

Precor Fitness Limited

Financial statements

For the year ended 30 June 2023

Registered number: 12409708

Statement of financial position

As at 30 June 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	5	-	739
Tangible assets	6	1,770	4,005
		<u>1,770</u>	<u>4,744</u>
Current assets			
Stocks		6,453,289	4,989,610
Debtors: amounts falling due within one year	7	11,693,423	11,212,335
Cash at bank and in hand		300,643	3,159,019
		<u>18,447,355</u>	<u>19,360,964</u>
Creditors: amounts falling due within one year	8	(36,474,247)	(22,494,003)
Net current liabilities		<u>(18,026,892)</u>	<u>(3,133,039)</u>
Total assets less current liabilities		<u>(18,025,122)</u>	<u>(3,128,295)</u>
Creditors: amounts falling due after more than one year	9	(16,209,988)	(15,634,635)
Provisions for liabilities			
Other provisions	10	(111,310)	(97,854)
		<u>(111,310)</u>	<u>(97,854)</u>
Net liabilities		<u>(34,346,420)</u>	<u>(18,860,784)</u>
Capital and reserves			
Called up share capital		100	100
Profit and loss account		(34,346,520)	(18,860,884)
		<u>(34,346,420)</u>	<u>(18,860,784)</u>

Statement of financial position (continued)

As at 30 June 2023

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board on 29 May 2024 and were signed on its behalf by:

D L Grosz

Director

The notes on pages 3 to 11 form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2023

1. General information

Precor Fitness Limited is a private limited company, incorporated in England & Wales. Its company registration number is 12409708 and its registered office is Quatro House Lyon Way, Frimley, Camberley, England, GU16 7ER.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors have considered the current economic climate and its continuing impact on the company's operations, with a particular focus on its effect on the company's customers, supplier, members and employees.

The company made a loss for the year of £15,485,636 and was in a net liability position of £34,346,420 as at 30 June 2023. However, the company has received confirmation from the ultimate controlling party (note 13), Peloton Interactive Inc. and its key supplier, Precor Inc. that the supply agreement will not be terminated and financial support will continue to be provided as required, for a period of at least 12 months from the date of signature of the financial statements. The company, and region, is also actively seeking a growth in external sales contracts and opportunities, to reduce its reliance on this group support.

The directors do not consider this to be cause for material uncertainty in respect of the company's ability to continue as a going concern, as not only are they continuing to monitor working capital requirements regularly and in preparing forecasts for the company, but there is no evidence that this group support will not be forthcoming for a period of at least 12 months.

The directors consider that the company has sufficient financial resources to continue for the foreseeable future, therefore, the financial statements have been prepared on a going concern basis.

Notes to the financial statements

For the year ended 30 June 2023

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Notes to the financial statements

For the year ended 30 June 2023

2. Accounting policies (continued)

2.4 Revenue (continued)

Notes to the financial statements

For the year ended 30 June 2023

2. Accounting policies (continued)

2.5 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.6 Finance costs

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

2.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.8 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Motor vehicles	-	25%
Fixtures and fittings	-	25%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Notes to the financial statements

For the year ended 30 June 2023

2. Accounting policies (continued)

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average cost basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Change in accounting policy

Due to changes within the average costs of freight, the directors agreed to change the method by which they value finished goods in stock at the year end from first-in first-out (FIFO) to the average cost method (WAC). In applying this policy to the comparative period, there has been no change to the value of stocks held or retained earnings.

2.10 Debtors

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

2.11 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Provisions

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

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

2.13 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Notes to the financial statements

For the year ended 30 June 2023

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

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The directors review stock items on a regular basis for impairment or damage and damaged items are recognised in profit or loss. The lifespan of stock is considered by directors periodically and provisions are made against specific stock items which are considered to be obsolete.

The warranty provision is reviewed at the end of each reporting period in light of expenses incurred during the year on warranty repairs and the warranty terms applied to equipment. Provisions are recognised in profit or loss, based on the best estimate of future costs under warranty claims.

4. Employees

The average monthly number of employees, including directors, during the year was 43 (2022 -48).

5. Intangible assets

	Computer software £
Cost	
At 1 July 2022	7,444
At 30 June 2023	7,444
Amortisation	
At 1 July 2022	6,705
Charge for the year	739
At 30 June 2023	7,444
Net book value	
At 30 June 2023	-
At 30 June 2022	739

Notes to the financial statements

For the year ended 30 June 2023

6. Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 July 2022	23,825	5,088	28,913
At 30 June 2023	23,825	5,088	28,913
Depreciation			
At 1 July 2022	19,820	5,088	24,908
Charge for the year	2,235	-	2,235
At 30 June 2023	22,055	5,088	27,143
Net book value			
At 30 June 2023	1,770	-	1,770
At 30 June 2022	4,005	-	4,005

7. Debtors

	2023 £	2022 £
Trade debtors	1,172,921	1,394,715
Amounts owed by group undertakings	10,401,663	9,695,094
Other debtors	66,362	-
Prepayments and accrued income	52,477	122,526
	11,693,423	11,212,335

Notes to the financial statements

For the year ended 30 June 2023

8. Creditors: Amounts falling due within one year

	2023 £	2022 £
Trade creditors	1,027,493	1,037,960
Amounts owed to group undertakings	34,150,687	19,538,679
Other taxation and social security	-	69,269
Other creditors	11,232	9,377
Accruals and deferred income	1,284,835	1,838,718
	<u>36,474,247</u>	<u>22,494,003</u>

Amounts owed to group are interest free and repayable on demand.

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

	2023 £	2022 £
Lease liabilities	2,341	5,482
Amounts owed to group undertakings	16,207,647	15,629,153
	<u>16,209,988</u>	<u>15,634,635</u>

Amounts owed to group undertakings incur interest at 3.59% and are repayable in March 2028.

10. Provisions

	Warranty provision £
At 1 July 2022	97,854
Charged to profit or loss	13,456
At 30 June 2023	<u>111,310</u>

Notes to the financial statements

For the year ended 30 June 2023

11. Commitments under operating leases

At 30 June 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Not later than 1 year	2,086,894	2,065,764
Later than 1 year and not later than 5 years	497,766	2,348,889
	<u>2,584,660</u>	<u>4,414,653</u>

12. Controlling party

The smallest and largest company preparing consolidated financial statements, which include the company, is Peloton Interactive Inc, a company incorporated in the United States. These consolidated financial statements can be obtained from their website. Peloton Interactive Inc. is the ultimate controlling party of the company.

13. Auditor's information

The auditor's report on the financial statements for the year ended 30 June 2023 was qualified.

The qualification in the audit report was as follows:

We were unable to attend the company's stock count at 30 June 2022, as we were not appointed until after this date and we were unable to satisfy ourselves by alternative means concerning the stock quantities of £4,989,610 held at 30 June 2022, or of stock quantities of £7,386,376 held at 30 June 2021 in the comparative Statement of financial position by using other audit procedures. Consequently we were unable to determine whether any adjustment to this amount at 30 June 2022 or at 30 June 2021 was necessary or whether there was any consequential effect on the cost of sales or reported profits or losses for the year ended 30 June 2022.

The audit report was signed on 30 May 2024 by Simon Wax (Senior statutory auditor) on behalf of Buzzacott LLP.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.