restricted Subsidiary in connection with such acquisition or Investment; and

(b) Indebtedness, Disqualified Stock or Preferred Stock of any Person or relating to any asset outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities), or in the case of such asset is acquired by, the Issuer or any Restricted Subsidiary;

provided, in the case of (a) and (b), after giving *pro forma* effect to such acquisition, amalgamation, consolidation or merger, either (A) the Issuer would be permitted to incur at least £1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in clause (1) of the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; or (B) the Fixed Charge Coverage Ratio for the Issuer is equal to or greater than immediately prior to such acquisition, amalgamation, consolidation or merger; and if the Indebtedness is Senior Secured Indebtedness, either (x) the Issuer would be permitted to incur at least £1.00 of additional Indebtedness pursuant to the Senior Secured Net Leverage Ratio test set forth in clause (2) of the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or (y) the Senior Secured Net Leverage Ratio for the Issuer is equal to or less than immediately prior to such acquisition, amalgamation, consolidation or merger;

(15) the incurrence of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or consistent with industry practice;

(16) the incurrence of Indebtedness of the Issuer or any Restricted Subsidiary supported by a letter of credit or bank guarantee issued pursuant to any Credit Facility, in a principal amount not in excess of the stated amount of such letter of credit or bank guarantee;

(17) (a) the incurrence of any guarantee by the Issuer or a Restricted Subsidiary of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary so long as the incurrence of such Indebtedness incurred by the Issuer or such Restricted Subsidiary is permitted under the terms of the Indenture, or

(b) any co-issuance by the Issuer or any Restricted Subsidiary of any Indebtedness or other obligations of the Issuer or any Restricted Subsidiary so long as the incurrence of such Indebtedness or other obligations by the Issuer or such Restricted Subsidiary was permitted under the terms of the Indenture; or

(c) without limiting the covenant described under "*—Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the incurrence of such Indebtedness is permitted under the terms of the Indenture;

(18) the incurrence of Indebtedness issued by the Issuer or any Restricted Subsidiary to future, present or former employees, directors, officers, members of management and consultants thereof, their respective Controlled Investment Affiliates or Immediate Family Members and permitted transferees thereof, in each case to finance the purchase or redemption of Equity Interests of the Issuer or any Parent Company to the extent described in clause (5) of the second paragraph under "*—Limitation on Restricted Payments*";

(19) customer deposits and advance payments received in the ordinary course of business or consistent with industry practice from customers for goods and services purchased in the ordinary course of business or consistent with industry practice;

(20) the incurrence of (a) Indebtedness owed to banks and other financial institutions incurred in the ordinary course of business or consistent with industry practice in connection with ordinary banking

arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries and (b) Indebtedness in respect of Cash Management Services, including Cash Management Obligations;

(21) Indebtedness incurred by a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management purposes, in each case incurred or undertaken in the ordinary course of business or consistent with industry practice on arm's length commercial terms;

(22) the incurrence of Indebtedness of the Issuer or any Restricted Subsidiary consisting of (a) the financing of insurance premiums or (b) take-or-pay obligations contained in supply arrangements in each case, incurred in the ordinary course of business or consistent with industry practice;

(23) the incurrence of Indebtedness by the Issuer or any Restricted Subsidiary undertaken in connection with cash management (including netting services, automatic clearinghouse arrangements, overdraft protections, employee credit card programs and related or similar services or activities with respect to the Issuer or any Subsidiary thereof or joint venture in the ordinary course of business or consistent with industry practice, including with respect to financial accommodations of the type described in the definition of Cash Management Services;

(24) the incurrence of Indebtedness by the Issuer or any Restricted Subsidiary to the extent that the net proceeds thereof are promptly deposited with the Trustee to satisfy and discharge the Notes in accordance with the Indenture;

(25) guarantees incurred in the ordinary course of business or consistent with industry practice in respect of obligations to suppliers, customers, franchisees, lessors, licensees, sub-licensees and distribution partners;

(26) the incurrence of Indebtedness attributable to (but not incurred to finance) the exercise of appraisal rights or the settlement of any claims or actions (whether actual, contingent or potential) with respect to the Transactions or any other acquisition (by merger, consolidation or amalgamation or otherwise) in accordance with the terms of the Indenture;

(27) the incurrence of Indebtedness representing deferred compensation to employees of any Parent Company, the Issuer or any Restricted Subsidiary, including Indebtedness consisting of obligations under deferred compensation or any other similar arrangements incurred in connection with the Transactions, any Investment or any acquisition (by merger, consolidation or amalgamation or otherwise) permitted under the Indenture; and

(28) all premiums (if any), interest (including post-petition interest), fees, expenses, charges and additional or contingent interest on obligations described in clauses (1) through (27) above.

For purposes of determining compliance with this covenant:

(1) in the event that an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) at any time, whether at the time of incurrence or upon the application of all or a portion of the proceeds thereof or subsequently, meets the criteria of more than one of the categories of permitted Indebtedness, Disqualified Stock or Preferred Stock described in clauses (1) through (28) above or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, may divide and classify and may subsequently re-divide and reclassify such item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof), other than Indebtedness which will continue to be secured on the Collateral and which benefits from super senior priority status pursuant to clause (2)(C) of the definition of Permitted Collateral Liens, and will only be required to include the amount and type of such Indebtedness, Disqualified Stock or Preferred Stock (or a portion thereof) in such of the above clauses or under the first paragraph of this covenant as determined by the Issuer at such time; *provided,* all Indebtedness outstanding under the Revolving Credit Facility on the Issue Date will be treated as incurred on the Issue Date under clause (1) of the second paragraph above;

(2) the Issuer is entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs above;

(3) the principal amount of Indebtedness outstanding under any clause of this covenant will be determined after giving effect to the application of proceeds of any such Indebtedness to refinance any such other Indebtedness;

(4) in the event an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) is incurred or issued pursuant to the second paragraph of this covenant (other than pursuant to clause (14)) on the same date that an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) is incurred or issued under the first paragraph of this covenant or clause (14) of the second paragraph of this covenant, then the Fixed Charge Coverage Ratio or Senior Secured Net Leverage Ratio, will be calculated with respect to such incurrence under the first paragraph of this covenant or clauses (14) of the second paragraph of this covenant without regard to any incurrence under the second paragraph of this covenant; and

(5) guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that are otherwise included in the determination of a particular amount of Indebtedness that will not be included in the determination of such amount of Indebtedness; *provided* that the incurrence of the Indebtedness represented by such guarantee or letter of credit, as the case may be, was incurred in compliance with this covenant.

Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, and the payment of interest or dividends in the form of additional Indebtedness, Disqualified Stock or Preferred Stock and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies, will, in each case, not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock or Preferred Stock for purposes of this covenant. Any Indebtedness incurred to refinance Indebtedness incurred pursuant to clauses (2), (3), (4), (12), (13) and (14) above will be permitted to include additional Indebtedness, Disqualified Stock or Preferred Stock incurred to pay accrued but unpaid interest and dividends and premiums, defeasance costs and fees and expenses incurred in connection with such refinancing.

For purposes of determining compliance with any U.K. pound sterling-denominated restriction on the incurrence of Indebtedness or issuance of Disqualified Stock, the U.K. pound sterling-equivalent principal amount of Indebtedness or Disqualified Stock denominated in a foreign currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed or first incurred (whichever yields the lower U.K. pound sterling equivalent), in the case of revolving credit debt; *provided* if such Indebtedness is incurred or Disqualified Stock is issued, to refinance other Indebtedness or Disqualified Stock, as applicable, denominated in a foreign currency, and such refinancing would cause the applicable U.K. pound sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.K. pound sterling-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness or Disqualified Stock does not exceed (1) the principal amount of such Indebtedness or Disqualified Stock, as applicable, being refinanced *plus* (2) the aggregate amount of accrued but unpaid interest, fees, underwriting discounts, defeasance costs, premiums (including tender premiums) and other costs and expenses (including original issue discount, upfront fees or similar fees) incurred in connection with such refinancing.

The principal amount of any Indebtedness incurred or Disqualified Stock issued to refinance other Indebtedness, if incurred in a different currency from the Indebtedness or Disqualified Stock, as applicable, being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness or Disqualified Stock is denominated that is in effect on the date of such refinancing. The principal amount of any non-interest bearing Indebtedness or other discount security constituting Indebtedness at any date will be the principal amount thereof that would be shown on a balance sheet of the Issuer dated such date prepared in accordance with GAAP.

The Indenture will provide that the Issuer will not, and will not permit any Guarantor to, directly or indirectly, incur any Indebtedness (including Acquired Indebtedness) that is contractually subordinated or junior in right of payment to any Indebtedness of the Issuer or such Guarantor, as the case may be, unless such Indebtedness is expressly subordinated in right of payment to the Notes or such Guarantor's Guarantee to the extent and in the same manner as such Indebtedness is subordinated to other Indebtedness of the Issuer or such Guarantor, as the case may be.

The Indenture will not treat (1) unsecured Indebtedness as subordinated or junior to Secured Indebtedness merely because it is unsecured, (2) Indebtedness as subordinated or junior to any other Indebtedness merely because it is issued or guaranteed by other obligors or secured by other collateral or (3) secured Indebtedness as subordinated or junior to any other secured Indebtedness merely because it has a junior priority lien with respect to the same collateral.

If any Indebtedness is refinanced in reliance on a basket measured by reference to a percentage of Run-Rate Adjusted EBITDA, and such refinancing would cause the percentage of Run-Rate Adjusted EBITDA to be exceeded if calculated based on the Run-Rate Adjusted EBITDA on the date of such refinancing, such percentage of Run-Rate Adjusted EBITDA will not be deemed to be exceeded to the extent the principal amount of such obligations secured by such newly incurred Indebtedness does not exceed the sum of (i) the principal amount of such Indebtedness being refinanced, plus (ii) the related costs incurred or payable in connection with such refinancing.

Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or assume any Lien upon any of its property or assets whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except:

(1) in the case of any property or asset that does not constitute Collateral, (x) Permitted Liens or (y) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Guarantee in the case of Liens of Guarantors) are directly secured, subject to the Agreed Security Principles, equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured in all other cases, the Notes or the Guarantees are equally and ratably secured until such time as such Obligations are no longer secured by such Liens; and

(2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

For purposes of determining compliance with this covenant, in the event that a proposed Lien (or a portion thereof) meets the criteria of one or more of the clauses contained in the definition of "Permitted Collateral Lien" or "Permitted Liens," as applicable, the Issuer will be entitled to divide or classify (or later divide, classify or reclassify in whole or in part in its sole discretion) such Lien (or any portion thereof) among one or more clauses contained in the definition of "Permitted Collateral Lien" or "Permitted Liens," as applicable, in a manner that otherwise complies with this covenant.

Any Lien created for the benefit of the Holders pursuant to this covenant will be deemed automatically and unconditionally released and discharged upon the release and discharge of each of the Liens described in clause (1)(y) above or upon such Liens no longer attaching to assets or property of the Issuer or a Restricted Subsidiary.

The expansion of Liens by virtue of accretion or amortization of original issue discount, the payment of dividends in the form of Indebtedness and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an incurrence of Liens for purposes of this covenant.

Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets

The Issuer

The Issuer may not consolidate, amalgamate or merge with or into or wind up into (whether or not the Issuer is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any Person unless:

(1) (a) the Issuer is the surviving Person or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer), or to which such sale, assignment, transfer, lease, conveyance or other disposition is made, is a Person organized or existing under the laws of any member state of the European Union, the United Kingdom, Jersey, the Cayman Islands,

Switzerland, Norway, any State of the United States of America or the District of Columbia, Canada or any province of Canada (such Person, as the case may be, being herein called the "*Successor Company*");

(b) the Successor Company, if other than the Issuer, expressly assumes all the obligations of the Issuer under the Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents pursuant to supplemental indentures or other customary documents or instruments;

(c) immediately after such transaction, no Default exists;

(d) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of the most recently ended Test Period, either:

(i) the Issuer (or Successor Company, as applicable) would be permitted to incur at least £1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", or

(ii) the Fixed Charge Coverage Ratio for the Issuer (or Successor Company, as applicable) would be equal to or greater than the Fixed Charge Coverage Ratio for the Issuer immediately prior to such transaction;

(e) the Issuer (or the Successor Company, as applicable) will have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, amalgamation, merger or transfer and such supplemental indentures, if any, comply with the Indenture; or

(2) the transaction is made in compliance with the covenant described under "*—Repurchase at the Option of Holders—Asset Sales*"; or

(3) in the case of assets comprised of Equity Interests of Subsidiaries that are not Guarantors, such Equity Interests are sold, assigned, transferred, leased, conveyed or otherwise disposed of to one or more Restricted Subsidiaries.

The Successor Company will succeed to, and be substituted for the Issuer under the Indenture, the Guarantees and the Notes, as applicable, and in such event the Issuer will automatically be released from its obligations thereunder (other than in connection with any consolidation, amalgamation, lease or merger).

Notwithstanding the immediately preceding clauses (1)(c) through 1(e),

(1) any Restricted Subsidiary may consolidate with, amalgamate with or merge with or into or wind up into or sell, assign, lease, convey, transfer or otherwise dispose of all or part of its properties and assets to the Issuer or any other Restricted Subsidiary,

(2) the Issuer may consolidate with, amalgamate with or merge with or into, or wind up into an Affiliate of the Issuer incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided* that clauses (1)(a), (1)(b) and (1)(d) under the heading "*The Issuer*" shall apply to such transaction,

(3) the Issuer may convert into a corporation, partnership, limited partnership, limited liability company or trust organized or existing under the laws of the jurisdiction of organization of the Issuer or the laws of any member state of the European Union, the United Kingdom, Jersey, the Cayman Islands, Switzerland, Norway, any State of the United States of America or the District of Columbia, Canada or any province of Canada, and

(4) the Issuer may change its name.

The Guarantors

Subject to certain limitations described in the Indenture governing release of a Guarantee upon the sale, disposition or transfer of Equity Interests of a Guarantor, no Guarantor (other than a Guarantor whose Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) will, and the Issuer will not permit any Guarantor to, consolidate, amalgamate or merge with or into or wind up into (whether or not such Guarantor is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any Person unless:

(1) (a) such Guarantor is the surviving Person or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a Person organized or existing under the laws of the jurisdiction of organization of such Guarantor or the laws of any member state of the European Union, the United Kingdom, Jersey, the Cayman Islands, Switzerland, Norway, any State of the United States of America or the District of Columbia, Canada or any province of Canada (such Guarantor or such Person, as the case may be, being herein called the *"Successor Person*"*);*

(b) the Successor Person, if other than such Guarantor, expressly assumes all the obligations of such Guarantor under the Indenture and such Guarantor's related Guarantee pursuant to supplemental indentures or other documents or instruments and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(c) immediately after such transaction, no Default exists; and

(d) the Issuer will have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, amalgamation, merger or transfer and such supplemental indentures, if any, comply with the Indenture; or

(2) the transaction is made in compliance with, if applicable, the covenant described under *"—Repurchase at the Option of Holders—Asset Sales*"*;* or

(3) in the case of assets comprised of Equity Interests of Subsidiaries that are not Guarantors, such Equity Interests are sold, assigned, transferred, leased, conveyed or otherwise disposed of to one or more Restricted Subsidiaries.

Subject to certain limitations described in the Indenture, the Successor Person (if other than such Guarantor) will succeed to, and be substituted for, such Guarantor under the Indenture and such Guarantor's Guarantee and such Guarantor will be automatically released and discharged from its obligations under the Indenture and such Guarantor's Guarantee. Notwithstanding the foregoing, any Guarantor may:

(1) merge, amalgamate or consolidate with or into, wind up into or sell, assign, transfer, lease, convey or otherwise dispose of all or part of its properties and assets to another Guarantor or the Issuer; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents,

(2) consolidate with, amalgamate with or merge with or into, or wind up into an Affiliate of the Issuer incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided* that clauses (1)(a), (1)(b) and (1)(d) under the heading "*The Guarantors*" shall apply to such transaction;

(3) convert into a corporation, partnership, limited partnership, limited liability company or trust organized or existing under the laws of the jurisdiction of organization of such Guarantor or the laws of any member state of the European Union, the United Kingdom, Jersey, the Cayman Islands, Switzerland, Norway, any State of the United States of America or the District of Columbia, Canada or any province of Canada;

(4) liquidate or dissolve or change its legal form if the Issuer determines in good faith that such action is in the best interests of the Issuer and is not materially disadvantageous to the Holders of the Notes; or

(5) change its name.

Transactions with Affiliates

The Issuer will not, and will not permit any Restricted Subsidiary to, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (each of the foregoing, an *"Affiliate Transaction*") involving aggregate payments or consideration in excess of £5.0 million, unless:

(A) such Affiliate Transaction is on terms, taken as a whole, that are not materially less favorable to the Issuer or the relevant Restricted Subsidiaries than those that would have been obtained at such time in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's-length basis, or such Affiliate Transaction is otherwise fair to the Issuer or such Restricted Subsidiary from a financial point of view; and

(B) the Issuer delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions requiring aggregate payments or consideration in excess of £10.0 million, a resolution adopted by the majority of the Board of Directors approving such Affiliate Transaction and resolving that such Affiliate Transaction complies with clause (A) above.

The foregoing provisions (A) and (B) will not apply to the following:

(1) (a) transactions between or among the Issuer and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries, or, in any case, any entity that becomes a Restricted Subsidiary as a result of such transaction and (b) any merger, amalgamation or consolidation of the Issuer with any Parent Company; *provided* that such Parent Company shall have no material liabilities and no material assets other than cash, Cash Equivalents and the Capital Stock of the Issuer and such merger, amalgamation or consolidation is otherwise permitted under the Indenture;

(2) (a) Restricted Payments permitted by the provisions of the Indenture described above under the covenant "*—Limitation on Restricted Payments"* (including any transaction specifically excluded from the definition of the term "Restricted Payments," including pursuant to the exceptions contained in the definition thereof and the parenthetical exclusions of such definition) and (b) Investments constituting "Permitted Investments" or any acquisition otherwise permitted by the Indenture;

(3) (a) the payment of management, consulting, monitoring, transaction, advisory and other fees, indemnities and expenses in an aggregate amount not to exceed £3.0 million per calendar year, (b) the payment of indemnification and similar amounts to, and reimbursement of expenses to, the Investor and their officers, directors, employees and affiliates, in each case, approved by, or pursuant to arrangements approved by, the Board of Directors, (c) payments, loans, advances or guarantees (or cancellation of loans, advances or guarantees) to future, present or former employees, officers, directors, managers, consultants or independent contractors or guarantees in respect thereof for *bona fide* business purposes or in the ordinary course of business or consistent with industry practice, (d) any subscription agreement or similar agreement pertaining to the repurchase of Equity Interests pursuant to put/call rights or similar rights with current, former or future officers, directors, employees, managers, consultants and independent contractors of the Issuer or any of its Subsidiaries or of any Parent Company and (e) any payment of compensation or other employee compensation, benefit plan or arrangement, any health, disability or similar insurance plan which covers current, former or future officers, directors, employees, managers, consultants and independent contractors of the Issuer or any of its Subsidiaries or any Parent Company;

(4) the payment of fees and compensation paid to, and indemnities and reimbursements and employment and severance arrangements provided to, or on behalf of, or for the benefit of, present, future or former employees, directors, officers, members of management or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members or any permitted transferees thereof) of the Issuer, any Parent Company or any Restricted Subsidiary;

(5) transactions in which the Issuer or any Restricted Subsidiary, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or stating that the terms, when taken as a whole, are not materially less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's-length basis;

(6) the existence of, or the performance by the Issuer, any Restricted Subsidiary of its obligations under the terms of, any agreement as in effect as of the Issue Date, or any amendment thereto or replacement thereof (so long as any such amendment or replacement is not materially disadvantageous in the good faith judgment of the Board of Directors to the Holders when taken as a whole as compared to the applicable agreement as in effect on the Issue Date);

(7) the existence of, or the performance by the Issuer or any Restricted Subsidiary of its obligations under the terms of, any equity holder agreement or the equivalent (including any registration rights agreement or purchase agreement related thereto) to which it is a party as of the Issue Date and any amendment thereto and similar agreements or arrangements that it may enter into thereafter; *provided*, the existence of, or the performance by the Issuer or any Restricted Subsidiary of obligations under any future amendment to any such existing agreement or arrangement or under any similar agreement or arrangement entered into after the Issue Date will be permitted by this clause (7) to the extent that the terms of any such amendment or new agreement or arrangement are not otherwise materially disadvantageous in the good faith judgment of the Board of Directors to the Holders when taken as a whole (as compared to the original agreement or arrangement in effect on the Issue Date);

(8) the Transactions and the payment of all fees and expenses related to the Transactions, including Transaction Expenses;

(9) transactions with customers, clients, suppliers, contractors, joint venture partners or purchasers or sellers of goods or services, or transactions otherwise relating to the purchase or sale of goods or services, in each case in the ordinary course of business or consistent with industry practice and otherwise in compliance with the terms of the Indenture that are fair to the Issuer and the Restricted Subsidiaries, in the reasonable determination of the Board of Directors or the senior management of the Issuer, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party;

(10) the issuance, sale or transfer of Equity Interests (other than Disqualified Stock) of the Issuer or any Parent Company to any Person and the granting and performing of customary rights (including registration rights) in connection therewith, and any contribution to the capital of the Issuer;

(11) sales of accounts receivable, or participations therein, or Securitization Assets or related assets in connection with any Qualified Securitization Facility and any other transaction effected in connection with a Qualified Securitization Facility or a financing related thereto;

(12) payments by the Issuer or any Restricted Subsidiary made for any financial advisory, consulting, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments are approved by, or made pursuant to arrangements approved by, a majority of the Board of Directors in good faith;

(13) payments with respect to Indebtedness, Disqualified Stock and other Equity Interests (and cancellation of any thereof) of the Issuer, any Parent Company and any Restricted Subsidiary and Preferred Stock (and cancellation of any thereof) of any Restricted Subsidiary to any future, current or former employee, director, officer, member of management or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members or permitted transferees) of the Issuer, any of its Subsidiaries or any Parent Company pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any equity subscription or equity holder agreement that are, in each case, approved by the Issuer in good faith; and any employment agreements, severance arrangements, stock option plans and other compensatory arrangements (and any successor plans thereto) and any supplemental executive retirement benefit plans or arrangements with any such employees, directors, officers, members of management or consultants

(or their respective Controlled Investment Affiliates or Immediate Family Members or any permitted transferees thereof) that are, in each case, approved by the Issuer in good faith;

(14) (a) investments by Affiliates in securities of the Issuer or any Restricted Subsidiary (and payment of reasonable out-of-pocket expenses incurred by such Affiliates in connection therewith) so long as the investment is being offered by the Issuer or such Restricted Subsidiary generally to other investors on the same or more favorable terms and (b) payments to Affiliates in respect of securities of the Issuer or any Restricted Subsidiary contemplated in the foregoing subclause (a) or that were acquired from Persons other than the Issuer and the Restricted Subsidiaries, in each case, in accordance with the terms of such securities;

(15) payments to or from, and transactions with, any joint venture or Unrestricted Subsidiary in the ordinary course of business or consistent with past practice or consistent with industry practice or industry norms (including any cash management activities related thereto);

(16) payments by the Issuer (and any Parent Company) and its Subsidiaries pursuant to Tax Sharing Agreements among the Issuer (and any Parent Company) and its Subsidiaries; *provided*, in each case the amount of such payments in any taxable year does not exceed the amount that the Issuer, its Restricted Subsidiaries and its Unrestricted Subsidiaries (to the extent of amount received from Unrestricted Subsidiaries) would be required to pay in respect of foreign, federal, state and local Taxes for such taxable year were the Issuer, its Restricted Subsidiaries and its Unrestricted Subsidiaries (to the extent described above) to pay such Taxes separately from any such Parent Company;

(17) any lease entered into between the Issuer or any Restricted Subsidiary, as lessee, and any Affiliate of the Issuer, as lessor, and transactions pursuant to that lease which lease is approved by the Board of Directors or senior management of the Issuer in good faith;

(18) intellectual property licenses in the ordinary course of business or consistent with industry practice;

(19) the payment of reasonable out-of-pocket costs and expenses relating to registration rights and indemnities provided to equity holders of the Issuer or any Parent Company pursuant to the equity holders agreement or the registration rights agreement entered into on or after the Issue Date;

(20) transactions permitted by, and complying with, the provisions of the covenant described under *"—Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets*" solely for the purpose of (a) reorganizing to facilitate any initial public offering of securities of the Issuer or any Parent Company, (b) forming a holding company or (c) reincorporating the Issuer in a new jurisdiction;

(21) transactions undertaken in good faith (as determined by the Board of Directors or certified by senior management of the Issuer in an Officer's Certificate) for the purposes of improving the consolidated tax efficiency of the Issuer and its Restricted Subsidiaries and not for the purpose of circumventing any covenant set forth in the Indenture;

(22) (a) transactions with a Person that is an Affiliate of the Issuer (other than an Unrestricted Subsidiary) solely because the Issuer or any Restricted Subsidiary owns Equity Interests in such Person and (b) transactions with any Person that is an Affiliate solely because a director or officer of such Person is a director or officer of the Issuer, any Restricted Subsidiary or any Parent Company;

(23) (a) pledges and other transfers of Equity Interests in Unrestricted Subsidiaries and (b) any transactions with an Affiliate in which the consideration paid consists solely of Equity Interests of the Issuer or a Parent Company;

(24) the sale, issuance or transfer of Equity Interests (other than Disqualified Stock) of the Issuer;

(25) investments by the Investor or a Parent Company in securities of the Issuer or any Guarantor;

(26) payments on the Notes in accordance with the Indenture and payments of Obligations under the Credit Facilities and payments in respect of Obligations under other Indebtedness of the Issuer and its Subsidiaries held by Affiliates; provided that such Obligations were acquired by an Affiliate of the Issuer in compliance with the Indenture; and

(27) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and entering into any proceeds loan in respect of the proceeds of any issuance of Senior Notes; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding or proceeds loans are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction, including satisfying payment obligations, with respect to any Subordinated Shareholder Funding or proceeds loan in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary that is not a Guarantor to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any such Restricted Subsidiary to:

(1) (a) pay dividends or make any other distributions to the Issuer or any Restricted Subsidiary that is a Guarantor on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, or

(b) pay any Indebtedness owed to the Issuer or to any Restricted Subsidiary that is a Guarantor;

(2) make loans or advances to the Issuer or to any Restricted Subsidiary that is a Guarantor; or

(3) sell, lease or transfer any of its properties or assets to the Issuer or to any Restricted Subsidiary that is a Guarantor;

provided, dividend or liquidation priority between classes or series of Capital Stock, and the subordination of any Obligation (including the application of any remedy bars thereto) to any other Obligation will not be deemed to constitute such an encumbrance or restriction.

The preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(a) encumbrances or restrictions in effect on the Issue Date, including pursuant to the Revolving Credit Facility, Intercreditor Agreement, the Security Documents and the related documentation and Hedging Obligations and the related documentation;

(b) the Indenture, the Notes and the guarantees thereof;

(c) Purchase Money Obligations and Capitalized Lease Obligations that impose restrictions of the nature discussed in clause (3) above on the property so acquired;

(d) applicable law or any applicable rule, regulation or order;

(e) any agreement or other instrument of a Person, or relating to Indebtedness or Equity Interests of a Person, acquired by or merged, amalgamated or consolidated with and into the Issuer or any Restricted Subsidiary or an Unrestricted Subsidiary that is designated as a Restricted Subsidiary, or any other transaction entered into in connection with any such acquisition, merger, consolidation or amalgamation in existence at the time of such acquisition or at the time it merges, amalgamates or consolidates with or into the Issuer or any Restricted Subsidiary or an Unrestricted Subsidiary that is designated as a Restricted Subsidiary or assumed in connection with the acquisition of assets from such Person (but, in any such case, not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person so acquired and its Subsidiaries, or the property or assets of the Person so acquired or designated and its Subsidiaries or the property or assets so acquired or designated;

(f) contracts or agreements for the sale or disposition of assets, including any restrictions with respect to a Subsidiary of the Issuer pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary;

(g) Secured Indebtedness otherwise permitted to be incurred pursuant to the covenants described under *"—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock* *and Preferred Stock"* and *"—Liens"* that limit the right of the debtor to dispose of assets or incur Liens;

(h) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business or consistent with industry practice or arising in connection with any Permitted Liens;

(i) Indebtedness, Disqualified Stock or Preferred Stock of Restricted Subsidiaries that are not Guarantors permitted to be incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under *"—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*;"

(j) provisions in joint venture agreements and other similar agreements (including equity holder agreements) relating to such joint venture or its members or entered into in the ordinary course of business or consistent with industry practice;

(k) customary provisions contained in leases, sub-leases, licenses, sub-licenses, Equity Interests or similar agreements, including with respect to intellectual property and other agreements;

(l) restrictions created in connection with any Qualified Securitization Facility that, in the good faith determination of the Issuer, are necessary or advisable to effect such Qualified Securitization Facility;

(m) restrictions or conditions contained in any trading, netting, operating, construction, service, supply, purchase, sale or other agreement to which the Issuer or any Restricted Subsidiary is a party entered into in the ordinary course of business or consistent with industry practice; *provided*, such agreement prohibits the encumbrance of solely the property or assets of the Issuer or such Restricted Subsidiary that are the subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Issuer or such Restricted Subsidiary or the assets or property of another Restricted Subsidiary;

(n) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of any Restricted Subsidiary;

(o) customary provisions restricting assignment of any agreement;

(p) restrictions arising in connection with cash or other deposits permitted under the covenant *"—Liens"*;

(q) any other agreement or instrument (x) governing any Indebtedness, Disqualified Stock, or Preferred Stock permitted to be incurred or issued pursuant to the covenant described under *"—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" entered into after the Issue Date that contains encumbrances and restrictions that either (i) are no more restrictive in any material respect, taken as a whole, with respect to any Restricted Subsidiary than (A) the restrictions contained in the Indenture or the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as of the Issue Date or (B) those encumbrances and other restrictions that are in effect on the Issue Date with respect to that Restricted Subsidiary pursuant to agreements in effect on the Issue Date, (ii) are not materially more disadvantageous, taken as a whole, to the Holders than is customary in comparable financings for similarly situated issuers or (iii) will not materially impair the Issuer's ability to make payments on the Notes when due, in each case in the good faith judgment of the Issuer; or (y) that constitutes an Additional Intercreditor Agreement;

(r) Indebtedness permitted to be incurred pursuant to clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and (ii) agreements entered into in connection with a Sale and Lease-Back Transaction entered into in the ordinary course of business or consistent with industry practice;

(s) customary restrictions and conditions contained in documents relating to any Lien so long as (i) such Lien is a Permitted Lien and such restrictions or conditions relate only to the specific asset subject to such Lien and (ii) such restrictions and conditions are not created for the purpose of avoiding the restrictions imposed by this covenant;

(t) any encumbrance or restriction with respect to a Restricted Subsidiary that was previously an Unrestricted Subsidiary which encumbrance or restriction exists pursuant to or by reason of an agreement that such Subsidiary is a party to or entered into before the date on which such Subsidiary became a Restricted Subsidiary; *provided*, such agreement was not entered into in anticipation of an Unrestricted Subsidiary becoming a Restricted Subsidiary and any such encumbrance or restriction does not extend to any assets or property of the Issuer or any other Restricted Subsidiary other than the assets and property of such Subsidiary;

(u) any encumbrances or restrictions of the type referred to in clauses (1), (2) and (3) above imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (t) above; *provided*, such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Issuer, no more restrictive in any material respect with respect to such encumbrance and other restrictions, taken as a whole, than those prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing; and

(v) existing under, by reason of or with respect to Refinancing Indebtedness; *provided* that the encumbrances and restrictions contained in the agreements governing that Refinancing Indebtedness are, in the good faith judgment of the Issuer, not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced.

Limitation on Guarantees of Indebtedness by Restricted Subsidiaries

The Issuer will not permit any of its Restricted Subsidiaries, other than a Guarantor, to guarantee the payment of (i) any Indebtedness of the Issuer or any Guarantor under a Credit Facility incurred under the second paragraph under *"—Limitation on Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or (ii) Capital Markets Indebtedness of the Issuer or any Guarantor, in each case, having an aggregate principal amount outstanding in excess of the greater of £20.0 million and 25% Run-Rate Adjusted EBITDA unless:

(1) such Restricted Subsidiary promptly executes and delivers a supplemental indenture to the Indenture providing for a Guarantee by such Restricted Subsidiary, except that with respect to a guarantee of Indebtedness of the Issuer or any Guarantor:

(a) if the Notes or such Guarantor's Guarantee are subordinated in right of payment to such Indebtedness, the Guarantee under the supplemental indenture will be subordinated to such Restricted Subsidiary's guarantee with respect to such Indebtedness substantially to the same extent as the Notes are subordinated to such Indebtedness; and

(b) if such Indebtedness is by its express terms subordinated in right of payment to the Notes or such Guarantor's Guarantee, any such guarantee by such Restricted Subsidiary with respect to such Indebtedness will be subordinated in right of payment to such Guarantor's Guarantee substantially to the same extent as such Indebtedness is subordinated to the Notes,

provided, this covenant will not be applicable to any guarantee of any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary *provided, further*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation other than reasonable out-of-pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. The Issuer may elect, in its sole discretion, to cause any

Subsidiary that is not otherwise required to be a Guarantor to become a Guarantor, in which case such Subsidiary will not be required to comply with clause (1) or (2) above and such Guarantee may be released at any time in the Issuer's sole discretion.

Each Guarantee will also be released in accordance with the provisions of the Indenture described under *"—Guarantees."* At the Issuer's request, the Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction.

Impairment of Security Interest

The Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the paragraph below, that the incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interests with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral.

Notwithstanding the foregoing, (i) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement; (ii) the applicable Security Documents may be amended, extended, renewed, restated, supplemented, or otherwise modified from time to time (a) to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein; (b) to comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, (c) to add Collateral, (d) to evidence the succession of another Person to the Issuer or any security provider and the assumption of such successor of the obligations under the Indenture, the Notes, the Intercreditor Agreement and/or the Security Documents, in each case, including in accordance with the terms under "*—Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets*," (e) to evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent and (f) in any manner that does not adversely affect Holders of the Notes in any material respect; (iii) the Issuer and the Restricted Subsidiaries may amend, extend, renew, restate, supplement or otherwise modify or release Security Interests with respect to the Collateral in connection with the implementation of a Permitted Reorganization and (iv) the Security Interests, and the related Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by a retaking of a Lien of at least equivalent ranking); *provided, however*, that in the case of clauses (iii) and (iv) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, or otherwise modified, released or replaced unless, contemporaneously with any such action, the Issuer delivers to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, and of the person granting such Security Interest, in each case, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, as so amended, extended, renewed, restated, supplemented, released, modified or replaced, are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, to which such Lien or Liens were not otherwise subject immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the Holders.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any (1) Indebtedness permitted pursuant to the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and (2) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (1) the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including, with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof, (8) make any amendment otherwise permitted by the Intercreditor Agreement, or (9) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendment, Supplement and Waiver*," and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*" and the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the listing agent for the Notes.

Reports and Other Information

The Indenture will provide that so long as any Notes are outstanding, the Issuer will furnish to the Holders:

(1) within 150 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2017, and within 120 days after the end of the Issuer's fiscal year thereafter, annual reports containing: (i) an operating and financial discussion of the audited financial statements,

including a discussion of the financial condition and results of operations, and a discussion of liquidity and capital resources, material commitments and contingencies and critical accounting policies of the Issuer; (ii) other than with respect to the Acquisition, unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financial information; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years, and the report of the independent auditors on the financial statements; (iv) a brief description of the management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; (v) a description of material operational risk factors and material subsequent events; and (vi) adjusted EBITDA for the year;

(2) within 60 days after the end of the Issuer's fiscal quarter ended March 31, 2018 and thereafter within 60 days following the end of the first, second and third fiscal quarters in each fiscal year of the Issuer, unaudited quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financial information); (iii) an operating and financial discussion of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, adjusted EBITDA and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the operational risk factors disclosed in the most recent annual report

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer a report containing a description of such event,

provided, however, that the Issuer may provide the financial statements of Gym Topco in lieu of those for the Issuer (x) with respect to paragraph (1), the fiscal year ended December 31, 2017 (and for the comparable prior period) and (y) with respect to paragraph (2), for the quarters ending March 31, 2018, June 30, 2018 and September 30, 2018 (and for the comparable prior periods).

At any time after the issuance of Senior Notes, the Indenture will permit the Issuer to satisfy its obligations in this covenant with respect to financial information relating to the Issuer by furnishing financial information relating to such Parent Company; *provided* the same is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to such Parent Company, on the one hand, and the information relating to the Issuer and its Restricted Subsidiaries on a stand-alone basis, on the other hand.

Following an Initial Public Offering of the Capital Stock of an IPO Entity and/or the listing of such Capital Stock on the Main Market of the London Stock Exchange (or one or more of the equivalent market of the New York Stock Exchange, the Frankfurt Stock Exchange or the Paris Stock Exchange), the requirements of clauses (1), (2) and (3) of the first paragraph of this covenant shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange; *provided* that (x) the IPO Entity shall provide financial statements consistent with the requirements of clause (2) above for the first three quarterly periods in each fiscal year after the Issue Date and (y) to the extent such IPO Entity relies on such stock exchange reporting requirements to fulfill the requirements of clauses (1), (2) and (3) above, a reasonably detailed description of such material differences between the financial statements of such IPO Entity and the financial statements of the Issuer shall be included for any period after the Issue Date; *provided further* that the IPO Entity shall disclose adjusted EBITDA.

The Issuer will make available such information and such reports to the Trustee under the Indenture, to any Holder and, upon request, to any beneficial owner of the Notes, in each case by posting such information on its website. In the event the Issuer posts copies of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant on its website, it will be deemed to have furnished such reports to the Trustee.

All financial statement information shall be prepare in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. For the avoidance of doubt, to the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of Gym Topco may be provided in lieu thereof. No report need include separate financial statements for any Subsidiaries of the Issuer (other than as set forth below). The reports set forth above will not be required to be reconciled to U.S. generally accepted accounting principles.

To the extent any information is not provided within the time periods specified in this *"—Reports and Other Information*" covenant and such information is subsequently provided, the Issuer will be deemed to have satisfied its obligations with respect thereto at such time and any Default with respect thereto will be deemed to have been cured.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "Reports and Other Information" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer. In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC, or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

It is understood that the Trustee shall have no obligation whatsoever to determine whether or not such information, documents or reports have been posted on the Issuer's website.

Limitation on Issuer Activities

The Issuer may not carry on any business or own any material assets other than:

(1) the provision of administrative, strategic, legal, accounting, tax, treasury, guarantee, research and development, employee related, management and other services to its Affiliates of a type customary provided by a holding company (including those related to acting as the head of a tax group and/or fiscal unity) and the ownership of assets and incurrence of liabilities related to the provision of such services;

(2) (a) the incurrence of Indebtedness, Subordinated Shareholder Funding and obligations excluded from the definition of Indebtedness permitted under the Indenture, (b) the entering into obligations and the conduct of activities reasonably incidental thereto, including performance of the terms and conditions thereof, and (c) the granting of Liens, in compliance with the terms of the Indenture;

(3) activities undertaken with the purpose of exercising rights or satisfying obligations arising under the Indenture, the Notes, the Intercreditor Agreement (any Additional Intercreditor Agreement), the Security Documents, and any finance, security, fee or indemnity arrangement not prohibited by the Indenture;

(4) the ownership of (i) cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, (ii) Permitted Investments, and (iii) other property and assets held for the purpose of transferring such property or assets to any Person;

(5) any activity or ownership of assets reasonably related to (i) the establishment and/or maintenance of the Issuer's or its Subsidiaries' corporate existence, (ii) and the management, acquisition or disposition of the Issuer's or its Subsidiaries' assets, (iii) any Permitted Reorganization, (iv) the Transactions, or (v) any Tax Sharing Arrangement;

(6) any activity reasonably related to the offering, sale, issuance and servicing, listing, purchase, redemption, amendment, exchange, refinancing, incurring or retirement of the Notes, or other Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) permitted or not prohibited under the Indenture;

(7) conducting activities reasonably related to, any Initial Public Offering, Equity Offering, Change of Control or asset disposition, including the maintenance of any listing of equity interests issued by an IPO Entity;

(8) the entering into and the performance of any rights or obligations in respect of (i) contracts and agreements with officers, directors, employees, consultants and other provider of goods and services, (ii) subscription or purchase agreements for securities, preferred equity certificates, rights agreements, voting and other shareholder agreements, engagement letters, underwriting agreements, agreements with ratings agencies, and other agreements with respect to its securities or ay offering, issuance or sale thereof, (iii) engagement letters and reliance letters in respect of legal, accounting and other advice or reports received or commissioned by it and (iv) sale and purchase agreements in respect of any merger and acquisition activities;

(9) any liabilities or obligations in connection with any employee or participation scheme, including any management equity plan, incentive plan or other similar scheme operated by, for the benefit of, on behalf of or in respect of itself or any of its Subsidiaries and/or any current or past employees, directors or members of management thereof and any related corporate entity established for such purpose; or

(10) the undertaking of any other activities and the holding of assets not specifically enumerated above that are (i) ancillary to the activities described above or (ii) not material to the Issuer and its Restricted Subsidiaries taken as a whole.

Events of Default and Remedies

The Indenture will provide that each of the following is an "*Event of Default*":

(1) default in payment when due and payable, upon redemption, acceleration or otherwise, of principal of, or premium, if any, on the Notes;

(2) default for 30 days or more in the payment when due of interest on or with respect to the Notes;

(3) failure by the Issuer or any Guarantor for 60 days after receipt of written notice given by the Trustee or the Holders of not less than 30.0% in principal amount of the then outstanding Notes to comply with any of its obligations, covenants or agreements (other than a default referred to in clause (1) or (2) above) contained in the Indenture or the Notes;

(4) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Issuer or any Significant Subsidiary (or any group of Restricted Subsidiaries that taken together would constitute a Significant Subsidiary) or the payment of which is guaranteed by the Issuer or any Significant Subsidiary (or any group of Restricted Subsidiaries that taken together would constitute a Significant Subsidiary), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists or is created after the issuance of the Notes, if both:

(a) such default either results from the failure to pay any principal of such Indebtedness at its stated final maturity (after giving effect to any applicable grace periods) or relates to an obligation other than the obligation to pay principal of any such Indebtedness at its stated final maturity and results in the holder or holders of such Indebtedness causing such Indebtedness to become due prior to its stated maturity; and

(b) the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at its stated final maturity (after giving effect to any applicable grace periods), or the maturity of which has been so accelerated, aggregate £20.0 million or more at any one time outstanding;

(5) failure by the Issuer or any Significant Subsidiary (or any group of Restricted Subsidiaries that taken together would constitute a Significant Subsidiary) to pay final judgments aggregating in excess of £20.0 million (net of amounts covered by insurance policies), which final judgments remain unpaid, undischarged, unwaived and unstayed for a period of more than 90 days after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed;

(6) certain events of bankruptcy or insolvency with respect to the Issuer or any Significant Subsidiary (or any group of Restricted Subsidiaries that taken together would constitute a Significant Subsidiary);

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Collateral having a fair market value in excess of £20.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable, and any such Default continues for 10 days; or

(8) the Guarantee of any Significant Subsidiary (or any group of Restricted Subsidiaries that taken together would constitute a Significant Subsidiary) will for any reason cease to be in full force and effect except as contemplated by the terms of the Indenture or be declared null and void in a final non-appealable judgment of a court of competent jurisdiction or any Financial Officer of any Guarantor that is a Significant Subsidiary (or the responsible officers of any group of Restricted Subsidiaries that taken together would constitute a Significant Subsidiary), as the case may be, denies in writing that it has any further liability under its Guarantee or gives written notice to such effect, other than by reason of the termination of the Indenture or the release of any such Guarantee in accordance with the Indenture.

If any Event of Default (other than of a type specified in clause (6) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 30.0% in principal amount of the then total outstanding Notes by notice to the Issuer may declare the principal, premium, if any, interest and any other monetary obligations on all the then outstanding Notes to be due and payable immediately.

Upon the effectiveness of such declaration, such principal of and premium, if any, and interest will be due and payable immediately.

Notwithstanding the foregoing, in the case of an Event of Default arising under clause (6) of the first paragraph of this section, all outstanding Notes will become due and payable without further action or notice. The Indenture provides that the Trustee may withhold from the Holders notice of any continuing Default, except a Default relating to the payment of principal, premium, if any, or interest, if it determines that withholding notice is in their interest. In addition, the Trustee will have no obligation to accelerate the Notes if in the best judgment of the Trustee acceleration is not in the best interests of the Holders of the Notes.

The Indenture will provide that the Holders of a majority of the aggregate principal amount of the then outstanding Notes, by written notice to the Trustee, may on behalf of the Holders of all of the Notes waive any existing Default and its consequences under the Indenture (except a continuing Default in the payment of interest on, premium, if any, or the principal of any Note held by a non-consenting Holder (which may only be waived pursuant to clause (4) of the second paragraph under "*—Amendment, Supplement and Waiver*") and rescind any acceleration with respect to the Notes and its consequences (except if such rescission would conflict with any judgment of a court of competent jurisdiction). In the event of any Event of Default specified in clause (4) above, such Event of Default and all consequences thereof (excluding any resulting payment default, other than as a result of acceleration of the Notes) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the Holders, if within 30 days after the declaration of acceleration with respect thereto:

(1) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged;

(2) the requisite holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default; or

(3) the default that is the basis for such Event of Default has been cured, waived or is no longer continuing.

Subject to the provisions of the Indenture relating to the duties of the Trustee thereunder, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless the Holders have offered to the Trustee indemnity or security reasonably satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 30.0% in principal amount of the total outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) Holders of the Notes have offered the Trustee security or indemnity reasonably satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of security or indemnity; and

(5) Holders of a majority in principal amount of the total outstanding Notes have not given the Trustee a direction inconsistent with such written request within such 60-day period.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement. Subject to certain restrictions, under the Indenture the Holders of a majority in principal amount of the total outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability.

The Indenture will provide that the Issuer is required to deliver to the Trustee annually within 120 days after the end of each fiscal year (or 150 days with respect to the fiscal year 2017) a statement regarding compliance with the Indenture, and the Issuer is required, within thirty (30) days after becoming aware of any Default, to deliver to the Trustee a statement specifying such Default. The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*"), then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Certain Covenants—Reports and Other Information*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

Financial Calculations; Measuring Compliance

With respect to any acquisition, disposition, merger, joint venture, investment or other similar transaction where there is a time difference between commitment and closing or incurrence (including in respect of incurrence of Indebtedness, Restricted Payments and Permitted Investments) (each such transaction, a "*Limited Condition Transaction*"), in each case for purposes of determining:

(1) whether any Indebtedness (including Acquired Indebtedness) that is being incurred in connection with such Limited Condition Transaction is permitted to be incurred in compliance with the covenant described under the caption "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(2) whether any Lien being incurred in connection with such Limited Condition Transaction or to secure any such Indebtedness is permitted to be incurred in accordance with the covenant described under the caption "*—Certain Covenants—Liens*" or the definition of "*Permitted Liens*" or "*Permitted Collateral Liens*";

(3) whether any other transaction undertaken or proposed to be undertaken in connection with such Limited Condition Transaction complies with the covenants or agreements contained in the Indenture or the Notes; and

(4) any calculation of the Fixed Charge Coverage Ratio, Total Net Leverage Ratio, Senior Secured Net Leverage Ratio, Net Income, Consolidated Net Income, Adjusted EBITDA and/or Run-Rate Adjusted EBITDA and, whether a Default or Event of Default exists in connection with the foregoing,

at the option of the Issuer, the date that the definitive agreement for such Limited Condition Transaction is entered into (the "*Transaction Agreement Date*") may be used as the applicable date of determination, as the case may be, in each case with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of "Fixed Charge Coverage Ratio" or "Adjusted EBITDA." For the avoidance of doubt, if the Issuer elects to use the Transaction Agreement Date as the applicable date of determination in accordance with the foregoing, (a) any fluctuation or change in the Fixed Charge Coverage Ratio, Total Net Leverage Ratio, Senior Secured Net Leverage Ratio, Net Income, Consolidated Net Income, Adjusted EBITDA or Run-Rate Adjusted EBITDA of the Issuer, the target business, or assets to be acquired subsequent to the Transaction Agreement Date and prior to the consummation of such Limited Condition Transaction, will not be taken into account for purposes of determining whether any Indebtedness or Lien that is being incurred in connection with such Limited Condition Transaction is permitted to be incurred or in connection with compliance by the Issuer or any of the Restricted Subsidiaries with any other provision of the Indenture or the Notes or any other transaction undertaken in connection with such Limited Condition Transaction and (b) until such Limited Condition Transaction is consummated or such definitive agreements are terminated, such Limited Condition Transaction and all transactions proposed to be undertaken in connection therewith (including the incurrence of Indebtedness and Liens) will be given *pro forma* effect when determining compliance of other transactions (including the incurrence of Indebtedness and Liens unrelated to such Investment, acquisition or repayment, repurchase or refinancing of Indebtedness) that are consummated after the Transaction Agreement Date and on or prior to the consummation of such Limited Condition Transaction and any such transactions (including any incurrence of Indebtedness and the use of proceeds thereof) will be deemed to have occurred on the date the definitive agreements are entered into and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Transaction. In addition, the Indenture will provide that compliance with any requirement relating to absence of Default or Event of Default may be determined as of the Transaction Agreement Date and not as of any later date as would otherwise be required under the Indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No past, present or future director, officer, employee, incorporator, member, partner or equity holder of the Issuer or any Guarantor or any Parent Company (other than, with respect to members, partners and equity holders, the Issuer and the Guarantors) will have any liability for any obligations of the Issuer or the Guarantors under the Notes Documents or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting Notes waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws.

Legal Defeasance and Covenant Defeasance

The obligations of the Issuer and the Guarantors under the Indenture will terminate (other than certain obligations) and will be released upon payment in full of all of the Notes. The Issuer may, at its option and at any time, elect to have all of its obligations discharged with respect to the Notes and have each Guarantor's obligation discharged with respect to its Guarantee ("*Legal Defeasance*") and cure all then existing Events of Default except for:

(1) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on the Notes when such payments are due solely out of the trust created pursuant to the Indenture;

(2) the Issuer's obligations with respect to Notes concerning issuing temporary Notes, registration of such Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

In addition, the Issuer may, at its option and at any time, elect to have its obligations and those of each Guarantor released with respect to substantially all of the restrictive covenants in the Indenture ("*Covenant Defeasance*"), and thereafter any omission to comply with such obligations will not constitute a Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including bankruptcy, receivership, rehabilitation and insolvency events pertaining to the Issuer) described under "*—Events of Default and Remedies*" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance with respect to the Notes:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in U.K. pound sterling, pound sterling-denominated UK Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of an Independent Financial Advisor, to pay the principal of, premium, if any, and interest due on the Notes on the stated maturity date or on the applicable redemption dates, as the case may be, of such principal, premium, if any, or interest on such Notes, and the Issuer must specify whether such Notes are being defeased to maturity or to a

particular redemption date; *provided*, upon any redemption that requires the payment of the Applicable Premium, the amount deposited will be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any deficit as of the date of redemption (any such amount, the "*Applicable Premium Deficit*") only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit will be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit will be applied toward such redemption;

(2) in the case of Legal Defeasance, the Issuer will have delivered to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions:

(a) the Issuer has received from, or there has been published by, the United States Internal Revenue Service a ruling, or

(b) since the issuance of the Notes, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, subject to customary assumptions and exclusions, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes, as applicable, as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer will have delivered to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to such tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default (other than that resulting from borrowing funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens and the consummation of other transactions in connection therewith) will have occurred and be continuing on the date of such deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under the Revolving Credit Facility or any other material agreement, instrument or documents (other than the Indenture) to which, the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than that resulting from any borrowing of funds to be applied to make the deposit required to effect such Legal Defeasance or Covenant Defeasance and any similar and simultaneous deposit relating to other Indebtedness, and, in each case, the granting of Liens and the consummation of other transactions in connection therewith);

(6) the Issuer will have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or any Guarantor or others; and

(7) the Issuer will have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions) each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Notwithstanding the foregoing, an Opinion of Counsel required by the immediately preceding paragraph with respect to legal defeasance need not be delivered if all of the Notes not theretofore delivered to the Trustee for cancellation (i) have become due and payable or (ii) will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and will cease to be of further effect as to all Notes, when either:

(1) all Notes theretofore authenticated and delivered, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust, have been delivered to the Trustee for cancellation; or

(2) (a) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable by reason of the making of one or more notices of redemption or otherwise, will become due and payable within one year or may be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer, and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in pound sterling, pound sterling-denominated UK Government Securities, or a combination thereof, in such amounts as will be sufficient (without consideration of any reinvestment of interest) to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption; *provided*, (i) upon any redemption that requires the payment of the Applicable Premium, the amount deposited will be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any Applicable Premium Deficit only required to be deposited with the Trustee on or prior to the date of redemption and (ii) any Applicable Premium Deficit will be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit will be applied toward such redemption;

(b) the Issuer has paid or caused to be paid all sums payable by it under the Indenture; and

(c) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be; *provided* that, if requested by the Issuer to the Trustee and Principal Paying Agent (which request may be included in the applicable notice of redemption or pursuant to the above referenced Officer's Certificate) no later than 5 business days prior to such distribution, the Trustee will distribute any amounts deposited in trust to the Holders prior to maturity or the redemption date, as the case may be; *provided*, *further* that (i) the cash shall otherwise be distributed to Holders in accordance with the terms of any redemption notice or other applicable repayment provisions, (ii) the Notes shall be marked down on the date of repayment of the Holders, (iii) the Holders shall receive the principal, interest and premia (and any other amounts) as required in accordance with the terms of the redemption notice or other applicable repayment provisions and (iv) the paying agent will be advised at least two Business Days prior to any date elected for early repayment and such early repayment will not occur on or prior to the record date set for redemption. To the extent the Notes are represented by a global note deposited with a depositary for a clearing system, any payment to the beneficial holders holding interests as a participant of such clearing system will be subject to the then applicable procedures of the clearing system.

In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Notes Documents may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding, including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes, and any existing Default or compliance with any provision of the Indenture or the Notes issued thereunder may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes, other than Notes beneficially owned by the Issuer or its Affiliates (including consents obtained in connection with a purchase of or tender offer or exchange offer or offer to purchase with respect to the Notes); *provided* that (x) if any such amendment or waiver will only affect one series of Notes (or less than all series of Notes) then outstanding under the Indenture, then only the consent of the Holders of a majority in principal amount of the Notes of such series then outstanding (including, in each case, consents obtained in connection with a tender offer or exchange offer for Notes) shall be required and (y) if any such amendment or waiver by its terms will affect a series of Notes in a manner different and materially adverse relative to the manner such amendment or waiver affects other series of Notes, then the consent of the Holders of a majority in principal amount of the Notes of such adversely affected series then outstanding (including, in each case, consents obtained in connection with a tender offer or exchange offer for Notes) shall be required.

The Indenture will provide that with respect to any Notes held by a non-consenting Holder an amendment or waiver may not, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes affected (*provided* that (x) if any such amendment or waiver will only affect one series of Notes (or less than all series of Notes) then outstanding under the Indenture, then only the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes affected of such series (including, in each case, consents obtained in connection with a tender offer or exchange offer for Notes) shall be required and (y) if any such amendment or waiver by its terms will affect a series of Notes in a manner different and materially adverse relative to the manner such amendment or waiver affects other series of Notes, then the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes affected of such series (including, in each case, consents obtained in connection with a tender offer or exchange offer for Notes) shall be required):

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed final maturity of any such Note or reduce the premium payable upon the redemption of such Notes on any date;

(3) reduce the rate of or change the time for payment of interest on any Note;

(4) waive a Default in the payment of principal of or premium, if any, or interest on the Notes, except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration;

(5) make any Note payable in money other than that stated therein;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults;

(7) make any change in these amendment and waiver provisions that is materially adverse to the Holders;

(8) impair the contractual right under the Indenture of any Holder to institute suit for the enforcement of any payment on or with respect to such Holder's Notes;

(9) make any change to or modify the ranking of the Notes that would adversely affect the Holders;

(10) release all or substantially all of the Guarantors from their obligations under the Note Guarantees or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(11) release all or substantially all of the security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture.

Notwithstanding the foregoing, the Issuer, any Guarantor (with respect to a Guarantee or the Indenture to which it is a party), the Security Agent and the Trustee may amend or supplement any Notes Document without the consent of any Holder:

(1) to cure any ambiguity, omission, mistake, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes (*provided*, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code);

(3) to comply with the covenant relating to mergers, amalgamations, consolidations and sales of assets;

(4) to provide for the assumption of the Issuer's or any Guarantor's obligations under any Notes Document;

(5) to make any change that would provide any additional rights or benefits to the Holders or that does not materially adversely affect (as determined in good faith by the Issuer) the legal rights under the Notes Documents;

(6) to add covenants for the benefit of the Holders or to surrender any right or power conferred upon the Issuer or any Guarantor;

(7) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor trustee or security agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(8) to add a Guarantor or co-obligor under the Indenture or to release a Guarantor in accordance with the terms of the Indenture, to add security to or for the benefit of the Notes or Guarantees, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes or Guarantees when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(9) to conform the text of the Indenture, the Security Documents, the Guarantees or the Notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents, Guarantee or Notes;

(10) to make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including, to facilitate the issuance and administration of the Notes; *provided*, (a) compliance with the Indenture as so amended would not result in Notes being transferred in violation of the Securities Act or any applicable securities law and (b) such amendment does not materially and adversely affect the rights of Holders to transfer Notes;

(11) to provide for the issuance of Additional Notes in accordance with the terms of the Indenture;

(12) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility Agreement, in any property which is required by the Security Documents or the Revolving Credit Facility Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with; or

(13) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*."

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. Notwithstanding anything to the contrary in the paragraphs above, in order to effect an amendment authorized by clause (8) above to add a Guarantor under the Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee. Any other amendments permitted by the Indenture need only be duly authorized and executed by the Issuer and the Trustee.

Notices

Notices given by publication or electronic delivery will be deemed given on the first date on which publication is made or electronic delivery made, and notices given by first-class mail, postage prepaid, will be deemed given five calendar days after mailing or transmitting. Notices given in accordance with the procedures of Euroclear and Clearstream will be deemed given on the date sent to Euroclear and Clearstream.

Concerning the Trustee

The Indenture will contain certain limitations on the rights of the Trustee thereunder, should it become a creditor of the Issuer or a Guarantor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *however*, if it acquires any conflicting interest, it must eliminate such conflict within 90 days or resign.

The Indenture will provide that the Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture will provide that if an Event of Default of which notice has been provided to the Trustee in accordance with the Indenture has occurred and is continuing, the Trustee is required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of his or her own affairs. The Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder has offered to the Trustee security and indemnity reasonably satisfactory to it against any loss, liability or expense.

Governing Law

The Indenture, the Notes and any Guarantee will be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the Security Documents will be governed by English law.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. For purposes of the Indenture and this Description of Notes, unless otherwise specifically indicated, the term "*consolidated*" with respect to any Person refers to such Person consolidated with its Restricted Subsidiaries and excludes from such consolidation any Unrestricted Subsidiary as if such Unrestricted Subsidiary were not an Affiliate of such Person.

"*Acquired Indebtedness*" means, with respect to any specified Person,

(1) Indebtedness of any other Person existing at the time such other Person is merged, consolidated or amalgamated with or into or became a Restricted Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging, amalgamating or consolidating with or into, or becoming a Restricted Subsidiary of, such specified Person, and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Acquisition*" means the transactions contemplated by the Transaction Agreement.

"*Acquisition Date*" means November 30, 2017.

"*Adjusted EBITDA*" means, with respect to any Person for any period, the Consolidated Net Income of such Person and its Restricted Subsidiaries for such period:

(1) increased (without duplication) by the following, in each case to the extent deducted (and not added back) in determining Consolidated Net Income for such period (other than (h) and (l)):

(a) total interest expense and, to the extent not reflected in such total interest expense, any losses on Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate risk, net of interest income and gains on such Hedging Obligations or such derivative instruments, and bank and letter of credit fees and costs of surety bonds in connection with financing activities, together with items excluded from the definition of "Consolidated Interest Expense" pursuant to the definition thereof; *plus*

(b) provision for taxes based on income, profits, revenue or capital, including federal, foreign and state income, franchise, excise, value added and similar taxes, property taxes and similar taxes, and foreign withholding taxes paid or accrued during such period (including any future taxes or other levies that replace or are intended to be in lieu of taxes, and any penalties and interest related to taxes or arising from tax examinations), and any payments to a Parent Company in respect of such taxes permitted to be made under the Indenture; *plus*

(c) Consolidated Depreciation and Amortization Expense for such period; *plus*

(d) any other non-cash charges, including any write-offs or write-downs reducing Consolidated Net Income for such period (*provided*, if any such non-cash charges represent an accrual or reserve for potential cash items in any future period, (A) the Issuer may determine not to add back such non-cash charge in the current period and (B) to the extent the Issuer does decide to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Adjusted EBITDA to such extent, and excluding amortization of a prepaid cash item that was paid in a prior period); *plus*

(e) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any associates; *plus*

(f) the amount of management, monitoring, consulting, transaction, advisory and other fees (including termination fees) and indemnities and expenses paid or accrued in such period or otherwise to the extent otherwise permitted under "*—Certain Covenants—Transactions with Affiliates*"; *plus*

(g) the amount of loss or discount on sale of receivables, Securitization Assets and related assets to any Securitization Subsidiary in connection with a Qualified Securitization Facility; *plus*

(h) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Adjusted EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Adjusted EBITDA pursuant to clause (2) below for any previous period and not added back; *plus*

(i) any costs or expenses incurred pursuant to any management equity plan, stock option plan or any other management or employee benefit plan, agreement or any stock subscription or shareholder agreement, to the extent that such costs or expenses are funded with cash proceeds contributed to the capital of such Person or net cash proceeds of an issuance of Equity Interest or Subordinated Shareholder Funding of such Person (other than Disqualified Stock); *plus*

(j) any net pension or other post-employment benefit costs representing amortization of unrecognized prior service costs, actuarial losses, including amortization of such amounts arising in prior periods and any other items of a similar nature, *plus*

(k) any net loss from operations expected to be disposed of, abandoned or discontinued within twelve months after the end of such period; *plus*

(l) the amount of "run rate" net cost savings, synergies and operating expense reductions projected by the Issuer in good faith to result from actions taken, committed to be taken or that are expected in good faith to be taken no later than twenty four (24) months after the end of such period (calculated on a *pro forma* basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the period for which Adjusted EBITDA is being determined and if such cost savings, operating expense reductions and synergies were realized during the entirety of such period), net of the amount of actual benefits realized during such period from such actions; *provided*, such cost savings, operating expense reductions and synergies are reasonably identifiable and factually supportable (it is understood and agreed that "run-rate" means the full recurring benefit for a period that is associated with any action taken, committed to be taken or with respect to which substantial steps have been taken or are expected to be taken); *plus*

(m) any payments in the nature of compensation or expense reimbursement made to independent board members; and

(2) decreased (without duplication) by the following, in each case to the extent included in determining Consolidated Net Income for such period:

(a) non-cash gains for such period (excluding any non-cash gain to the extent it represents the reversal of an accrual or reserve for a potential cash item that reduced Consolidated Net Income or Adjusted EBITDA in any prior period other than any such accrual or reserve that has been added back to Consolidated Net Income in calculating Adjusted EBITDA in accordance with this definition), and

(b) the amount of any non-controlling interest consisting of loss attributable to non-controlling interests of third parties in any non-wholly-owned subsidiary added (and not deducted in such period from Consolidated Net Income).

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "*control*" (including, with correlative meanings, the terms "*controlling*," "*controlled by*" and "*under common control with*"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"*Agreed Security Principles*" means the agreed security principles appended to the Revolving Credit Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"*Applicable Premium*" means, with respect to any Note on any Redemption Date, the greater of:

(1) 1.0% of the principal amount of such Note; and

(2) the excess, if any, of:

(a) the present value at such Redemption Date calculated as of the date of the applicable redemption notice of (i) the redemption price of such Note at February 15, 2021 (each such redemption price being set forth in the table appearing above under "*—Optional Redemption*"), *plus* (ii) all required remaining scheduled interest payments due on such Note through February 15, 2021 (excluding accrued but unpaid interest to, but excluding, the Redemption Date), computed using a discount rate equal to the Gilt Rate as of such Redemption Date *plus* 50 basis points; over

(b) the then outstanding principal amount of such Note on such Redemption Date,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer will designate; *provided*, such calculation will not be the duty or obligation of the Trustee or any paying agent.

"*Asset Sale*" means:

(1) the sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions of property or assets of the Issuer or any Restricted Subsidiary (each referred to in this definition as a "*disposition*"); or

(2) the issuance or sale of Equity Interests (other than Preferred Stock or Disqualified Stock of Restricted Subsidiaries issued in compliance with the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and directors' qualifying shares or shares or interests required to be held by third parties to the extent required by applicable law) of any Restricted Subsidiary (other than to the Issuer or another Restricted Subsidiary), whether in a single transaction or a series of related transactions;

in each case, other than:

(a) any disposition of (i) Cash Equivalents or Investment Grade Securities, (ii) obsolete, damaged or worn out property or assets in the ordinary course of business or consistent with industry practice or any disposition of inventory or goods (or other assets) held for sale or no longer used or useful in the ordinary course, (iii) assets no longer economically practicable or commercially reasonable to maintain (as determined in good faith by the management of the Issuer), (iv) dispositions to landlords of improvements made to leased real property pursuant to customary terms of leases entered into in the ordinary course of business and (v) assets for purposes of charitable contributions or similar gifts to the extent such assets are not material to the ability of the Issuer and its Restricted Subsidiaries, taken as a whole, to conduct its business in the ordinary course;

(b) the disposition of all or substantially all of the assets of the Issuer in a manner permitted pursuant to the provisions described above under "—*Certain Covenants—Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets*" or any disposition that constitutes a Change of Control pursuant to the Indenture;

(c) any disposition in connection with the making of any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "—*Certain Covenants—Limitation on Restricted Payments*" or any Permitted Investment or any acquisition otherwise permitted by the Indenture;

(d) any disposition of property or assets or issuance or sale of Equity Interests of any Restricted Subsidiary in any transaction or series of related transactions with an aggregate fair market value of less than the greater of £7.5 million and 10% of Run-Rate Adjusted EBITDA of the Issuer for the most recently ended Test Period;

(e) any disposition of property or assets or issuance of securities by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(f) any exchange of like property for use in a Similar Business;

(g) (i) the lease, assignment or sub-lease, license or sublicense of any real or personal property in the ordinary course of business or consistent with industry practice and (ii) the exercise of termination rights with respect to any lease, sub-lease, license or sublicense or other agreement;

(h) any issuance, disposition or sale of Equity Interests in, or Indebtedness, assets or other securities of, an Unrestricted Subsidiary;

(i) foreclosures, condemnation, expropriation, eminent domain or any similar action with respect to assets or the granting of Liens not prohibited by the Indenture;

(j) sales of accounts receivable, or participations therein, or Securitization Assets or related assets in connection with any Qualified Securitization Facility or the disposition of an account receivable in connection with the collection or compromise thereof in the ordinary course of business or consistent with industry practice or in bankruptcy or similar proceedings;

(k) any financing transaction with respect to property built or acquired by the Issuer or any Restricted Subsidiary after the Issue Date, including asset securitizations permitted by the Indenture;

(l) the sale, lease, assignment, license, sublease or discount of inventory, equipment, accounts receivable, notes receivable or other current assets in the ordinary course of business or consistent with industry practice or the conversion of accounts receivable to notes receivable or other dispositions of accounts receivable in connection with the collection thereof;

(m) the licensing or sub-licensing of intellectual property or other general intangibles in the ordinary course of business or consistent with industry practice;

(n) any surrender or waiver of contract rights or the settlement, release or surrender of contract rights or other litigation claims in the ordinary course of business or consistent with industry practice;

(o) the unwinding of any Hedging Obligations;

(p) sales, transfers and other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements;

(q) the lapse or abandonment of intellectual property rights in the ordinary course of business or consistent with industry practice, which in the reasonable good faith determination of the Issuer are not material to the conduct of the business of the Issuer and its Restricted Subsidiaries taken as a whole;

(r) the granting of a Lien that is permitted under the covenant described above under "—*Certain Covenants—Liens*";

(s) the disposition of any assets (including Equity Interests) (i) acquired in a transaction permitted under the Indenture, which assets are not used or useful in the principal business of the Issuer and its Restricted Subsidiaries or (ii) made in connection with the approval of any applicable antitrust authority or otherwise necessary or advisable in the good faith determination of the Issuer to consummate any acquisition permitted under the Indenture;

(t) dispositions of property to the extent that such property is exchanged for credit against the purchase price of similar replacement property;

(u) in connection with any Sale and Lease-Back Transaction; and

(v) the sales of property or assets for an aggregate fair market value not to exceed the greater of £10.0 million and 15 Run-Rate Adjusted EBITDA since the date of the Indenture.

"*Board of Directors*" means, for any Person, the board of directors or other governing body of such Person or, if such Person does not have such a board of directors or other governing body and is owned or managed by a single entity, the Board of Directors of such entity, or, in either case, any committee thereof duly authorized to act on behalf of such Board of Directors. Unless otherwise provided, "Board of Directors" means the Board of Directors of the Issuer.

"*Business Day*" means each day which is not a Legal Holiday.

"*Capital Markets Indebtedness"* means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act, (2) a private placement to institutional investors that is resold in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC or (3) a private placement to institutional investors. For the avoidance of doubt, the term "Capital Markets Indebtedness" does not include any Indebtedness under commercial bank facilities, Indebtedness incurred in connection with a Sale and Lease-Back Transaction, Indebtedness incurred in the ordinary course of business of the Issuer, Capitalized Lease Obligations or recourse transfer of any financial asset or any other type of Indebtedness incurred in a manner not customarily viewed as a "securities offering."

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock or shares in the capital of such corporation;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person;

but excluding from all of the foregoing any debt securities convertible into or exchangeable for Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Capitalized Lease Obligation*" means an obligation that is required to be classified and accounted for as a capitalized lease obligation for financial reporting purposes on the basis of GAAP (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) prepared in accordance with GAAP.

"*Cash Equivalents*" means:

(1) U.K. pound sterling;

(2) Euros, Yen, Canadian Dollars, U.S. dollars or any national currency of any Participating Member State of the EMU;

(3) readily marketable direct obligations issued or directly and fully and unconditionally guaranteed or insured by the United States, the United Kingdom, or any member of the European Union government or any agency or instrumentality thereof the securities of which are unconditionally guaranteed as a full faith and credit obligation of such government with maturities of 36 months or less from the date of acquisition;

(4) certificates of deposit, time deposits and eurodollar time deposits with maturities of three years or less from the date of acquisition, demand deposits, bankers' acceptances with maturities not exceeding three years and overnight bank deposits, in each case with any commercial bank having capital and surplus of not less than £250.0 million;

(5) repurchase obligations for underlying securities of the types described in clauses (3) and (4) above or clauses (7) and (8) below entered into with any financial institution or recognized securities dealer meeting the qualifications specified in clause (4) above;

(6) commercial paper and variable or fixed rate notes rated at least P-2 by Moody's or at least A-2 by Fitch or S&P (or, if at any time none of Moody's, Fitch or S&P are rating such obligations, an equivalent rating from another nationally recognized statistical rating agency selected by the Issuer) and, in each case, maturing within 36 months after the date of acquisition;

(7) marketable short-term money market and similar liquid funds having a rating of at least P-2 or A-2 from either Moody's or Fitch and S&P, respectively (or, if at any time none of Moody's, Fitch or S&P are rating such obligations, an equivalent rating from another nationally recognized statistical rating agency selected by the Issuer);

(8) securities issued or directly and fully and unconditionally guaranteed by any state, commonwealth or territory of the United States, the United Kingdom, any member of the European Union or any political subdivision or taxing authority of any such state, commonwealth or territory or any public instrumentality thereof having maturities of not more than 36 months from the date of acquisition thereof;

(9) readily marketable direct obligations issued or directly and fully and unconditionally guaranteed by any foreign government or any political subdivision or public instrumentality thereof, in each case, having an Investment Grade Rating from either Moody's, Fitch or S&P (or, if at any time none of Moody's, Fitch or S&P are rating such obligations, an equivalent rating from another nationally recognized statistical rating agency selected by the Issuer) with maturities of 36 months or less from the date of acquisition;

(10) Indebtedness or Preferred Stock issued by Persons with a rating of "A" or higher from S&P or "A2" or higher from Moody's (or, if at any time none of Moody's, Fitch or S&P are rating such obligations, an equivalent rating from another nationally recognized statistical rating agency selected by the Issuer) with maturities of 24 months or less from the date of acquisition;

(11) Investments with average maturities of 36 months or less from the date of acquisition in money market funds rated AAA- (or the equivalent thereof) or better by Fitch or S&P or Aaa3 (or the equivalent thereof) or better by Moody's (or, if at any time none of Moody's, Fitch or S&P is rating such obligations, an equivalent rating from another nationally recognized statistical rating agency selected by the Issuer); and

(12) investment funds investing substantially all of their assets in securities of the types described in clauses (1) through (11) above.

Notwithstanding the foregoing, Cash Equivalents will include amounts denominated in currencies other than those set forth in clauses (1) and (2) above; *provided*, such amounts, except amounts used to pay non- U.K. pound sterling denominated obligations of the Issuer or any Restricted Subsidiary in the ordinary course of business, are converted into any currency listed in clause (1) or (2) above as promptly as practicable and in any event within ten Business Days following the receipt of such amounts.

"*Cash Management Obligations*" means Obligations in respect of Cash Management Services.

"*Cash Management Services*" means any agreement or arrangement to provide cash management services, including treasury, depository, cash pooling arrangements, automated clearing house transfers, overdraft, credit card processing or credit or debit card, purchase card, electronic funds transfer and other cash management and similar arrangements.

"*Change of Control*" means the occurrence of any of the following after the Issue Date:

(1) The Issuer becoming aware of any Person (other than a Permitted Holder) or Persons (other than one or more Permitted Holders) constituting a "group" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act as of the Issue Date), becoming the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under such Exchange Act as of the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided*, *however*, that for purposes of measuring beneficial ownership held by any Person that is not a Permitted Holder, Equity Interests held by any Permitted Holder will be excluded; and *provided*, *further*, that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a wholly-owned Subsidiary of a Successor Parent (subject to any directors' qualifying shares or shares required by any applicable law or regulation to be held by a person other than the Issuer or another wholly-owned Subsidiary that are held by a Person other than such Successor Parent); or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

Notwithstanding the foregoing, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Guarantee of the Notes.

"*Consolidated Depreciation and Amortization Expense*" means, with respect to any Person for any period, the total amount of depreciation and amortization expense of such Person and its Restricted Subsidiaries, including, the amortization of intangible assets, deferred financing fees and debt issuance costs of such Person and its Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with GAAP.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, without duplication, the sum of:

(1) cash interest expense (including that attributable to Capitalized Lease Obligations), net of cash interest income, with respect to Indebtedness of such Person and its Restricted Subsidiaries for such period, and net cash costs under hedging agreements (other than in connection with the early termination thereof); *plus*

(2) non-cash interest expense resulting solely from (a) the amortization of original issue discount from the issuance of Indebtedness of such Person and its Restricted Subsidiaries at less than par, *plus* (b) pay-in-kind interest expense of such Person and its Restricted Subsidiaries payable pursuant to the terms of the agreements governing such debt for borrowed money,

excluding, in each case, (i) amortization of deferred financing costs, debt issuance costs, commissions, fees and expenses and any other amounts of non-cash interest other than referred to in clauses (2)(a) and 2(b) above, (ii) interest expense attributable to the movement of the mark-to-market valuation of obligations under Hedging Obligations or other derivative instruments, (iii) costs associated with incurring and/or terminating Hedging Obligations and cash costs associated with breakage in respect of hedging agreements for interest rates, (iv) "additional interest" owing pursuant to a registration rights agreement with respect to any securities, (v) any payments with respect to make-whole premiums or other breakage costs of any Indebtedness, including any Indebtedness issued in connection with the Transactions, (vi) penalties and interest relating to taxes, (vii) accretion or accrual of discounted liabilities not constituting Indebtedness, (viii) interest expense attributable to a Parent Company resulting from push-down accounting, (ix) any expense resulting from the discounting of Indebtedness in connection with the application of recapitalization or purchase accounting, (x) any interest expense attributable to the exercise of appraisal rights and the settlement of any claims or actions (whether actual, contingent or potential), with respect thereto and with respect to the Transactions, any acquisition or Investment, (xi) annual agency fees paid to the administrative agents and collateral agents under any Credit Facilities, (xii) any expensing of bridge, commitment or other financing fees or (xiii) any interest capitalized, accrued, accreted or paid in respect of Subordinated Shareholder Funding.

For purposes of this definition, interest on a Capitalized Lease Obligation will be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, excluding (and excluding the effect of), without duplication,

(1) extraordinary, non-recurring or unusual gains, losses, fees, costs, charges or expenses (including relating to any multi-year strategic initiatives and accruals and reserves in connection with such gains, losses, charges or expenses); restructuring costs, charges, accruals or reserves (including restructuring and integration costs related to acquisitions and adjustments to existing reserves, and in each case, whether or not classified as such under GAAP); costs and expenses related to any reconstruction, decommissioning, recommissioning or reconfiguration of facilities and fixed assets for alternative uses; costs and expenses related to the integration, consolidation, opening, pre-opening and closing of facilities and fixed assets; severance and relocation costs and expenses, one-time compensation costs and expenses, consulting fees, signing, retention or completion bonuses, and executive recruiting costs; costs and expenses incurred in connection with strategic initiatives; transition costs and duplicative running costs; costs and expenses incurred in connection with non-ordinary course product and intellectual property development; costs incurred in connection with acquisitions (or purchases of assets) prior to or after the Issue Date (including integration costs); business optimization expenses (including costs and expenses relating to business optimization programs, new systems design, retention charges, system establishment costs and implementation costs and project start-up costs), accruals and reserves; operating expenses attributable to the implementation of cost-savings initiatives; curtailments and modifications to pension and post-retirement employee benefit plans (including any settlement of pension liabilities and charges resulting from changes in estimates, valuations and judgments);

(2) the cumulative effect of a change in accounting principles and changes as a result of the adoption or modification of accounting policies during such period whether effected through a cumulative effect adjustment or a retroactive application, in each case in accordance with GAAP;

(3) Transaction Expenses;

(4) any gain (loss) on asset sales, disposals or abandonments (other than asset sales, disposals or abandonments in the ordinary course of business or consistent with industry practice) or income (loss) from discontinued operations;

(5) the Net Income for such period of any Person that is an Unrestricted Subsidiary, and, solely for the purpose of determining the amount available for Restricted Payments under clause (3)(a) of the first paragraph of "*—Certain Covenants—Limitation on Restricted Payments*," the Net Income for such

period of any Person that is not a Subsidiary or that is accounted for by the equity method of accounting; *provided*, Consolidated Net Income of a Person will be increased by the amount of dividends or distributions or other payments that are actually paid in cash or Cash Equivalents (or to the extent converted into cash or Cash Equivalents) to such Person or a Restricted Subsidiary thereof in respect of such period;

(6) solely for the purpose of determining the amount available for Restricted Payments under clause (3)(a) of the first paragraph of "*—Certain Covenants—Limitation on Restricted Payments*," the Net Income for such period of any Restricted Subsidiary (other than any Guarantor) to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of its Net Income is not at the date of determination permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule, or governmental regulation applicable to that Restricted Subsidiary or its stockholders, other than (a) restrictions with respect to the payment of dividends or similar distributions that have been legally waived (or the Issuer reasonably believes such restriction could be waived and is using commercially reasonable efforts to pursue such waiver); (b) restrictions pursuant to the Notes and the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to such Restricted Subsidiary (including pursuant to the Revolving Credit Facility Agreement or the Intercreditor Agreement); (d) other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date; and (e) restrictions permitted under the second paragraph of the covenant described under "*—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries,*" except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than a Guarantor), to the limitation contained in this clause);

(7) effects of adjustments related to the application of recapitalization accounting or purchase accounting (including in the inventory, property and equipment, software, goodwill, intangible assets, in process research and development, deferred revenue and debt line items);

(8) income (loss) from the early extinguishment or conversion of (a) Indebtedness, (b) Hedging Obligations or (c) other derivative instruments;

(9) any impairment charge or asset write-off or write-down in each case, pursuant to GAAP, and the amortization of intangibles arising pursuant to GAAP;

(10) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity-based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(11) any fees, expenses or charges incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, Asset Sale, disposition, incurrence or repayment of Indebtedness (including such fees, expenses or charges related to the offering and issuance of the Notes and the syndication and incurrence of any Credit Facilities), issuance of Equity Interests (including by any direct or indirect parent of the Issuer), recapitalization, refinancing transaction or amendment or modification of any debt instrument (including any amendment or other modification of the Notes and other securities and any Credit Facilities) and including, in each case, any such transaction whether consummated on, after or prior to the Issue Date and any such transaction undertaken but not completed, and any charges or nonrecurring merger costs incurred during such period as a result of any such transaction, in each case whether or not successful or consummated;

(12) accruals and reserves that are established or adjusted in connection with the Transactions, an Investment or an acquisition that are required to be established or adjusted as a result of the Transactions, such Investment or such acquisition, in each case accordance with GAAP;

(13) any expenses, charges or losses to the extent covered by insurance that are, directly or indirectly, reimbursed or reimbursable by a third party, and any expenses, charges or losses that are covered by indemnification or other reimbursement provisions in connection with any acquisition, Investment or any sale, conveyance, transfer or other disposition of assets permitted under the Indenture;

(14) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(15) any net unrealized gain or loss (after any offset) resulting in such period from currency transaction or translation gains or losses including those related to currency remeasurements of Indebtedness (including any net loss or gain resulting from (a) Hedging Obligations for currency exchange risk and (b) resulting from intercompany indebtedness) and any other foreign currency transaction or translation gains and losses, to the extent such gain or losses are non-cash items;

(16) any adjustments resulting from recognition of third party guarantees;

(17) any non-cash rent expense;

(18) the amount of any management, monitoring, consulting, transaction and advisory fees and related expenses paid to the Investor (or any accruals relating to such fees and related expenses) during such period to the extent otherwise permitted by the covenant described under "*—Certain Covenants—Transactions with Affiliates*";

(19) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

(20) any non-cash expenses, accruals or reserves related to adjustments to historical tax exposures; and

(21) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Restricted Subsidiaries, Consolidated Net Income will include the amount of proceeds received or receivable from business interruption insurance, the amount of any expenses or charges incurred by such Person or its Restricted Subsidiaries during such period that are, directly or indirectly, reimbursed or reimbursable by a third party, and amounts that are covered by indemnification or other reimbursement provisions in connection with any acquisition, Investment or any sale, conveyance, transfer or other disposition of assets permitted under the Indenture.

"*Consolidated Total Debt*" means, as of the any date of determination, the aggregate principal amount of Indebtedness of the Issuer and its Restricted Subsidiaries outstanding on such date, determined on a consolidated basis in accordance with GAAP, consisting only of Indebtedness for borrowed money, Capitalized Lease Obligations, debt obligations evidenced by bonds, notes, debentures, promissory notes or similar instruments and guarantees of Indebtedness of such types of a third Person; *provided,* Consolidated Total Debt will not include Indebtedness in respect of (1) any letter of credit, except to the extent of obligations in respect of drawn standby letters of credit which have not been reimbursed within 30 Business Days and (2) Hedging Obligations. The U.K. pound sterling equivalent principal amount of any Indebtedness denominated in a foreign currency will reflect the currency translation effects, determined in accordance with GAAP, of Hedging Obligations for currency exchange risks with respect to the applicable currency in effect on the date of determination of the U.K. pound sterling equivalent principal amount of such Indebtedness.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*") in any manner, whether directly or indirectly, including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds

(a) for the purchase or payment of any such primary obligation, or

(b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Controlled Investment Affiliate*" means, as to any Person, any other Person, other than any Investor, which directly or indirectly is in control of, is controlled by, or is under common control with such Person and is organized by such Person (or any Person controlling such Person) primarily for making direct or indirect equity or debt investments in the Issuer and/or other companies.

"*Credit Facilities*" means, with respect to the Issuer or any Restricted Subsidiary, one or more debt facilities, including the Revolving Credit Facility or other financing arrangements (including commercial paper facilities or indentures) providing for revolving credit loans, term loans, note issuances, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and other agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof, in whole or in part, and any indentures or credit facilities or commercial paper facilities that replace, refund, supplement, extend, renew, restate, amend, modify or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such exchanges, replacement, refunding, supplemental, extended, renewed, restated, amended, modified or refinancing facility, arrangement or indenture that increases the amount permitted to be borrowed or issued thereunder or alters the maturity thereof (*provided*, such increase in borrowings or issuances is permitted under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock")* or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, trustee, lender or group of lenders or holders.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-cash Consideration*" means the fair market value of non-cash consideration received by the Issuer or a Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, *less* the amount of cash or Cash Equivalents received in connection with a subsequent sale, redemption or repurchase of, or collection or payment on, such Designated Non-cash Consideration.

"*Designated Preferred Stock*" means Preferred Stock of the Issuer, any Restricted Subsidiary thereof or any Parent Company (in each case other than Disqualified Stock) that is issued for cash (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries) and is so designated as Designated Preferred Stock, pursuant to an Officer's Certificate on or promptly after the issuance date thereof, the cash proceeds of which are excluded from the calculation set forth in clause (3) of the first paragraph of "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which, by its terms, or by the terms of any security into which it is convertible or for which it is redeemable or exchangeable, or upon the happening of any event, matures or is mandatorily redeemable (other than solely as a result of a change of control, asset sale, casualty, condemnation or eminent domain) pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof (other than as a result of a change of control, asset sale, casualty, condemnation or eminent domain), in whole or in part, in each case prior to the date 91 days after the earlier of the maturity date of the Notes or the date the Notes are no longer outstanding; *provided*, that if such Capital Stock is issued pursuant to any plan for the benefit of future, current or former employees, directors, officers, members of management or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members or any permitted transferees thereof) of the Issuer or its Subsidiaries or any Parent Company or by any such plan to such employees, directors, officers, members of management or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members or any permitted transferees thereof), such Capital Stock will not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's, director's, officer's, management member's or consultant's termination, death or disability; *provided*, *further*, any Capital Stock held by any future, current or former employee, director, officer, member of management or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members or any permitted transferees thereof) of the Issuer, any of its Subsidiaries, any Parent Company, or any other entity in which the Issuer or a Restricted Subsidiary has an Investment and is designated in good faith as an "affiliate" by the Board of Directors (or the compensation committee thereof), in each case pursuant to any equity subscription or equity holders' agreement, management equity plan or stock option plan or any other management or employee benefit plan or agreement will not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or its Subsidiaries or in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's, director's, officer's, management member's or consultant's termination, death or disability. For the purposes hereof, the aggregate principal amount of Disqualified Stock will be deemed to be equal to the greater of its voluntary or involuntary liquidation preference and maximum fixed repurchase price, determined on a consolidated basis in accordance with GAAP, and the "maximum fixed repurchase price" of any Disqualified Stock that does not have a fixed repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which the Consolidated Total Debt will be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock.

"*EMU Legislation*" means the legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

"*Equity Offering*" means any public or private sale of common stock or Preferred Stock of the Issuer or any Parent Company (excluding Disqualified Stock), other than:

(1) public offerings with respect to the Issuer's or any Parent Company's common stock registered on Form S-8; and

(2) issuances to any Subsidiary of the Issuer.

"*Euros*" means the lawful currency of the Participating Member States introduced in accordance with the EMU Legislation.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Excluded Contribution*" means net cash proceeds, the fair market value of marketable securities or the fair market value of Qualified Proceeds received by the Issuer from

(1) contributions to its common equity capital or an issuance of Subordinated Shareholder Funding;

(2) dividends, distributions, fees and other payments from any joint ventures that are not Restricted Subsidiaries; and

(3) the sale (other than to a Restricted Subsidiary of the Issuer or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of the Issuer) of Capital Stock or Subordinated Shareholder Funding (other than Disqualified Stock and Designated Preferred Stock) of the Issuer;

in each case, designated as Excluded Contributions pursuant to an Officer's Certificate or that are excluded from the calculation set forth in clause (3) of the first paragraph under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Expected EBITDA*" means with respect to a New Facility the Adjusted EBITDA that management forecasts such New Facility to generate during its third year of commercial operation, calculated in good faith by a Financial Officer as of the date of determination using current management forecasts.

"*fair market value*" means (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of Notes*" or the Indenture), with respect to any asset or liability, the fair market value of such asset or liability as determined by the Issuer in good faith.

"*Financial Officer*" means the chief financial officer, accounting officer, treasurer, controller or other senior financial or accounting officer of the Issuer or a Restricted Subsidiary, as appropriate.

"Fitch" means Fitch Ratings, Inc, or any successor in the rating agency business thereof.

"*Fixed Charge Coverage Ratio*" means, with respect to any Test Period, the ratio of (1) Run-Rate Adjusted EBITDA of the Issuer for such Test Period to (2) the Fixed Charges of the Issuer for such Test Period. In the event that the Issuer or any Restricted Subsidiary incurs, assumes, guarantees, redeems, repays, retires or extinguishes any Indebtedness (other than Indebtedness incurred or repaid under any revolving credit facility or line of credit unless such Indebtedness has been permanently repaid and not replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock, in each case, subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Fixed Charge Coverage Ratio Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, redemption, repayment, retirement or extinguishment of Indebtedness or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the most recently ended Test Period; *provided*, *however*, that at the election of the Issuer, the *pro forma* calculation will not give effect to any Indebtedness incurred on such determination date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*."

For purposes of making the computation referred to above, any Specified Transaction that has been made by the Issuer or any Restricted Subsidiary during any Test Period or subsequent to such Test Period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date will be calculated on a *pro forma* basis assuming that all such Specified Transactions (and the change in any associated fixed charge obligations and the change in Run-Rate Adjusted EBITDA resulting therefrom) had occurred on the first day of the Test Period. If since the beginning of such Test Period any Person that subsequently became a Restricted Subsidiary or was merged, amalgamated or consolidated with or into the Issuer or any Restricted Subsidiary since the beginning of such Test Period will have made any Specified Transaction that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect thereto for such Test Period as if such Specified Transaction had occurred at the beginning of the most recently ended Test Period.

For purposes of this definition in the Indenture, whenever *pro forma* effect is to be given to any Specified Transaction (including the Transactions), the *pro forma* calculations will be made in good faith by a Financial Officer and may include, for the avoidance of doubt, the amount of "run-rate" cost savings, synergies and operating expense reductions resulting from or related to any such Specified Transaction (including the Transactions) which is being given *pro forma effect* that have been realized or are expected to be realized and for which the actions necessary to realize such cost savings, operating expense reductions and synergies are taken, committed to be taken or with respect to which substantial steps have been taken or are expected to be taken no later than 24 months after the date of any such Specified Transaction (in each case as though such cost savings, synergies and operating expense reductions had been realized on the first day of the applicable period and as if such cost savings, synergies and operating expense reductions were realized for the entirety of such period). For the purposes of the Indenture, "*run-rate*" means the full recurring benefit for a period that is associated with any action taken, committed to be taken, or with respect to which substantial steps have been taken or are expected to be taken (including any savings expected to result from the elimination of a public target's compliance costs with public company requirements), net of the amount of actual benefits realized during such period from such actions. For the purpose of determining Adjusted EBITDA and Run-Rate Adjusted EBITDA, *pro forma* effect shall be given on the same basis as for calculating the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries.

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness will be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation will be deemed to accrue at an interest rate reasonably determined by a Financial Officer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, will be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Issuer may designate. For purposes of this definition in the Indenture, any amount in a currency other than U.K. pound sterling will be converted to U.K. pound sterling based on the average exchange rate for such currency for the most recent twelve month period immediately prior to the date of determination in a manner consistent with that used in calculating Run-Rate Adjusted EBITDA for the applicable Test Period.

"*Fixed Charges*" means, with respect to any Person for any period, the sum of, without duplication:

(1) Consolidated Interest Expense of such Person for such period;

(2) all cash dividends or other cash distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock during such period; and

(3) all cash dividends or other cash distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during such period.

"*GAAP*" means International Financial Reporting Standards ("*IFRS*") as adopted by the European Union. Notwithstanding the foregoing, the impact of IFRS 16 (Leases) and any successor standard thereto shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to this Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS as of the Issue Date shall be accounted for in accordance with IFRS as in effect on the Issue Date.

"*Gilt Rate*" means, as of any Redemption Date, the yield to maturity as of such Redemption Date of UK Government Securities with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such redemption date (or, if such Financial Statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from Redemption Date to February 15, 2021; *provided*, if the period from the Redemption Date to such date is less than one year, the weekly average yield on actively traded UK Government Securities denominated in sterling securities adjusted to a constant maturity of one year will be used.

"*guarantee*" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business or consistent with industry practice), direct or indirect, in any manner (including letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

"*Guarantee*" means the guarantee by any Guarantor of the Issuer's Obligations under the Indenture and the Notes.

"*Guarantor*" means (1) each of Gym Topco; Gym Midco Limited; Gym Midco2 Limited; Gym Bidco Limited; and Pure Gym Limited, and (2) each Person that Guarantees the Notes in accordance with the terms of the Indenture, from the point at which such Person provides such guarantee and until such guarantee is released in accordance with the terms of the Indenture.

"*Gym Topco*" means Gym Topco Limited.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, foreign exchange contract, currency swap agreement or similar agreement providing for the transfer, modification or mitigation of interest rate, currency, commodity risks or equity risks either generally or under specific contingencies.

"*Holder*" means the Person in whose name a Note is registered on the registrar's books.

"*Holdco*" means Pinnacle Midco 2 Limited and its successors and assigns.

"*Immediate Family Members*" means with respect to any individual, such individual's child, stepchild, grandchild or more remote descendant, parent, stepparent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother-in-law, father-in-law, son-in-law and daughter-in-law (including, in each case, adoptive relationships) and any trust, partnership or other *bona fide* estate-planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation or fund that is controlled by any of the foregoing individuals or any donor-advised fund of which any such individual is the donor.

"*Indebtedness*" means, with respect to any Person, without duplication:

(1) any indebtedness (including principal and premium) of such Person, whether or not contingent:

(a) in respect of borrowed money;

(b) evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers' acceptances (or, without duplication, reimbursement agreements in respect thereof);

(c) representing the balance deferred and unpaid of the purchase price of any property (including Capitalized Lease Obligations) due more than twelve months after such property is acquired, except (i) any such balance that constitutes an obligation in respect of a commercial letter of credit, a trade payable or similar obligation to a trade creditor, in each case accrued in the ordinary course of business or consistent with industry practice, (ii) any earn-out obligations until such obligation is reflected as a liability on the balance sheet (excluding any footnotes thereto) of such Person in accordance with GAAP and is not paid within 60 days after becoming due and payable and (iii) accruals for payroll and other liabilities accrued in the ordinary course of business; or

(d) representing the net obligations under any Hedging Obligations;

if and to the extent that any of the foregoing Indebtedness (other than obligations in respect of letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with GAAP;

(2) to the extent not otherwise included, any obligation by such Person to be liable for, or to pay, as obligor, guarantor or otherwise, on the obligations of the type referred to in clause (1) of a third Person (whether or not such items would appear upon the balance sheet of the such obligor or guarantor), other than by endorsement of negotiable instruments for collection in the ordinary course of business or consistent with industry practice; and

(3) to the extent not otherwise included, the obligations of the type referred to in clause (1) of a third Person secured by a Lien on any asset owned by such first Person, whether or not such Indebtedness is assumed by such first Person; *provided*, the amount of such Indebtedness will be the lesser of (i) the fair market value of such asset at such date of determination and (ii) the amount of such Indebtedness of such other Person;

provided, notwithstanding the foregoing, Indebtedness will be deemed not to include (a) Contingent Obligations incurred in the ordinary course of business or consistent with industry practice, (b) reimbursement obligations under commercial letters of credit (*provided*, unreimbursed amounts under letters of credit will be counted as Indebtedness 30 days after such amount is drawn), (c) obligations under or in respect of Qualified Securitization Facilities; (d) accrued expenses, (e) deferred or prepaid revenues, (f) Subordinated Shareholder Funding, and (g) asset retirement obligations and obligations in respect of reclamation and workers compensation (including pensions and retiree medical care).

"*Independent Financial Advisor*" means an accounting, appraisal, investment banking firm or consultant of nationally recognized standing that is, in the good faith judgment of the Issuer, qualified to perform the task for which it has been engaged.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Company or any successor of the Issuer or any Parent Company (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the intercreditor agreement dated on or about the Acquisition Date, by and among, *inter alios*, the Issuer, Holdco, the Security Agent and the Trustee, as amended from time to time.

"*Investment Grade Rating*" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's or BBB- (or the equivalent) by Fitch or S&P, or an equivalent rating from any other Rating Agency selected by the Issuer.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully guaranteed or insured by the government of the United Kingdom or any agency or instrumentality thereof (other than Cash Equivalents);

(2) debt securities or debt instruments with an Investment Grade Rating, but excluding any debt securities or debt instruments constituting loans or advances among the Issuer and its Subsidiaries;

(3) investments in any fund that invests at least 95% of its assets in investments of the type described in clauses (1) and (2) which fund may also hold immaterial amounts of cash pending investment or distribution; and

(4) corresponding instruments in countries other than the United Kingdom customarily utilized for high quality investments.

"*Investments*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees), advances or capital contributions (excluding accounts receivable, credit card and debit card receivables, trade credit, advances to customers, commission, travel and similar advances to employees, directors, officers, members of management, manufacturers and consultants, in each case made in the ordinary course of business or consistent with industry practice), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person. For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investments" will include the portion (proportionate to the Issuer's Equity Interest in such Subsidiary) of the fair market value of the net assets of a Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided*, upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to:

(a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation; *minus*

(b) the portion (proportionate to the Issuer's Equity Interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer.

The amount of any Investment outstanding at any time will be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in cash by the Issuer or a Restricted Subsidiary in respect of such Investment.

"*Investor*" means any of Leonard Green & Partners, L.P. ("*LGP*") and any of its Affiliates and funds or partnerships managed or advised by any of them or any of their respective Affiliates but not including, however, any portfolio company of any of the foregoing.

"*Issue Date*" means January 24, 2018.

"*Legal Holiday*" means a Saturday, a Sunday or a day on which commercial banking institutions are not required to be open in London, England or at the place of payment.

"*Lien*" means, with respect to any asset, any mortgage, lien (statutory or otherwise), pledge, hypothecation, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided*, in no event will an operating lease be deemed to constitute a Lien.

"*Management Stockholders*" means the members of management and Board of Directors (and their Controlled Investment Affiliates and Immediate Family Members and any permitted transferees thereof) of the Issuer or its Restricted Subsidiaries (or a Parent Company) who are holders of Equity Interests of the Issuer or of any Parent Company on the Issue Date or will become holders of such Equity Interests.

"*Market Capitalization*" means an amount equal to (1) the total number of issued and outstanding shares of common Equity Interests of the Issuer or the applicable Parent Company, as applicable, on the date of the declaration of a Restricted Payment permitted pursuant to clause (9) of the second paragraph under "*—Certain Covenants—Limitation on Restricted Payments*" multiplied by (2) the arithmetic mean of the closing prices per share of such common Equity Interests on the principal securities exchange on which such common Equity Interests are traded for the 30 consecutive trading days immediately preceding the date of declaration of such Restricted Payment.

"*Moody's*" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"*Net Income*" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of Preferred Stock dividends.

"*Net Proceeds*" means the aggregate Cash Equivalent proceeds received by the Issuer or any Restricted Subsidiary in respect of any Asset Sale, including any Cash Equivalents received upon the sale or other disposition of any Designated Non-cash Consideration received in any Asset Sale, net of the costs relating to such Asset Sale and the sale or disposition of such Designated Non-cash Consideration, including legal, accounting and investment banking fees, payments made in order to obtain a necessary consent or required by applicable law, brokerage and sales commissions, all dividends, distributions or other payments required to be made to minority interest holders in Restricted Subsidiaries as a result of any such Asset Sale by a Restricted Subsidiary, the amount of any purchase price or similar adjustment claimed by any Person to be owed by the Issuer or any Restricted Subsidiary, until such time as such claim will have been settled or otherwise finally resolved, or paid or payable by the Issuer or any Restricted Subsidiary, in either case in respect of such Asset Sale, any relocation expenses incurred as a result thereof, costs and expenses in connection with unwinding any Hedging Obligation in connection therewith, other fees and expenses, including title and recordation expenses, taxes paid or payable as a result thereof or any transactions occurring or deemed to occur to effectuate a payment under the Indenture, amounts required to be applied to the repayment of principal, premium, if any, and interest on Indebtedness (other than Subordinated Indebtedness) or amounts required to be applied to the repayments of Indebtedness secured by a Lien on such assets and required to be paid as a result of such transaction and any deduction of appropriate amounts to be provided by the Issuer or any Restricted Subsidiary as a reserve in accordance with GAAP against any liabilities associated with the asset disposed of in such transaction and retained by the Issuer or any Restricted Subsidiary after such sale or other disposition thereof, including pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

"*New Facility*" means each new fitness center, club, or exercise facility opened by the Issuer or a Restricted Subsidiary that has been open for commercial operations for less than three full calendar years.

"New Facility EBITDA Adjustment" means for each New Facility, only to the extent it is a positive number:

(1) Expected EBITDA for such New Facility, *minus*

(2) the actual Adjusted EBITDA of such New Facility for such period.

"*Notes Documents*" means the Notes (including Additional Notes), the Guarantees, the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Obligations*" means any principal, interest (including any interest accruing on or subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), premium, penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and banker's acceptances), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means a certificate signed on behalf of a Person by an Officer of such Person that meets the requirements set forth in the Indenture and provided to the Trustee.

"*Opinion of Counsel*" means a written opinion from legal counsel which is acceptable to the Trustee. Counsel may be an employee of or counsel to the Issuer.

"*Parent Company*" means any person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for the purpose of holding its investment in any Parent Company.

"*Participating Member State*" means each state so described in any EMU Legislation.

"*Permitted Asset Swap*" means the substantially concurrent purchase and sale or exchange of Related Business Assets or a combination of Related Business Assets and Cash Equivalents between the Issuer or any Restricted Subsidiary and another Person; *provided*, any cash or Cash Equivalents received must be applied in accordance with the covenant described under "*—Repurchase at the Option of Holders—Asset Sales*."

"*Permitted Collateral Liens*" means Liens on the Collateral:

(1) that are described in one or more of clauses (1)-(5), (7), (12)-(14), (16), (18), (19), (21), (22), (24)-(30), (33)-(35), (37)-(38) and (40)-(44) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(2) to secure:

(a) the Notes (other than any Additional Notes) and any related Guarantees;

(b) Indebtedness permitted to be incurred under clause (2) of the first paragraph of the covenant described under "—*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(c) Indebtedness described under clause (1) of "—*Permitted Debt*," which Indebtedness may have super senior priority status in respect of the proceeds from the enforcement of the Collateral, not materially less favorable to the Holders than that accorded to the Revolving Credit Facility pursuant to the Intercreditor Agreement as in effect on the Issue Date;

(d) Indebtedness described under clause (17) of "—*Permitted Debt*," to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(e) Indebtedness described under clause (14) of "—*Permitted Debt*";

(f) Indebtedness described under clause (10) of "—*Permitted Debt*" and Hedging Obligations in connection with any Senior Notes; *provided* that to the extent permitted by the Intercreditor Agreement, Hedging Obligations incurred in compliance with the covenant entitled "—*Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" that are not subordinated in right of payment to the Notes may have super senior priority status in respect of the proceeds from the enforcement of the Collateral, not materially less favorable to the Holders than that accorded to the Revolving Credit Facility pursuant to the Intercreditor Agreement as in effect on the Issue Date;

(g) Indebtedness described under clauses (4) or (12) of "—*Permitted Debt*";

(h) solely with respect to Collateral securing any Senior Notes or Guarantees in respect thereof, Indebtedness issued or borrowed by any issuer of Senior Notes and the Guarantees in respect thereof; *provided* that such Liens rank junior to the Liens on the same Collateral securing the Notes and the Note Guarantees; and

(i) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a), (b), (d), (e), (f) (g) (excluding Indebtedness described under clauses (4) and (12)(b) of "—*Permitted Debt*") or this clause (i);

provided, further, that with respect to Permitted Collateral Liens specified in this clause (2), each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided, further* that subject to the Agreed Security Principles all property and assets (including, without limitation, the Collateral) of the Issuer or any Restricted Subsidiary securing such Indebtedness (including any Guarantees thereof) or Refinancing Indebtedness secure the Notes and related Note Guarantees and the Indenture on a senior or *pari passu* basis, except to the extent provided in clauses (c) and (f) above.

For purposes of determining compliance with this definition, (1) a Lien need not be incurred solely by reference to one category of Permitted Collateral Liens described in this definition but is permitted to be incurred in part under any combination thereof and of any other available exemption and (2) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Collateral Liens, the Issuer will, in its sole discretion, be entitled to divide, classify or reclassify, in whole or in part, any such Lien (or any portion thereof) among one or more such categories or clauses in any manner that complies with this definition.

If any Liens securing obligations are incurred to refinance liens securing obligations initially incurred in reliance on a basket measured by reference to a percentage of Run-Rate Adjusted EBITDA, and such refinancing would cause the percentage of Run-Rate Adjusted EBITDA to be exceeded if calculated based on the Run-Rate Adjusted EBITDA on the date of such refinancing, such percentage of Run-Rate Adjusted EBITDA will not be deemed to be exceeded to the extent the principal amount of such obligations secured by such newly incurred Lien does not exceed the principal amount of such obligations secured by such Liens being refinanced, plus the related costs incurred or payable in connection with such refinancing and if any Liens securing obligations are incurred to refinance liens securing obligations initially incurred in reliance on a basket measured by a fixed pound sterling amount, such fixed pound sterling basket will be deemed to be exceeded to the extent the principal amount of such obligations secured by such Liens being refinanced, plus the related costs incurred or payable in connection with such refinancing.

For purposes of this definition, the term "Indebtedness" will be deemed to include interest on such Indebtedness.

"*Permitted Holder*" means (1) any of the Investor and Management Stockholders and any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) of which any of the foregoing are members; *provided*, in the case of such group and without giving effect to the existence of such group or any other group, the Investor and Management Stockholders, collectively, have beneficial ownership of more than 50.0% of the total voting power of the Voting Stock of the Issuer or any Parent Company, (2) any Related Person of any Person specified in clause (1); and (3) any Person acting in the capacity of an underwriter (solely to the extent that and for so long as such Person is acting in such capacity) in connection with a public or private offering of Capital Stock of the Issuer. Any Person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which any required Change of Control Offer is made in accordance with the requirements of the Indenture (or would have required a Change of Control Offer in the absence of the waiver of such requirement by Holders in accordance with the provisions of the Indenture) or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investments*" means:

(1) any Investment in the Issuer or any Restricted Subsidiary;

(2) any Investment in Cash Equivalents or Investment Grade Securities and Investments that were Cash Equivalents or Investment Grade Securities when made;

(3) any Investment by the Issuer or any Restricted Subsidiary in a Person that is engaged (directly or through entities that will be Restricted Subsidiaries) in a Similar Business if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary; or

(b) such Person, in one transaction or a series of related transactions, is amalgamated, merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary,

and, in each case, any Investment held by such Person; *provided*, such Investment was not acquired by such Person in contemplation of such acquisition, merger, amalgamation, consolidation, transfer or conveyance;

(4) any Investment in securities or other assets not constituting Cash Equivalents or Investment Grade Securities and received in connection with an Asset Sale made pursuant to the provisions described under "*—Repurchase at the Option of Holders—Asset Sales*" or any other disposition of assets not constituting an Asset Sale;

(5) any Investment existing on the Issue Date or made pursuant to binding commitments in effect on the Issue Date or an Investment consisting of any extension, modification, replacement, renewal or reinvestment of any Investment or binding commitment existing on the Issue Date; *provided*, the amount of any such Investment or binding commitment may be increased, extended, modified, replaced, reinvested or renewed, (a) as required by the terms of such Investment or binding commitment as in existence on the Issue Date (including as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities) or (b) as otherwise permitted under the Indenture;

(6) any Investment acquired by the Issuer or any Restricted Subsidiary:

(a) in exchange for any other Investment, accounts receivable or indorsements for collection or deposit held by the Issuer or any Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of, or settlement of delinquent accounts and disputes with or judgments against, the issuer of such other Investment or accounts receivable (including any trade creditor or customer);

(b) in satisfaction of judgments against other Persons;

(c) as a result of a foreclosure by the Issuer or any Restricted Subsidiary with respect to any secured Investment or other transfer of title with respect to any secured Investment in default; or

(d) as a result of the settlement, compromise or resolution of (i) litigation, arbitration or other disputes or (ii) obligations of trade creditors or customers that were incurred in the ordinary course of business or consistent with industry practice of the Issuer or any Restricted Subsidiary, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer;

(7) Hedging Obligations permitted under clause (10) of the covenant described in "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(8) any Investment in a Similar Business taken together with all other Investments made pursuant to this clause (8) that are at that time outstanding, not to exceed the greater of (a) £20.0 million and (b) 25% of Run-Rate Adjusted EBITDA of the Issuer for the most recently ended Test Period on the date of such Investment (with the amount of each Investment being measured at the time made and without giving effect to subsequent changes in value, but subject to adjustment as set forth in the definition of Investment);

(9) Investments the payment for which consists of Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Issuer or any Parent Company; *provided*, such Equity Interests or Subordinated Shareholder Funding will not increase the amount available for Restricted Payments under clause (3) of the first paragraph under the covenant described in "*—Certain Covenants—Limitation on Restricted Payments*";

(10) guarantees of Indebtedness permitted under the covenant described in "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," performance guarantees and Contingent Obligations incurred in the ordinary course of business or consistent with industry practice and the creation of liens on the assets of the Issuer or any Restricted Subsidiary in compliance with the covenant described under "*—Certain Covenants—Liens*";

(11) any transaction to the extent it constitutes an Investment that is permitted by and made in accordance with the provisions of the second paragraph of the covenant described under "*Certain Covenants—Transactions with Affiliates*" (except transactions described in clauses (2), (5), (9), (15) and (22) of such paragraph).

(12) Investments consisting of purchases and acquisitions of inventory, supplies, material, services or equipment or similar assets or the licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons;

(13) Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (13) that are at that time outstanding, not to exceed the greater of (a) £25.0 million and (b) 30% of Run-Rate Adjusted EBITDA of the Issuer for the most recently ended Test Period on the date of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value, but subject to adjustment as set forth in the definition of "Investment"); *provided, however*, if any Investment pursuant to this clause (13) is made in any Person that is not a Restricted Subsidiary of the Issuer at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment will thereafter be deemed to have been made pursuant to clause (1) above and will cease to have been made pursuant to this clause (13) for so long as such Person continues to be a Restricted Subsidiary;

(14) Investments in or relating to a Securitization Subsidiary that, in the good faith determination of the Issuer, are necessary or advisable to effect any Qualified Securitization Facility (including

distributions or payments of Securitization Fees) or any repurchase obligation in connection therewith (including the contribution or lending of Cash Equivalents to Subsidiaries to finance the purchase of such assets from the Issuer or any Restricted Subsidiary or to otherwise fund required reserves);

(15) loans and advances to, or guarantees of Indebtedness of, officers, directors, employees, consultants and members of management not in excess of £5.0 million outstanding at any one time, in the aggregate.

(16) loans and advances to employees, directors, officers, members of management and consultants for business-related travel expenses, moving expenses, payroll advances and other similar expenses or payroll expenses, in each case incurred in the ordinary course of business or consistent with past practice or consistent with industry practice or to future, present and former employees, directors, officers, members of management and consultants (and their Controlled Investment Affiliates and Immediate Family Members) to fund such Person's purchase of Equity Interests of the Issuer or any Parent Company;

(17) advances, loans or extensions of trade credit or prepayments to suppliers or loans or advances made to distributors, in each case, in the ordinary course of business or consistent with past practice or consistent with industry practice by the Issuer or any Restricted Subsidiary;

(18) any Investment in any Subsidiary or any joint venture in connection with intercompany cash management arrangements or related activities arising in the ordinary course of business or consistent with industry practice;

(19) Investments consisting of purchases and acquisitions of assets or services in the ordinary course of business or consistent with industry practice;

(20) Investments made in the ordinary course of business or consistent with industry practice in connection with obtaining, maintaining or renewing client contacts and loans or advances made to distributors;

(21) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers compensation, performance and similar deposits entered into as a result of the operations of the business in the ordinary course of business or consistent with industry practice;

(22) the purchase or other acquisition of any Indebtedness of the Issuer or any Restricted Subsidiary to the extent otherwise permitted hereunder;

(23) Investments in Unrestricted Subsidiaries having an aggregate fair market value, taken together with all other Permitted Investments made pursuant to this clause (23) that are at the time outstanding, without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of, or have not been subsequently sold or transferred for, Cash Equivalents or marketable securities, not to exceed the greater of (a) £15.0 million and (b) 20% of Run-Rate Adjusted EBITDA of the Issuer for the most recently ended Test Period on the date of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value, but subject to adjustment as set forth in the definition of "Investment"); *provided, however*, if any Investment pursuant to this clause (23) is made in any Person that is an Unrestricted Subsidiary of the Issuer at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment will thereafter be deemed to have been made pursuant to clause (1) above and will cease to have been made pursuant to this clause (23) for so long as such Person continues to be a Restricted Subsidiary;

(24) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers' compensation, performance and other similar deposits, in each case, in the ordinary course of business;

(25) [Reserved];

(26) Investments made as part of, to effect or resulting from, the Transactions;

(27) Investments of assets relating to non-qualified deferred payment plans in the ordinary course of business or consistent with industry practice;

(28) intercompany current liabilities owed to Unrestricted Subsidiaries or joint ventures incurred in the ordinary course of business or consistent with industry practice in connection with the cash management operations of the Issuer and its Subsidiaries;

(29) acquisitions of obligations of one or more directors, officers or other employees or consultants or independent contractors of any Parent Company, the Issuer, or any Subsidiary of the Issuer in connection with such director's, officer's, employee's consultant's or independent contractor's acquisition of Equity Interests of the Issuer or any direct or indirect parent of the Issuer, to the extent no cash is actually advanced by the Issuer or any Restricted Subsidiary to such directors, officers, employees, consultants or independent contractors in connection with the acquisition of any such obligations;

(30) Investments constituting promissory notes or other non-cash proceeds of dispositions of assets to the extent permitted under "*—Repurchase at the Option of Holders—Asset Sales*";

(31) Investments resulting from pledges and deposits permitted pursuant to the definition of "Permitted Liens"; and

(32) any other Investments if on a *pro forma* basis after giving effect to such Investment, the Total Net Leverage Ratio would be equal to or less than 3.85:1.00.

For purposes of determining compliance with this definition, (1) an Investment need not be incurred solely by reference to one category of Permitted Investments described in this definition but is permitted to be incurred in part under any combination thereof and of any other available exemption and (2) in the event that an Investment (or any portion thereof) meets the criteria of one or more of the categories of Permitted Investments, the Issuer will, in its sole discretion, classify or reclassify such Investment (or any portion thereof) in any manner that complies with this definition and the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Permitted Liens*" means, with respect to any Person:

(1) Liens, pledges or deposits by such Person (a) made in connection with workmen's compensation laws, unemployment insurance, health, disability or employee benefits, other social security laws or similar legislation or regulations, (b) insurance-related obligations (including, but not limited to, in respect of deductibles, self-insured retention amounts and premiums and adjustments thereto) securing reimbursement or indemnification obligations of (including obligations in respect of letters of credit, bank guarantees or similar instruments for the benefit of) insurance carriers providing property, casualty or liability insurance, or otherwise supporting the payment of items set forth in the foregoing clause (a), or (c) bids, tenders, contracts, statutory obligations, surety, indemnity, warranty, release, appeal or similar bonds, or with regard to other regulatory requirements, completion guarantees, stay, customs and appeal bonds, performance bonds, bankers' acceptance facilities, and other obligations of like nature (including those to secure health, safety and environmental obligations) (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or U.K. government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for the payment of rent, contested taxes or import duties and obligations in respect of letters of credit, bank guarantees or similar instruments that have been posted to support the same, in each case incurred in the ordinary course of business or consistent with industry practice;

(2) Liens imposed by law, such as landlords', carriers', warehousemen's, materialmen's, repairmen's, construction and mechanics' Liens and other similar Liens and (a) for sums not yet overdue for a period of more than 60 days or, if more than 60 days overdue, are unfiled and no other action has been taken to enforce such Liens or (b) being contested in good faith by appropriate actions or other Liens arising out of or securing judgments or awards against such Person with respect to which such Person will then be proceeding with an appeal or other proceedings for review if such Liens are adequately bonded or adequate reserves with respect thereto are maintained on the books of such Person in accordance with GAAP;

(3) Liens for taxes, assessments or other governmental charges not yet overdue for a period of more than 30 days or not yet payable or not subject to penalties for nonpayment or which are being contested in good faith by appropriate actions if adequate reserves with respect thereto are maintained on the books of such Person in accordance with GAAP;

(4) Liens in favor of issuers of performance, surety, bid, indemnity, warranty, release, appeal or similar bonds, instruments or obligations or with respect to regulatory requirements or letters of credit or bankers' acceptance issued, and completion guarantees provided for, in each ease, issued pursuant to the request of and for the account of such Person in the ordinary course of its business or consistent with past practice or industry practice;

(5) survey exceptions, encumbrances, ground leases, easements, restrictions, protrusions, encroachments or reservations of, or rights of others for, licenses, rights-of-way, servitudes, sewers, electric lines, drains, telegraph, telephone and cable television lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties that were not incurred in connection with Indebtedness and that do not in the aggregate materially impair their use in the operation of the business of such Person;

(6) Liens securing obligations in respect of Indebtedness, Disqualified Stock or Preferred Stock permitted to be incurred pursuant to clause (4), (6), (13), (15) and (24) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; *provided*, (a) Liens securing obligations relating to any Indebtedness, Disqualified Stock or Preferred Stock permitted to be incurred pursuant to clause (13) relate only to obligations relating to Refinancing Indebtedness that is secured by Liens on the same assets as the assets securing the Refinanced Debt (as defined in the definition of Refinancing Indebtedness), plus improvements, accessions, proceeds or dividends or distributions in respect thereof and after-acquired property, or that serves to refund, refinance, extend, replace, renew or defease Indebtedness, Disqualified Stock or Preferred Stock incurred under clause (4) or (13) of the second paragraph of "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," and (b) Liens securing obligations in respect of Indebtedness, Disqualified Stock or Preferred Stock permitted to be incurred pursuant to clause (4) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" extend only to the assets so purchased, replaced, leased or improved and proceeds and products thereof; *provided further* that individual financings of assets provided by a counterparty may be cross-collateralized to other financings of assets provided by such counterparty;

(7) Liens existing, or provided for under binding contracts existing, on the Issue Date;

(8) Liens on property or shares of stock or other assets of a Person at the time such Person becomes a Subsidiary; *provided*, such Liens are not created or incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided*, *further*, such Liens are limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof and after-acquired property) that secured the obligations to which such Liens relate;

(9) Liens on property or other assets at the time the Issuer or a Restricted Subsidiary acquired the property or such other assets, including any acquisition by means of a merger, amalgamation or consolidation with or into the Issuer or any Restricted Subsidiary; *provided*, such Liens are not created or incurred in connection with, or in contemplation of, such acquisition, amalgamation, merger or consolidation; *provided*, *further*, such Liens are limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof and after acquired-property) that secured the obligations to which such Liens relate;

(10) Liens securing obligations in respect of Indebtedness or other obligations of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary permitted to be incurred in accordance with the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(11) Liens securing (a) Hedging Obligations and (b) obligations in respect of Cash Management Services;

(12) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's accounts payable or similar obligations in respect of bankers' acceptances or letters of credit issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(13) leases, subleases, licenses or sublicenses (or other agreement under which the Issuer or any Restricted Subsidiary has granted rights to end users to access and use the Issuer's or any Restricted Subsidiary's products, technologies or services) that do not materially interfere with the business of the Issuer and its Restricted Subsidiaries, taken as a whole, and the customary rights reserved or vested in any Person by the terms of any lease, sublease, license, sublicense, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;

(14) Liens arising from Uniform Commercial Code (or equivalent statutes) financing statement filings regarding operating leases, consignments or accounts entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business or consistent with industry practice or purported Liens evidenced by the filing of precautionary Uniform Commercial Code (or equivalent statutes) financing statements or similar public filings;

(15) Liens in favor of the Issuer or any Guarantor;

(16) Liens on equipment or vehicles of the Issuer or any Restricted Subsidiary granted in the ordinary course of business or consistent with industry practice;

(17) Liens on accounts receivable, Securitization Assets and related assets incurred in connection with a Qualified Securitization Facility;

(18) Liens to secure any modification, refinancing, refunding, extension, renewal or replacement (or successive modification, refinancing, refunding, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness, Disqualified Stock or Preferred Stock secured by any Lien referred to in clauses (6), (7), (8), (9) or (39) and of this definition; *provided*, (a) such new Lien will be limited to all or part of the same property (plus improvements, accessions, proceeds or dividends or distributions in respect thereof and after-acquired property) that secured the original Lien (plus improvements and accessions on such property) and proceeds and products thereof, and (b) the Indebtedness, Disqualified Stock or Preferred Stock secured by such Lien at such time is not increased to any amount greater than the sum of (i) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (6), (7), (8), (9) or (39) at the time the original Lien became a Permitted Lien under the Indenture, *plus* (ii) an amount necessary to pay any fees and expenses (including original issue discount, upfront fees, defeasance costs, underwriting discounts or similar fees) and premiums (including tender premiums and accrued and unpaid interest), related to such refinancing, refunding, extension, renewal or replacement;

(19) deposits made or other security provided to secure liability to insurance brokers, carriers, underwriters or self-insurance arrangements, including Liens or insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;

(20) other Liens securing obligations in an aggregate principal amount at any one time outstanding not to exceed the greater of (a) £20.0 million and (b) 25% of Run-Rate Adjusted EBITDA of the Issuer for the most recently ended Test Period on the date of such incurrence;

(21) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(22) (i) the prior rights of consignees and their lenders under consignment arrangements entered into in the ordinary course of business or consistent with industry practice, and (ii) Liens arising out of conditional sale, title retention or similar arrangements for the sale of goods in the ordinary course of business or consistent with industry practice;

(23) Liens securing judgments for the payment of money not constituting an Event of Default under clause (5) under "*—Events of Default and Remedies*";

(24) Liens (a) of a collection bank arising on items in the course of collection, (b) attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business or consistent with industry practice, and (c) in favor of banking or other institutions or other electronic payment service providers arising as a matter of law or under general terms and conditions encumbering deposits or margin deposits or other funds maintained with such institution (including the right of set off) and which are within the general parameters customary in the banking industry;

(25) Liens deemed to exist in connection with Investments in repurchase agreements permitted under the Indenture; *provided* that such Liens do not extend to assets other than those that are subject to such repurchase agreements;

(26) Liens that are contractual rights of set-off (a) relating to the establishment of depository relations with banks or other deposit-taking financial institutions or other electronic payment service providers and not given in connection with the issuance of Indebtedness, (b) relating to pooled deposit or sweep accounts to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business or consistent with industry practice of the Issuer and its Restricted Subsidiaries or (c) relating to purchase orders and other agreements entered into with customers of the Issuer or any Restricted Subsidiary in the ordinary course of business or consistent with industry practice;

(27) Liens on cash proceeds of assets sold that were subject to a Lien permitted hereunder;

(28) any encumbrance or restriction (including put, call arrangements, tag, drag, right of first refusal and similar rights) with respect to capital stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(29) Liens (a) on cash advances or cash earnest money deposits in favor of the seller of any property to be acquired in an Investment permitted under the Indenture to be applied against the purchase price for such Investment and (b) consisting of a letter of intent or an agreement to sell, transfer, lease or otherwise dispose of any property in a transaction permitted under "*—Repurchase at the Option of Holders—Asset Sales*," in each case, solely to the extent such Investment or sale, disposition, transfer or lease, as the case may be, would have been permitted on the date of the creation of such Lien;

(30) ground leases, subleases, licenses or sublicenses in respect of real property on which facilities owned or leased by the Issuer or any of its Subsidiaries are located;

(31) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted by the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(32) Liens on Capital Stock or other securities of an Unrestricted Subsidiary;

(33) any interest or title of a lessor, sublessor, licensor or sublicensor or secured by a lessor's, sublessor's, licensor's or sublicensor's interest under leases or licenses entered into by the Issuer or any of the Restricted Subsidiaries in the ordinary course of business or consistent with industry practice;

(34) deposits of cash with the owner or lessor of premises leased and operated by the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with industry practice of the Issuer and such Subsidiary to secure the performance of the Issuer's or such Subsidiary's obligations under the terms of the lease for such premises;

(35) rights of set-off, banker's liens, netting arrangements and other Liens arising by operation of law or by the terms of documents of banks or other financial institutions in relation to the maintenance of administration of deposit accounts, securities accounts, cash management arrangements or in connection with the issuance of letters of credit, bank guarantees or other similar instruments;

(36) Liens on cash and Permitted Investments used to satisfy or discharge Indebtedness; *provided*, such satisfaction or discharge is permitted under the Indenture;

(37) receipt of progress payments and advances from customers in the ordinary course of business or consistent with industry practice to the extent the same creates a Lien on the related inventory and proceeds thereof;

(38) agreements to subordinate any interest of the Issuer or any Restricted Subsidiary in any accounts receivable or other proceeds arising from inventory consigned by the Issuer or any Restricted Subsidiary pursuant to an agreement entered into in the ordinary course of business or consistent with industry practice;

(39) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes or the Guarantees, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Indenture, (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and (d) Liens securing Indebtedness incurred under clause (1) of the second paragraph of the covenant entitled "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Notes;

(40) Liens disclosed by the title insurance policies delivered on or prior to the Issue Date and any replacement, extension or renewal of any such Lien (to the extent the Indebtedness and other obligations secured by such replacement, extension or renewal Liens are permitted by the Indenture); *provided* that such replacement, extension or renewal Liens do not cover any property other than the property that was subject to such Liens prior to such replacement, extension or renewal;

(41) rights reserved or vested in any Person by the terms of any lease, license, franchise, grant or permit held by the Issuer or any of its Restricted Subsidiaries or by a statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;

(42) restrictive covenants affecting the use to which real property may be put; *provided* that the covenants are complied with;

(43) security given to a public utility or any municipality or governmental authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of business or consistent with industry practice; and

(44) zoning by-laws and other land use restrictions, including, without limitation, site plan agreements, development agreements and contract zoning agreements.

For purposes of determining compliance with this definition, (1) a Lien need not be incurred solely by reference to one category of Permitted Liens described in this definition but is permitted to be incurred in part under any combination thereof and of any other available exemption and (2) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Liens, the Issuer will, in its sole discretion, be entitled to divide, classify or reclassify, in whole or in part, any such Lien (or any portion thereof) among one or more such categories or clauses in any manner that complies with this definition.

If any Liens securing obligations are incurred to refinance liens securing obligations initially incurred in reliance on a basket measured by reference to a percentage of Run-Rate Adjusted EBITDA, and such refinancing would cause the percentage of Run-Rate Adjusted EBITDA to be exceeded if calculated based on the Run-Rate Adjusted EBITDA on the date of such refinancing, such percentage of Run-Rate Adjusted EBITDA will not be deemed to be exceeded to the extent the principal amount of such obligations secured by such newly incurred Lien does not exceed the principal amount of such obligations secured by such Liens being refinanced, plus the related costs incurred or payable in connection with such refinancing and if any Liens securing obligations are incurred to refinance liens securing obligations initially incurred in reliance on a basket measured by a fixed U.K. pound-sterling amount, such fixed U.K. pound-sterling basket will be deemed to be exceeded to the extent the principal amount of such obligations secured by such Liens being refinanced, plus the related costs incurred or payable in connection with such refinancing.

For purposes of this definition, the term "Indebtedness" will be deemed to include interest on such Indebtedness.

"*Permitted Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, redomiciliation, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith (a "*Reorganization*") that is made on a solvent basis; *provided* that after giving effect to such Permitted Reorganization: (1) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (2) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries, (3) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral, subject to the Agreed Securities Principles, and (4) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default is continuing or would arise as a result of such Reorganization.

"*Person*" means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*" means any Equity Interest with preferential rights of payment of dividends or upon liquidation, dissolution, or winding up.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of £100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Purchase Money Obligations*" means any Indebtedness incurred to finance or refinance the acquisition, leasing, construction or improvement or property (real or personal) or assets (other than Capital Stock), and whether acquired through the direct acquisition of such property or assets, or otherwise.

"*Qualified Proceeds*" means the fair market value of assets that are used or useful in, or Capital Stock of any Person engaged in, a Similar Business.

"*Qualified Securitization Facility*" means any Securitization Facility constituting a securitization financing facility that meets the following conditions: (1) the Board of Directors will have determined in good faith that such Securitization Facility (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the applicable Restricted Subsidiary or Securitization Subsidiary, (2) all sales and/or contributions of Securitization Assets and related assets to the applicable Person or Securitization Subsidiary are made at fair market value (as determined in good faith by the Issuer), (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings and (4) is non-recourse to the Issuer or any Restricted Subsidiary (other than a Securitization Subsidiary) except to the extent of any Standard Securitization Undertaking

"*Rating Agencies*" means Moody's, Fitch and S&P or if Moody's, Fitch or S&P do not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer which will be substituted for Moody's, Fitch or S&P, as the case may be.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Securitization Facility to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Refinancing Indebtedness*" means (x) Indebtedness incurred by the Issuer or any Restricted Subsidiary, (y) Disqualified Stock issued by the Issuer or any Restricted Subsidiary or (z) Preferred Stock issued by any Restricted Subsidiary which, in each case, serves to extend, replace, refund, refinance, renew or defease any Indebtedness, Disqualified Stock or Preferred Stock, including Refinancing Indebtedness, so long as:

(1) (a) the principal amount (or accreted value, if applicable) of such new Indebtedness, the amount of such new Preferred Stock or the liquidation preference of such new Disqualified Stock does not exceed the principal amount of (or accreted value, if applicable), *plus* (b) any accrued and unpaid interest on, the Indebtedness, the amount of, any accrued and unpaid dividends on, the Preferred Stock or the liquidation preference of, *plus* any accrued and unpaid dividends on, the Disqualified Stock being so extended, replaced, refunded, refinanced, renewed or defeased (such Indebtedness, Disqualified Stock or Preferred Stock, the "*Refinanced Debt*"), *plus* (c) the amount of any tender premium or penalty or premium required to be paid under the terms of the instrument or documents governing such Refinanced Debt and any defeasance costs and any fees and expenses (including original issue discount, upfront fees or similar fees) incurred in connection with the issuance of such new Indebtedness, Preferred Stock or Disqualified Stock or the extension, replacement, refunding, refinancing, renewal or defeasance of such Refinanced Debt (such amounts in clause (b) and (c), the "*Incremental Amounts*");

(2) such Refinancing Indebtedness has a final scheduled maturity date equal to or later than the final scheduled maturity date of the Indebtedness, Preferred Stock or Disqualified Stock being so extended, replaced, refunded, refinanced, renewed or defeased (or, if earlier, the maturity date of the Notes); and

(3) to the extent such Refinancing Indebtedness extends, replaces, refunds, refinances, renews or defeases (i) Subordinated Indebtedness (other than Subordinated Indebtedness assumed or acquired in an acquisition and not created in contemplation thereof), such Refinancing Indebtedness is subordinated to the Notes or the Guarantee thereof at least to the same extent as the Indebtedness being extended, replaced, refunded, refinanced, renewed or defeased or (ii) Disqualified Stock or Preferred Stock, such Refinancing Indebtedness must be Disqualified Stock or Preferred Stock, respectively.

Refinancing Indebtedness will not include:

(a) Indebtedness, Disqualified Stock or Preferred Stock of a Subsidiary of the Issuer that is not a Guarantor that refinances Indebtedness or Disqualified Stock of the Issuer;

(b) Indebtedness, Disqualified Stock or Preferred Stock of a Subsidiary of the Issuer that is not a Guarantor that refinances Indebtedness, Disqualified Stock or Preferred Stock of a Guarantor; or

(c) Indebtedness or Disqualified Stock of the Issuer or Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of an Unrestricted Subsidiary;

and, *provided*, *further*, (x) clauses (2) and (3) of this definition will not apply to any extension, replacement, refunding, refinancing, renewal or defeasance of any Indebtedness other than Indebtedness incurred under clauses (2) and (3) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified*

Stock and Preferred Stock," any Subordinated Indebtedness (other than Subordinated Indebtedness assumed or acquired in an Investment or acquisition and not created in contemplation thereof), Disqualified Stock and Preferred Stock and (y) Refinancing Indebtedness may be incurred in the form of a customary "bridge" or other interim credit facility intended to be refinanced or replaced with long-term indebtedness which does not satisfy the requirements of clauses (2) and (3) above so long as, subject to customary conditions, as determined in good faith by the Issuer, such "bridge" or other interim indebtedness will either be automatically converted into or required to be exchanged for permanent financing which satisfies the requirements of clauses (2) and (3) of this definition.

"*Related Business Assets*" means assets (other than Cash Equivalents) used or useful in a Similar Business; *provided*, any assets received by the Issuer or a Restricted Subsidiary in exchange for assets transferred by the Issuer or a Restricted Subsidiary will not be deemed to be Related Business Assets if they consist of securities of a Person, unless upon receipt of the securities of such Person, such Person is or would become a Restricted Subsidiary.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or controlling partner or controlling member of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means, at any time, any direct or indirect Subsidiary of the Issuer that is not then an Unrestricted Subsidiary; *provided*, upon the occurrence of an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary will be included in the definition of "Restricted Subsidiary." Wherever the term "Restricted Subsidiary" is used herein with respect to any Subsidiary of a referenced Person that is not the Issuer, then it will be construed to mean a Person that would be a Restricted Subsidiary of the Issuer on a *pro forma* basis following consummation of one or a series of related transactions involving such referenced Person and the Issuer (but for which transactions may include a designation of a Subsidiary of such Person as an Unrestricted Subsidiary on a *pro forma* basis in accordance with the Indenture).

"*Revolving Credit Facility*" means, the senior secured revolving facility under that certain credit agreement, dated as of November 28, 2017, by and among the Issuer, Barclays Bank PLC, as the administrative agent, and the lenders and other entities party thereto, including any guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements, refundings, refinancings or replacements thereof and any one or more indentures or credit facilities or commercial paper facilities with banks or other institutional lenders, or investors, whether or not secured, that replace, refund, supplement or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding or refinancing facility or indenture that increases the amount borrowable thereunder or alters the maturity thereof (*provided*, such increase in borrowings is permitted under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" above) or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, trustee, lender or group of lenders or holders.

"Run-Rate Adjusted EBITDA" means, with respect to any Person for any period, the Adjusted EBITDA of such Person and its Restricted Subsidiaries for such period increased by the Total New Facility Run-Rate Adjustment, less the aggregate amount invested in pre-opening costs during the relevant period.

"*S&P*" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any successor to its rating agency business.

"*Sale and Lease-Back Transaction*" means any arrangement providing for the leasing by the Issuer or any Restricted Subsidiary of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing. The net proceeds of any Sale and Lease-Back Transaction will be determined giving effect to transaction expenses and the tax effect of such transactions (including taxes paid or payable and tax attributes used as a result of such transactions).

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Securitization Assets*" means any Receivables of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such Receivable, all contracts and all guarantees or other obligations in respect of such Receivable, proceeds collected on such Receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions and any related Hedging Obligations, in each case, whether now existing or arising in the future.

"*Securitization Facility*" means any transaction or series of securitization financings that may be entered into by the Issuer or any Restricted Subsidiary pursuant to which the Issuer or any such Restricted Subsidiary may sell, convey or otherwise transfer, or may grant a security interest in, Securitization Assets to either (1) a Person that is not the Issuer or a Restricted Subsidiary or (2) a Securitization Subsidiary that in turn sells such Securitization Assets to a Person that is not the Issuer or a Restricted Subsidiary, or may grant a security interest in, any Securitization Assets of the Issuer or any of its Subsidiaries.

"*Securitization Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees and expenses (including reasonable fees and expenses of legal counsel) paid to a Person that is not a Securitization Subsidiary in connection with, any Qualified Securitization Facility.

"*Securitization Subsidiary*" means a Subsidiary of the Issuer or another Person formed for the purposes of engaging in a Qualified Securitization Facility with the Issuer or any of its Subsidiaries, in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets, which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Securitization Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is subject to terms that are substantially equivalent in effect to a Guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (c) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (d) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Qualified Securitization Financing, including those relating to the servicing of the assets of a Securitization Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"*Senior Secured Bridge Facility*" means the senior secured term loan facility pursuant to which the Issuer financed the Acquisition on the Acquisition Date.

"*Senior Secured Indebtedness*" means Consolidated Total Debt of the Issuer (other than any Indebtedness of a Restricted Subsidiary that is not a Guarantor) outstanding as of any date of determination that is secured by a first-priority Lien on the Collateral (other than property or assets held in a defeasance or similar trust or arrangement (including escrow arrangements) for the benefit of the Indebtedness secured thereby).

"*Senior Secured Net Leverage Ratio*" means, with respect to any Test Period, the ratio of (a) Senior Secured Indebtedness *minus* an aggregate amount of cash and Cash Equivalents included in the consolidated balance sheet of the Issuer as of such date, to (b) Run-Rate Adjusted EBITDA of the Issuer for such Test Period, in each case on a *pro forma* basis with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* provisions set forth in the definition of Fixed Charge Coverage Ratio.

"*Senior Notes*" means any Indebtedness of the direct parent of the Issuer designated as "Permitted Senior Financing Debt" under the Intercreditor Agreement or any Additional Intercreditor Agreement.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X of the SEC, as such regulation is in effect on the Issue Date; *provided,* that notwithstanding the foregoing, in no event will (1) any Securitization Subsidiary, or (2) any special purpose vehicle that borrows mortgage debt secured by fitness centers or exercise facilities and has no other activities be considered a Significant Subsidiary for purposes of clauses (4) or (5) under the first paragraph of "—*Events of Default and Remedies*."

"*Similar Business*" means (1) any business conducted or proposed to be conducted by the Issuer or any Restricted Subsidiary on the Issue Date or (2) any business or other activities that are reasonably similar, ancillary, incidental, complementary or related to (including non-core incidental businesses acquired in connection with any Permitted Investment), or a reasonable extension, development or expansion of, the businesses in which the Issuer and its Restricted Subsidiaries conduct or propose to conduct on the Issue Date.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio would have been equal to or less than 4.6 to 1.0 for any Change of Control occurring. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"*Specified Transaction*" means (1) solely for the purposes of determining the applicable cash balance, any contribution of capital, including as a result of an Equity Offering, to the Issuer, in each case, in connection with an acquisition or Investment, (2) any designation of operations or assets of the Issuer or a Restricted Subsidiary as discontinued operations (as defined under GAAP), (3) any Investment that results in a Person becoming a Restricted Subsidiary, (4) any designation of a Subsidiary as a Restricted Subsidiary or an Unrestricted Subsidiary in compliance with the Indenture, (5) any purchase or other acquisition of a business of any Person, of assets constituting a business unit, line of business or division of any Person, (6) any Asset Sale (a) that results in a Restricted Subsidiary ceasing to be a Subsidiary of the Issuer or (b) of a business, business unit, line of business or division of the Issuer or a Restricted Subsidiary, in each case whether by merger, amalgamation, consolidation or otherwise, (7) any operational changes identified by the Issuer that have been made by the Issuer or any Restricted Subsidiary during the Test Period or (8) other Restricted Payment that by the terms of the Indenture requires a financial ratio to be calculated on a *pro forma* basis.

"*Subordinated Indebtedness*" means, with respect to the Notes,

(1) any Indebtedness of the Issuer that is by its terms subordinated in right of payment to the Notes, and

(2) any Indebtedness of any Guarantor that is by its terms subordinated in right of payment to the Guarantee of such entity of the Notes.

"Subordinated Shareholder Funding" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to six months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to six months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to six months after the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Holdco Liabilities" (as defined therein).

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "—*Repurchase at the Option of the Holders—Change of Control*" and under "—*Repurchase at the Option of the Holders—Asset Sales*," to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50.0% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, members of management or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; and

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50.0% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership or otherwise, and

(b) such Person or any Restricted Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" refer to a Subsidiary or Subsidiaries of the Issuer.

"*Successor Parent*" with respect to any Person means any other Person 50% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) 50% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent Company and/or any Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Test Period*" in effect at any time means the Issuer's most recently ended four consecutive fiscal quarters for which internal financial statements are available (as determined in good faith by the Issuer).

"*Total Net Leverage Ratio*" means, with respect to any Test Period, the ratio of (1) Consolidated Total Debt outstanding on the date of determination *minus* an aggregate amount of cash and Cash Equivalents included in the consolidated balance sheet of the Issuer as of such date, to (2) Run-Rate Adjusted EBITDA of the Issuer for such Test Period, in each case on a *pro forma* basis with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of Fixed Charge Coverage Ratio.

"*Total New Facility Run-Rate Adjustment*" means, with respect to any Person for any period, the sum of the New Facility EBITDA Adjustments for each New Facility.

"*Transaction Agreement*" means the Agreement for the Sale and Purchase of the Entire Issued Share Capital of Gym Topco Limited, dated as of November 3, 2017, among the Institutional Seller (as defined therein), the Management Sellers (as defined therein) and the Issuer, as Buyer, as amended, modified and supplemented from time to time.

"*Transaction Expenses*" means any fees, expenses, costs or charges incurred or paid by the Investor, any Parent Company, the Issuer or any Restricted Subsidiary in connection with the Transactions, including expenses in connection with hedging transactions, if any, payments to officers, employees and directors as change of control payments, severance payments, special or retention bonuses and charges for repurchase or rollover of, or modifications to, stock options and/or restricted stock.

"*Transactions*" has the meaning set forth in the offering memorandum in respect of this offering of the Notes.

"*UK Government Securities*" means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

"*Uniform Commercial Code*" means the Uniform Commercial Code or any successor provision thereof as the same may from time to time be in effect in the State of New York.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer which at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer, as provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Issuer may designate any Subsidiary of the Issuer (including any existing Subsidiary and any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Equity Interests of the Issuer or any Subsidiary of the Issuer (other than solely any Subsidiary of the Subsidiary to be so designated); and

(2) such designation complies with the covenants described under "*—Certain Covenants—Limitation on Restricted Payments*."

The Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, immediately after giving effect to such designation, no Event of Default will have occurred and be continuing and either:

(1) the Issuer could incur at least £1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under "*—Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; or

(3) the Fixed Charge Coverage Ratio for the Issuer would be equal to or greater than such ratio for the Issuer immediately prior to such designation, in each case, on a *pro forma* basis taking into account such designation.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

BOOK-ENTRY, DELIVERY AND FORM

General

Notes sold within the United States to QIBs in reliance on Rule 144A (the "**Rule 144A Notes**") under the US Securities Act will be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Rule 144A Global Notes**"). The Rule 144A Global Notes will be deposited with, or on behalf of, a common depositary (the "**Common Depositary**") for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system ("**Euroclear**"), and Clearstream Banking S.A. ("**Clearstream**") and registered in the name of the nominee of the Common Depositary.

Notes sold to in offshore transactions in reliance on Regulation S (the "**Regulation S Notes**") under the US Securities Act will be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Regulation S Global Notes will be deposited with, or on behalf of, the Common Depositary and registered in the name of the nominee of the Common Depositary for the accounts of Euroclear and Clearstream.

Except as set forth below, the Notes will be issued in registered, global form in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof. Notes will be issued at the closing of this Offering only against payment in immediately available funds.

Ownership of interests in the Rule 144A Global Notes (the "**Restricted Book-Entry Interests**") and in ownership interests the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the Restricted Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have received the Notes registered in their name, will not have received physical delivery of the Notes in certificated form and will not be considered the registered owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the Common Depositary for Euroclear and/or Clearstream (or its nominees), as applicable, will be considered the sole holder of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

Neither the Issuer nor the Trustee nor any of their respective agents and neither the Registrar nor the Transfer Agent nor the Paying Agent will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Registrar for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Registrar or the Trustee to mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided*, *however*, that no Book-Entry Interest of less than £100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the Common Depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of Notes—Withholding Taxes*". If any such deduction or withholding is required to be made, then, to the extent described under "*Description of Notes—Withholding Taxes*", the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes after such deduction or withholding will equal the net amounts that such holder would have otherwise received in respect of such Global Note absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holders of the Global Notes (i.e., the common depositary Euroclear or Clearstream (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer nor the Trustee nor the Registrar, Paying Agent or Transfer Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in pound sterling.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer nor the Trustee nor the Registrar, Paying Agent or Transfer Agent nor the Initial Purchasers nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the

Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in "*Transfer Restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers as discussed in "*Transfer Restrictions*".

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the Rule 144A Global Note, as set forth in "*Transfer Restrictions*".

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available) under the US Securities Act.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Restricted Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

The Notes represented by the Global Notes are expected to be listed on the Official List of The International Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes, and the Issuer fails to appoint a successor within 120 days; or

- the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in "*Transfer Restrictions*", unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Registrar and the Transfer Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than £100,000 and in integral multiples of £1,000, in excess thereof, will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer Restrictions*".

Global clearance and settlement under the Book-Entry System

Initial settlement

Initial settlement for the Notes will be made in pound sterling. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special timing considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. US investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing information

The Issuer expects that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes for the Notes are set out under "*Listing and General Information*".

Information concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither the Issuer, the Trustee, the Registrar, the Paying Agent, the Transfer Agent nor the Initial Purchasers take any responsibility for these operations and procedures and the Issuer urges investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or the Trustee requests any action by owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give or take such action, and such participants would authorize indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited.

In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

TAX CONSIDERATIONS

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of Notes including without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of Notes or any interest therein.

Certain United Kingdom tax considerations

The following is a summary of the current United Kingdom law and published HM Revenue and Customs ("**HMRC**") practice (which may not be binding on HMRC) on the date hereof relating only to the United Kingdom withholding tax treatment of payments of interest in respect of the Notes, both of which may be subject to change, possibly with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. It applies only to the position of persons who are the absolute beneficial owners of Notes and does not deal with certain classes of persons (such as brokers or dealers in securities and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective holders of Notes depends on their individual circumstances and may be subject to change in the future. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Holders of Notes who are in any doubt as to their tax position should consult with their professional advisers. Holders of Notes who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional adviser as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, holders of Notes should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Interest on the Notes

Payment of interest on the Notes

Interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom income tax provided the Notes are and remain listed on a "recognized stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The International Stock Exchange is a recognized stock exchange for these purposes. Securities such as the Notes will be treated as listed on The International Stock Exchange if they are included in the Official List of The International Stock Exchange and are admitted to trading on The International Stock Exchange.

In other cases, absent any other relief or exemption, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double taxation treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a holder of Notes, HMRC can issue a direction to the Issuer to pay interest to the holder of Notes without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double taxation treaty).

The references to "interest" in this description of United Kingdom taxation mean "interest" as understood in United Kingdom tax law. The statements do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. In particular, where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may be treated as a payment of interest for United Kingdom tax purposes and may accordingly be subject to the withholding tax treatment described above.

Payments by a Guarantor

The United Kingdom withholding tax treatment of payments by a Guarantor in respect of interest on the Notes (or in respect of other amounts due under the Notes other than the repayment of amounts subscribed for such Notes) is uncertain. In particular, such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other exemption which may apply and such payments by a Guarantor may not be eligible for the exemptions from the obligation to withhold tax described in the paragraphs above.

Further United Kingdom tax issues

Where interest has been paid under deduction of United Kingdom income tax, holders of Notes who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

Interest on the Notes should constitute United Kingdom source income for United Kingdom tax purposes. Accordingly, and subject to certain exceptions applying to various categories of investors (including, in particular, exceptions applying to persons not resident in the United Kingdom), holders of Notes may be subject to United Kingdom tax by way of assessment (including self-assessment) on such payments of interest even when paid without withholding for United Kingdom tax.

Holders of Notes may wish to note that, in certain circumstances, HMRC have powers to obtain certain information relating to the Notes, including in relation to interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, the persons for whom the Notes are held and the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons, including registrars, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not a holder of Notes is resident in the United Kingdom for United Kingdom taxation purposes. Information obtained by HMRC may be provided to tax authorities in other jurisdictions. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

Certain United States federal income tax considerations

The following discussion is a summary of certain US federal income tax considerations of the purchase, ownership and disposition of the Notes issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to considerations relevant to a US Holder (as defined below), except to the extent discussed in "—*Additional Notes*", and does not address the effects of other US federal tax laws, such as estate and gift tax laws, or any state, local or foreign tax laws. This discussion is based on the US Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the US Internal Revenue Service (the "**IRS**"), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of the Notes. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of the Notes.

This discussion is limited to holders who hold the Notes as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, this discussion is limited to persons purchasing the Notes for cash at original issue and at their original "issue price" within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash). This discussion does not address all US federal income tax consequences relevant to a holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- US expatriates and former citizens or long-term residents of the United States;
- persons liable for the alternative minimum tax;

- US Holders (as defined below) whose functional currency is not the US dollar;
- persons holding the Notes as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- real estate investment trusts or regulated investment companies;
- brokers, dealers or traders in securities;
- S corporations, partnerships or other entities or arrangements treated as partnerships for US federal income tax purposes (and investors therein);
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement;
- tax-exempt organizations or governmental organizations; and
- persons deemed to sell the Notes under the constructive sale provisions of the Code.

For purposes of this discussion, a "US Holder" is a beneficial owner of a Note that, for US federal income tax purposes, is or is treated as:

- an individual who is a citizen or resident of the United States;
- a corporation or an entity taxable as a corporation for US federal income tax purposes created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to US federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a US court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for US federal income tax purposes.

If an entity or arrangement treated as a partnership for US federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding the Notes and the partners in such partnerships should consult their tax advisors regarding the US federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE US FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES ARISING UNDER OTHER US FEDERAL TAX LAWS (INCLUDING ESTATE AND GIFT TAX LAWS), UNDER THE LAWS OF ANY STATE, LOCAL OR NON-US TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Payments of qualified stated interest

Payments of qualified stated interest on a Note (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld (see "*Description of Notes—Withholding taxes*")) generally will be taxable to a US Holder as ordinary income at the time that such payments are received or accrued, in accordance with such US Holder's method of accounting for US federal income tax purposes. Qualified stated interest generally means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate. The stated interest on the Notes will qualify as "qualified stated interest".

A US Holder who uses the cash method of accounting for US federal income tax purposes and that receives a payment of qualified stated interest on the Notes will be required to include in income (as ordinary income) the US dollar value of the pound sterling interest payment (determined based on the spot rate on the date such payment is received) regardless of whether the payment is in fact converted to US dollars at such time. A cash method US Holder will not recognize foreign currency gain or loss on the receipt of such qualified stated interest, but may have exchange gain or loss attributable to the actual disposition of the pounds sterling received.

A US Holder that uses the accrual method of accounting for US federal income tax purposes will be required to include in income (as ordinary income) the US dollar value of the amount of qualified stated interest income in pounds sterling that has accrued with respect to the Notes during an accrual period. The US dollar value of such pound sterling denominated accrued qualified stated interest will generally be determined by translating such amount at the average spot rate for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate for the partial period within the applicable taxable year. Alternatively, an accrual method US Holder may elect to translate such accrued qualified stated interest income into US dollars using the spot rate on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued qualified stated interest, a US Holder that has made the election described in the prior sentence may translate such interest using the spot rate on the date of receipt of the qualified stated interest. The above election will apply to other debt instruments held by an electing US Holder and may not be changed without the consent of the IRS.

A US Holder that uses the accrual method of accounting for US federal income tax purposes may recognize foreign currency exchange gain or loss on the date such interest is received equal to the difference, if any, between the US dollar value of the pound sterling payment received (determined based on the spot rate on the date such qualified stated interest is received) and the US dollar value of qualified stated interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted into US dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as US source income or loss, and generally not as an adjustment to interest income or expense.

Foreign tax credit

Qualified stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to US Holders under US federal income tax laws. There are significant complex limitations on a US Holder's ability to claim foreign tax credits. US Holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, exchange, retirement, redemption or other taxable disposition

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a US Holder generally will recognize US source gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount attributable to accrued but unpaid qualified stated interest, which will be taxable to the extent not previously included in income as described above under "*—Payments of qualified stated interest*") and such US Holder's adjusted tax basis in the Note. A US Holder's adjusted tax basis in a Note will generally be its cost for the Note reduced by any cash payments received on the Note (other than qualified stated interest).

The amount realized by a US Holder is the sum of cash plus the fair market value of all other property received on the sale or other taxable disposition. If a US Holder receives foreign currency on a sale or other taxable disposition of a Note, the amount realized will be translated into US dollars based on the spot rate on the date of taxable disposition. If the Notes are traded on an established securities market, a cash basis US Holder and an electing accrual basis US Holder will determine the US dollar value of such foreign currency based on the spot rate in effect on the settlement date of the disposition. If an accrual basis US Holder makes this election, the election must be applied consistently by such holder from year to year and cannot be revoked without the consent of the IRS. An accrual basis US Holder that has not made the settlement date election will recognize foreign currency exchange gain or loss (as ordinary income or loss) to the extent that the US dollar value of the foreign currency received (based on the spot rate on the date of settlement) differs from the US dollar value of the amount realized (based on the spot rate on the date of taxable disposition).

A US Holder will also recognize foreign currency exchange gain or loss with respect to the principal of a Note (taxable as ordinary income or loss) upon the sale or other taxable disposition of the Note equal to the difference, if any, between the US dollar value of the US Holder's purchase price of the Note on (i) the date of sale or other taxable disposition and (ii) the date on which the US Holder acquired the Note. Any such foreign currency exchange gain or loss with respect to principal, together with any foreign currency exchange gain or loss with respect to accrued qualified stated interest (which will be treated as discussed above under "*—Payments of qualified stated interest,*") will be realized only to the extent of the total gain or loss realized on the sale or other taxable disposition by a US Holder, and will generally be treated as US source income or loss.

Gain or loss in excess of foreign currency exchange gain or loss a US Holder recognizes on the sale or other taxable disposition of the Notes generally will be US source capital gain or loss. Such gain or loss generally will be long-term capital gain or loss if a US Holder has held the Notes for more than one year. For non-corporate US Holders, long-term capital gains are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. A US Holder should consult its own tax advisor regarding the deductibility of capital losses in its particular circumstances.

Additional Notes

The Issuer may issue Additional Notes, as described under "*Description of Notes*". These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for US federal income tax purposes. In such case, the Additional Notes may be considered to have original issue discount which may affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Information reporting and backup withholding

In general, information reporting requirements will apply to payments of interest on the Notes and to the proceeds of the sale or other disposition (including a redemption or retirement) of a Note paid to a US Holder, unless such US Holder is an exempt recipient and, when required, provides evidence of such exemption. A US Holder that is not an exempt recipient may be subject to US federal backup withholding with respect to payments on the Notes and the proceeds of a sale or other taxable disposition of the Notes, unless the US Holder provides its taxpayer identification number to the paying agent and certifies on IRS Form W-9, under penalties of perjury, that it is not subject to backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a US Holder may be allowed as a credit against such US Holder's US federal income tax liability and may entitle such US Holder to a refund, provided the required information is furnished to the IRS in a timely manner.

Tax return disclosure requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of an applicable threshold amount, such as the receipt or accrual of interest or a sale or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. US Holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Certain US Holders who are individuals and who hold an interest in "specified foreign financial assets" (as defined in Section 6038D of the Code) generally are required to file an information report with respect to such assets with their tax returns. Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions.

US Holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of the Guarantees and the security interests being provided for the Notes, and a summary of certain insolvency law considerations in each of the jurisdictions in which the Issuer and the Guarantors are incorporated or organized. The description below is only a summary, and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Notes or the Guarantees or security interests being provided for the relevant series of Notes. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer and some of the Guarantors are incorporated and organized under the laws of EU member states of the European Union.

The EC Regulation No. 2015/848 on Insolvency Proceedings (the "**Insolvency Regulation**") applies to insolvencies which commence after 26 June 2017 (subject to certain exceptions).

Pursuant to Article 3(1) of the Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the EU member state (other than Denmark) where the company concerned has its "center of main interests". The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different EU member states may have differing and conflicting views.

The term "center of main interests" is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition. In the case of a company or legal person, the center of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another EU member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the center of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in an EU member state other than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and the center of the management of its interests is located in that other EU member state.

If the center of main interests of a company, at the time an insolvency application is made, is located in an EU member state (other than Denmark), only the courts of that EU member state have jurisdiction to open main insolvency proceedings in respect of that company under the Insolvency Regulation. The types of insolvency proceedings which may be opened as main proceedings in the relevant jurisdiction are listed in Annex A to the EU Insolvency Regulation.

If the center of main interests of a company is in one EU member state (other than Denmark), under Article 3(2) of the Insolvency Regulation, the courts of another EU member state (other than Denmark) have jurisdiction to open secondary and territorial insolvency proceedings against that company only if such company has an "establishment" (within the meaning and as defined in Article 2(10) of the Insolvency Regulation) in the territory of such other EU member state. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Insolvency Regulation. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings. An "establishment" is defined to mean any place of operations where the company carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those insolvency proceedings opened in that other EU member state are restricted to the assets of the company which are situated in such other EU member state.

Pursuant to Article 3(4) of the Insolvency Regulation, where main proceedings in the EU member state in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another EU member state where the company has an establishment and either: (a) insolvency proceedings cannot be opened in the EU member state in which the company's center of main interests is situated under that EU member state's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor whose claim arises from the operation of the establishment or a public authority has the right to request the opening of such proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will always, subject to certain exemptions, be governed by the *lex fori concursus*, that is, the local insolvency law of the court that has assumed jurisdiction for the insolvency proceedings of the debtor.

The courts of all EU member states (other than Denmark) must recognize the judgment of the court opening main proceedings and give the same effect to the order in the other relevant EU member state so long as no secondary proceedings have been opened there. The insolvency officeholder appointed by a court in a EU member state that has jurisdiction to open main proceedings may exercise the powers conferred on him by the law of that EU member state in another EU member state (such as to remove assets of the company from that other EU member state), subject to certain limitations, so long as no insolvency proceedings have been opened in that other EU member state or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other EU member state where the company has assets.

It remains to be seen what impact the recent vote by the United Kingdom to leave the EU will have on the regulatory environment in the EU and the United Kingdom, and on the applicability of EU law in the United Kingdom.

England and Wales

Each of the Issuer, and the Guarantors, is a company incorporated under the laws of England and Wales (each, an "English Company").

Accordingly, insolvency proceedings with respect to each English Company would be likely to proceed under, and be governed by, English insolvency law (unless that company's center of main interests for the purposes of the Insolvency Regulation is held to be in an EU member state other than the United Kingdom in which case the laws of that jurisdiction will, subject to certain exceptions, govern the relevant insolvency proceedings). The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened. Similarly, the Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, provide that a foreign (i.e. non-European) court may have jurisdiction where an English Company has its center of main interests in such foreign jurisdiction, or where it has an "establishment".

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. In the event that an English Company experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or a creditor making an application for administration in court, the company or the holder of a "qualifying floating charge" (discussed below) making an application for administration out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely to become, unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes (see below). Under the Insolvency Act 1986, as amended (the "**Insolvency Act**"), a company is insolvent if it is unable to pay its debts. A company is deemed unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due), if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities). Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 or to satisfy in full a judgment debt (or similar court order).

The obligations under the Notes are secured by security interests over the Collateral. English insolvency laws and other limitations could limit the enforceability of a Guarantee against an English Guarantor and the enforceability of security interests over the Collateral.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the English guarantees and the security interests over the Collateral. The application of these laws could adversely affect investors, their ability to enforce their rights under the English guarantees and/or the Collateral securing the Notes and the English guarantees and therefore may limit the amounts that investors may receive in an insolvency of an English Company.

Fixed versus floating charges

There are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet certain, statutory administration expenses (which can include the costs of continuing to operate the business of the charging company) while in administration in priority to the claims of the floating charge holder; (b) a fixed charge, even if created after the date of a floating charge, may have priority as against a floating charge over the same charged assets (provided that the floating charge has not crystallized at the time the fixed charge was granted); (c) general costs and expenses (including the remuneration of the insolvency officeholders) properly incurred in a winding-up or administration are generally payable out of the assets of the charging company (including the assets that are the subject of the floating charge) in priority to floating charge claims (the same does not apply to fixed charge assets); (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge; (e) there are particular insolvency “clawback” risks in relation to floating charge security; (f) floating charge security is subject to the claims of certain preferential creditors (such as employee, salary claims (up to a cap per employee), employee holiday claims and certain unpaid pension contributions) where the floating charge is not a security financial collateral arrangement and to ring-fencing for unsecured creditors; and (g) an administrator may dispose of or take action relating to property subject to a floating charge without the prior consent of the charge holder or court but the floating charge holder retains the same priority in respect of the proceeds from the disposal of the assets subject to the floating charge. With prior approval of the court, an administrator may deal with property subject to a fixed charge provided that disposing of the property is likely to promote the administration’s purpose and that the administrator apply the net proceeds from the disposal of the property in question towards discharging the obligations of the company to the charge holder.

Under English insolvency law, there is a possibility that a court could find that some or all of the fixed security interests expressed to be created by a security document governed by English law take effect as floating charges because the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed rather than floating security interests will depend on, among other things, whether the chargee has the requisite degree of control over the ability of the relevant chargor to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the assets that are the subject of a purported fixed change in its discretion without the consent of the chargee prior to crystallization, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

If any fixed security interests are recharacterized as floating security interests, the proceeds of those assets could be applied in meeting other liabilities of an English Company in priority to the claims of the purported fixed charge holder in insolvency proceedings.

Administration, administrative receivership and floating charges

The English Insolvency statutes empower English courts to make an administration order in respect of an English company or a company with its “center of main interests” in England in certain circumstances. Without limitation and subject to specific conditions, an administration order can be made if the court is satisfied that the relevant company is or is likely to become “unable to pay its debts” and that the administration order is reasonably likely to achieve the purpose of administration. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge (provided the floating charge has become enforceable), and different procedures apply according to the identity of the appointor. The purpose of an administration is comprised of three objectives that must be looked at successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than if the company went into an immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to secured or preferential creditors. The order of priority which applies to any distribution to creditors is set out in "*—Priority of claims*" below.

Certain rights of creditors, including secured creditors, are curtailed in an administration. During an administration there is a statutory moratorium and, in general, no proceedings or other legal process may be commenced or continued against the company, or security enforced over the company's property, except with leave of the court or the consent of the administrator. A court will consider discretionary factors in determining any application for leave in light of the hierarchy of statutory purposes of administration described above. However, certain creditors of a company in administration may, in certain defined circumstances, be able to realize their security over certain of that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral agreement" (generally, a charge over cash or financial instruments, such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (the "**Financial Collateral Regulations**"). If an English company were to enter administration, it is possible that, to the extent such security it is not a financial collateral arrangement, the security granted by it or the guarantee granted by it would not be able to be enforced while it is in administration without the leave of court or consent of the administrator (although a demand for payment could be made under a guarantee granted by it). There can be no assurance that the Security Agent would obtain this leave of court or consent of the administrator. In addition, other than in limited circumstances, a secured creditor will not be entitled to appoint an administrative receiver. If the company is already in administration no other receiver may be appointed and any ordinary receiver already appointed must resign if requested to do so by the administrator.

In order to empower the Security Agent to appoint an administrative receiver or an administrator to the company out of court, the floating charge granted by the relevant English Company must constitute a "qualifying floating charge" for purposes of the Insolvency Act and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document pre-dates September 15, 2003, fall within one of the exceptions in the Insolvency Act to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it; (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act. The Security Agent will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with other forms of security, relates to the whole or substantially the whole of the property of the relevant English company and at least one such security interest is a floating charge.

The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50.0 million for the relevant company under the arrangement and the arrangement involves the issue of a "capital market investment" (which is defined in the Insolvency Act, and includes rated, listed or traded debt instruments, and debt instruments designed to be rated, listed or traded).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying charge using the out of court procedure), and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is invalid. If an administrator is appointed, any administrative receiver will vacate office, and any receiver of part of the company's property must resign if required to do so by the administrator.

Liquidation/winding-up

Liquidation is company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act (see "*—Priority of claims*" below). There are two forms of winding-up: (a) compulsory liquidation, by order of the court; and (b) voluntary liquidation, by resolution of the company's members. The primary ground for the compulsory winding-up of an insolvent company is that it is unable to pay its debts (as defined in Section 123 of the Insolvency Act). A creditor's voluntary liquidation (other than as an exit from administration) is initiated by a resolution of the members, not the creditors, but once in place is subject to some degree of the control by the creditors. At the end of the liquidation process the company will normally be dissolved. In the case of compulsory winding-up, no proceedings or other actions may be commenced or continued against the company except by leave of the court and subject to such terms as the court may impose (although security enforcement is not affected). Unlike compulsory liquidation, when a creditors' voluntary liquidation commences there is no automatic moratorium on proceedings against the company. The liquidator, any creditor or shareholder may, however, apply to the court for a stay of proceedings.

Under English insolvency law, a liquidator has the power to disclaim any onerous property by serving the prescribed notice on the relevant party. Onerous property, for these purposes, is any unprofitable contract and any other property of the company which is unsaleable or not readily saleable or is such that it may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company which may be regarded as detrimental to creditors. A contract will not be unprofitable merely because it is financially disadvantageous, or because the company could have made, or could make, a better bargain. This power does not apply to a contract all the obligations under which have been performed nor can it be used to disturb accrued rights and liabilities.

A liquidator has the power to bring or defend legal proceedings on behalf of the company; to carry on the business of the company as far as it is necessary for its beneficial winding up; to sell the company's property and execute documents in the name of the company; and to challenge antecedent transactions.

Priority of claims

With the exception of the "Prescribed Part" (please see "*—Prescribed Part*" below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

The general priority on insolvency is as follows (in descending order of priority):

First ranking claims: holders of fixed charge but only to the extent the value of the secured assets covers that indebtedness;

Second ranking claims: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);

Third ranking claims: preferential creditors. Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (a) contributions to occupational and state pension schemes; (b) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; (c) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date; and (d) bank and building deposits eligible for compensation under the Financial Services Compensation Scheme ("**FSCS**") up to the statutory limit. Secondary preferential debts include bank and building deposits eligible for compensation under the FSCS to the extent that claims exceed the statutory limit, and rank for payment after the discharge of the ordinary preferential debts. As between one another, all preferential debts within each category rank equally;

Fourth ranking claims: holders of floating charge security, according to the priority of their security. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must be set aside for distribution to unsecured creditors (please see "*—Prescribed Part*");

Fifth ranking claims:

- firstly, provable debts of unsecured creditors and any secured creditor to the extent of any unsecured shortfall, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. To pay the secured creditors any unsecured shortfall, the insolvency officeholder can only use realizations from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part unless the Prescribed Part is sufficient to pay out all unsecured creditors;
- secondly, interest on the company's debts (at the higher of the applicable contractual rate and the official rate) in respect of any period after the commencement of liquidation, or after the commencement of any administration which either preceded such liquidation or which were converted into a liquidating administration. However, in the case of interest accruing on amounts due under the Notes or the Guarantees, such interest due to the holders of the Notes may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries; and
- thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully paid.

Sixth ranking claims: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subordinated creditors are ranked according to the terms of the subordination.

Prescribed part

An administrator, receiver (including an administrative receiver) or liquidator of the company will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realizations). Under current law, this ring-fence applies to 50 per cent. of the first £10,000 of floating charge realizations and 20 per cent. of the remainder over £10,000, with a maximum aggregate cap of £600,000. The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors.

Challenges to guarantees and security

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period after the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company. The Issuer cannot be certain that, in the event that the onset of an English company's insolvency (as described further below) is within any of the requisite time periods set out below, the grant of a security interest or guarantee in respect of the relevant Notes would not be challenged or that a court would uphold the transaction as valid.

Onset of insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below), depends on the insolvency procedure in question.

In administration, the onset of insolvency is the date on which (a) the court application for an administration order is issued, (b) the notice of intention to appoint an administrator is filed at court, or (c) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be as for the initial administration.

Connected persons

If the given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a "connected person", then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out more particularly below).

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences and invalid floating charges is a party who is (a) a director of the company; (b) a shadow director; (c) an associate of such director or shadow director; or (iv) an associate of the relevant company.

A party is associated with an individual if they are (a) a relative of the individual; (b) the individual's husband, wife or civil partner; (c) a relative of the individual's husband, wife or civil partner; or (d) the husband, wife or civil partner of a relative of the individual.

A party is associated with a company if they are employed by that company.

A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

The potential grounds for challenge available under the English insolvency legislation that may apply to any security interest or guarantee granted by an English company include, without limitation, the following.

Transaction at an undervalue

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. It will only be a transaction at an undervalue if at the time of the transaction or in consequence of the transaction, the English company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the onset of the English company's insolvency is within a period of two years from the date the English company grants the security interest or the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if the company made a gift to a person, if the company received no consideration or if the company received consideration of significantly less value, in money or money's worth, than the consideration given by such company. However, a court will generally not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts unless a beneficiary of the transaction was a connected person (as set out above), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

Preference

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) if such liquidator or administrator believed that the creation of such security interest or such guarantee constituted a preference. It will only be a preference if at the time of the transaction or in consequence of the transaction the English company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the

English company enters into insolvency within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company grants the security interest or the guarantee ending with the onset of insolvency. A transaction may constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction. However, for the court to determine a preference, it must be shown that the English company was influenced by a desire to produce that result. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts at the relevant time and that there was such desire to prefer the relevant creditor, unless the beneficiary of the transaction was a connected person, in which case it is presumed that the company intended to put that person in a better position and the connected person must demonstrate that there was, in fact, no such desire, on the part of the company, to prefer them. An order by the court for a preference may affect the property of, or impose any obligation on, any person whether or not he is the person to whom the preference was given, but such an order will not prejudice any interest in property which was acquired from a person other than the English company in good faith and for value, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the preference in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the payment is to be in respect of a preference given to that person at a time when he was a creditor of the English company.

Transaction defrauding creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction (with the leave of the court if the company is in liquidation or administration) and is not therefore limited to liquidators or administrators and, subject to certain conditions, the UK Financial Conduct Authority and the UK Pensions Regulator. There is no statutory time limit under English insolvency legislation within which the challenge must be made (subject to the normal statutory limitation periods) and the relevant company does not need to be insolvent at the time of, or as a result of, the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances, and will not require a person who received a benefit from such transaction to pay any sum unless such person was a party to the transaction.

Extortionate credit transaction

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by an English Company up to three years before the day on which the English Company entered into administration or went into liquidation. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

Avoidance of floating charges

Under English insolvency law, floating charges created by an English company within a period of one year prior to the onset of the English company's insolvency (or two years in the case of a floating charge in favor of a connected person) at a time when the English company was unable to pay its debts or became unable to do so as a consequence of the transaction, will be invalid, except to the extent of the value of (a) the money paid to; (b) the goods or services supplied to; or (c) any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge (plus certain interest) (the "**Consideration**"). The requirement for an English company to be unable to pay its debts at the time of granting the floating charge or becoming insolvent as a consequence of doing so does not apply where the floating charge is granted to a connected person.

An administrator or liquidator (as applicable) does not need to apply to court for an order declaring that a floating charge is invalid by operation of law. Any floating charge created during the relevant time period is automatically invalid, except to the extent of the value of the Consideration, whether the relevant English company is solvent or insolvent at the time of grant.

If the floating charge qualifies as a "security financial collateral agreement" under the Financial Collateral Regulations then the floating charge will not be subject to challenge as described in the paragraph above.

Limitation on enforcement

The grant of a Guarantee or Collateral by any of the English Companies in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that these documents do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an English Company in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English Company in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English Company for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Dispositions in winding-up

Under Section 127 of the Insolvency Act, any dispositions of a company's property made after a winding-up has commenced is, unless the court orders otherwise, void. The compulsory winding-up of a company is deemed to start when a winding-up petition is presented by a creditor against the company, rather than the date that the court makes the winding-up order (if any). However this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms.

Security over shares

Security over shares granted by an English Company or over shares of an English Company are, under English law, equitable charges, not legal charges. An equitable charge arises where a chargor creates an encumbrance over the property in favor of the chargee but the chargor retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or are otherwise at the discretion of the court.

Security over bank accounts

With respect to any security over bank accounts (each an "Account Charge") granted by an English Company, the banks with which some of those accounts are held (each an "Account Bank") may hold a right at any time (at least prior to them being notified of a crystallization event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with that guarantor. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's rights to exercise netting and set-off with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the relevant English Company) and the Account Bank has been formally notified of that fact, the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights.

Scheme of arrangement

Although it is not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006, the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities between a company and its creditors (or any class of its creditors). An English Company may be able to pursue a scheme in respect of its financial liabilities. In addition, a foreign Guarantor which is liable to be wound up under the Insolvency Act and has a "sufficient connection" to the English jurisdiction could also pursue a scheme. In practice, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied where, amongst other things, the company's "center of main interests" is in England, the company's finance documents are English law governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not any of the grounds of the second limb are satisfied in the present case.

Before the court considers the sanction of a scheme of arrangement at a hearing where the fairness and reasonableness of the scheme will be considered, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75% or more by value of those creditors present and voting at the meeting(s) of each class of creditors vote in favor of the proposed scheme, irrespective of the terms and approved thresholds contained in the finance documents, then that scheme will (subject to the sanction of the court) be binding on all affected creditors, including those affected creditors who did not participate in the vote and those who voted against the scheme. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review the fairness of the scheme and consider whether it is reasonable. The court has the discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made or reject the scheme.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "**Purchase Agreement**") to be dated as of the date of this Offering Memorandum, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase the principal amount of the Notes from the Issuer set forth opposite their names below:

Initial Purchaser	Principal Amount of Notes
Barclays Bank PLC	£ 97,650,000
Jefferies International Limited	£125,550,000
RBC Europe Limited	£ 64,800,000
Credit Suisse Securities (Europe) Limited	£ 36,000,000
ING Bank N.V., London Branch	£ 36,000,000
Total	**£360,000,000**

General

The Purchase Agreement provides that the Initial Purchasers will purchase all of the Notes being sold pursuant to the Purchase Agreement if any of them are purchased.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to customary closing conditions, including, but not limited to, the delivery of officer's certificates and the delivery of certain legal opinions by counsel.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial Offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates and agents. Any Initial Purchaser that is not a broker-dealer registered with the SEC will effect offers to sell and sales of the Notes into the United States or to nationals or residents of the United States only through one or more registered broker-dealers in compliance with applicable securities laws and regulations. One or more of the Initial Purchasers may sell the Notes through affiliates or other appropriately licensed entities in jurisdictions in which they are otherwise not licensed or authorized to make direct sales of the Notes.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

No Sale of Similar Securities

The Purchase Agreement provides that the Issuer and the Guarantors will indemnify and hold harmless the Initial Purchasers and certain other persons against certain liabilities, including liabilities under the US Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer and Guarantors have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 60 days after the date hereof, without the prior written consent provided for in the Purchase Agreement, not to offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Issuer or any of our subsidiaries (other than the Notes and the Guarantees).

Securities Not Being Registered Under the US Securities Act

The Notes and the Guarantees have not been and will not be registered under the US Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A under the US Securities Act and outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Transfer Restrictions*".

Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the US Exchange Act. Until 40 days after the later of

(i) the commencement of this Offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

Each Initial Purchaser represents, warrants and agrees that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each Initial Purchaser has represented and agreed that it has not offered or sold and will not offer or sell any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression “retail investor” means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”); and

(b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See “*Transfer Restrictions*”.

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the US Securities Act or the safe harbor of Rule 144A and Regulation S under the US Securities Act to cease to be applicable to the offer and sale of the Notes.

Liquidity

The Notes are a new issue of securities for which there currently is no market. We will apply to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange, however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the US Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks relating to the Notes, the Guarantees and the Collateral—The transferability of the Notes may be limited under applicable securities laws*".

Settlement

We expect that the delivery of the Notes will be made against payment therefor on or about the date specified in the last paragraph on the front cover of this Offering Memorandum, which will be business days (as such term is used for purposes of Rule 15c6-1 of the US Securities Exchange Act of 1934, as amended (the "**US Exchange Act**")). Under rule 15c6-1 under the US Exchange Act trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of this Offering Memorandum or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade the Notes on the date of pricing or the next succeeding two business days should consult their advisors.

Stabilization

In connection with the Offering, Barclays Bank PLC (the "**Stabilizing Manager**"), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes. The Stabilizing Manager agrees that it shall act in accordance with the Commission Regulation No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programs and stabilization of financial instruments.

The Stabilizing Manager may engage in over-allotment, Stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the US Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the Stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the Initial Purchaser to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a Stabilizing transaction or covering transaction to cover short positions. These Stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time. Neither we nor the Initial Purchasers make any representation that the Stabilizing Manager will undertake any such stabilization action nor with respect to the direction or magnitude of any stabilization action taken. Such stabilization action, if commenced, may begin on or after the date of adequate public disclosure of the final terms of the offer of Notes and may be ended at any time, but must end no later than the earlier of 30 calendar days after the date on which the Issuer received the proceeds of the issue and 60 calendar days after the date of the allotment of the Notes. These transactions may be affected in the over-the-counter market or otherwise.

Other activities and relationships

The Initial Purchasers or their respective affiliates from time to time have provided in the past, and may provide in the future, investment banking, financial advisory, mergers and acquisitions and commercial banking services to us and our affiliates in the ordinary course of business for which they have received, or may receive, customary fees and commissions. In addition, the Issuer has agreed to pay the Initial Purchasers' certain customary fees for their service in connection with this Offering and to reimburse them for certain costs and expenses incurred.

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of the Issuer or its affiliates. If the Initial Purchasers or their respective affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

The Initial Purchasers or their respective affiliates are lenders under the Revolving Credit Facility Agreement and Barclays Bank PLC will serve as agent thereunder. The Initial Purchasers or their respective affiliates entered into the Bridge Facility Agreement as mandated lead arrangers on November 30, 2017 in connection with the financing of the Acquisition. The proceeds of this Offering will be used to repay the Initial Purchasers or their respective affiliates in their role as lenders under the Bridge Facility Agreement.

Barclays Bank PLC acted as mandated lead arranger and as a lender under the Group's existing senior credit facility, which was repaid on the Acquisition Date. Jefferies International Limited or its affiliates provided certain M&A advisory services to our principal shareholders in connection with the Acquisition. Additionally, Jefferies International Limited and Credit Suisse Securities (Europe) Limited provided certain underwriting services in connection with an aborted initial public offering.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the US Securities Act, or securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable securities laws of any other jurisdiction.

Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers ("**QIBs**") in accordance with Rule 144A under the US Securities Act ("**Rule 144A**") and outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act ("**Regulation S**").

We have not registered and will not register the Notes or the Guarantees under the US Securities Act, and therefore the Notes and the Guarantees may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States, to QIBs; and
- outside the United States, in offshore transactions in accordance with Regulation S.

We use the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

You, by your acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(1) You understand that the Notes are being offered for resale in a transaction not involving any public offering in the United States within the meaning of the US Securities Act, that the Notes have not been and will not be registered under the US Securities Act and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, Notes purchased pursuant to Rule 144A may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom you reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction complying with Regulation S and (iii) in compliance with the registration requirements of the US Securities Act or pursuant to exemption therefrom or in any transaction not subject thereto, and in each case in compliance with the conditions for transfer set out in paragraph (5) below in each case in accordance with any applicable securities laws of any State of the United States, and that (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you of the resale restrictions referred to in (A) above.

(2) You are not our "affiliate" (as defined under the US Securities Act) or acting on our behalf and you are either:

    A. a QIB, and are aware that any sale of Notes to you will be made in reliance on Rule 144A and such acquisition of Notes will be for your own account or for the account of another QIB; or

    B. purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither we nor the Initial Purchasers, nor any person representing us or the Initial Purchasers, has made any representation to you with respect to the offer or sale of any Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make or makes any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the US Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the US Securities Act.

(5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by the acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes only (i) to the Issuer, the Guarantors or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the US Securities Act, an exemption from the registration requirements of the US Securities Act or in any transaction not subject thereto, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A or (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S, subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the Trustee's rights prior to any such offer, sale or transfer, to require that a certificate of transfer in the form appearing in the Indenture is completed and delivered by the transferor to the Trustee.

(6) Each purchaser acknowledges that each Note sold pursuant to Rule 144A will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE US SECURITIES ACT, AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT OR IN ANY TRANSACTION NOT SUBJECT THERETO (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE US SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE US SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

(7) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(8) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of

the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, you shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

LEGAL MATTERS

The validity of the Notes, the Guarantees and certain other legal matters are being passed upon for us by Latham & Watkins (London) LLP with respect to matters of US federal law, New York state law and English law. Certain legal matters will be passed upon for the Initial Purchasers by White & Case LLP with respect to matters of US federal law, New York state law and English law.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group as of and for each of the years ended December 31, 2016, 2015 and 2014, included in this Offering Memorandum, have been audited by PricewaterhouseCoopers LLP, independent auditors.

AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on any of the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to paragraph (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or each Guarantee offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either us or any of the Initial Purchasers.

Copies of our organizational documents, the Indenture (which includes the form of the Notes), the Revolving Credit Facility Agreement, the Notes, Security Documents, the Intercreditor Agreement and our most recent consolidated financial statements published by us, may be obtained by request to the Issuer. See "*Listing and General Information*".

For so long as any of the relevant series of Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act, the relevant Issuer will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the US Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the US Exchange Act, make available to any holder or beneficial owner of the relevant Note, or to any prospective purchaser of such a Note designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the US Securities Act upon the written request of any such holder or beneficial owner. Any such request in respect of the Notes, should be directed to the Issuer at its registered office, as set out under the caption "*Listing and General Information—Legal Information*".

ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer is a public limited company incorporated under the laws of England and Wales. All of the Guarantors are incorporated under the laws of England and Wales. The security documents relating to the Collateral are governed by the laws of England and Wales. The Indenture (including the Guarantees) and the Notes will be governed by New York law. The Intercreditor Agreement is governed by the laws of England and Wales. All of the directors and executive officers of each of the Issuer and the Guarantors are non-residents of the United States. Substantially all of the assets of each of the Issuer and the Guarantors, and their respective directors and executive officers, are located outside the United States. As a result, any judgment obtained in the United States against the Issuer or a Guarantor or any such other person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a US court predicated upon civil liabilities under US federal or state securities laws or other laws, may not be collectible in the United States. Furthermore, although the Issuer and each of the Guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any suit, action or proceedings in relation to the Notes, the Guarantees, the Indenture or under US securities laws or other laws, it may not be possible for investors to effect service of process on the Issuer or on such other persons as mentioned above within the United States in any action, including actions and judgments obtained in US courts predicated upon the civil liability provisions of US federal securities laws or other laws. If a judgment is obtained in a US court against the Issuer, any Guarantor, or any of their respective directors or executive officers, investors will need to enforce such judgment in jurisdictions where the relevant company or individual has assets. While the enforceability of US court judgments outside the United States is summarized in part below for England, you should consult with your own advisors in any relevant jurisdictions to enforce a judgment in those countries or elsewhere outside the United States.

The United States and the United Kingdom currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon US federal securities laws, would not automatically be recognized or directly enforceable in England. In order to enforce any such US judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the US court (subject to what is described below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a US judgment by an English court in such an action is conditional upon (among other things) the following:

- the US court being recognized by the English court as having had, at the time when proceedings were served, jurisdiction over the original proceedings according to English rules of international law;
- the US judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and establishing a debt or being for a definite sum of money;
- the US judgment not being for a sum payable in respect of taxes, or other charges of a like nature or in respect of a penalty or fine or other penalty or otherwise based on a US law that an English court considers to be a penal, revenue or other public law;
- the US judgment not contravening public policy or statute in England and Wales;
- the US judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and is not being otherwise in breach of the Protection of Trading Interests Act 1980;
- the US judgment not having been obtained by fraud or in breach of English principles of natural or substantial justice;
- the US judgment is (i) not a judgment on a matter previously determined by an English court or another court whose judgment is entitled to recognition in England or (ii) conflicts with an earlier judgment of such court;

- the US judgment is given in proceedings brought in breach of an agreement for the settlement of disputes; or
- the English enforcement proceedings being commenced within the relevant limitation period.

Subject to the foregoing, investors may be able to enforce in England judgments that have been obtained from US federal or state courts. Notwithstanding the preceding, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, we cannot assure you whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon US federal securities laws. Furthermore, it may not be possible to obtain an English judgment or to enforce that judgment if the judgment debtor is or becomes subject to an insolvency or similar proceedings, or if the judgment debtor has any set off or counterclaim against the judgment creditor.

There are risks, including risks similar to those described above, in relation to enforcing judgments from a US federal or state court in other jurisdictions. Accordingly, we cannot assure you that such risks do not and will not exist in other jurisdictions, including those in which the assets of some or all of our subsidiaries that may guarantee the Notes in the future are located.

LISTING AND GENERAL INFORMATION

Listing

Application will be made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange.

Copies of the following documents will be available for inspection, at the registered office of the Issuer during normal business hours for a period of 14 days following the grant of listing of the Notes:

- the organizational documents of the Issuer;
- our most recent audited consolidated financial statements, and any interim financial statements published by us on a quarterly basis; and
- the Indenture governing the Notes (which includes the form of the Notes and the Guarantees).

We have appointed Deutsche Bank AG, London Branch as paying agent to make payments on the Notes, when applicable, and Deutsche Bank Luxembourg S.A. as transfer agent to make transfers of the Notes and, for as long as any of the Notes are listed on the Official List of the International Stock Exchange, Carey Olsen Corporate Finance Limited as listing sponsor for the Notes. We reserve the right to change this appointment.

Application may be made to The International Stock Exchange Authority Limited to have the Notes removed from listing on the Official List of The International Stock Exchange, including if necessary to avoid any new withholding taxes in connection with the listing.

Clearing information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream, under the common codes 175663312 and 175663614, respectively. The international securities identification number ("**ISIN**") for the Notes sold pursuant to Regulation S is XS7756633126 and the ISIN for the Notes sold pursuant to Rule 144A is XS1756636145.

Legal information

The Issuer

The Issuer is a public limited company incorporated under the laws of England and Wales. The Issuer was incorporated on October 30, 2017. The Issuer's registered office is at C/O Pure Gym Limited Town Centre House, Merrion Centre, Leeds, LS2 8LY, United Kingdom. The Issuer is registered with the Registrar of Companies for England and Wales under company number 11038859. The Issuer is primarily engaged in the business of acting as a finance company for Topco and its subsidiaries.

The creation and issuance of the Notes will be authorized by the Issuer's board of directors prior to the closing of the Offering.

Guarantors of the Notes

The companies that are expected to become Guarantors of the Notes have the following corporate information:

(a) Gym Topco Limited's registered office is at Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY, United Kingdom. Gym Topco Limited is registered with the Registrar of Companies for England and Wales under company number 08508586.

(b) Gym Midco Limited's registered office is at Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY, United Kingdom. Gym Midco Limited is registered with the Registrar of Companies for England and Wales under company number 08507790.

(c) Gym Midco 2 Limited's registered office is at Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY, United Kingdom. Gym Midco 2 Limited is registered with the Registrar of Companies for England and Wales under company number 08512273.

(d) Gym Bidco Limited's registered office is at Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY, United Kingdom, United Kingdom. Gym Bidco Limited is registered with the Registrar of Companies for England and Wales under company number 08507812.

(e) Pure Gym Limited's registered office is at Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY, United Kingdom, United Kingdom. Pure Gym Limited is registered with the Registrar of Companies for England and Wales under company number 06690189.

General information

Except as otherwise disclosed in this Offering Memorandum:

- neither the Issuer nor any of its respective direct or indirect subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes and, so far as the Issuer is aware, no such litigation, administrative proceeding or arbitration is pending or threatened; and
- there has been no significant change in the financial or trading position of Topco since September 30, 2017 and of the Issuer since its date of incorporation.

For the avoidance of doubt, any website referred to in this Offering Memorandum and the information on the referenced website does not form part of this Offering Memorandum prepared in connection with the Offering.

Index to financial statements

Gym Topco Limited

Interim Report

for the 9 months ended

30 September 2017

Condensed Consolidated Statement of Comprehensive Income for the 9 months ended 30 September 2017

	Note	**9 months ended 30 September 2017 (Unaudited) £'000**	9 months ended 30 September 2016 (Unaudited) £'000
Revenue	2	**146,580**	117,236
Other administrative expenses		**(118,988)**	(108,231)
Exceptional administrative expenses	4	**(1,956)**	(9,020)
Administrative expenses		**(120,944)**	(117,251)
Operating profit/(loss)	3	**25,636**	(15)
Finance income		**34**	7
Finance costs		**(24,731)**	(22,529)
Profit/(loss) before income tax		**939**	(22,537)
Income tax (charge)/credit	5	**(2,391)**	8,289
Loss for the period		**(1,452)**	(14,248)
Total comprehensive expense for the period		**(1,452)**	(14,248)

Condensed Consolidated Statement of Financial Position as at 30 September 2017

	Note	30 September 2017 (Unaudited) £'000	31 December 2016 £'000
Non-current assets			
Property, plant and equipment	6	**171,418**	167,964
Intangible assets	7	**170,695**	170,924
Deferred tax asset		**10,321**	10,960
		352,434	349,848
Current assets			
Inventories		**950**	1,115
Trade and other receivables		**11,662**	12,730
Cash and cash equivalents		**31,103**	14,486
		43,715	28,331
TOTAL ASSETS		**396,149**	378,179
Current liabilities			
Trade and other payables		**(69,952)**	(65,485)
Borrowings	8	**(49,281)**	(46,491)
		(119,233)	(111,976)
Non-current liabilities			
Borrowings	8	**(347,428)**	(335,275)
		(347,428)	(335,275)
TOTAL LIABILITIES		**(466,661)**	(447,251)
NET LIABILITIES		**(70,512)**	(69,072)
Equity			
Share Capital	11	**12**	12
Share premium account		**83**	71
Merger reserve		**922**	922
Retained earnings		**(71,529)**	(70,077)
TOTAL EQUITY		**(70,512)**	(69,072)

Condensed Consolidated Cash Flow Statement
for the 9 months ended 30 September 2017

	Note	**9 months to 30 September (unaudited) 2017 £'000**	9 months to 30 September (unaudited) 2016 £'000
Cash flows from operating activities			
Cash generated from operations	12	**52,044**	30,121
Exceptional costs paid		**(1,956)**	(7,270)
Bank interest and similar charges paid		**(12,084)**	(11,800)
Bank interest received		**34**	7
Interest element of finance lease payments		**(325)**	(87)
Issue costs from bank borrowings		**(1,500)**	(937)
UK corporation tax		**(299)**	—
Net cash generated from operating activities		**35,914**	10,034
Cash flows from investing activities			
Purchase of property, plant & equipment	6	**(24,123)**	(47,658)
Proceeds from disposal of property, plant & equipment		**692**	2,258
Net cash used in investing activities		**(23,431)**	(45,400)
Cash flows from financing activities			
Issue of share capital	11	**12**	5
Proceeds from borrowings	13	**5,122**	—
Capital element of finance lease payments	13	**(1,000)**	(609)
Proceeds from long term bank borrowings	13	**—**	40,000
Net cash generated from financing activities		**4,134**	39,396
Net increase/(decrease) in cash and cash equivalents	13	**16,617**	4,030
Cash and cash equivalents at beginning of the period		**14,486**	7,702
Cash and cash equivalents at end of period	13	**31,103**	11,732

Condensed Consolidated Statement of changes in Equity for the 9 months ended 30 September 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2016	**12**	**66**	**922**	**(50,312)**	**(49,312)**
Loss and total comprehensive expense for the period	—	—	—	(14,248)	(14,248)
Proceeds from shares issued	—	5	—	—	5
Balance as at 30 September 2016	**12**	**71**	**922**	**(64,560)**	**(63,555)**
Balance as at 1 January 2017	**12**	**71**	**922**	**(70,077)**	**(69,072)**
Loss and total comprehensive expense for the period	—	—	—	(1,452)	(1,452)
Proceeds from shares issued	—	12	—	—	12
Balance as at 30 September 2017	**12**	**83**	**922**	**(71,529)**	**(70,512)**

Notes to the condensed consolidated interim financial statements

1 General information

Gym Topco Limited is a Company incorporated in England and Wales under the Companies Act 2006 and is a private company. The address of the company's registered office is Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY. The condensed financial statements are unaudited and were approved by the Board of Directors on 24 November 2017.

The condensed interim financial statements have been reviewed by the auditor and the independent review report is set out in this document. This financial information for the nine months ended 30 September 2017, including comparative financial information, has been prepared on the basis of the accounting policies set out in the last annual report and accounts and in accordance with IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board and adopted by the European Union. This report does not include all the notes of the type normally included in an annual financial report and accordingly should be read in conjunction with the annual report for the year ended 31 December 2016.

In preparing the condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 31 December 2016.

Certain new accounting standards and amendments were issued during the period but have not been applied in preparing this report as they have not yet come into effect:

- *IFRS 9 Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard becomes mandatory on 1 January 2018, but the group does not expect the new guidance to have a significant impact on its results, disclosures or presentation.
- *IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer.* This standard becomes mandatory on 1 January 2018, but the group does not expect this to have a significant impact on its results, disclosures or presentation.
- *IFRS 16 Leases* will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of £447,384,000 (note 14). The group is currently in the process of reviewing its leases against the guidance but has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. The standard is mandatory for reporting periods beginning on or after 1 January 2019 and at this stage, the group does not intend to adopt the standard before its effective date.

Going concern assumption

Having reassessed the principal risks disclosed in the 2016 annual report the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial statements.

Information extracted from 2016 Annual Report

The financial figures for the year ended 31 December 2016, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 31 December 2016 were prepared under IFRS and have been delivered to the Registrar of Companies. The audit report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Notes to the condensed consolidated interim financial statements (continued)

2 Revenue

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

	9 months to 30 September 2017 (unaudited) £'000	9 months to 30 September 2016 (unaudited) £'000
Member income	**126,716**	103,198
Vending income	**4,209**	3,486
Other income	**15,655**	10,552
	146,580	117,236

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

3 Operating profit

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

	9 months to 30 September 2017 (unaudited) £'000	9 months to 30 September 2015 (unaudited) £'000
Operating profit	**25,636**	(15)
Depreciation	**19,437**	17,488
Amortisation	**229**	921
Loss/(profit) on disposal of property, plant and equipment	**539**	(106)
Exceptional costs (note 4)	**1,956**	9,020
Group EBITDA	**47,797**	27,308
Head office costs	**12,322**	10,565
Gym EBITDA	**60,119**	37,873

4 Exceptional items

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

	9 months to 30 September 2017 (unaudited) £'000	9 months to 30 September 2016 (unaudited) £'000
Costs relating to the acquisition of LA Fitness Group	**—**	361
Integration and transition costs	**43**	2,461
Impairment of tangible fixed assets (note 6)	**—**	1,750
Costs relating to the Initial Public Offering	**(362)**	4,449
Costs relating to the private sale	**2,275**	—
	1,956	9,020

The group purchased the LA Fitness Group in May 2015 and in doing so incurred residual acquisition costs associated with the non-recurring transaction of £nil (9 months ended 30 September 2016: £361,000) and residual, non-recurring costs associated with the transition and integration of LA Fitness into the Pure Gym model of £43,000 (9 months ended 30 September 2016: £2,461,000).

4 Exceptional items (continued)

During the 9 months to 30 September 2016 the group made plans to proceed with an initial public offering ("IPO") of Pure Gym onto the London Stock Exchange. Subsequently the group decided that executing an IPO in volatile market conditions would not be in the long-term interests of the group and its stakeholders and decided not to proceed. A non-recurring, exceptional credit of £362,000 arose in the current period upon finalising costs accrued for this transaction in the prior period (9 months to 30 September 2016: exceptional charge of £4,449,000).

During the 9 months ended 30 September 2017 the group was in the process of a private sale of the business (see note 15), resulting in non-recurring, exceptional professional fees of £2,275,000 (9 months ended 30 September 2016: £nil).

5 Income tax

	9 months to 30 September 2017 (unaudited) £'000	9 months to 30 September 2016 (unaudited) £'000
Current tax:		
—UK Corporation tax charge on profit/(loss) for the period	**1,753**	—
Total current tax charge	**1,753**	—
Deferred tax:		
—Origination and reversal of temporary differences	**510**	(6,911)
—Adjustments in respect of prior periods	**128**	(1,673)
—Effect of change of rate	**—**	295
Total deferred tax charge/(credit)	**638**	(8,289)
Total tax charge/(credit) in the condensed consolidated statement of comprehensive income	**2,391**	(8,289)

The charge for taxation for the 9 months to 30 September 2017 is based on the estimated effective rate of 19.25% (30 September 2016 – 20%).

6 Property, plant and equipment

	Leasehold costs £'000	**Leasehold improvem'ts £'000**	**Fixtures & Fittings £'000**	**IT equip't £'000**	**Motor Vehicles £'000**	**Total £'000**
Cost						
1 January 2016	5,348	106,206	69,705	3,639	15	184,913
Additions	1,515	36,134	15,540	1,743	—	54,932
Disposals	—	(2,022)	(6,880)	(790)	(15)	(9,707)
31 December 2016	**6,863**	**140,318**	**78,365**	**4,592**	**—**	**230,138**
Accumulated depreciation						
1 January 2016	934	17,711	22,342	1,665	13	42,665
Charge for the period	428	11,300	10,931	1,021	2	23,682
Impairment	57	1,384	1,589	230	—	3,260
Disposals	—	(1,712)	(4,997)	(709)	(15)	(7,433)
31 December 2016	**1,419**	**28,683**	**29,865**	**2,207**	**—**	**62,174**
Net book value						
31 December 2016	**5,444**	**111,635**	**48,500**	**2,385**	**—**	**167,964**

6 Property, plant and equipment (continued)

	Leasehold costs £'000	Leasehold improvem'ts £'000	Fixtures & Fittings £'000	IT equip't £'000	Motor Vehicles £'000	Total £'000
Cost						
1 January 2017	6,863	140,318	78,365	4,592	—	230,138
Additions	1,019	15,617	6,384	1,103	—	24,123
Disposals	(19)	(1,073)	(282)	(107)		(1,481)
30 September 2017	**7,863**	**154,862**	**84,467**	**5,588**	**—**	**252,780**
Accumulated depreciation						
1 January 2017	1,419	28,683	29,865	2,207	—	62,174
Charge for the period	365	9,448	8,726	898	—	19,437
Disposals	(18)	(101)	(124)	(6)	—	(249)
30 September 2017	**1,766**	**38,030**	**38,467**	**3,099**	**—**	**81,362**
Net book value						
30 September 2017	**6,097**	**116,832**	**46,000**	**2,489**	**—**	**171,418**

7 Intangible assets

	Goodwill £'000	Brands £'000	Customer Lists £'000	Total £'000
Cost				
1 January 2016	170,695	1,217	1,375	173,287
31 December 2016	170,695	1,217	1,375	173,287
Accumulated amortisation				
1 January 2016	—	812	458	1,270
Charge for the period	—	405	688	1,093
31 December 2016	**—**	**1,217**	**1,146**	**2,363**
Net book value				
31 December 2016	**170,695**	**—**	**229**	**170,924**
Cost				
At 1 January 2017	170,695	1,217	1,375	173,287
Additions	—	—	—	—
At 30 September 2017	**170,695**	**1,217**	**1,375**	**173,287**
Accumulated amortisation				
At 1 January 2017	—	1,217	1,146	2,363
Charge for the year	—	—	229	229
30 September 2017	—	1,217	1,375	2,592
Net book value				
30 September 2017	**170,695**	**—**	**—**	**170,695**

8 Borrowings

Current

	30 September 2017 (unaudited) £'000	31 December 2016 £'000
Finance leases	**1,017**	638
Preference shares	**48,264**	45,853
	49,281	46,491

Non-current

	30 September 2017 (unaudited) £'000	31 December 2016 £'000
Bank loans and overdrafts	**215,000**	215,000
Capitalised issue costs	**(5,752)**	(5,428)
Bank loans net of issue costs	**209,248**	209,572
Finance leases	**3,775**	31
Unsecured non-convertible loan notes	**134,405**	125,672
	347,428	335,275

Maturity profile (excluding borrowing costs)

	30 September 2017 (unaudited) £'000	31 December 2016 £'000
Within 1 year	**49,281**	46,491
Between 1 and 2 years	**988**	31
Between 2 and 5 years	**352,192**	340,672
	402,461	387,194

Bank loans and overdrafts

On 28 May 2016 Gym Topco Limited and subsidiaries (together the "Group") refinanced with certain subsidiaries being party to a £195 million committed financing facility with four international banks (Ares Management, Barclays Bank PLC, Goldman Sachs and Haymarket Financial, collectively "the Lenders"). This facility consisted 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 £5 million overdraft facility repayable in May 2021. On 29 March 2017 this facility was extended to allow for a further £25 million capex facility repayable on the same terms. At 30 September 2017 the total amount undrawn on all facilities was £5 million (31 December 2016: £5 million).

On 4 January 2017, the group entered into an amendment and restatement agreement with the Lenders, which saw the £220 million committed financing facility increase to £240 million with the addition of a further £10 million to each of the capex facility and the revolving credit facility. The additional £10 million capex facility is repayable in 3 bi-annual instalments from 28 May 2020 to 28 May 2021 and the additional revolving credit facility is repayable on 16 January 2019. All terms associated with the £220 million facility remain unchanged.

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.

8 Borrowings (continued)

The group has entered into an interest rate cap to protect against interest rate risk.

Finance leases

Finance leases are secured against the assets to which they relate.

Loan notes

The Group issued £89,359,996 of 9.4% fixed rate unsecured, non-convertible loan notes on 23 May 2013. These are repayable in full together with any unpaid accrued interest on 23 May 2021. On 18 August 2014 a further £716,477 of 2021 loan notes were issued and on 30 September 2014 £14,459 of 2021 loan notes were redeemed in full along with the associated interest. On 17 April 2016 a further £939,815 of 2021 loan notes were issued and on 21 April 2016 £32,325 of 2021 loan notes were redeemed in full along with the associated interest.

All loan notes currently fall due between two to five years but may be repaid earlier at the option of the company.

Preference shares

The Preferred A Ordinary shares accrue fixed interest at 9.4% of the issue price, which totalled £13,967,000 at 30 September 2017 (31 December 2016: £11,556,000). The shares are redeemable in full immediately prior to a sale or public offering, in part or in full at any time by written notice of the Company, upon an insolvency event or upon an event of default. Upon winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive £1 per share, plus any interest accrued but unpaid in respect of these shares.

9 Financial instruments

The Group has entered into an interest rate cap which restricts the LIBOR element of interest payable on £100 million of its drawn borrowings at a rate not higher than 1.75%. In accordance with IAS 39, the cap is considered to be closely related to the debt instrument and has therefore not been recognised separately as an embedded derivative. The premium payable to acquire the cap is amortised to the consolidated statement of comprehensive income over the term of the debt. The Group does not enter into derivative contracts for speculative purposes.

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.

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

9 Financial instruments (continued)

	Carrying Value		Fair Value	
	30 September 2017 (unaudited) £'000	31 December 2016 £'000	**30 September 2017 (Unaudited) £'000**	31 December 2016 £'000
Financial assets				
Trade and other receivables	**3,644**	2,170	**3,644**	2,170
Cash and cash equivalents	**31,103**	14,486	**31,103**	14,486
Financial liabilities				
Trade and other payables	**31,046**	32,872	**31,046**	32,872
Finance leases	**4,792**	669	**3,193**	619
Bank loans	**215,000**	215,000	**220,360**	211,114
Cumulative preference shares	**48,264**	45,853	**43,169**	38,374
Unsecured non-convertible loan notes	**134,405**	125,672	**134,002**	120,014

10 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments: market risk, interest rate risk, 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.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The key market risk affecting the group is interest rate risk. Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 30 September 2017 and 31 December 2016. The analysis has been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt and derivatives are all constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group manages its interest rate risk by holding 47% of its borrowings in fixed rate instruments by way of shareholder loans and finance leases (31 December 2016: 44%). Exposure on the remaining bank borrowings is managed by entering into interest rate derivatives, in which it agrees to cap rates or exchange, at specified intervals, the difference between fixed and variable rate interest rate amounts calculated by reference to an agreed-upon notional principal amount. At 30 September 2017 (after taking into account the effect of interest rate swaps/caps, fixed shareholder loans and finance leases), 71% of the group's borrowings are at fixed rates of interest (31 December 2016: 70%).

The impact of notional increases on variable borrowings over next 12 months is shown below:

	30 September 2017 £'000	31 December 2016 £'000
Change in interest rate: + 0.5%	**1,075**	1,075

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:

Notes to the condensed consolidated interim financial statements (continued)

10 Financial risk management objectives and policies (continued)

	30 September 2017				
	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	31,046	—	—	—	31,046
Borrowings	15,337	20,046	484,688	—	520,071
Total financial liabilities	46,383	20,046	484,688	—	551,117

	31 December 2016				
	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	32,872	—	—	—	32,872
Borrowings	17,295	16,532	503,598	—	537,425
Total financial liabilities	50,167	16,532	503,598	—	570,297

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.

11 Share capital and premium

	30 September 2017 (unaudited) £'000	30 September 2017 (unaudited) No.	31 December 2016 £'000	31 December 2016 No.
Allotted				
Ordinary B shares of £0.01	**9**	**865,214**	9	865,214
Ordinary C shares of £0.01	**1**	**150,000**	1	141,044
Ordinary D shares of £0.0003	**2**	**6,830,927**	2	6,830,927
	12	**7,846,141**	12	7,837,185

On 23 February 2017 8,956 Ordinary C shares were issued for £1.33 per share creating a premium on issue of £12,000 (9 months ended 30 September 2016: 4,100 Ordinary C shares issued at £1.33 creating a premium on issue of £5,000).

12 Reconciliation of loss before tax to cash generated from operations

	30 September 2017 (unaudited) £'000	30 September 2016 (unaudited) £'000
Profit/(Loss) before income tax	**939**	(22,537)
Adjustments for:		
Net finance cost	**24,697**	22,522
Depreciation	**19,437**	17,488
Amortisation	**229**	921
Profit/(loss) on disposal of property, plant and equipment	**539**	(106)
Exceptional costs	**1,956**	9,020
Changes in working capital		
Inventories	**165**	203
Trade and other receivables	**1,069**	3,566
Trade and other payables	**3,013**	(956)
Cash generated from operations	**52,044**	30,121

13 Analysis of net debt

	1 January 2017 (unaudited) £'000	Cash flow £'000	Non-cash £'000	30 September 2017 (Unaudited) £'000
Cash at bank and in hand	14,486	16,617	—	**31,103**
Bank loans	(215,000)	—	—	**(215,000)**
Finance leases	(669)	1,000	(5,123)	**(4,792)**
Preference share capital	(34,297)	—	—	**(34,297)**
Preference share interest	(11,556)	—	(2,411)	**(13,967)**
Loan note capital	(90,970)	—	—	**(90,970)**
Loan note interest	(34,702)	—	(8,733)	**(43,435)**
	(372,708)	**17,617**	**(16,267)**	**(371,358)**

	1 January 2016 (unaudited) £'000	Cash flow £'000	Non-cash £'000	30 September 2016 (Unaudited) £'000
Cash at bank and in hand	7,702	4,030	—	**11,732**
Bank loans	(175,000)	(40,000)	—	**(215,000)**
Finance leases	(1,490)	609	—	**(881)**
Preference share capital	(34,297)	—	—	**(34,297)**
Preference share interest	(9,003)	—	(1,740)	**(10,743)**
Loan note capital	(90,970)	—	—	**(90,970)**
Loan note interest	(23,877)	—	(8,010)	**(31,887)**
	(326,935)	**(35,361)**	**(9,750)**	**(372,046)**

14 Capital and other commitments

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

	30 September 2017 (unaudited) £'000	31 December 2016 £'000
Not later than one year	**32,698**	30,017
Later than one year and not later than five years	**139,617**	124,370
Later than five years	**305,069**	291,210
	477,384	445,597

15 Events after the reporting period

On 3 November 2017 CCMP Capital Advisors, LP ("CCMP") entered into a binding agreement with Leonard Green & Partners, L.P. ("LGP"), under which affiliates of LGP will acquire a controlling interest in the Group. The transaction is timetabled to complete at the end of November at which point LGP will replace CCMP as the majority shareholder and controlling party.

Registered Number 08508586

Gym Topco Limited

Annual report and financial statements

for the year ended

31 December 2016

Independent auditors' report to the members of Gym Topco Limited

Report on the group financial statements

Our opinion

In our opinion, Gym Topco 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 2016 and of its loss and cash flows for the year 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 statement of financial position as at 31 December 2016;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated 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 IFRSs as adopted by the European Union, and applicable law.

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, based on the work undertaken in the course of the audit:

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

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

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 Gym Topco 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 7, 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 matters

We have reported separately on the company financial statements of Gym Topco Limited for the year ended 31 December 2016.

Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
24 March 2017

Consolidated statement of comprehensive income
for the year ended 31 December 2016

	Note	**2016 £'000**	2015 £'000
Revenue	4	**159,937**	125,201
Other administrative expenses		**(144,498)**	(111,665)
Exceptional administrative expenses	6	**(12,712)**	(10,654)
Administrative expenses		**(157,210)**	(122,319)
Operating profit	5	**2,727**	2,882
Finance income		**44**	48
Finance costs	9	**(30,571)**	(26,070)
Loss before income tax		**(27,800)**	(23,140)
Income tax credit	10	**8,035**	1,806
Loss for the financial year		**(19,765)**	(21,334)
Total comprehensive expense for the year		**(19,765)**	(21,334)

Consolidated statement of financial position
as at 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 (restated) £'000
Non-current assets			
Property, plant and equipment	11	**167,964**	142,248
Intangible assets	12	**170,924**	172,017
Deferred tax asset	10	**10,960**	2,925
		349,848	317,190
Current assets			
Inventories	13	**1,115**	1,260
Trade and other receivables	14	**12,730**	18,926
Cash and cash equivalents		**14,486**	7,702
		28,331	27,888
TOTAL ASSETS		**378,179**	345,078
Current liabilities			
Trade and other payables	15	**(65,485)**	(65,443)
Borrowings	16	**(46,491)**	(44,122)
		(111,976)	(109,565)
Non-current liabilities			
Borrowings	16	**(335,275)**	(284,825)
		(335,275)	(284,825)
TOTAL LIABILITIES		**(447,251)**	(394,390)
NET LIABILITIES		**(69,072)**	(49,312)
Equity			
Share Capital	19	**12**	12
Share premium account		**71**	66
Merger reserve		**922**	922
Retained earnings		**(70,077)**	(50,312)
TOTAL EQUITY		**(69,072)**	(49,312)

The financial statements of Gym Topco Limited, registered number 08508586, on pages 11 to 40 were approved by the board of directors and authorised for issue on 24 March 2017 and were signed on its behalf by:

A Bellamy
Director

Consolidated cash flow statement
for the year ended 31 December 2016

	Note	**2016 £'000**	2015 £'000
Cash flows from operating activities			
Cash generated from operations	20	**41,715**	36,709
Exceptional costs paid		**(7,604)**	(10,654)
Bank interest and similar charges paid		**(13,535)**	(8,246)
Bank interest received		**44**	48
Loan note interest paid		**—**	(2,120)
Preference share interest paid		**—**	(2)
Interest element of finance lease payments		**(115)**	(293)
Issue costs from bank borrowings		**(937)**	(6,303)
Net cash generated from operating activities		**19,568**	9,139
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**—**	(33,571)
Purchase of property, plant & equipment	11	**(54,932)**	(70,112)
Proceeds from disposal of property, plant & equipment		**2,964**	9,170
Net cash used in investing activities		**(51,968)**	(94,513)
Cash flows from financing activities			
Issue of share capital	19	**5**	50
Proceeds from borrowings		**—**	340
Repayments of borrowings		**—**	(9,088)
Capital element of finance lease payments		**(821)**	(1,240)
Proceeds from long term bank borrowings		**40,000**	175,000
Repayments of long term bank borrowings		**—**	(82,026)
Net cash generated from financing activities		**39,184**	83,036
Net increase/(decrease) in cash and cash equivalents		**6,784**	(2,338)
Cash and cash equivalents at beginning of the year		**7,702**	10,040
Cash and cash equivalents at end of year		**14,486**	7,702

Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2015	**11**	**17**	**922**	**(28,978)**	**(28,028)**
Loss and total comprehensive expense for the year	—	—	—	(21,334)	(21,334)
Proceeds from shares issued	1	49	—	—	50
Balance as at 31 December 2015	**12**	**66**	**922**	**(50,312)**	**(49,312)**
Loss and total comprehensive expense for the year	—	—	—	(19,765)	(19,765)
Proceeds from shares issued	—	5	—	—	5
Balance as at 31 December 2016	**12**	**71**	**922**	**(70,077)**	**(69,072)**

Notes to the consolidated financial statements

1 General information

The principal activity of the group during the year was the provision of facilities for physical fitness and is expected to remain so for the foreseeable future. The group and its subsidiaries are private companies and are incorporated and domiciled in the UK. The address of the Group's registered office is Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY.

2 Summary of significant accounting policies

Basis of accounting

The Group financial statements have been prepared on the going concern basis and in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRS IC') interpretations, as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared under the historical cost convention, 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 financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2016. The results of subsidiaries acquired are consolidated for the period from the date on which control passed. Acquisitions are accounted for using the acquisition method. Uniform accounting policies are applied throughout the Group, unless otherwise stated.

Segmental 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 Executive Management Team 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 a single class of business and 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. Member income includes membership subscriptions and joining fee income. Membership subscriptions are received in advance of the period to which they relate are held in deferred income and joining fee income is recognised immediately as revenue. Revenue from vending income is recognised at the point of sale. Other income includes various ancillary revenue streams, which are recognised in the period to which they relate. 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

2 Summary of significant accounting policies (continued)

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 consolidated statement of comprehensive 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 to 5 years.

Inventories

Inventories primarily relate 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. Inventories are valued on a first in, first out basis. No inventories have been written off in the year.

Property, plant and equipment

All property, plant and equipment is initially recorded at cost, including those costs that were directly attributable to bringing the assets into working condition. Any capital contribution by a landlord towards leasehold fitting out works is treated as a lease incentive to be spread over the lease term.

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 costs	Straight line over the life of the lease
Leasehold improvements	Straight line over 3-15 years
Fixtures and fittings	Straight line over 6 years
IT equipment	Straight line over 3 years
Motor vehicles	Straight line over 3 years

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 borrowings. Rentals payable are apportioned between the finance element, which is charged to the consolidated statement of comprehensive income on a straight line basis and the capital element which reduces the outstanding obligation for future instalments.

2 Summary of significant accounting policies (continued)

(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 to the consolidated statement of comprehensive income 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 instruments

Financial liabilities

The company initially recognises financial liabilities at fair value where applicable (net of any transaction costs) and subsequently they are measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest method over the life of the loan.

Derivative financial instruments

The Group sometimes uses derivative financial instruments such as interest rate swaps and caps to hedge risks associated with interest rate movements. The Group initially recognises such instruments at fair value where applicable and subsequently remeasures at each balance sheet date. The Group had no separable derivatives at the balance sheet date.

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.

Impairment of 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 a 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 statement of comprehensive income.

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 statement of comprehensive income.

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

2 Summary of significant accounting policies (continued)

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 cash flow statement, 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 statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

Trade and other 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.

Taxation

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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.

Capital management

The group’s objectives when managing capital are to safeguard the group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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.

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 LP. The directors have received confirmation that CCMP Capital LP intend to support the company for at least one year after these financial statements are signed.

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 non-recurring material items of income or expense that have been shown separately due to the significance of their nature or amount.

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

Future accounting standards

At the date of authorisation of these financial statements the following standards and interpretations were in issue but not yet effective and therefore have not been applied in these financial statements:

- Amendments to IAS 7 'Statement of cash flows' on disclosure initiative;
- Amendments to IAS 12 'Income taxes' on recognition of deferred tax assets for unrealised losses;
- Amendments to IFRS 2 'Share based payments' on clarifying how to account for certain types of share-based payment transactions;
- Amendments to IFRS 4 'Insurance contracts' regarding the implementation of IFRS 9;
- Amendment to IAS 40 'Investment property' relating to transfers of investment property;
- IFRIC 22 'Foreign currency transactions and advance consideration';
- IFRS 15 'Revenue from contracts with customers';
- IFRS 9 'Financial instruments'; and
- IFRS 16 'Leases'.

Other than in respect of IFRS 16, the directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements. IFRS 16 will require most operating leases to be brought onto the balance sheet. The directors are currently assessing the impact that the application of this standard will have on the Group financial statements. The standard is effective for accounting periods beginning on or after 1 January 2019.

3 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 intangibles arising on business combinations

In assessing the initial carrying value of its intangibles, the Group was required to make key judgements, in particular, in the valuation of the brand and customer relationships. The key judgements included estimates of future cash flows and appropriate discount rates. The carrying amount of intangibles at 31 December 2016 was £229,000. A movement of 1% in the discount rate would have resulted in a £28,000 change in the valuation of the intangible assets at acquisition and therefore the impact on carrying value as at 31 December 2016 is not significant.

(b) Impairment of non-financial assets

The Group is required to test, on an annual basis, whether goodwill has 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 is included in note 12.

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

The annual deprecation charge for 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

3 Critical accounting estimates and assumptions (continued)

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 11 for the carrying amount of the property plant and equipment and note 2 for the useful economic lives for each class of assets.

(d) Recoverability of deferred tax assets

The Group recognises deferred tax assets only if it can be regarded as more likely than not that there will be taxable profits from which the future reversal of the underlying temporary differences can be deducted.

The calculation of the deferred tax asset is based on an estimation of the likely taxes due which requires significant judgement as to the ultimate determination of certain items. Where the actual tax position differs from these estimates, such differences will have an impact on the income tax and the deferred tax asset in the period when such determination is made. Detail of the tax charge and deferred tax asset are set out in note 10.

4 Revenue

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

	2016 £'000	2015 £'000
Member income	**147,451**	118,130
Vending income	**4,621**	3,133
Other income	**7,865**	3,938
	159,937	125,201

5 Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging/(crediting)		
Employee costs (note 8)	**21,555**	22,867
Amortisation of intangibles	**1,093**	1,270
Depreciation of property, plant & equipment		
- owned assets	**23,215**	15,591
- assets held under finance lease contracts	**467**	800
Operating lease rentals		
- fixtures and fittings	**—**	85
- land and buildings	**29,685**	23,060
Profit on disposal of property, plant & equipment	**(690)**	(3,208)
Exceptional costs (note 6)	**12,712**	10,654

Notes to the consolidated financial statements (continued)

5 Operating profit (continued)

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

	2016 £'000	2015 £'000
Operating profit	**2,727**	2,882
Depreciation	**23,682**	16,391
Amortisation	**1,093**	1,270
Profit on disposal of property, plant and equipment	**(690)**	(3,208)
Exceptional costs	**12,712**	10,654
Group EBITDA	**39,524**	27,989
Head office costs	**13,846**	13,061
Gym EBITDA	**53,370**	41,050

6 Exceptional items

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

	2016 £'000	2015 £'000
Costs relating to acquisition of LA Fitness Group	**361**	2,757
Integration and transition costs	**2,315**	2,822
Impairment of tangible fixed assets	**3,260**	—
Costs relating to the Initial Public Offering	**6,776**	—
Rebranding costs	**—**	5,075
	12,712	10,654

In the prior year the group purchased the LA Fitness Group and in doing so incurred transaction costs of £2,757,000 in the year ended 31 December 2015 and costs of £361,000 in the year ended 31 December 2016. Costs associated with the transition and integration of LA Fitness into the Pure Gym model of £2,315,000 were incurred in the year (2015: £2,822,000). Exceptional impairment charges of £3,260,000 were also recognised against certain items of property, plant and equipment to reflect their expected on-going value in use (2015: £nil).

During the year the group made plans to proceed with an initial public offering ("IPO") of Pure Gym onto the London Stock Exchange. Subsequently the group decided that executing an IPO in volatile market conditions would not be in the long-term interests of the group and its stakeholders and decided not to proceed. Exceptional costs incurred in connection with this totalled £6,776,000 (2015: £nil).

During the year ended 31 December 2015 the group invested in a major rebranding of the Pure Gym brand at a cost of £5,075,000. No such costs were incurred in the current year.

7 Auditors' remuneration

The remuneration of the auditors are analysed as follows:

	2016 £'000	2015 £'000
Audit of the parent company and group financial statements	**7**	6
Audit of subsidiary financial statements	**95**	115
Other assurance services	**992**	43
	1,094	164

7 Auditors' remuneration (continued)

In the year ended 31 December 2016, other assurance services relate to exceptional costs incurred in connection with the IPO (note 6).

8 Employees and directors

	2016 £'000	2015 £'000
Wages and salaries	**19,387**	21,001
Social security costs	**1,906**	1,643
Other pension costs	**262**	223
	21,555	22,867

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 year was £262,000 (2015: £223,000) and outstanding pension contributions at the year-end totalled £38,000 (2015: £34,000).

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

	2016 No.	2015 No.
Central support	**211**	232
Operations	**465**	728
	676	960

Total emoluments relating to Directors are as follows:

	2016 £'000	2015 £'000
Aggregate emoluments	**1,112**	965
Contributions to defined contribution schemes	**5**	5
	1,117	970

Two directors were members of the defined contribution scheme as at 31 December 2016 (2015: two). The amounts set out above include remuneration in respect of the highest paid director as follows:

	2016 £'000	2015 £'000
Emoluments	575	456

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.

9 Finance costs

	2016 £'000	2015 £'000
Bank loans and overdrafts	**15,377**	8,122
Finance leases	**115**	293
Commitment fees	**251**	620
Amortisation of capitalised finance costs	**1,199**	2,794
Preference shares	**2,553**	3,712
Loan notes	**10,825**	10,392
Other	**251**	137
	30,571	26,070

10 Income tax

	2016 £'000	2015 £'000
Deferred tax:		
- Origination and reversal of timing differences	**(6,362)**	(1,805)
- Adjustments in respect of prior periods	**(1,673)**	(1)
Total deferred tax credit	**(8,035)**	(1,806)
Total tax credit in the consolidated statement of comprehensive income	**(8,035)**	(1,806)

The tax credit for the period is higher (2015: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	**(27,800)**	(23,140)
Tax on loss on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.25%)	**(5,560)**	(4,686)
Effects of:		
- Fixed asset differences	**(215)**	(161)
- Expenses not deductible for tax purposes	**2,282**	(312)
- Impact of rate changes	**2,222**	(20)
- Unrelieved tax losses and other deductions	**(57)**	—
- Other short term timing differences	**65**	27
- Unrelieved tax losses not recognised	**—**	3,347
- Adjustments in respect of prior periods	**(1,673)**	(1)
- Deferred tax not recognised	**(38)**	—
- Deferred tax previously unrecognised	**(5,061)**	—
Total tax credit for the year	**(8,035)**	(1,806)

Factors that may affect future tax charges

Legislation to reduce the standard rate of corporation tax from 20% to 19% from 1 April 2017 was included in the Summer Finance Bill 2015 and was substantively enacted on 26 October 2015. On 16 March 2016 a reduction in the standard rate of UK Corporation Tax to 17% from 1 April 2020 was announced and substantively enacted on 6 September 2016.

Accordingly deferred tax has been provided at the rate at which the temporary difference is expected to reverse.

In the Budget 2016 the government announced that it would introduce new rules to limit the tax deductibility of corporate interest expense. The Fixed Ratio Rule will limit the amount of net interest expense that a worldwide group can deduct against its taxable profits to 30% of its taxable earnings before interest, taxes, depreciation, and amortisation (EBITDA). The impact on the group will be to increase corporation tax payable in future years.

Deferred tax

The gross movement in deferred tax balances is as follows:

	2016 £'000	2015 £'000
At 1 January	**2,925**	(1,179)
Income statement credit	**8,035**	1,806
Acquisitions	**—**	2,298
At 31 December	**10,960**	2,925

Notes to the consolidated financial statements (continued)

10 Income tax (continued)

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

	2016 £'000	2015 £'000
Due within 12 months		
Deferred tax assets	**1,597**	1
Deferred tax liabilities	**(39)**	(264)
Total deferred tax assets/(liability) realisable/(due) within 12 months	**1,558**	(263)
Due after more than 12 months		
Deferred tax assets	**9,402**	3,188
Total deferred tax asset due after more than 12 months	**9,402**	3,188
Total deferred tax asset	**10,960**	2,925

The movement in deferred income tax assets and liabilities during the year, 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			
At 1 January 2015	—	1,260	1,260
Charged to the income statement	—	(1,259)	(1,259)
Transferred from liabilities	3,188	—	3,188
At 31 December 2015	**3,188**	**1**	**3,189**
Credited/(charged) to the income statement	7,811	(1)	7,810
At 31 December 2016	**10,999**	**—**	**10,999**

Deferred tax assets have been recognised on the basis there will be sufficient and suitable taxable profit in the future against which these can be offset.

	Accelerated capital allowances £'000	Intangibles £'000	Total £'000
Deferred tax liabilities			
At 1 January 2015	(2,439)	—	(2,439)
Acquisitions	2,816	(518)	2,298
Credited to the income statement	2,811	254	3,065
Transferred to assets	(3,188)	—	(3,188)
At 31 December 2015	**—**	**(264)**	**(264)**
Credited to the income statement	—	225	225
At 31 December 2016	**—**	**(39)**	**(39)**

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

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment

	Leasehold costs £'000	Leasehold improvem'ts £'000	Fixtures & Fittings £'000	IT equip't £'000	Motor Vehicles £'000	Total £'000
Cost						
1 January 2015	3,507	60,007	39,013	1,835	—	104,362
Acquisitions	—	5,700	10,769	509	26	17,004
Additions	1,841	42,895	24,043	1,333	—	70,112
Disposals	—	(2,396)	(4,120)	(38)	(11)	(6,565)
31 December 2015	**5,348**	**106,206**	**69,705**	**3,639**	**15**	**184,913**
Accumulated depreciation						
1 January 2015	673	10,553	14,767	884	—	26,877
Charge for the year	261	7,690	7,646	781	13	16,391
Disposals	—	(532)	(71)	—	—	(603)
31 December 2015	**934**	**17,711**	**22,342**	**1,665**	**13**	**42,665**
Net book value						
31 December 2015	**4,414**	**88,495**	**47,363**	**1,974**	**2**	**142,248**
Cost						
1 January 2016	5,348	106,206	69,705	3,639	15	184,913
Additions	1,515	36,134	15,540	1,743	—	54,932
Disposals	—	(2,022)	(6,880)	(790)	(15)	(9,707)
31 December 2016	**6,863**	**140,318**	**78,365**	**4,592**	**—**	**230,138**
Accumulated depreciation						
1 January 2016	934	17,711	22,342	1,665	13	42,665
Charge for the year	428	11,300	10,931	1,021	2	23,682
Impairment (note 6)	57	1,384	1,589	230	—	3,260
Disposals	—	(1,712)	(4,997)	(709)	(15)	(7,433)
31 December 2016	**1,419**	**28,683**	**29,865**	**2,207**	**—**	**62,174**
Net book value						
31 December 2016	**5,501**	**112,735**	**48,814**	**2,424**	**—**	**167,964**

Finance lease agreements

Included within the closing net book value is £896,000 (2015: £1,363,000) relating to fixtures and fittings held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £467,000 (2015: £800,000).

12 Intangible assets

	Goodwill £'000	Brands £'000	Customer Lists £'000	Total £'000
Cost				
1 January 2015	108,953	—	—	108,953
Additions (restated)	61,742	1,217	1,375	64,334
31 December 2015	170,695	1,217	1,375	173,287
Accumulated amortisation				
Charge for the year	—	812	458	1,270
31 December 2015	—	812	458	1,270
Net book value				
31 December 2015	**170,695**	**405**	**917**	**172,017**
Cost				
At 1 January 2016	170,695	1,217	1,375	173,287
Additions	—	—	—	—
At 31 December 2016	170,695	1,217	1,375	173,287
Accumulated amortisation				
At 1 January 2016	—	812	458	1,270
Charge for the year	—	405	688	1,093
31 December 2016	—	1,217	1,146	2,363
Net book value				
31 December 2016	**170,695**	**—**	**229**	**170,924**

Additions to goodwill in the prior year relate to the acquisition of the LA Fitness group. Upon finalising the fair values in the completion balance sheet during the current year, goodwill arising was increased by £2,550,000 from that originally reported, with a corresponding increase in accruals and deferred income (note 15).

Brands and customer lists were capitalised at fair value in connection with the acquisition of the LA Fitness Group in May 2015. Amortisation of intangible assets is recorded in administrative expenses in the consolidated statement of comprehensive income and the useful economic life over which amortisation is charged is disclosed in note 2. At 31 December 2016 the net book value attributable to the LA Fitness and LAX brands was £nil. Amortisation of £1,093,000 is included in administrative expenses (2015: £1,270,000).

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.

EBITDA projections reflect the maturity profile of the existing estate and the key assumptions are: average annual capital expenditure of £13.7m on existing sites (2015: £12.7m), pre-tax discount rate of 10% (2015: 10%) and a long term growth rate of 2% (2015: 2%). There is sufficient headroom such that any reasonable sensitivity performed does not reduce the recoverable amount to lower than carrying value.

13 Inventories

	2016 £'000	2015 £'000
Finished goods and goods for resale	**1,115**	1,260

14 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**222**	1,442
Less provision for impairment of trade receivables	**(29)**	(430)
Trade receivables – net	**193**	1,012
VAT recoverable	**—**	2,133
Prepayments and accrued income	**10,560**	11,608
Other debtors	**1,977**	4,173
	12,730	18,926

The average credit period taken for trade receivables is 54 days (2015: 97 days). As of 31 December 2016, trade receivables of £nil (2015: £nil) were past due but not impaired.

As of 31 December 2016, trade receivables of £35,000 (2015: £530,000) were impaired. The amount of the provision was £29,000 as of 31 December 2016 (2015: £430,000). The ageing of these receivables is as follows:

	2016 £'000	2015 £'000
1 to 3 months	**20**	173
4 to 6 months	**5**	302
7 to 12 months	**—**	44
Over 12 months	**10**	11
	35	530

Movements on the Group provision for impairment of trade receivables are as follows:

	2016 £'000	2015 £'000
1 January	**430**	—
Provided in the year	**32**	—
Receivables written off during the year as uncollectible	**(433)**	430
31 December	**29**	430

The creation and release of provision for impaired receivables has been included in administrative expenses in the consolidated statement of comprehensive income.

All of the Group's receivables are denominated in Sterling.

The other classes within trade and other receivables do not contain assets which are considered to be impaired. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

15 Trade and other payables

	2016 £'000	2015 (restated) £'000
Trade creditors	**11,475**	24,919
Other taxation and social security	**466**	684
Other liabilities	**766**	771
Accruals	**20,654**	15,008
Deferred income	**8,176**	6,305
Deferred rent accrual	**22,522**	17,756
VAT payable	**1,426**	—
	65,485	65,443

Notes to the consolidated financial statements (continued)

15 Trade and other payables (continued)

The deferred rent accrual relates to deferred rentals from operating leases and is outside the scope of IAS 39 (financial instruments).

Upon finalising the fair value of the LA Fitness group completion balance sheet in the year, accruals and deferred income at the prior year were increased by £2,550,000 from that originally stated, with a corresponding adjustment to goodwill (note 12).

16 Borrowings

Current

	2016 £'000	2015 £'000
Finance leases	**638**	822
Preference shares	**45,853**	43,300
	46,491	44,122

Non-current

	2016 £'000	2015 £'000
Bank loans and overdrafts	**215,000**	175,000
Capitalised issue costs	**(5,428)**	(5,690)
Bank loans net of issue costs	**209,572**	169,310
Finance leases	**31**	668
Unsecured non-convertible loan notes	**125,672**	114,847
	335,275	284,825

Maturity profile (excluding borrowing costs)

	2016 £'000	2015 £'000
Within 1 year	**46,491**	44,122
Between 1 and 2 years	**31**	638
Between 2 and 5 years	**340,672**	20,030
After 5 years	**—**	269,847
	387,194	334,637

Bank loans and overdrafts

On 28 May 2015 the Group refinanced with certain subsidiaries being party to a £195 million committed financing facility with four international banks (Ares Management, Barclays Bank PLC, Goldman Sachs and Haymarket Financial, collectively "the Lenders"). This facility consisted 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 £5 million overdraft facility repayable in May 2021. On 29 March 2016 this facility was extended to allow for a further £25 million capex facility repayable on the same terms. At 31 December 2016 the total amount undrawn on all facilities was £5 million (31 December 2015: £20 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.

The group has entered into an interest rate cap to protect against interest rate risk, see note 17.

16 Borrowings (continued)

Finance leases

Finance leases are secured against the assets to which they relate.

Loan notes

There are 2 tranches of loan notes in issue to Gym Midco Limited:

1) *2020 loan notes*: on 23 May 2013 £10,000,000 of unsecured, non-convertible loan notes were issued, accruing interest at 9.4% in years 1 and 2, 11.4% in year 3 and 13.4% in year 4 onwards. On 31 December 2014 £4,049 of 2020 loan notes were redeemed in full along with the associated interest. On 21 April 2015 £10,498 of 2020 loan notes were redeemed in full along with the associated interest. On 30 June 2015 following a written resolution the 2020 loan notes were repaid in full along with the associated interest.
2) *2021 loan notes*: on 23 May 2013 £89,359,996 of 9.4% fixed rate unsecured, non-convertible loan notes were issued. These are repayable in full together with any unpaid accrued interest on 23 May 2021. On 18 August 2014 a further £716,477 of 2021 loan notes were issued and on 31 December 2014 £14,459 of 2021 loan notes were redeemed in full along with the associated interest. On 17 April 2015 a further £939,815 of 2021 loan notes were issued and on 21 April 2015 £32,325 of 2021 loan notes were redeemed in full along with the associated interest.

All loan notes currently fall due between two to five years but may be repaid earlier at the option of the company.

Preference shares

The Preferred A Ordinary shares accrue fixed interest at 9.4% of the issue price, which totalled £11,556,000 at 31 December 2016 (2015: £9,003,000). The shares are redeemable in full immediately prior to a sale or public offering, in part or in full at any time by written notice of the Company, upon an insolvency event or upon an event of default. Upon winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive £1 per share, plus any interest accrued but unpaid in respect of these shares.

17 Financial instruments

The Group has entered into an interest rate cap which restricts the LIBOR element of interest payable on £100 million of its drawn borrowings at a rate not higher than 1.75%. In accordance with IAS 39, the cap is considered to be closely related to the debt instrument and has therefore not been recognised separately as an embedded derivative. The premium payable to acquire the cap is amortised to the consolidated statement of comprehensive income over the term of the debt. The Group does not enter into derivative contracts for speculative purposes.

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.

17 Financial instruments (continued)

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

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

	Carrying Value		Fair Value	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Financial assets				
Trade and other receivables	**2,170**	5,185	**2,170**	5,185
Cash and cash equivalents	**14,486**	7,702	**14,486**	7,702
Financial liabilities				
Trade and other payables	**32,872**	38,148	**32,872**	38,148
Finance leases	**669**	1,490	**619**	1,277
Bank loans	**215,000**	175,000	**211,114**	177,830
Cumulative preference shares	**45,853**	43,300	**38,374**	42,977
Unsecured non-convertible loan notes	**125,672**	114,847	**120,014**	114,507

18 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments: market risk, interest rate risk, 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.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The key market risk affecting the group is interest rate risk. Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December 2016 and 2015. The analysis has been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt and derivatives are all constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group manages its interest rate risk by holding 44% of its borrowings in fixed rate instruments by way of shareholder loans and finance leases (2015: 48%). Exposure on the remaining bank borrowings is managed by entering into interest rate derivatives, in which it agrees to cap rates or exchange, at specified intervals, the difference between fixed and variable rate interest rate amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2016 (after taking into account the effect of interest rate swaps/caps, fixed shareholder loans and finance leases), 70% of the group's borrowings are at fixed rates of interest (2015: 78%).

The group is not expecting any reduction in interest rates over the next 12 months, the impact of notional increases over next 12 months is shown below:

	2016 £'000	2015 £'000
Change in interest rate: + 0.5%	**1,075**	875

Notes to the consolidated financial statements (continued)

18 Financial risk management objectives and policies (continued)

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:

	2016				
	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	32,872	—	—	—	32,872
Borrowings	17,295	16,532	503,598	—	537,425
Total financial liabilities	**50,167**	**16,532**	**503,598**	**—**	**570,297**

	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	38,148	—	—	—	38,148
Borrowings	57,921	14,359	59,176	347,298	478,754
Total financial liabilities	96,069	14,359	59,176	347,298	516,902

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.

19 Share capital and premium

	2016 £'000	**2016 No.**	2015 £'000	2015 No.
Allotted				
Ordinary B shares of £0.01	**9**	**865,214**	9	865,214
Ordinary C shares of £0.01	**1**	**141,044**	1	136,944
Ordinary D shares of £0.0003	**2**	**6,830,927**	2	6,830,927
	12	**7,837,185**	12	7,833,085

The movements in share capital and share premium in the year was as follows:

	Share Premium		Share Capital	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Shares issued				
Nil B Ordinary shares of £0.01	**—**	8	**—**	—
4,100 C Ordinary shares of £0.01	**5**	46	**—**	—
Nil Ordinary D shares of £0.0003	**—**	1	**—**	1
Shares redeemed				
4,500 C Ordinary shares of £0.01	**—**	(6)	**—**	—
	5	49	**—**	1

20 Reconciliation of loss before tax to cash generated from operations

	2016 £'000	2015 £'000
Loss before income tax	**(27,800)**	(23,140)
Adjustments for:		
Net finance cost	**30,527**	26,022
Depreciation	**23,682**	16,391
Amortisation	**1,093**	1,270
Profit on disposal of property, plant and equipment	**(690)**	(3,208)
Exceptional costs	**12,712**	10,654
Changes in working capital		
Inventories	**145**	(267)
Trade and other receivables	**4,062**	(7,314)
Trade and other creditors	**(2,016)**	16,301
Cash generated from operations	**41,715**	36,709

21 Analysis of net debt

	2015 £'000	Cash flow £'000	Non-cash £'000	2016 £'000
Cash at bank and in hand	7,702	6,784	—	**14,486**
Bank loans	(175,000)	(40,000)	—	**(215,000)**
Finance leases	(1,490)	821	—	**(669)**
Preference share capital	(34,297)	—	—	**(34,297)**
Preference share interest	(9,003)	—	(2,553)	**(11,556)**
Loan note capital	(90,970)	—	—	**(90,970)**
Loan note interest	(23,877)	—	(10,825)	**(34,702)**
	(326,935)	**(32,395)**	**(13,378)**	**(372,708)**

22 Capital and other commitments

At 31 December, the group had the following capital commitments:

	2016 £'000	2015 £'000
Contracts for future capital expenditure not provided	**1,504**	625

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

	2016 £'000	2015 £'000
Not later than one year	**30,017**	24,833
Later than one year and not later than five years	**124,370**	110,092
Later than five years	**291,210**	283,347
	445,597	418,272

23 Controlling party

The immediate parent company of Gym Topco Limited is Gym Bidco SARL, a Luxembourg registered intermediate holding company within the CCMP group.

The ultimate controlling party is CCMP Capital LP, 277 Park Avenue, 27th Floor, New York, NY 10172, United States of America.

24 Related party transactions

P W D Roberts is a partner in Countrywide Leisure Management. During the year the partnership was paid management fees (including directors fees and office rental) of £453,000 (2015: £749,000) and project co-ordination fees of £88,000 (2015: £150,000). Expenses totalling £10,000 (2015: £12,000) were also reimbursed. No amounts were due to Countrywide Leisure Management as at 31 December 2016 (2015: £nil).

Directors' holdings of loan notes, preference shares and the associated and accrued interest are as follows:

	Loan notes 2016 £'000	Loan notes 2015 £'000	**Preference shares 2016 £'000**	Preference shares 2015 £'000
P W D Roberts	**3,891**	3,553	**1,409**	1,330
J de Bruin	**167**	152	**60**	57
A Bellamy	**70**	64	**25**	24
Gym Bidco SARL	**111,903**	102,188	**40,837**	38,557
T Ball	**886**	809	**329**	305
H Cobbold	**1,098**	1,003	**408**	375

During the year the group paid monitoring fees of £65,000 (2015: £65,000) to CCMP Capital Advisors LP, the ultimate parent company and controlling party and reimbursed them for expenses incurred of £44,000 (2015: £150,000).

Yes Mail Interactive is a company under common control of CCMP Capital LP. During the year the company was paid £203,000 (2015: £363,000) for marketing services. At the year-end an amount of £44,000 was due to Yes Mail Interactive (2015: £87,000).

25 Events after the reporting period

On 4 January 2017, the group entered into an amendment and restatement agreement with the Lenders, which saw the £220 million committed financing facility (detailed in note 16) increase to £240 million with the addition of a further £10 million to each of the capex facility and the revolving credit facility. The additional £10 million capex facility is repayable in 3 bi-annual instalments from 28 May 2020 to 28 May 2021 and the additional revolving credit facility is repayable on 16 January 2019. All terms associated with the £220 million facility remain unchanged.

Independent auditors' report to the members of Gym Topco Limited

Report on the company financial statements

Our opinion

In our opinion, Gym Topco 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 2016;
- 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 statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the 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, based on the work undertaken in the course of the audit:

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

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.

Independent auditors' report to the members of Gym Topco Limited (continued)

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.

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 7, 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 Gym Topco Limited for the year ended 31 December 2016.

Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
24 March 2017

Company statement of financial position

as at 31 December 2016

	Note	**31 December 2016 £'000**	31 December 2015 £'000
Non-current assets			
Investments	7	**35,868**	35,868
TOTAL ASSETS		**35,868**	35,868
Current liabilities			
Borrowings	8	**(45,853)**	(43,300)
		(45,853)	(43,300)
Non-current liabilities			
Trade payables	9	**(569)**	(573)
		(569)	(573)
TOTAL LIABILITIES		**(46,422)**	(43,873)
NET LIABILITIES		**(10,554)**	(8,005)
Equity			
Ordinary shares	10	**12**	12
Share premium account		**71**	66
Merger reserve		**922**	922
Retained earnings		**(11,559)**	(9,005)
TOTAL EQUITY		**(10,554)**	(8,005)

The financial statements of Gym Topco Limited, registered number 08508586, on pages 44 to 52 were approved by the board of directors and authorised for issue on 24 March 2017 and were signed on its behalf by:

A Bellamy
Director

Company statement of changes in equity

for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2015	11	17	922	(5,293)	(4,343)
Loss and total comprehensive loss for the year	—	—	—	(3,712)	(3,712)
Proceeds from shares issued	1	49	—	—	50
Balance as at 31 December 2015	**12**	**66**	**922**	**(9,005)**	**(8,005)**
Proceeds from shares issued	**—**	**5**	**—**	**—**	**5**
Loss and total comprehensive loss for the year	—	—	—	(2,554)	(2,554)
Balance as at 31 December 2016	**12**	**71**	**922**	**(11,559)**	**(10,554)**

Notes to the company financial statements

1 General Information

Gym Topco Limited is an intermediate holding company within the CCMP Capital LP 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 Town Centre House, Merrion Centre, Leeds, West Yorkshire, 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.

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 £2,554,000 (2015: £3,712,000).

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

2 Summary of significant accounting policies (continued)

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 considers 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 7.

4 Auditors' remuneration

Fees payable to the company's auditors for the audit of the annual statutory financial statements were £7,000 (2015: £6,000), these are borne by Pure Gym 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 (2015: 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 (2015: 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.

6 Finance costs

	2016 **£'000**	2015 £'000
Preference share interest	**(2,554)**	(3,712)

7 Investments

	2016 £'000	2015 £'000
At 1 January	**35,868**	34,909
Additions	**—**	959
At 31 December	**35,868**	35,868

Fixed asset investments at 31 December 2016 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. The below subsidiaries have the registered office address of Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY.

Company name	Principal activity	Proportion of ordinary shares held %
Gym Midco Limited *	Intermediate holding company	100%
Gym Midco 2 Limited	Intermediate holding company	100%
Gym Bidco Limited	Intermediate holding company	100%
Pure Gym Limited	Provision of physical fitness facilities	100%
Pure Gym (Dudley) Limited	Dormant	100%
Tolmers Newco 1 Limited	Intermediate holding company	100%
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%
LA Hair and Beauty 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	Dormant	100%
Lambourne Golf Club Limited	Dormant	100%
Axis (Rugby) Limited	Dormant	100%
Axis (Maidstone) Limited	Dormant	100%
Axis Health & Fitness Limited	Dormant	100%

* *Denotes subsidiaries that are directly owned by Gym Topco Limited.*

8 Borrowings

	2016 £'000	2015 £'000
Preference shares	**45,853**	43,300

The Preferred A Ordinary shares accrue fixed interest at 9.4% of the issue price, which totalled £11,556,000 at 31 December 2016 (2015: £9,003,000). The shares are redeemable in full immediately prior to a sale or public offering, in part or in full at any time by written notice of the Company, upon an insolvency event or upon an event of default and are therefore deemed to mature within 1 year. Upon

8 Borrowings (continued)

winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive £1 per share, plus any interest accrued but unpaid in respect of these shares.

9 Trade payables

	2016 £'000	2015 £'000
Amounts due to subsidiary undertakings	**569**	573

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.

10 Share capital and premium

	2016 £'000	2016 No.	2015 £'000	2015 No.
Allotted				
Ordinary B shares of £0.01	**9**	**865,214**	9	865,214
Ordinary C shares of £0.01	**1**	**141,044**	1	136,944
Ordinary D shares of £0.0003	**2**	**6,830,927**	2	6,830,927
	12	**7,837,185**	12	7,833,085

The movements in share capital and share premium in the year was as follows:

	Share Premium		Share Capital	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Shares issued				
8,876 B Ordinary shares of £0.01	**—**	8	**—**	—
34,944 C Ordinary shares of £0.01	**—**	46	**—**	—
4,100 C Ordinary shares of £0.01	**5**	—	**—**	—
2,133,332 D Ordinary shares of £0.0003	**—**	1	**—**	1
Shares redeemed				
4,500 C Ordinary shares of £0.01	**—**	(6)	**—**	—
	5	49	**—**	1

11 Related party transactions

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

12 Controlling party

The immediate parent company of Gym Topco Limited is Gym Bidco SARL, a Luxembourg registered intermediate holding company within the CCMP group.

The ultimate controlling party is CCMP Capital LP, 277 Park Avenue, 27th Floor, New York, NY 10172, United States of America.

Registered Number 08508586

Gym Topco Limited

Annual report and financial statements

for the year ended

31 December 2015

Independent auditors' report to the members of Gym Topco Limited on the group financial statements

Report on the group financial statements

Our opinion

In our opinion, Gym Topco 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 year 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 statement of financial position as at 31 December 2015;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated 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 IFRSs as adopted by the European Union, and applicable law.

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 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.

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 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Independent auditors' report to the members of Gym Topco Limited on the group financial statements (continued)

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 company financial statements of Gym Topco 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 year ended 31 December 2015

	Note	**2015 £'000**	2014 £'000
Revenue		**125,201**	68,631
Other administration expenses		**(111,665)**	(60,976)
Exceptional administration expenses	6	**(10,654)**	(2,237)
Administrative expenses		**(122,319)**	(63,213)
Operating profit	5	**2,882**	5,418
Finance income		**48**	63
Finance costs	9	**(26,070)**	(16,695)
Loss before income tax		**(23,140)**	(11,214)
Income tax expense	10	**1,806**	364
Loss for the financial year		**(21,334)**	(10,850)
Total comprehensive loss for the year		**(21,334)**	(10,850)

Consolidated statement of financial position
as at 31 December 2015

	Note	**31 December 2015 £'000**	31 December 2014 £'000	1 January 2014 £'000
Non-current assets				
Property, plant and equipment	11	**142,248**	77,485	53,865
Intangible assets	12	**169,467**	108,953	108,068
Deferred tax asset	10	**2,925**	—	—
		314,640	186,438	161,933
Current assets				
Inventories	13	**1,260**	612	391
Trade and other receivables	14	**18,926**	6,255	2,351
Cash and cash equivalents		**7,702**	10,040	11,135
		27,888	16,907	13,877
TOTAL ASSETS		**342,528**	203,345	175,810
Current liabilities				
Trade and other payables	15	**(62,893)**	(30,251)	(18,063)
Current tax liabilities		**—**	—	(111)
Borrowings	16	**(44,122)**	(39,977)	(36,257)
		(107,015)	(70,228)	(54,431)
Non-current liabilities				
Borrowings	16	**(284,825)**	(159,966)	(137,067)
Deferred tax liability	10	**—**	(1,179)	(1,503)
		(284,825)	(161,145)	(138,570)
TOTAL LIABILITIES		**(391,840)**	(231,373)	(193,001)
NET LIABILITIES		**(49,312)**	(28,028)	(17,191)
Equity				
Ordinary shares	19	**12**	11	11
Share premium account		**66**	17	4
Merger reserve		**922**	922	922
Retained earnings		**(50,312)**	(28,978)	(18,228)
TOTAL EQUITY		**(49,312)**	(28,028)	(17,191)

The financial statements of Gym Topco Limited, registered number 08508586, on pages 11 to 44 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 cash flow statement
for the year ended 31 December 2015

	Note	**2015 £'000**	2014 £'000
Cash flows from operating activities			
Cash generated from operations	20	**36,709**	26,890
Exceptional costs paid		**(10,654)**	(2,237)
Bank interest and similar charges paid		**(8,246)**	(2,342)
Bank interest received		**48**	63
Loan note interest paid		**(2,120)**	—
Preference share interest paid		**(2)**	(3)
Interest element of finance lease payments		**(293)**	(293)
Issue costs from bank borrowings		**(6,303)**	—
UK Corporation tax paid		**—**	(94)
Net cash generated from operating activities		**9,139**	21,984
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	25	**(33,571)**	(927)
Purchase of property, plant & equipment	11	**(70,112)**	(34,312)
Proceeds from disposal of property, plant & equipment		**9,170**	2
Net cash used in investing activities		**(94,513)**	(35,237)
Cash flows from financing activities			
Issue of share capital	19	**50**	13
Proceeds from borrowings		**340**	962
Repayments of borrowings		**(9,088)**	(585)
Capital element of finance lease payments		**(1,240)**	(732)
Proceeds from long term bank borrowings		**175,000**	12,500
Repayments of long term bank borrowings		**(82,026)**	—
Net cash generated from financing activities		**83,036**	12,158
Net decrease in cash and cash equivalents		**(2,338)**	(1,095)
Cash and cash equivalents at beginning of the year		**10,040**	11,135
Cash and cash equivalents at end of year		**7,702**	10,040

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

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2014 (as previously reported)	11	4	922	(13,455)	(12,518)
Effect of changes in accounting policy (note 26)	—	—	—	(4,673)	(4,673)
Balance as at 1 January 2014 (as restated)	**11**	**4**	**922**	**(18,128)**	**(17,191)**
Total comprehensive income for the year	—	—	—	(10,850)	(10,850)
Proceeds from shares issued	—	13	—	—	13
Balance as at 31 December 2014	**11**	**17**	**922**	**(28,978)**	**(28,028)**
Total comprehensive income for the year	—	—	—	(21,334)	(21,334)
Proceeds from shares issued	1	49	—	—	50
Balance as at 31 December 2015	**12**	**66**	**922**	**(50,312)**	**(49,312)**

Notes to the consolidated financial statements

1 General information

The principal activity of the group during the year was the provision of facilities for physical fitness and is expected to remain so for the foreseeable future. The group and its subsidiaries are private companies and are incorporated and domiciled in the UK. The address of the Group's registered office is Town Centre House, Merrion Centre, Leeds, LS2 8LY.

2 Summary of significant accounting policies

Basis of accounting

The Group's deemed transition date to International Financial Reporting Standards ('IFRS') is 1 January 2014. 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 applied the optional exemption under IFRS 1 not to restate business combinations prior to the date of transition in accordance with IFRS 3 (revised). No other optional exemptions have been taken. These are the first financial statements prepared in accordance with IFRS.

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 financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2015. The results of subsidiaries acquired are consolidated for the period from the date on which control passed. Acquisitions are accounted for using the acquisition method. Uniform accounting policies are applied throughout the Group, unless otherwise stated.

Segmental 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 Executive Management Team 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.

2 Summary of significant accounting policies (continued)

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 to 5 years.

Inventories

Inventories primarily relate 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. Inventories are valued on a first in, first out basis. No inventories have been written off in the year.

Property, plant and equipment

All property, plant and equipment is initially recorded at cost, including those costs that were 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 costs	Straight line over the life of the lease
Leasehold improvements	Straight line over 3-15 years
Fixtures and fittings	Straight line over 6 years
IT equipment	Straight line over 3 years
Motor vehicles	Straight line over 3 years

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

2 Summary of significant accounting policies (continued)

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 borrowings. 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 instruments

Financial liabilities

The company initially recognises financial liabilities at fair value where applicable (net of any transaction costs) and subsequently they are measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest method over the life of the loan.

Derivative financial instruments

The Group sometimes uses derivative financial instruments such as interest rate swaps and caps to hedge risks associated with interest rate movements. The Group initially recognises such instruments at fair value where applicable and subsequently remeasures at each balance sheet date. The Group had no separable derivatives at the balance sheet date.

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.

Impairment of 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.

2 Summary of significant accounting policies (continued)

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.

Taxation

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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.

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.

Capital Management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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.

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 non-recurring material items of income or expense that have been shown separately due to the significance of their nature or amount.

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 LP. The directors

2 Summary of significant accounting policies (continued)

have received confirmation that CCMP Capital LP intend to support the company for at least one year after these financial statements are signed.

Future accounting standards

At the date of authorisation of these financial statements the following standards and interpretations were in issue but not yet effective and therefore have not been applied in these financial statements:

- Amendment to IAS 19 regarding defined benefit plans;
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation;
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation;
- Amendments to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants;
- IFRS 14, 'Regulatory deferral accounts';
- Amendments to IAS 27, 'Separate financial statements' on the equity method;
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures';
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative;
- Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception;
- IFRS 15 'Revenue from contracts with customers';
- IFRS 9 'Financial instruments'; and
- IFRS 16 'Leases'.

Other than in respect of IFRS 16, the directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements. IFRS 16 will require most operating leases to be brought onto the balance sheet. The directors are currently assessing the impact that the application of this standard will have on the Group financial statements. The standard is effective for accounting periods beginning on or after 1 January 2019.

3 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 intangibles arising on business combinations

In assessing the initial carrying value of its intangibles, the Group was required to make key judgements, in particular, in the valuation of the brand and customer relationships. The key judgements included estimates of future cash flows and appropriate discount rates. The carrying amount of intangibles at 31 December 2015 was £1,322,000. A movement of 1% in the discount rate would have resulted in a £28,000 change in the valuation of the intangible assets at acquisition and therefore the impact on carrying value as at 31 December 2015 is not significant.

Notes to the consolidated financial statements (continued)

3 Critical accounting estimates and assumptions (continued)

(b) Impairment of non-financial assets

The Group is required to test, on an annual basis, whether goodwill has 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 is included in note 12.

(c) 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 11 for the carrying amount of the property plant and equipment and note 2 for the useful economic lives for each class of assets.

(d) Recoverability of deferred tax assets

The Group recognises deferred tax assets only if it can be regarded as more likely than not that there will be taxable profits from which the future reversal of the underlying temporary differences can be deducted.

The calculation of the deferred tax asset is based on an estimation of the likely taxes due which requires significant judgement as to the ultimate determination of certain items. Where the actual tax position differs from these estimates, such differences will have an impact on the income tax and the deferred tax asset in the period when such determination is made. Detail of the tax charge and deferred tax asset are set out in note 10.

4 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	**113,605**	62,625
Joining fee income	**4,525**	2,597
Vending income	**3,133**	2,090
Other income	**3,938**	1,319
	125,201	68,631

5 Operating profit

	2015 £'000	2014 £'000
Operating profit is stated after charging/(crediting)		
Employee costs (note 8)	**22,867**	7,846
Amortisation of intangible assets	**1,270**	—
Depreciation of property, plant & equipment		
- owned assets	**15,591**	10,686
- assets held under finance lease contracts	**800**	657
Operating lease rentals		
- fixtures and fittings	**85**	40
- land and buildings	**23,060**	12,156
(Profit)/loss on disposal of property, plant & equipment	**(3,208)**	153
Exceptional costs (note 6)	**10,654**	2,237

Notes to the consolidated financial statements (continued)

5 Operating profit (continued)

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

	2015 £'000	2014 £'000
Operating profit	**2,882**	5,418
Depreciation	**16,391**	11,343
Amortisation	**1,270**	—
(Profit)/loss on disposal of property, plant and equipment	**(3,208)**	153
Exceptional costs	**10,654**	2,237
Group EBITDA	**27,989**	19,151
Head office costs	**13,061**	5,992
Gym EBITDA	**41,050**	25,143

6 Exceptional items

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

	2015 £'000	2014 £'000
Costs relating to aborted merger	**—**	2,237
Rebranding costs	**5,075**	—
Costs relating to acquisition of LA Fitness Group	**2,757**	—
Integration and transition costs	**2,822**	—
	10,654	2,237

During the year the group invested in a major rebranding of the Pure Gym brand at a cost of £5,075,000.

On 28 May 2015 the group purchased the LA Fitness Group (see note 25) and in doing so incurred transaction costs of £2,757,000 and costs associated with the transition and integration of LA Fitness into the Pure Gym model of £2,822,000.

During the prior year the group was party to a proposed merger that was subsequently terminated following a decision from the Competition and Markets Authority not to approve the transaction. The group expensed exceptional costs of £2,237,000 in connection with this project.

7 Auditors' remuneration

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

	2015 £'000	2014 £'000
Audit of the parent company and group financial statements	**6**	5
Audit of subsidiary financial statements	**115**	47
Other assurance services	**43**	—
	164	52

Notes to the consolidated financial statements (continued)

8 Employees and directors

	2015 £'000	2014 £'000
Wages and salaries	**21,001**	7,120
Social security costs	**1,643**	679
Other pension costs	**223**	47
	22,867	7,846

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 year was £223,000 (2014: £47,000) and outstanding pension contributions at the year-end totalled £34,000 (2014: £nil).

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

	2015 No.	2014 No.
Central support	**232**	70
Operations	**728**	159
	960	229

Total emoluments relating to Directors are as follows:

	2015 £'000	2014 £'000
Aggregate emoluments	**965**	488
Contributions to defined contribution schemes	**5**	2
	970	490

Two directors were members of the defined contribution scheme as at 31 December 2015 (2014: two). The amounts set out above include remuneration in respect of the highest paid director as follows:

	2015 £'000	2014 £'000
Emoluments	**456**	190
Pension contributions	**—**	1
	456	191

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.

9 Finance costs

	2015 £'000	2014 £'000
Bank loans and overdrafts	**8,122**	2,032
Finance leases	**293**	293
Commitment fees	**620**	519
Amortisation of issue costs	**2,794**	503
Preference shares	**3,712**	3,367
Loan notes	**10,392**	9,927
Other	**137**	54
	26,070	16,695

Notes to the consolidated financial statements (continued)

10 Income tax

	2015 £'000	2014 £'000
Current tax:		
- UK Corporation tax credit on losses for the year	—	(17)
Total current tax credit	—	(17)
Deferred tax:		
- Origination and reversal of timing differences	**(1,805)**	(370)
- Adjustments in respect of prior periods	**(1)**	23
Total deferred tax credit	**(1,806)**	(347)
Total tax credit in the consolidated statement of comprehensive income	**(1,806)**	(364)

The tax credit for the period is lower (2014:lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.5%). The differences are explained below:

	2015 £'000	2014 £'000
Loss on ordinary activities before tax	**(23,140)**	(11,214)
Tax on loss on ordinary activities at standard UK corporation tax rate of 20.25% (2014: 21.49%)	**(4,686)**	(2,410)
Effects of:		
- Fixed asset differences	**(161)**	(657)
- Expenses not deductible for tax purposes	**(312)**	1,128
- Impact of rate changes	**(20)**	987
- Other short term timing differences	**27**	—
- Unrelieved tax losses not recognised	**3,347**	582
- Adjustments in respect of prior periods	**(1)**	6
Total tax credit for the year	**(1,806)**	(364)

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%).

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.

The Group has unrecognised tax losses of £17.5m available to carry forward to offset against future taxable profits.

Deferred tax

The gross movement in deferred tax balances is as follows:

	2015 £'000	2014 £'000
At 1 January	**(1,179)**	(1,503)
Income statement credit	**1,806**	347
Acquisitions	**2,298**	(23)
At 31 December	**2,925**	(1,179)

Notes to the consolidated financial statements (continued)

10 Income tax (continued)

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

	2015 £'000	2014 £'000
Due within 12 months		
Deferred tax assets	**1**	—
Deferred tax liabilities	**(264)**	(2,439)
Total deferred tax liability due within 12 months	**(263)**	(2,439)
Due after more than 12 months		
Deferred tax assets	**3,188**	1,260
Total deferred tax asset due after more than 12 months	**3,188**	1,260
Total deferred tax asset/(liability)	**2,925**	(1,179)

The movement in deferred income tax assets and liabilities during the year, 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			
At 1 January 2014	—	760	760
Credited to the income statement	—	500	500
At 31 December 2014	**—**	**1,260**	**1,260**
Charged to the income statement	—	(1,259)	(1,259)
Transferred from liabilities	3,188	—	3,188
At 31 December 2015	**3,188**	**1**	**3,189**

	Accelerated capital allowances £'000	Intangibles £'000	Total £'000
Deferred tax liabilities			
At 1 January 2014	(2,263)	—	(2,263)
Acquisition	(23)	—	(23)
Charged to the income statement	(153)	—	(153)
At 31 December 2014	**(2,439)**	**—**	**(2,439)**
Acquisitions	2,816	(518)	2,298
Credited to the income statement	2,811	254	3,065
Transferred to assets	(3,188)	—	(3,188)
At 31 December 2015	**—**	**(264)**	**(264)**

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

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment

	Leasehold costs £'000	Leasehold improvem'ts £'000	Fixtures & Fittings £'000	IT equip't £'000	Motor Vehicles £'000	Total £'000
Cost						
1 January 2014	2,554	37,920	27,655	1,112	—	69,241
Acquisitions (note 25)	—	776	324	—	—	1,100
Additions	953	21,510	11,126	723	—	34,312
Disposals	—	(199)	(92)	—	—	(291)
31 December 2014	**3,507**	**60,007**	**39,013**	**1,835**	**—**	**104,362**
Accumulated depreciation						
1 January 2014	413	6,031	8,443	489	—	15,376
Acquisitions (note 25)	—	162	132	—	—	294
Charge for the year	260	4,433	6,255	395	—	11,343
Disposals	—	(73)	(63)	—		(136)
31 December 2014	**673**	**10,553**	**14,767**	**884**	**—**	**26,877**
Net book value						
31 December 2014	**2,834**	**49,454**	**24,246**	**951**	**—**	**77,485**
Cost						
1 January 2015	3,507	60,007	39,013	1,835	—	104,362
Acquisitions (note 25)	—	5,700	10,769	509	26	17,004
Additions	1,841	42,895	24,043	1,333	—	70,112
Disposals	—	(2,396)	(4,120)	(38)	(11)	(6,565)
31 December 2015	**5,348**	**106,206**	**69,705**	**3,639**	**15**	**184,913**
Accumulated depreciation						
1 January 2015	673	10,553	14,767	884	—	26,877
Charge for the year	261	7,690	7,646	781	13	16,391
Disposals	—	(532)	(71)	—	—	(603)
31 December 2015	**934**	**17,711**	**22,342**	**1,665**	**13**	**42,665**
Net book value						
31 December 2015	**4,414**	**88,495**	**47,363**	**1,974**	**2**	**142,248**

Finance lease agreements

Included within the closing net book value is £1,363,000 (2014: £1,790,000) relating to fixtures and fittings held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £800,000 (2014: £657,000).

Notes to the consolidated financial statements (continued)

12 Intangible assets

	Goodwill £'000	Brands £'000	Customer Lists £'000	Total £'000
Cost and net book value				
1 January 2014	108,068	—	—	108,068
Additions	885	—	—	885
31 December 2014	108,953	—	—	108,953
Cost				
1 January 2015	108,953	—	—	108,953
Additions (note 25)	59,192	1,217	1,375	61,784
31 December 2015	168,145	1,217	1,375	170,737
Accumulated amortisation				
Charge for the year	—	812	458	1,270
31 December 2015	—	812	458	1,270
Net book value 31 December 2015	**168,145**	**405**	**917**	**169,467**

Additions to goodwill in the year consisted of £59,186,000 in respect of the LA Fitness Group (see note 25) and £6,000 relating to finalising the completion balance sheet associated with the acquisition of Pure Gym (Dudley) Limited by Pure Gym Limited in December 2014.

Brands and customer lists were capitalised at fair value in connection with the acquisition of LA Fitness Group in May 2015. 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 brands 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.

EBITDA projections reflect the maturity profile of the existing estate and the key assumptions are: average annual capital expenditure of £12.7m on existing sites (2014: £11.2m), pre-tax discount rate of 10% (2014: 10%) and a long term growth rate of 2% (2014: 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 £1,270,000 (2014: £nil) is included in administrative expenses.

13 Inventories

	2015 £'000	2014 £'000
Finished goods and goods for resale	**1,260**	612

14 Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	**1,442**	—
Less provision for impairment of trade receivables	**(430)**	—
Trade receivables – net	**1,012**	—
VAT recoverable	**2,133**	661
Prepayments and accrued income	**11,608**	4,716
Other debtors	**4,173**	878
	18,926	6,255

The average credit period taken for trade receivables is 10 days (2014: nil days). As of 31 December 2015, trade receivables of £Nil (2014: £Nil) were past due but not impaired.

As of 31 December 2015, trade receivables of £530,000 (2014: £Nil) were impaired. The amount of the provision was £430,000 as of 31 December 2015 (2014: £Nil, 2013: £Nil). The ageing of these receivables is as follows:

	2015 £'000	2014 £'000
1 to 3 months	**173**	—
4 to 6 months	**302**	—
7 to 12 months	**44**	—
Over 12 months	**11**	—
	530	—

Movements on the Group provision for impairment of trade receivables are as follows:

	2015 £'000	2014 £'000
Acquisitions	**430**	—
31 December	**430**	—

The creation and release of provision for impaired receivables has been included in administrative expenses in the consolidated income statement.

All of the Group's receivables are denominated Sterling.

The other classes within trade and other receivables do not contain assets which are considered to be impaired. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

15 Trade and other payables

	2015 £'000	2014 £'000
Trade creditors	**24,919**	10,400
Other taxation and social security	**684**	258
Other creditors	**771**	322
Accruals	**12,458**	7,142
Deferred income	**6,305**	1,855
Deferred rent accrual	**17,756**	10,274
	62,893	30,251

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

Notes to the consolidated financial statements (continued)

16 Borrowings

Current

	2015 £'000	2014 £'000
Finance leases	**822**	727
Cumulative preference shares	**43,300**	39,250
	44,122	39,977

Non-Current

	2015 £'000	2014 £'000
Bank loans and overdrafts	**175,000**	45,000
Capitalised issue costs	**(5,690)**	(2,181)
Bank loans net of issue costs	**169,310**	42,819
Finance leases	**668**	1,484
Unsecured non-convertible loan notes	**114,847**	115,663
	284,825	159,966

Maturity profile (excluding capitalised issue costs)

	2015 £'000	2014 £'000
Within 1 year	**44,122**	39,977
Between 1 and 2 years	**638**	3,316
Between 2 and 5 years	**20,030**	43,168
After 5 years	**269,847**	115,663
	334,637	202,124

Bank loans and overdrafts

On 28 May 2015 the group refinanced with certain subsidiaries of Gym Topco Limited being party to a £195 million committed financing facility with four international banks (Ares Management, Barclays Bank PLC, 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.

The group has entered into an interest rate cap to protect against interest rate risk, see note 17.

Prior to the refinancing, certain subsidiaries of Gym Topco Limited were party to a £63 million committed facility with Barclays Bank and Haymarket Financial. This facility consisted of a £30 million term loan, a £2 million revolving credit facility and £1 million overdraft facility. All outstanding amounts under this facility were repaid in full on 28 May 2015.

Finance leases

Finance leases are secured against the assets to which they relate.

16 Borrowings (continued)

Unsecured non-convertible loan notes

Two tranches of loan notes were issued by Gym Midco Limited:

1) *2020 loan notes*: £10,000,000 of unsecured, non-convertible loan notes issued on 23 May 2013, with interest accruing at 9.4% in year 1, 11.4% in year 2 and 13.4% in year 3 onwards. The 2020 loan notes were repayable in full together with any unpaid accrued interest on 23 May 2020, or earlier at the discretion of the company. On 31 December 2014 £4,049 of 2020 loan notes were redeemed along with the associated interest. On 30th June 2015 all remaining 2020 loan notes and associated interest were repaid in full.

2) *2021 loan notes*: £89,359,996 of 9.4% fixed rate unsecured, non-convertible loan notes issued on 23 May 2013. These are repayable in full together with any unpaid accrued interest on 23 May 2021 or earlier at the discretion of the company. During the year a further £939,815 of 2021 loan notes were issued (2014: £716,477) and notes with a value of £32,325 were redeemed in full along with associated interest (2014: £14,459).

Cumulative preference shares

The Preferred A Ordinary shares accrue fixed cumulative interest at 9.4% of the issue price, which totalled £9,003,000 at 31 December 2015 (2014: £5,293,000). The shares are redeemable in full immediately prior to a sale or public offering, in part or in full at any time by written notice of the Company, upon an insolvency event or upon an event of default. Upon winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive £1 per share, plus any interest accrued but unpaid in respect of these shares.

17 Financial instruments

The Group has entered into an interest rate cap which restricts the interest payable on £100 million of its drawn borrowings at a rate not higher than 1.75%. In accordance with IAS 39, the cap is considered to be closely related to the debt instrument and has therefore not been recognised separately as an embedded derivative. The premium payable to acquire the cap is amortised to the income statement over the term of the debt. The Group does not enter into derivative contracts for speculative purposes.

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.

17 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	**5,185**	878	**5,185**	878
Cash and cash equivalents	**7,702**	10,040	**7,702**	10,040
Financial liabilities				
Trade and other payables	**38,148**	17,864	**38,148**	17,864
Finance leases	**1,490**	2,211	**1,277**	1,779
Bank loans	**175,000**	45,000	**177,830**	45,444
Cumulative preference shares	**43,300**	39,250	**42,977**	38,957
Unsecured non-convertible loan notes	**114,847**	115,663	**114,507**	117,333

18 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments: market risk, interest rate risk, 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.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The key market risk affecting the group is interest rate risk. Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December 2015 and 2014. The analysis has been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt and derivatives are all constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group manages its interest rate risk by holding 48% of its borrowings in fixed rate instruments by way of shareholder loans and finance leases (2014: 78%). Exposure on the remaining bank borrowings is managed by entering into interest rate derivatives, in which it agrees to cap rates or exchange, at specified intervals, the difference between fixed and variable rate interest rate amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2015 (after taking into account the effect of interest rate swaps/caps, fixed shareholder loans and finance leases, 78% of the group's borrowings are at fixed rates of interest (2014: 93%).

The group is not expecting any reduction in interest rates over the next 12 months, the impact of notional increases over next 12 months is shown below:

	Group 2015 £'000	Group 2014 £'000
Change in interest rate: + 0.5%	**875**	225

Notes to the consolidated financial statements (continued)

18 Financial risk management objectives and policies (continued)

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	38,148	—	—	—	**38,148**
Borrowings	57,921	14,359	59,176	347,298	**478,754**
Total financial liabilities	**96,069**	**14,359**	**59,176**	**347,298**	**516,902**

	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	17,864	—	—	—	17,864
Borrowings	42,716	5,966	48,641	206,754	304,077
Total financial liabilities	60,580	5,966	48,641	206,754	321,941

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.

19 Share capital and premium

	2015 £'000	2015 No.	2014 £'000	2014 No.
Allotted				
Ordinary B shares of £0.01	**9**	**865,214**	9	856,780
Ordinary C shares of £0.01	**1**	**136,944**	1	106,500
Ordinary D shares of £0.0003	**2**	**6,830,927**	1	4,697,595
	12	**7,833,085**	11	5,660,875

The movements in share capital and share premium in the year was as follows:

	Share Premium		Share Capital	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Shares issued				
6,780 B Ordinary shares of £0.01	—	6	—	—
8,876 B Ordinary shares of £0.01	**8**	—	—	—
5,250 C Ordinary shares of £0.01	—	7	—	—
34,944 C Ordinary shares of £0.01	**46**	—	—	—
2,133,332 Ordinary D shares of £0.0003	**1**	—	**1**	—
Shares redeemed				
442 B Ordinary shares of £0.01	—	—	—	—
4,500 C Ordinary shares of £0.01	**(6)**	—	—	—
	49	13	**1**	—

Notes to the consolidated financial statements (continued)

20 Reconciliation of loss before tax to cash generated from operations

	2015 £'000	2014 £'000
Loss before income tax	**(23,140)**	(11,214)
Adjustments for:		
Net finance cost	**26,022**	16,632
Depreciation	**16,391**	11,343
Amortisation	**1,270**	—
(Profit)/loss on disposal of property, plant and equipment	**(3,208)**	153
Exceptional costs	**10,654**	2,237
Changes in working capital		
Inventories	**(267)**	(221)
Trade and other receivables	**(7,314)**	(3,940)
Trade and other creditors	**16,301**	11,900
Cash generated from operations	**36,709**	26,890

21 Analysis of net debt

	2014 £'000	Acquisition £'000	Cash flow £'000	Non-cash £'000	2015 £'000
Cash at bank and in hand	10,040	3,575	(5,913)	—	**7,702**
Bank loans	(45,000)	(37,026)	(92,974)	—	**(175,000)**
Finance leases	(2,211)	(519)	1,240	—	**(1,490)**
Preference share capital	(33,957)	—	(340)	—	**(34,297)**
Preference share interest	(5,293)	—	2	(3,712)	**(9,003)**
Loan note capital	(100,058)	—	9,088	—	**(90,970)**
Loan note interest	(15,605)	—	2,120	(10,392)	**(23,877)**
	(192,084)	**(33,970)**	**(86,777)**	**(14,104)**	**(326,935)**

22 Capital and other commitments

At 31 December, the group had the following capital commitments:

	2015 £'000	2014 £'000
Contracts for future capital expenditure not provided	**625**	658

The group 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	**20,360**	11,880
Later than one year and not later than five years	**92,494**	58,063
Later than five years	**226,347**	142,735

23 Controlling party

The immediate parent company of Gym Topco Limited is Gym Bidco SARL, a Luxembourg registered intermediate holding 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 LP, 245 Park Avenue, 16th Floor, New York, NY 10167, United States of America.

24 Related party transactions

P W D Roberts is a partner in Countrywide Leisure Management. During the year the partnership was paid management fees (including directors fees and office rental) of £749,000 (2014: £702,000) and project co-ordination fees of £150,000 (2014: £150,000). Expenses totalling £12,000 (2014: £3,000) were also reimbursed. No amounts were due to Countrywide Leisure Management as at 31 December 2015 (2014: £nil).

Directors' holdings of loan notes, preference shares and the associated and accrued interest are as follows:

	Loan notes 2015 £'000	Loan notes 2014 £'000	**Preference shares 2015 £'000**	Preference shares 2014 £'000
P W D Roberts	**3,553**	4,661	**1,330**	1,220
J de Bruin	**152**	169	**57**	52
A Bellamy	**64**	73	**24**	22
Gym Bidco SARL	**102,188**	93,763	**38,557**	35,378
T Ball	**809**	742	**305**	280
H Cobbold	**1,003**	—	**375**	—

During the year the group paid monitoring fees of £65,000 (2014: £65,000) to CCMP Capital Advisors LP, the ultimate parent company and controlling party and reimbursed them for expenses incurred of £150,000 (2014: £124,000).

Yes Mail Interactive is a company under common control of CCMP Capital LP. During the year the company was paid £363,000 (2014: £80,000) for marketing services. At the year-end an amount of £87,000 was due to Yes Mail Interactive (2014: £12,000).

25 Business combinations

On 28 May 2015, the group acquired 100% of the share capital of Tolmers Newco 1 Limited and its subsidiaries (together "the LA Fitness group") for £37,146,000. Tolmers Newco 1 holds investments in subsidiaries including LA Leisure Limited, a company providing physical fitness facilities under the LA Fitness brand, via fitness clubs situated throughout the United Kingdom.

As a result of the acquisition, the group is expected to increase its presence in the market. It also expects to reduce costs through economies of scale. The goodwill of £59,186,000 arising from the acquisition is attributable to an attractive property portfolio and synergies expected from combining the operations of the group and the LA Fitness group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the LA Fitness group and the fair value of assets and liabilities acquired.

	Fair value £'000
Cash	**37,146**
Total consideration	**37,146**

Notes to the consolidated financial statements (continued)

25 Business combinations (continued)

Recognised amounts of identifiable assets acquitted and liabilities assumed	Fair value £'000
Cash and cash equivalents	**3,575**
Property, plant and equipment (note 11)	**17,004**
Intangible assets: Brand value, customer lists (note 12)	**2,592**
Inventories	**381**
Trade and other receivables	**5,363**
Trade and other payables	**(15,708)**
Borrowings (including finance leasing)	**(37,545)**
Deferred tax liabilities	**2,298**
Total identifiable net assets	**(22,040)**
Residual goodwill arising on acquisition (note 12)	**59,186**

Included within the intangible balance above is brand value of the LA Fitness Group of £1,217,000 and customer lists of £1,375,000.

Revenue included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2015 contributed by the LA Fitness Group was £25,690,000 and profit for the year was £642,000 over the same period.

Had the LA Fitness group been consolidated from 1 January 2015 then the Consolidated Statement of Comprehensive Income would include revenue of £50,553,000 and loss before tax of £38,531,000.

Acquisition-related costs of £2,757,000 have been charged to administrative expenses in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2015.

26 Impact of transition to IFRS

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

The accounting policies set out in note 2 have been applied in preparing the company's financial statements for the years ended 31 December 2014 and 31 December 2015, and in the preparation of an opening IFRS balance sheet as at 1 January 2014.

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.

Statement of comprehensive income for the period ended 31 December 2014

	UK GAAP £'000	Intangible assets £'000	Leases £'000	Taxation £'000	IFRS £'000
Turnover	68,631	—	—	—	**68,631**
Other administrative expenses	(64,056)	5,577	(2,497)	—	**(60,976)**
Exceptional administrative expenses	(2,237)	—	—	—	**(2,237)**
Administrative expenses	(66,293)	5,577	(2,497)	—	**(63,213)**
Operating profit	2,338	5,577	(2,497)	—	**5,418**
Finance income	63	—	—	—	**63**
Finance costs	(16,695)	—	—	—	**(16,695)**
Loss before income tax	(14,294)	5,577	(2,497)	—	**(11,214)**
Income tax expense on ordinary activities	(380)	—	—	744	**364**
Loss for the financial year	(14,674)	5,577	(2,497)	744	**(10,850)**
Total comprehensive loss for the year	(14,674)	5,577	(2,497)	744	**(10,850)**

Notes to the consolidated financial statements (continued)

26 Impact of transition to IFRS (continued)

Statement of financial position as at 1 January 2014

	UK GAAP £'000	Intangible assets £'000	Leases £'000	Taxation £'000	IFRS £'000
Non-current assets					
Property, plant and equipment	53,865	—	—	—	**53,865**
Intangible assets	108,068	—	—		**108,068**
Deferred tax asset	—	—	—	—	**—**
	161,933	—	—	—	**161,933**
Current assets					
Inventory	391	—	—	—	**391**
Trade and other receivables	2,351	—	—	—	**2,351**
Cash and cash equivalents	11,135	—	—	—	**11,135**
	13,877	—	—	—	**13,877**
TOTAL ASSETS	175,810	—	—	—	**175,810**
Current liabilities					
Trade and other payables	(14,260)	—	(3,803)	—	**(18,063)**
Current tax liabilities	(111)	—	—	—	**(111)**
Borrowings	(36,257)	—	—	—	**(36,257)**
	(50,628)	—	(3,803)	—	**(54,431)**
Non-current liabilities					
Borrowings	(137,067)	—	—	—	**(137,067)**
Deferred tax liability	(633)	—	—	(870)	**(1,503)**
	(137,700)	—	—	(870)	**(138,570)**
TOTAL LIABILITIES	(188,328)	—	(3,803)	(870)	**(193,001)**
NET LIABILITIES	(12,518)	—	(3,803)	(870)	**(17,191)**
Equity					
Ordinary shares	11	—	—	—	**11**
Share premium account	4	—	—	—	**4**
Merger reserve	922	—	—	—	**922**
Retained earnings	(13,455)	—	(3,803)	(870)	**(18,128)**
TOTAL EQUITY	(12,518)	—	(3,803)	(870)	**(17,191)**

26 Impact of transition to IFRS (continued)

Statement of financial position as at 31 December 2014

	UK GAAP £'000	Intangible assets £'000	Leases £'000	Taxation £'000	IFRS £'000
Non-current assets					
Property, plant and equipment	**77,485**	—	—	—	**77,485**
Intangible assets	**103,376**	5,577	—	—	**108,953**
Deferred tax asset	**—**	—	—	—	**—**
	180,861	**5,577**	**—**	**—**	**186,438**
Current assets					
Inventory	**612**	—	—	—	**612**
Trade and other receivables	**6,255**	—	—	—	**6,255**
Cash and cash equivalents	**10,040**	—	—	—	**10,040**
	16,907	**—**	**—**	**—**	**16,907**
TOTAL ASSETS	**197,768**	5,577	—	—	**203,345**
Current liabilities					
Trade and other payables	**(23,951)**	—	(6,300)	—	**(30,251)**
Borrowings	**(39,977)**	—	—	—	**(39,977)**
	(63,928)	—	(6,300)	—	**(70,228)**
Non-current liabilities					
Borrowings	**(159,966)**	—	—	—	**(159,966)**
Deferred tax liability	**(1,053)**	—	—	(126)	**(1,179)**
	(161,019)	—	—	(126)	**(161,145)**
TOTAL LIABILITIES	**(224,947)**	—	(6,300)	(126)	**(231,373)**
NET ASSETS	**(27,179)**	5,577	(6,300)	(126)	**(28,028)**
Equity					
Ordinary shares	**11**	—	—	—	**11**
Share premium account	**17**	—	—	—	**17**
Merger reserve	**922**	—	—	—	**922**
Retained earnings	**(28,129)**	5,577	(6,300)	(126)	**(28,978)**
TOTAL EQUITY	**(27,179)**	5,577	(6,300)	(126)	**(28,028)**

Intangible assets and business combinations

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 December 2014 £'000
Reversal of UK GAAP amortisation	5,577
Net decrease in amortisation expense for the year due to IFRS 3 and IAS 38	**5,577**
Reversal of UK GAAP amortisation for prior year	—
Net increase in carry value of intangible assets due to IFRS 3 and IAS 38	**5,577**

26 Impact of transition to IFRS (continued)

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	**(2,497)**
Decrease in P&L reserve due to increase in prior year charge	(3,803)
Total decrease in P&L reserve due to IAS 17 and SIC 15	**(6,300)**
Decrease in net assets acquired in Pure Gym in May 13: increases goodwill	—
Increase in trade payables due to IAS 17 and SIC 15	**(6,300)**

Independent auditors' report to the members of Gym Topco Limited on the company financial statements

Report on the company financial statements

Our opinion

In our opinion, Gym Topco 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; 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.

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 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Independent auditors' report to the members of Gym Topco Limited on the company financial statements (continued)

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 Gym Topco 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 December 2014 £'000	1 January 2014 £'000
Non-current assets				
Investments	7	**35,868**	34,909	34,625
		35,868	34,909	34,625
Current assets				
Trade and other receivables		**—**	—	5
		—	—	5
TOTAL ASSETS		**35,868**	34,909	34,630
Current liabilities				
Borrowings	8	**(43,300)**	(39,250)	(35,619)
		(43,300)	(39,250)	(35,619)
Non-current liabilities				
Trade payables	9	**(573)**	(2)	—
		(573)	(2)	—
TOTAL LIABILITIES		**(43,873)**	(39,252)	(35,619)
NET ASSETS		**(8,005)**	(4,343)	(989)
Equity				
Ordinary shares	10	**12**	11	11
Share premium account		**66**	17	4
Merger reserve		**922**	922	922
Retained earnings		**(9,005)**	(5,293)	(1,926)
TOTAL EQUITY		**(8,005)**	(4,343)	(989)

The financial statements of Gym Topco Limited, registered number 08508586, on pages 48 to 55 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 year ended 31 December 2015

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2014	11	4	922	(1,926)	(989)
Total comprehensive income for the year	—	—	—	(3,367)	(3,367)
Proceeds from shares issued	—	13	—	—	13
Balance as at 31 December 2014	**11**	**17**	**922**	**(5,293)**	**(4,343)**
Total comprehensive income for the year	—	—	—	(3,712)	(3,712)
Proceeds from shares issued	1	49	—	—	50
Balance as at 31 December 2015	**12**	**66**	**922**	**(9,005)**	**(8,005)**

Notes to the company financial statements

1 General Information

Gym Topco Limited is an intermediate holding company within the CCMP Capital LP 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 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.

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 £3,712,000 (2014: £3,367,000).

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 1 January 2014. 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 December 2014 or results for the year then ended as previously reported, nor were any differences identified in the current period of account.

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.

2 Summary of significant accounting policies (continued)

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 7.

4 Auditors' remuneration

Fees payable to the company's auditors for the audit of the annual statutory financial statements were £6,000 (2014: £5,000).

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 company financial statements (continued)

6 Finance costs

	2015 £'000	2014 £'000
Preference share interest	**(3,712)**	(3,367)

7 Investments

	2015 £'000	2014 £'000
At 1 January	**34,909**	34,625
Additions	**959**	284
At 31 December	**35,868**	34,909

During the year the company subscribed for a further 959,573 ordinary £1 shares in Gym Midco Limited at par (2014: 283,523).

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 %
Gym Midco Limited *	Intermediate holding company	100%
Gym Midco 2 Limited	Intermediate holding company	100%
Gym Bidco Limited	Intermediate holding company	100%
Pure Gym Limited	Provision of physical fitness facilities	100%
Pure Gym (Dudley) Limited	Dormant	100%
Tolmers Newco 1 Limited	Intermediate holding company	100%
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%
LA Hair and Beauty 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%

* *Denotes subsidiaries that are directly owned by Gym Topco Limited.*

8 Borrowings

	2015 £'000	2014 £'000
Cumulative preference shares	**43,300**	39,250

8 Borrowings (continued)

The Preferred A Ordinary shares accrue fixed cumulative interest at 9.4% of the issue price, which totalled £9,003,000 at 31 December 2015 (2014: £5,293,000). The shares are redeemable in full immediately prior to a sale or public offering, in part or in full at any time by written notice of the Company, upon an insolvency event or upon an event of default and are therefore deemed to mature within 1 year. Upon winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive £1 per share, plus any interest accrued but unpaid in respect of these shares.

9 Trade payables

	2015 £'000	2014 £'000
Amounts due to subsidiary undertakings	**573**	2

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.

10 Share capital and premium

	2015 £'000	**2015 No.**	2014 £'000	2014 No.
Allotted				
Ordinary B shares of £0.01	**9**	**865,214**	9	856,780
Ordinary C shares of £0.01	**1**	**136,944**	1	106,500
Ordinary D shares of £0.0003	**2**	**6,830,927**	1	4,697,595
	12	**7,833,085**	11	5,660,875

The movements in share capital and share premium in the year was as follows:

	Share Premium		**Share Capital**	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Shares issued				
6,780 B Ordinary shares of £0.01	**—**	6	**—**	—
8,876 B Ordinary shares of £0.01	**8**	—	**—**	—
5,250 C Ordinary shares of £0.01	**—**	7	**—**	—
34,944 C Ordinary shares of £0.01	**46**	—	**—**	—
2,133,332 Ordinary D shares of £0.0003	**1**	—	**1**	—
Shares redeemed				
305 B Ordinary shares of £0.01	**—**	—	**—**	—
4,500 C Ordinary shares of £0.01	**(6)**	—	**—**	—
	49	13	**1**	—

11 Related party transactions

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

12 Controlling party

The immediate parent company of Gym Topco Limited is Gym Bidco SARL, a Luxembourg 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.

Gym Topco Limited

Annual report and financial statements

for the year ended

31 December 2014

Registered Number 08508586

Independent auditors' report to the members of Gym Topco Limited

Report on the financial statements

Our opinion

In our opinion, Gym Topco Limited's group financial statements and parent company financial statements (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 2014 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Gym Topco Limited's financial statements comprise:

- the Group Balance Sheet as at 31 December 2014;
- the Consolidated profit and loss account for the year then ended;
- the Consolidated cash flow statement 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 applicable law and United Kingdom Accounting Standards (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, 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.

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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Independent auditors' report to the members of Gym Topco Limited (continued)

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 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 company'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 and Financial Statements 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.

Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
19 March 2015

Consolidated profit and loss account
for the year ended 31 December 2014

	Note	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Turnover		**68,631**	30,051
Other administration expenses		**(64,056)**	(30,134)
Exceptional administration expenses	1	**(2,238)**	(2,931)
Administrative expenses		**(66,294)**	(33,065)
Operating profit/(loss)	1	**2,337**	(3,014)
Interest receivable and similar income		**63**	55
Interest payable and similar charges	5	**(16,695)**	(10,308)
Loss on ordinary activities before taxation		**(14,295)**	(13,267)
Tax on loss on ordinary activities	6	**(380)**	(188)
Loss for the financial year/period	16,17	**(14,675)**	(13,455)

All activities of the group relate to continuing operations and are acquisitions in the year/period.

The group has no gains or losses other than the loss for the financial year/period as set out above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year/period and their historical cost equivalents.

Group balance sheet
as at 31 December 2014

	Note	31 December 2014 £'000	31 December 2013 £'000
Fixed assets			
Goodwill	8	**103,375**	108,068
Tangible assets	9	**77,485**	53,865
		180,860	161,933
Current assets			
Stocks		**612**	391
Debtors	11	**6,254**	2,351
Cash at bank and in hand		**10,040**	11,135
		16,906	13,877
Creditors: amounts falling due within one year	12	**(63,927)**	(50,628)
Net current liabilities		**(47,021)**	(36,751)
Total assets less current liabilities		**133,839**	125,182
Creditors: amounts falling due after more than one year	13	**(159,966)**	(137,067)
Provisions for liabilities	14	**(1,053)**	(633)
Net liabilities		**(27,180)**	(12,518)
Capital and reserves			
Called up share capital	15	**11**	11
Share premium account	16	**17**	4
Merger reserve	16	**922**	922
Profit and loss account	16	**(28,130)**	(13,455)
Total shareholders' deficit	17	**(27,180)**	(12,518)

The financial statements of Gym Topco Limited, registered number 08508586, on pages 8 to 32 were approved by the board of directors and authorised for issue on 19 March 2015 and were signed on its behalf by:

A Bellamy
Director

Company balance sheet
as at 31 December 2014

	Note	31 December 2014 £'000	31 December 2013 £'000
Fixed assets			
Investments	10	**34,909**	34,625
		34,909	34,625
Current assets			
Debtors	11	—	5
		—	5
Creditors: amounts falling due within one year	12	**(39,250)**	(35,619)
Net current liabilities		**(39,250)**	(35,614)
Total assets less current liabilities		**(4,341)**	(989)
Creditors: amounts falling due after more than one year	13	**(2)**	—
Net liabilities		**(4,343)**	(989)
Capital and reserves			
Called up share capital	15	**11**	11
Share premium account	16	**17**	4
Merger reserve	16	**922**	922
Profit and loss account	16	**(5,293)**	(1,926)
Total shareholders' deficit	17	**(4,343)**	(989)

The financial statements of Gym Topco Limited, registered number 08508586, on pages 10 to 32 were approved by the board of directors and authorised for issue on 19 March 2015 and were signed on its behalf by:

A Bellamy
Director

Consolidated cash flow statement
for the year ended 31 December 2014

	Note	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Net cash inflow from operating activities	18	**24,653**	9,948
Returns on investments and servicing of finance			
Bank interest received		**63**	55
Bank interest and similar charges paid		**(2,342)**	(1,287)
Loan note interest paid		**—**	(1,825)
Preference share interest paid		**(3)**	—
Interest element of finance lease payments		**(293)**	(439)
		(2,575)	(3,496)
UK Corporation tax paid		**(94)**	—
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(34,312)**	(14,909)
Proceeds from disposal of tangible fixed assets		**2**	15
		(34,310)	(14,894)
Acquisitions			
Purchase of subsidiary undertakings		**(970)**	(118,138)
Payment of acquisition costs		**(14)**	(2,931)
Cash acquired with subsidiary undertakings		**57**	3,492
		(927)	(117,577)
Cash flow before financing		**(13,253)**	(126,019)
Financing			
Increase in long term bank borrowings		**12,500**	18,504
Payment of capitalised finance costs		**—**	(3,019)
Issue of ordinary share capital		**13**	937
Issue of preference share capital		**264**	33,693
Issue of loan stock principal		**698**	95,284
Capital element of finance lease payments		**(732)**	(8,245)
Repayment of other loans		**(585)**	—
		12,158	137,154
(Decrease)/increase in cash in the year/period		**(1,095)**	11,135

Accounting policies

Basis of accounting

The current year results report on the year ended 31 December 2014 and the comparatives report on the period from incorporation on 29 April 2013 to 31 December 2013.

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below and have been applied consistently throughout the year.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2014. The results of subsidiaries acquired are consolidated for the period from the date on which control passed. Acquisitions are accounted for using the acquisition method. Uniform accounting policies are applied throughout the group, unless otherwise stated.

Turnover

Turnover 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. All turnover relates to sales in the United Kingdom.

Investments

Fixed asset investments in subsidiaries are held at cost, less provision for impairment. Investments are reviewed annually against their value in use using a 5 year discounted cash flow valuation model. Losses are recognised in the profit and loss account as and when indicators of impairment are noted.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Tangible fixed assets

All fixed assets are initially recorded at cost, including those costs that were directly attributable to bringing assets into working condition. Any capital contribution by a landlord towards leasehold fitting out works is treated as a capital receipt and is offset against the cost of the associated asset.

Depreciation

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 costs	Straight line over the life of the lease
Leasehold improvements	Straight line over 3-15 years
Fixtures and fittings	Straight line over 5 years
IT equipment	Straight line over 3 years

Stocks

Stocks are finished goods (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.

Accounting policies (continued)

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.

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 is written off on a straight line basis from the commencement of the lease until the first rent review date.

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. Deferred tax is measured on a non-discounted basis.

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.

Notes to the financial statements

1 Operating profit/(loss)

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Operating profit/(loss) is stated after charging		
Amortisation of goodwill	**5,578**	3,389
Depreciation of tangible fixed assets		
- owned assets	**10,686**	4,812
- assets held under finance lease contracts	**657**	433
Operating lease rentals		
- plant and machinery	**40**	292
- land and buildings	**9,658**	4,266
Loss on disposal of tangible fixed assets	**153**	74
Exceptional costs	**2,238**	2,931

During the year the group was party to a proposed merger that was subsequently terminated following a decision from the Competition and Markets Authority not to approve the transaction. The group expensed exceptional costs of £2,238,000 in connection with this project.

In the prior period the group acquired the share capital of Pure Gym Limited (see note 24) and in doing so expensed exceptional acquisition expenses of £2,931,000.

2 Auditors' remuneration

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

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Audit of the parent company and group financial statements	**5**	7
Audit of subsidiary financial statements	**47**	43
	52	50

The auditors received no remuneration in respect of non-audit services in the financial year (2013: £nil).

3 Employee information

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Wages and salaries	**7,120**	2,809
Social security costs	**679**	295
Other pension costs	**47**	—
	7,846	3,104

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 year was £47,000 (period ended 31 December 2013: £nil) and outstanding pension contributions at the year end totalled £nil (2013: £nil).

3 Employee information (continued)

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

	Year ended 31 December 2014 No.	Period ended 31 December 2013 No.
Central support	70	35
Operations	159	115
	229	150

4 Directors' remuneration

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Aggregate emoluments	488	156
Contributions to defined contribution schemes	2	—
	490	156

2 Directors were members of the defined contribution scheme as at 31 December 2014 (2013: nil).

Included in the above are emoluments of £190,000 and company contributions into the defined contribution scheme of £1,000 relating to the highest paid director (period ended 31 December 2013: £77,000 and £nil respectively).

5 Interest payable and similar charges

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Bank loans and overdrafts	2,032	1,104
Finance leases	293	439
Commitment fees	519	443
Amortisation of capitalised finance costs	503	684
Preference shares	3,367	1,926
Loan notes	9,927	5,681
Other	54	31
	16,695	10,308

6 Tax on loss on ordinary activities

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Current tax:		
- UK Corporation tax charge on losses for the year	**(17)**	111
Total current tax (credit)/charge	**(17)**	111
Deferred tax:		
- Origination and reversal of timing differences	**374**	77
- Adjustments in respect of prior periods	**23**	
Total deferred tax charge	**397**	77
Total tax charge on loss on ordinary activities	**380**	188

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK Corporation tax to the loss before tax is as follows:

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Loss on ordinary activities before tax	**(14,295)**	(13,267)
Tax on loss on ordinary activities at standard UK corporation tax rate of 21.49% (2013: 23%)	**(3,072)**	(3,051)
Effects of:		
- Fixed asset differences	**564**	315
- Expenses not deductible for tax purposes	**1,133**	1,017
- Other permanent differences	**—**	(178)
- Capital allowances in excess of depreciation	**(402)**	(186)
- Utilisation of tax losses	**(3)**	630
- Other short term timing differences	**362**	220
- Unrelieved tax losses and other timing differences	**221**	565
- Amortisation of goodwill	**1,197**	779
- Adjustments in respect of prior periods	**(17)**	—
Total current tax (credit)/charge	**(17)**	111

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014 and accordingly the company's profits for this period are taxed at an effective rate of 21.49% (2013: 23.00%).

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.

7 Result attributable to the company

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, however has made a loss for the financial year of £3,367,000 (period ended 31 December 2013: £1,926,000), see note 16.

8 Goodwill

	Total £'000
Cost	
1 January 2014	111,457
Additions (note 24)	885
31 December 2014	**112.342**
Accumulated amortisation	
1 January 2014	3,389
Charge for the year	5,578
31 December 2014	**8,967**
Net book value	
31 December 2014	**103,375**
31 December 2013	108,068

9 Tangible assets

	Leasehold costs £'000	Leasehold improvements £'000	Fixtures & Fittings £'000	IT equipment £'000	Total £'000
Cost					
1 January 2014	2,554	37,920	27,655	1,112	69,241
Acquisitions (note 24)	—	776	324	—	1,100
Additions	953	21,510	11,126	723	34,312
Disposals	—	(199)	(92)	—	(291)
31 December 2014	**3,507**	**60,007**	**39,013**	**1,835**	**104,362**
Accumulated depreciation					
1 January 2014	413	6,031	8,443	489	15,376
Acquisitions (note 24)	—	162	132	—	294
Charge for the year	260	4,433	6,255	395	11,343
Disposals	—	(73)	(63)	—	(136)
31 December 2014	**673**	**10,553**	**14,767**	**884**	**26,877**
Net book value					
31 December 2014	**2,834**	**49,454**	**24,246**	**951**	**77,485**
31 December 2013	2,141	31,889	19,212	623	53,865

Finance lease agreements

Included within the closing net book value is £1,790,000 (2013: £2,527,000) relating to fixtures and fittings held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £657,000 (2013: £433,000).

10 Investments

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
At 1 January (or on incorporation)	**34,625**	—
Additions	**284**	34,625
At 31 December	**34,909**	34,625

On 23 May 2013 the company was party to a transaction in which the CCMP group purchased the entire share capital of Pure Gym Limited and in doing so, Gym Topco Limited acquired 100% of the issued share capital of Gym Midco Limited (an intermediate holding company) for a cost of £34,625,000.

Notes to the financial statements (continued)

10 Investments (continued)

During the current year the company subscribed for a further 283,523 ordinary £1 shares in Gym Midco Limited at par.

Fixed asset investments relate to UK registered subsidiary undertakings and are stated at cost:

	Principal activity	Proportion of ordinary shares held %
Gym Midco Limited *	Intermediate holding company	100%
Gym Midco 2 Limited	Intermediate holding company	100%
Gym Bidco Limited	Intermediate holding company	100%
Pure Gym Limited	Provision of physical fitness facilities	100%
Pure Gym (Dudley) Limited	Dormant	

* *Denotes subsidiaries that are directly owned by Gym Topco Limited.*

The directors believe that the carrying value of the investments is supported by their underlying net assets.

11 Debtors

	Company 2014 £'000	Company 2013 £'000	**Group 2014 £'000**	Group 2013 £'000
Amounts owed by group undertakings	**—**	5	**—**	—
VAT recoverable	**—**	—	**661**	284
Prepayments and accrued income	**—**	—	**4,715**	1,626
Other debtors	**—**	—	**878**	441
	—	5	**6,254**	2,351

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.

12 Creditors: amounts falling due within one year

	Company 2014 £'000	Company 2013 £'000	**Group 2014 £'000**	Group 2013 £'000
Finance leases	**—**	—	**727**	638
Trade creditors	**—**	—	**10,400**	6,941
Corporation tax	**—**	—	**—**	111
Other taxation and social security	**—**	—	**258**	178
Other creditors	**—**	—	**323**	250
Cumulative preference shares	**39,250**	35,619	**39,250**	35,619
Accruals and deferred income	**—**	—	**12,969**	6,891
	39,250	35,619	**63,927**	50,628

During the year the company issued 270,142 £0.0001 Preferred A Ordinary shares at £1 per share with equal voting rights to the non-preferential shares in issue and redeemed 5,413 Preferred A Ordinary shares at £1 along with accrued interest.

The shares accrue fixed cumulative interest at 9.4% of the issue price, which totalled £5,293,000 at 31 December 2014 (2013: £1,926,000).

Shares are redeemable in full immediately prior to a sale or public offering, in part or in full at any time by written notice of the Company, upon an insolvency event or upon an event of default. Upon winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive £1 per share, plus any interest accrued but unpaid in respect of these shares.

Notes to the financial statements (continued)

13 Creditors: amounts falling due after more than one year

	Company 2014 £'000	Company 2013 £'000	**Group 2014 £'000**	Group 2013 £'000
Bank loans and overdrafts	**—**	—	**45,000**	29,816
Capitalised issue costs	**—**	—	**(2,181)**	—
Bank loans net of issue costs	**—**	—	**42,819**	29,816
Finance leases	**—**	—	**1,484**	2,210
Unsecured non-convertible loan notes	**—**	—	**115,663**	105,041
Amounts owed to group undertakings	**2**	—	**—**	—
	2	—	**159,966**	137,067

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

Certain subsidiaries of Gym Topco Limited are party to a £63 million committed facility with Barclays Bank PLC and Haymarket Financial. This facility consists of a £30 million term loan repayable in full on 23 May 2019, a £30 million capex facility repayable in six equal bi-annual instalments from November 2016 to May 2019, a £2m revolving credit facility repayable in May 2018 and a £1m overdraft facility repayable in May 2018.

An interest rate swap is in place to hedge against exposure to interest rate fluctuations on £30 million of the drawn facility.

The bank facilities are secured by fixed and floating charges over the assets and undertakings of Gym Midco 2 Limited, Gym Bidco Limited and Pure Gym Limited and are subject to quarterly covenant testing. The total amount undrawn on all facilities at 31 December 2014 was £18 million (2013: 30.5 million).

The bank loan falls due as follows:

	Group 2014 £'000	Group 2013 £'000
Between two and five years	**2,499**	2,083
In more than five years	**42,501**	30,417
	45,000	32,500

Finance leases

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

	Group 2014 £'000	Group 2013 £'000
In less than one year	**727**	638
Between one and two years	**816**	653
Between two and five years	**668**	1,557
	2,211	2,848

Unsecured non-convertible loan notes

There are 2 tranches of loan notes in issue by Gym Midco Limited:

1) *2020 loan notes*: on 23 May 2013 £10,000,000 of unsecured, non-convertible loan notes were issued, accruing interest at 9.4% in year 1, 11.4% in year 2 and 13.4% in year 3 onwards. The

13 Creditors: amounts falling due after more than one year (continued)

2020 loan notes are repayable in full together with any unpaid accrued interest on 23 May 2020. On 31 December 2014 £4,049 of 2020 loan notes were redeemed in full along with the associated interest.

2) *2021 loan notes*: on 23 May 2013 £89,359,996 of 9.4% fixed rate unsecured, non-convertible loan notes were issued. These are repayable in full together with any unpaid accrued interest on 23 May 2021. On 18 August 2014 a further £716,477 of 2020 loan notes were issued and on 31 December 2014 £14,459 of 2021 loan notes were redeemed in full along with the associated interest.

All loan notes currently fall due in more than five years however in both cases may be repaid earlier at the option of the company.

14 Provisions for liabilities

	Group 2014 £'000	Group 2013 £'000
At 1 January (or on incorporation)	**633**	—
Acquisitions (note 24)	**23**	556
Charge for the year (note 6)	**397**	77
Balance carried forward	**1,053**	633

The deferred tax provision is analysed as follows:

	Group 2014 £'000	Group 2013 £'000
Accelerated capital allowances	**1,075**	633
Tax losses available	**(22)**	—
Balance carried forward	**1,053**	633

The above deferred tax asset relates to losses carried forward of £111,000 that have been provided as suitable taxable profits against which these can be offset are expected to arise in the foreseeable future.

In addition, as at 31 December 2014 the group has losses carried forward of £6,206,000 available to offset against suitable future taxable profits (2013: £5,371,000) where a corresponding deferred tax asset of £1,769,000 (2013: £1,265,000) has not been recognised as the Directors are of the opinion that it is unlikely that suitable taxable profits will arise in the foreseeable future.

15 Called up share capital

	2014 £'000	**2014 No**	2013 £'000	2013 No
Authorised				
Ordinary B shares of £0.01	**9**	**856,780**	9	850,000
Ordinary C shares of £0.01	**1**	**107,250**	1	107,250
Ordinary D shares of £0.0003	**1**	**4,697,595**	1	4,697,595
	11	**5,661,625**	11	5,654,845
Allotted				
Ordinary B shares of £0.01	**9**	**856,780**	9	850,000
Ordinary C shares of £0.01	**1**	**106,500**	1	101,250
Ordinary D shares of £0.0003	**1**	**4,697,595**	1	4,697,595
	11	**5,660,875**	11	5,648,845

Notes to the financial statements (continued)

15 Called up share capital (continued)

On 23 May 2013 the Company issued 850,000 Ordinary B shares with an aggregate nominal value of £8,500 for total consideration of £800,000, 98,250 Ordinary C shares with an aggregate nominal value of £983 for a total consideration of £131,000 and 4,697,595 Ordinary D shares with an aggregate nominal value of £1,409 for a total consideration of £1,832. The transaction qualifies for merger relief under s612 of Companies Act 2006 and therefore the premium has been credited to the merger reserve (note 16).

On 1 July 2013 the company issued a further 3,000 Ordinary C shares with an aggregate nominal value of £30 for a total consideration of £4,000. The share premium arising on the issue of these shares was £3,970 and has been credited to the Share Premium account (note 16).

On 18 August 2014 the company authorised and allotted 6,750 ordinary B shares with an aggregate nominal value of £68 for consideration of £6,381 and allotted 5,250 ordinary C shares with an aggregate nominal value of £53 for consideration of £7,000. The premium on issue of the shares was credited to the share premium reserve (note 16).

16 Reserves

	Share Premium account £'000	Merger Reserve £'000	Profit and loss account £'000
Group			
At 1 January 2014	4	922	(13,455)
Issue of ordinary shares	13	—	—
Loss for the year	—	—	(14,675)
At 31 December 2014	**17**	**922**	**(28,130)**
Company			
At 1 January 2014	4	922	(1,926)
Issue of ordinary shares	13	—	—
Loss for the year	—	—	(3,367)
At 31 December 2014	**17**	**922**	**(5,293)**

17 Reconciliation of movements in shareholders' deficit

	Company 2014 £'000	Company 2013 £'000	**Group 2014 £'000**	Group 2013 £'000
Loss for the financial year	**(3,367)**	(1,926)	**(14,675)**	(13,455)
Issue of ordinary shares (note 15)	**13**	937	**13**	937
Net increase in shareholders' deficit	**(3,354)**	(989)	**(14,662)**	(12,518)
Opening shareholders' deficit	**(989)**	—	**(12,518)**	—
Closing shareholders' deficit	**(4,343)**	(989)	**(27,180)**	(12,518)

18 Reconciliation of operating profit/(loss) to operating cash flows

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Operating profit/(loss)	**2,337**	(3,014)
Depreciation and amortisation	**16,921**	8,634
Loss on disposal of tangible fixed assets	**153**	74
Increase in stocks	**(221)**	(144)
Increase in debtors	**(3,939)**	(478)
Increase in creditors	**9,402**	1,945
Exceptional acquisition expenses	**—**	2,931
Net cash inflow from operating activities	**24,653**	9,948

Notes to the financial statements (continued)

19 Analysis of net debt

	31 December 2013 £'000	Acquisition £'000	Cash flow £'000	Non-cash changes £'000	**31 December 2014 £'000**
Cash at bank and in hand	11,135	57	(1,152)	—	**10,040**
Bank loans	(32,500)	—	(12,500)	—	**(45,000)**
Finance leases	(2,848)	(95)	732	—	**(2,211)**
Loan stock principal	(99,360)	—	(698)	—	**(100,058)**
Loan stock interest	(5,681)	—	3	(9,927)	**(15,605)**
Preference share capital	(33,693)	—	(264)	—	**(33,957)**
Preference share interest	(1,926)	—	—	(3,367)	**(5,293)**
Other loans	—	(585)	585	—	**—**
Net debt	**(164,873)**	**(623)**	**(13,294)**	**(13,294)**	**(192,084)**

20 Reconciliation of net debt

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
(Decrease)/increase in cash	**(1,095)**	11,135
Net debt acquired with subsidiary (note 24)	**(680)**	(30,855)
Cash inflow from increase in bank loans	**(12,500)**	(18,504)
Repayment of finance lease capital	**732**	8,245
Net cash inflow from loan note principal	**(698)**	(95,284)
Repayment of loan note principal	**3**	1,825
Net Cash inflow from preference share capital	**(264)**	(33,693)
Repayment of other loans	**585**	—
Change in net debt resulting from cash flows	**(13,917)**	(157,131)
Other non-cash movements	**(13,294)**	(7,742)
Movement in net debt	**(27,211)**	(164,873)
Opening net debt	**(164,873)**	—
Closing net debt	**(192,084)**	(164,873)

21 Financial commitments

Amounts contracted for but not provided in the financial statements amounted to £658,000 at the year end (2013: £1,827,000). Annual commitments under non-cancellable operating leases are as follows:

	31 December 2014		31 December 2013	
	Land & buildings £'000	**Other £'000**	Land & buildings £'000	Other £'000
Expiry date:				
- Within one year	**—**	**—**	—	41
- Between two and five years	**—**	**2**	—	2
- After five years	**12,915**	**—**	7,971	—
	12,915	**2**	7,971	43

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

22 Controlling party

The immediate parent company of Gym Topco Limited is Gym Bidco SARL, a Luxembourg registered intermediate holding 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.

23 Related party transactions

P W D Roberts is a partner in Countrywide Leisure Management. During the year the partnership was paid management fees (including directors fees and office rental) of £702,000 (period ended 31 December 2013: £344,000) and project co-ordination fees of £150,000 (period ended 31 December 2013: £87,000). Expenses totalling £2,000 (period ended 31 December 2013: £3,000) were also reimbursed. No amounts were due to Countrywide Leisure Management as at 31 December 2014 (2013: £nil).

Directors' holdings of loan notes, preference shares and the associated and accrued interest are as follows:

	Loan notes 2014 £'000	Loan notes 2013 £'000	**Preference shares 2014 £'000**	Preference shares 2013 £'000
P W D Roberts	**4,661**	4,259	**1,220**	1,115
J de Bruin	**169**	155	**52**	48
A Bellamy	**73**	67	**22**	20
Gym Bidco SARL	**93,763**	85,686	**35,378**	32,331
T Ball	**742**	—	**280**	—

Terms and conditions associated with the loan notes and preference shares are detailed in notes 12 and 13.

During the year the group paid monitoring fees of £65,000 (period ended 31 December 2013: £40,000) to CCMP Capital Advisors LLC, the ultimate parent company and controlling party.

Yes Mail Interactive is a company under common control of CCMP Capital LLC. During the year the company was paid £80,000 (period ended 31 December 2013: £nil) for marketing services. At the year end an amount of £12,000 was due to Yes Mail Interactive (31 December 2013: £nil).

Advantage has been taken of the exemption in FRS 8 not to disclose transactions between Gym Topco Limited and its subsidiaries.

24 Acquisition of subsidiary undertakings

On 8 December 2014, the group acquired 100% of the issued share capital of Mega Gym Limited for consideration of £970,000, discharged by cash. Directly attributable acquisition costs of £14,000 were capitalised as part of the cost of investment.

24 Acquisition of subsidiary undertakings (continued)

The acquisition was accounted for using the acquisition method and no differences were identified between the book and fair values of assets acquired, which are set out in the table below:

	Fair Value £'000
Fixed assets – tangible fixed assets	806
Current assets	
Debtors	7
Cash at bank and in hand	57
	64
Creditors	
Accruals & other creditors	68
Finance leases	95
Directors loan account	585
Deferred tax provision	23
	771
Net assets	99
Goodwill	885
	984
Satisfied by:	
Cash consideration	970
Acquisition costs	14
	984

In its last financial year to 31 October 2014, Mega Gym Limited made a profit after tax of £151,000 and for the period from 1 November 2014 to the date of the acquisition, the results of Mega Gym Limited are estimated at:

	£'000
Turnover	**98**
Administrative expenses	**(82)**
Operating profit	**16**
Net interest payable and similar charges	**(8)**
Profit on ordinary activities before taxation	**8**
Tax on profit on ordinary activities	**—**
Profit for the financial period	**8**

On 31 December 2014, Mega Gym Limited changed its name to Pure Gym (Dudley) Limited and on the same day the trade and assets of Pure Gym (Dudley) Limited were purchased by Pure Gym Limited at cost.

Notes to the financial statements (continued)

24 Acquisition of subsidiary undertakings (continued)

On 23 May 2013 the group acquired 100% of the issued share capital of Pure Gym Limited for consideration of £118,138,209 discharged by cash of £96,512,839, loan notes issued by Gym Midco Limited of £18,308,355 and shares in Gym Topco Limited at an issue price of £3,317,015. Acquisition costs of £2,931,000 were expensed to profit and loss. Acquisitions are accounted for using the acquisition method. No differences were identified between the book and fair values of assets acquired, which are set out in the table below:

	Fair value £'000
Fixed assets – tangible fixed assets	44,155
Current assets	
Stock	247
Debtors	1,873
Cash at bank and in hand	3,492
	5,612
Creditors	
Bank loans (net of issue costs)	13,647
Trade creditors	4,870
Accruals, deferred income & other creditors	7,154
Finance leases	10,958
Loan note creditor	5,901
Deferred tax provision	556
	43,086
Net assets	6,681
Goodwill	111,457
	118,138
Satisfied by:	
Cash consideration	96,513
Loan notes issued by Gym Midco Limited	18,308
Shares issued by Gym Topco Limited	3,317
	118,138

In its last financial year to 28 February 2013, Pure Gym Limited made a loss after tax of £98,000 and for the period from 1 March 2013 to the date of the acquisition, the results of Pure Gym Limited are estimated at:

	£'000
Turnover	**9,881**
Administrative expenses	**(8,565)**
Operating profit	**1,316**
Net interest payable and similar charges	**(861)**
Profit on ordinary activities before taxation	**455**
Tax on profit on ordinary activities	**648**
Profit for the financial period	**1,103**

THE ISSUER

Pinnacle Bidco plc
C/O Pure Gym Limited
Town Centre House,
Merrion Centre,
Leeds LS2 8LY
United Kingdom

LEGAL ADVISORS TO THE ISSUER

As to US federal, New York and English law

Latham & Watkins
99 Bishopsgate
London EC2M 3XF
United Kingdom

LEGAL ADVISOR TO THE INITIAL PURCHASERS

As to US federal, New York and English law

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

INDEPENDENT AUDITORS OF THE ISSUER

PricewaterhouseCoopers LLP
Central Square
29 Wellington Street
Leeds LS1 4OL
United Kingdom

REGISTRAR AND TRANSFER AGENT

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Grand Duchy of Luxembourg

PAYING AGENT AND SECURITY AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

LISTING SPONSOR

Carey Olsen Corporate Finance Limited
4-7 Esplanade
St Helier JE1 0BD
Jersey

TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

LEGAL ADVISORS TO THE TRUSTEE

Reed Smith LLP
Broadgate Tower, 20 Primrose Street
London EC2A 2RS
United Kingdom