

The Gym Limited

Financial statements for the year ended 31 December 2015

Registered number 05659669



The Gym Limited

Directors	R Darwin J Treharne J G Spaven J Graham
Registered number	05659669
Registered office	Woodbridge House Woodbridge Meadows Guildford Surrey GU1 1BA
Independent auditor	Ernst & Young LLP 16 Bedford Street Belfast BT2 7DT

The Gym Limited

Directors' Report

for the year ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Future developments

The new financial year has started well and in line with the Board's expectations.

The pipeline continues to be strong and we expect to open 15 to 20 sites in the current year. As in 2015 these site openings will be weighted to the second half of the year, with six sites expected to be open in the first half of the year and a further four locations where contractors are on site.

Financial instruments

The Company has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Company's risk management framework.

Liquidity risk

Liquidity risk is the risk that the Company 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 of the Group. The Company 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.

Credit risk

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

Cash flow risk for the business is considered to be low as all borrowings are at a fixed rate and are with intercompany partners.

Going concern

The directors have a reasonable expectation that the company has adequate resources based on continued support from its parent and fellow subsidiary companies, to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served during the year were:

R Darwin (appointed 5 May 2015)
P Gilbert (resigned 22 December 2015)
A Mathews (resigned 18 May 2015)
J Treharne
J G Spaven
J Graham

Auditors

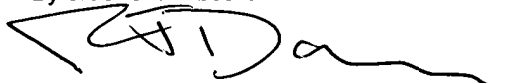
Ernst & Young LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Disclosure of information to auditors

Having made enquiries of fellow directors and of the Company's auditors, each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



R Darwin
Director
27 May 2016

The Gym Limited

Strategic Report

for the year ended 31 December 2015

The Directors present their strategic report for the year ended 31 December 2015.

Business review

This has been a landmark year for our business with a record number of new site openings, increasing our estate to 74 sites at 31 December 2015 from 55 in the prior year. Our financial metrics reflect the rapid growth that we have delivered: Total year end members increased by 28.3% to 376,000 (2014: 293,000) driving revenue of £60.0 million (2014: £45.5 million), an increase of 31.9%. EBITDA increased by 20.3% from £15,006,000 to £18,054,000.

We are a market leader in the low cost sector, enabling us to realise the benefits of increased scale to drive down operational and capital costs and deliver higher returns.

Low cost gyms are a fast growing market, and we continue to drive the expansion of the sector by attracting members that are new to the gym market and also from more traditional gym operators. We constantly seek out ways to improve our business model to capitalise on this market opportunity. Equally, the strength of our financial covenant means that we are offered the best sites by landlords which underpins the growth of our estate and our pipeline.

Delivering performance from gyms

Our business model is straightforward with new sites taking time to reach maturity. Once mature they generate excellent levels of cash and good returns. We have been accelerating our rollout programme and so at the end of 2015, 34 of our 74 sites had been open for less than two years. We can expect to benefit from the growth of these sites as they mature during the current year and beyond.

Improving operating efficiencies

Our business model strips out the elements of the more traditional proposition that add unnecessary cost and are barely used, enabling us to operate a low cost environment. As we grow we will use the benefits of scale and operating expertise to continue to take costs out of the way that we deliver the business model. We deliver as low a cost base as possible. This enables us to pass on these benefits to the members through charging some of the lowest prices in the sector. The Gym charges an average fee of £16 per month.

An exercise to renegotiate operating cost contracts has identified £1 million of annualised savings on an ongoing basis and was implemented during the year.

Achieving our rollout strategy

The Gym operates a flexible low cost model that can be used in many different types of location. There remain substantial growth opportunities to expand our footprint across the UK. In 2015, gyms opened in sites previously used as retail space (Bedford and Reading) and a gentlemen's club (Charing Cross). We also opened a gym as part of a leisure park regeneration scheme (Hemel Hempstead), as well as gym spaces vacated by other operators (Eastbourne, Croydon Purley Way and Derby). Our new sites continue to trade well, in line with our expectations. Our pipeline is expanding rapidly. We are well positioned to open between 15 and 20 gyms in total in 2016 and per year thereafter over the medium term.

The pipeline is stronger than at any point in our history; landlords are also recognising the strength of our covenant, assisted further by our newly acquired status as a publicly listed group.

We continue to refine and reduce the cost of building and fitting out a new site where we are provided with a clean shell by the landlord. Savings have been achieved on multiple stages of the fit-out process, including build costs, gym equipment and fixtures and fittings.

This is demonstrated by the decrease in the initial cost to fit out a new gym, from an average of £1.5 million for the 2008 to 2014 portfolio to an average cost of approximately £1.35 million for the 2015 gyms.

Developing the customer proposition

The low cost sector is still at an early stage of development in the UK, particularly compared with older, low cost gym markets in mainland Europe and the United States. We continue to evolve our concept to address the needs of our members. This is achieved by monitoring customer feedback closely to ensure that we provide what members want at affordable prices. During 2015 we expanded group exercise classes in response to feedback from members. Similarly, scientific analysis of actual usage patterns indicated that members wanted additional space allocated for lighter free weights. The Gym also benefited from a brand relaunch to emphasise our brand personality at our sites. We are applying this to the new sites as we develop them, ensuring there is consistency across the sites as well as in our marketing messaging. This new branding will be rolled out into some of our earlier sites as they come up for refurbishment.

Monitoring member feedback about our offer and the service that we provide is a core component of the development of our business. Examples of feedback include measuring the use of machines to enable us to understand when to change the equipment in our gyms, ensuring that what we provide is in line with what members want to use. Equally we analyse our site openings to understand the demographics of our membership base and aid our decision making for future site acquisition.

Member feedback about our operational performance is measured through Net Promoter Score with a score of 60.2% achieved in 2015. Our online measure of customer satisfaction, Feefo, score was 94% for the year. The business is constantly evolving the way it collects this type of feedback.

The Gym Limited

Strategic Report

for the year ended 31 December 2015

Focusing on our people

Our people are instrumental to running a successful business. The Gym is made up of 74 gyms that act as local businesses drawing on a network of central head office support to fulfil their operational goals. As we grow we continue to enhance the quality of support to this network of sites. A regional operations structure has been put in place, along with the expansion of our commercial team to explore further revenue opportunities and enhance our monitoring of suppliers. We operate an outsourced support model where services are provided through a number of key suppliers.

Our people are highly engaged, passionate and committed. We have achieved a two star 'Outstanding' award in the Best Companies accreditation which measures workplace engagement. The Company recently achieved the Investors in People Silver award and is currently applying for the Gold award. The business continues to be the only low cost fitness provider with such accreditation.

During the year ended 31 December 2015 the Company issued 1,350,000,000 Ordinary shares of £0.01 each in consideration for the extinguishing of intercompany debt.

The profit for the year, after taxation, is £6,375,000 (2014: profit of £5,368,000). The directors do not recommend a final dividend (2014: nil).

During the year the company transitioned from the previous UK Generally Accepted Accounting Practice to FRS 102 and has taken advantage of the disclosure exemptions allowed under this standard. The effects of the transition to FRS 102 are shown in note 23 to the financial statements.

Principle risks and uncertainties

In order to gain an understanding of the risk exposure of the Company, management reviews each area of our business annually and use a methodology that will assist the Company in measuring, evaluating, documenting and monitoring its risks within all areas of its operations.

We use our risk management process as described to identify, monitor, evaluate and escalate risks as they emerge, enabling management to take appropriate action wherever possible in order to control them and also enabling the Board to keep risk management under review. During the year the Board of the Group carried out a robust assessment of the principal risks facing the Company, including those that would threaten the Company's business model, future performance, solvency or liquidity.

The risk factors addressed below are those which we believe to be the most material to our business model, which could adversely affect the operations, revenue, profit, cash flow or assets of the Company and which may prevent us from achieving the Company's strategic objectives. Additional risks and uncertainties currently unknown to us, or which we currently believe are immaterial, may also have an adverse effect on the Company.

Principal risk	Impact	Mitigation
Competition		
The Company may face increased competition and pressure from competitor pricing decisions.	The ability of the Company to hold or increase prices and therefore achieve performance targets could be affected.	<ul style="list-style-type: none"> • Maintain price discipline and leadership. • Maintain focus on choosing the best sites in a geographical area. • Continue to invest in the member proposition.
Organic rollout		
Site scarcity may affect the delivery of our rollout plan.	Delays to our rollout plan may have adverse impact on growth targets and operational returns.	<ul style="list-style-type: none"> • Our highly experienced property team are focused on site selection and sourcing the best deals.
Member experience		
Failure to provide members with a high quality product and service would damage the Company's reputation.	Reductions in actual or perceived customer service could result in a decrease in membership numbers and revenue generation.	<ul style="list-style-type: none"> • Monitor utilisation, NPS & Feefo scores. • Enhance monitoring and feedback processes.

The Gym Limited
Strategic Report
for the year ended 31 December 2015

		<ul style="list-style-type: none"> Ongoing review of equipment usage to ensure we meet member requirements.
Staff retention		
Loss of key staff through retention policy and failure to manage succession.	A lack of experienced and motivated staff will have a detrimental impact on all areas of the business, from operations to central functions.	<p>The Company uses a variety of techniques to attract, retain and motivate staff at all levels across the business. These techniques include:</p> <ul style="list-style-type: none"> Competitive remuneration packages. Opportunities to own shares in the Company. Opportunities for training and progression. Short, clear reporting lines. Succession planning.
Information technology dependency		
Our ability to enroll members, carry out online marketing activity, process payments and control gym access is dependent on the performance of our IT systems.	Disruption in critical IT systems could have a negative impact on our reputation and our ability to collect revenue.	<ul style="list-style-type: none"> Our primary data systems are hosted by fully-qualified organisations in suitable data centres. Our primary IT infrastructure is fully managed by specialist IT companies who provide best-practice architecture and support. All membership and business information is backed up using third party locations. Robust disaster recovery and business continuity plans are in place.
Data protection		
The Company holds business critical and confidential information electronically. A breach of security or data protection rules is a key risk.	Unauthorised access, loss or disclosure of this information may lead to legal claims, regulatory penalties, disruption of operations and reputational damage.	<ul style="list-style-type: none"> The Company's networks are protected by firewalls and secure passwords. All sensitive online data capture and data presentation is SSL encrypted. Our website and member management system are scanned quarterly to be PCI compliant. Access to the central member database requires 2-Factor Authorisation. All financial data relating to customers is stored on external PCI Compliant and, where relevant, BACS approved systems managed by external payment providers. The Company does not store or retain any customer financial data in its own online systems.
Outsourcing model		
The Company operates a largely outsourced model, including areas such as information technology systems, payment processing and	As the Company grows there is risk that delivery from service providers is either unreliable or of unsatisfactory quality.	<ul style="list-style-type: none"> Ensure quality suppliers are chosen through well-run tender processes. Understand and seek to mitigate supplier key-man risks.

The Gym Limited
Strategic Report
for the year ended 31 December 2015

marketing. It risks overdependence on third party operational delivery.		<ul style="list-style-type: none"> • Service level agreements for all key suppliers. • Members of management monitor service levels and hold suppliers to account. • Ongoing assessment of whether any services should be moved to an insourced resource.
Operational gearing		
High operational gearing from the fixed cost base.	A limited number of corrective options in the cost base could be made to correct any underperformance in membership numbers, which could have an adverse impact on profitability.	<ul style="list-style-type: none"> • Monthly monitoring and reforecasting of business performance at site level. • Active yield management on a gym by gym basis. • Regular financial management by senior management team and Board.
Regulatory		
Failure to adhere to regulatory requirements such as the Listing Rules, taxation, the Data Protection Act, health and safety requirements, planning regulations, noise abatement and advertising and marketing regulations.	Potential reputational damage and penalties.	<ul style="list-style-type: none"> • The Board has oversight over the management of regulatory risk and compliance, and delegates specific responsibilities to senior management. • Expert opinion sought where relevant. • Legal advice taken to ensure systems, processes and documentation conform with the Data Protection Act. • Third party health and safety risks assessments and audits carried out. Staff conduct periodic health and safety assessments. • Employment and continuous training and development of appropriately qualified staff.

By order of the board



R Darwin

Director

27 May 2016

The Gym Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Gym Limited

Independent Auditor's Report

to the members of The Gym Limited

We have audited the financial statements of The Gym Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standards applicable to the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditor

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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standards applicable to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:


- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Keith Jess (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast

Date:


31 May 2016

The Gym Limited
Statement of Comprehensive Income
for the year ended 31 December 2015

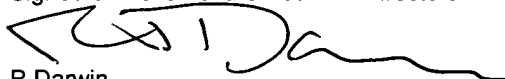
	Note	31 December 2015 £'000	31 December 2014 £'000
Revenue	4	59,979	45,480
Cost of sales		(1,073)	(1,040)
Gross profit		58,906	44,440
Administration expenses		(53,115)	(37,311)
Other income	6	1,105	-
Operating profit		6,896	7,129
Being:			
- Exceptional items and other income	6	57	(140)
- Depreciation		(10,907)	(7,600)
- Amortisation		(308)	(137)
- EBITDA		18,054	15,006
Finance costs	9	(2,117)	(1,409)
Finance income	10	15	20
Profit before tax		4,794	5,740
Tax credit / (charge)	11	1,581	(372)
Profit for the year attributable to equity shareholders		6,375	5,368
Other comprehensive income for the year		-	-
Total comprehensive income attributable to equity shareholders		6,375	5,368

The Gym Limited
Statement of Financial Position
as at 31 December 2015

	Note	31 December 2015 £'000	31 December 2014 £'000	31 December 2013 £'000
<i>Non-current assets</i>				
Property, plant and equipment	12	85,237	67,510	51,418
Intangible assets	13	738	471	376
Total non-current assets		85,975	67,981	51,794
<i>Current assets</i>				
Inventories	14	122	75	138
Trade and other receivables	15	5,381	3,723	2,631
Cash and cash equivalents		2,845	5,571	4,078
Total current assets		8,348	9,369	6,847
Total assets		94,323	77,350	58,641
<i>Current liabilities</i>				
Trade and other payables	16	20,288	22,088	11,099
Income taxes payable		-	73	-
Borrowings	17	-	3,613	2,363
Total current liabilities		20,288	25,774	13,462
<i>Non-current liabilities</i>				
Borrowings	17	10,000	6,556	5,674
Provisions	18	232	223	131
Deferred tax liabilities	11	187	1,768	1,713
Total non-current liabilities		10,419	8,547	7,518
Total liabilities		30,707	34,321	20,980
Net assets		63,616	43,029	37,661
<i>Capital and reserves</i>				
Issued capital	19	13,925	425	425
Share premium	20	37,633	37,633	37,633
Capital contribution	20	712	-	-
Retained earnings	20	11,346	4,971	(397)
Total equity shareholders' funds		63,616	43,029	37,661

These financial statements were approved by the Board of Directors on 27 May 2016.

Signed on behalf of the Board of Directors



R Darwin

Director

Company Registration Number 05659669

The Gym Limited
Statement of Changes in Equity
For the year ended 31 December 2015

	Issued Capital £'000	Share Premium £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2013	49	410	-	(5,233)	(4,774)
Profit for the year and other comprehensive income	-	-	-	4,836	4,836
Issue of Ordinary share capital	376	37,223	-	-	37,599
At 31 December 2013	425	37,633	-	(397)	37,661
Profit for the year and other comprehensive income	-	-	-	5,368	5,368
At 31 December 2014	425	37,633	-	4,971	43,029
Profit for the year and other comprehensive income	-	-	-	6,375	6,375
Issue of Ordinary share capital	13,500	-	-	-	13,500
Capital contribution from parent company	-	-	712	-	712
At 31 December 2015	13,925	37,633	712	11,346	63,616

The Gym Limited

Notes to the financial statements

1. General information

The Gym Limited ('the Company') is incorporated and domiciled in the United Kingdom with company number 05659669. The registered address of the Company is Woodbridge House, Woodbridge Meadows, Guildford Surrey, United Kingdom, GU1 1BA.

2. Summary of significant accounting policies

Statement of compliance and basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 ('FRS 102') and in accordance with applicable accounting standards. The financial statements are presented in Pounds Sterling and all values are rounded to the nearest Pound, except where otherwise indicated.

This is the Company's first set of financial statements prepared in accordance with FRS 102. The previously presented financial information, for the year ended 31 December 2014, was presented under the previous UK GAAP. Details of the transition are provided in note 23.

The Company's deemed transition date to FRS 102 is 1 January 2014, the beginning of the first period presented, and the requirements of FRS 102 in respect of transition to the reporting standard have been applied as of that date.

The Company has taken advantage of the following disclosure exemptions available to it under FRS 101:

- a) the requirements of Section 4 – Statement of Financial Position, paragraph 4.12(a)(iv);
- b) the requirements of Section 7 – Statement of Cash Flows – and Section 3 – Financial Statement Presentation, paragraph 3.17(d);
- c) the requirements of Section 11, paragraphs 11.39 to 11.48A and Section 12, paragraphs 12.26 to 12.29A;
- d) the requirements of Section 26 – Share-based Payment, paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- e) the requirement of Section 33 – Related Party Disclosures, paragraph 33.7.

The Company's ultimate parent undertaking is The Gym Group Plc. The Company is included within these group accounts which are publicly available from www.tggplc.com.

Comparative balances have been reclassified for consistency with classifications for the year ended 31 December 2015.

The company has adopted early The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 in relation to the preparation of these financial statements in accordance with the formats set out in IAS 1.

Standards issued not yet effective

At the date of authorisation of these financial statements, there were no new standards and interpretations which have not been applied in these financial statements were in issue but not yet effective.

Going Concern

The directors believe that the company has sufficient financial resources and is well placed to manage its business risks.

The directors have a reasonable expectation that the company has adequate resources based on continued support from its parent and fellow subsidiary companies, to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors of the Group. The Company'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 only one operating segment.

Segment results are measured using earnings before interest, tax, depreciation, amortisation and exceptional EBITDA. Segment assets are measured at cost less any recognised impairment. Revenue is attributed to geographical regions based on the country of residence of the customer. All revenue arises in and all non-current assets are located in the United Kingdom. The accounting policies used for segment reporting reflect those used for the Company.

Revenue

Revenue, which is stated excluding Value Added Tax and other sales related taxes, is measured at the fair value of the consideration receivable for goods and services supplied and non-refundable joining fees. Revenue from upfront annual membership fees are recognised and spread over the 12 month period. Monthly membership fees paid upfront are recognised on completion of each month the fee relates to. Non-refundable joining fees associated with monthly members are recognised immediately as revenue. Provisions are made for cancellations and refunds based on the Groups experience over the previous 12 months. Revenue from the sale of goods is recognised at the point of sales as this reflects the transfer of risks and rewards of ownership.

The Gym Limited

Notes to the financial statements

2. Summary of significant accounting policies (continued)

Cost of sales

Cost of sales comprise costs arising in connection with the generation of ancillary revenue, primarily vending machine costs and tanning bed costs, call centre costs, payment processing costs and costs arising from the operation of the Company's member management systems.

Exceptional items

Items that are material in size, unusual or infrequent in nature are included within operating profit and disclosed separately as exceptional items in the income statement.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the income statement, helps provide an indication of the Company's underlying business performance.

Property, plant and equipment

Property, plant and equipment are included at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated to write down the cost of the assets on a straight-line basis over the estimated useful lives on the following bases:

- | | |
|------------------------------------|------------------------|
| ▪ Leasehold improvements | over term of lease |
| ▪ Fixtures, fittings and equipment | between 3 and 10 years |
| ▪ Gym and other equipment | between 5 and 8 years |
| ▪ Computer equipment | 3 years |

The estimated useful lives are reviewed at the end of each reporting period and adjusted if appropriate. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalised once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalisation include both internal and external costs, but are limited to those that are directly related to the specific project. Computer software costs are included at capitalised costs less accumulated amortisation and any recognised impairment loss.

Amortisation is calculated to write down the cost of the asset on a straight line basis over their estimated useful lives, over a maximum of 3 years. Useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

Impairment of non-financial assets

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 to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. For tangibles and intangibles the allocation is made to those CGU units that are expected to benefit from the asset, that being each trading health and fitness facility.

Any impairment charge is recognised in the income statement in the period in which it occurs. Where an impairment loss on other assets, subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount.

The Gym Limited

Notes to the financial statements

2. Summary of significant accounting policies (continued)

Financial Instruments

Financial assets

The Company 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 those with maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

Financial liabilities

The Company's financial liabilities comprise trade and other payables, borrowings and derivative financial liabilities.

The Company initially recognises its financial liabilities at fair value net of transaction costs where applicable and subsequently they are measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest method over the maturity of the loan.

Receivables and payables with no stated interest rate that are due for settlement within one year are recorded at the transaction price. Any losses arising from impairment are recognised in the income statement within administration expenses.

Pensions

The Group operate a defined contribution scheme and pays contributions to publicly or privately administered pension plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Leases

Finance leases

Assets funded through finance leases are capitalised as property, plant and equipment, and are depreciated over their estimated useful lives or the lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the asset or the present value of the minimum lease payments during the lease term at the inception of the lease. The resulting lease obligations are included in liabilities net of finance charges. Finance costs on finance leases are charged directly to the income statement on an effective interest rate basis.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease incentives

Lease incentives primarily include up-front cash payments or rent-free periods. Lease incentives are capitalised and spread over the period of the lease term.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables consist mainly of prepayments and receivables relating to property leases.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank, short-term deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

Finance costs

Finance costs relating to borrowings are recognised in the income statement in the period in which they are incurred.

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Income tax relating to items recognised in comprehensive income or directly in equity is recognised in comprehensive income or equity and not in the income statement.

The Gym Limited

Notes to the financial statements

2. Summary of significant accounting policies (continued)

Deferred taxation

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Share based payments

Equity-settled share based payments are measured at the fair value of the equity instruments at the grant date, which excludes the effect of non-market-based vesting conditions. The fair value at the grant date is recognised as an expense on a straight line basis over the vesting period, based on the Company's estimate of the number of equity instruments that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

The Gym Limited

Notes to the financial statements

3. Significant accounting judgements, estimates and assumptions

The preparation of the financial information in accordance with FRS 102 requires estimates and assumptions to be made that affect the value at which certain assets and liabilities are held at the balance sheet date and also the amounts of revenue and expenditure recorded in the period. The directors believe the accounting policies chosen are appropriate to the circumstances and that the estimates, judgements and assumptions involved in its financial reporting are reasonable.

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

Critical judgements in applying the Company's accounting policies

Depreciation and amortisation

Judgement is used in assessing useful lives and residual values of leasehold improvements, office equipment and fixtures and fittings. The assets are depreciated or amortised over their estimated useful lives to their residual values.

Provisions

Provisions have been made for dilapidations in respect of leased premises. These provisions are estimates, in particular the assumptions relating to restorations expenses, and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Further management have determined that in the majority of cases that likelihood of a liability arising is remote in the majority of instances as the Company enjoys security of tenure as tenant and therefore are unlikely to give up a site where it is trading profitably. However, if circumstances indicate otherwise the Company will recognise an appropriate provision.

Income taxes

The Company recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made.

Lease classification

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

- Useful expected economic life
- Implicit interest rate under the lease
- Present value of future cash flow under lease

4. Revenue

An analysis of revenue by service or product is as follows:

	2015	2014
	£'000	£'000
Membership income	59,400	44,993
Other income	579	487
	<u>59,979</u>	<u>45,480</u>

All income is derived from activities undertaken in the United Kingdom.

The Gym Limited

Notes to the financial statements

5. Operating profit

Operating profit is stated after charging:

	2015 £'000	2014 £'000
Depreciation of property, plant and equipment	10,907	7,600
Amortisation of intangible assets	308	137
Operating lease rentals	10,479	6,988
Loss on disposal of property, plant and equipment	98	39
Cost of inventory recognised as an expense	197	225
	<hr/>	<hr/>
<i>Auditors' remuneration</i>		
Audit of the financial statements	32	32
	<hr/>	<hr/>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated financial statements of The Gym Group Plc.

6. Exceptional items

	2015 £'000	2014 £'000
Costs in relation to IPO of parent company	236	-
Share based payment costs associated with IPO	712	-
Exploration of strategic options	100	-
Gym relocation	-	140
	<hr/>	<hr/>
	1,048	140

Other income received in the year of £1,105,000 (2014: £nil) relates to a payment received on the surrender of a lease.

7. Employee costs

	2015 £'000	2014 £'000
Wages and salaries	6,371	4,277
Social security costs	713	416
Other pension costs	153	35
	<hr/>	<hr/>
	7,237	4,728

The average number of employees, including directors, during the year was:

	2015 Number	2014 Number
Operational	143	109
Administration	43	26
	<hr/>	<hr/>
	186	135

During the year ended 31 December 2015 the Company operated The Gym Group Senior Management Share Option Plan. The Company operated no share based payment plans in the year ended 31 December 2014.

On 6 November 2015 share options were granted over 7,000 C2 Ordinary shares of The Gym Group Plc under The Gym Group Senior Management Share Option Plan. The exercise price was £1 per C2 Ordinary share. The share options were exercisable immediately prior to The Gym Group Plc being admitted to the Official List of the London Stock Exchange and were exercised on 12 November 2015.

The Gym Limited

Notes to the financial statements

8. Directors' remuneration

	2015 £'000	2014 £'000
Directors' remuneration	-	-
Company contributions to defined contribution pension scheme	-	16

9. Finance costs

	2015 £'000	2014 £'000
Loans from group undertakings	663	333
Finance leases and hire purchase contracts	1,112	1,073
Unwinding of discount	9	3
Exceptional finance costs	333	-
	2,117	1,409

10. Finance income

	2015 £'000	2014 £'000
Bank interest receivable	15	20
	15	20

11. Taxation

Tax on profit on ordinary activities comprises:

	2015 £'000	2014 £'000
<i>Current income tax</i>		
Current tax on profits for the year	-	73
Adjustments in respect of prior years	-	244
Total current income tax	-	317
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(1,545)	581
Change in tax rates	(91)	-
Adjustments in respect of prior years	55	(526)
Total deferred tax	(1,581)	55
Tax (credit) / charge	(1,581)	372

The Gym Limited

Notes to the financial statements

11. Taxation (continued)

The tax assessed on the profit on ordinary activities for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%).

The differences are reconciled below:

	2015 £'000	2014 £'000
Profit before tax	4,794	5,740
Tax calculation at standard rate of corporation tax of 20.25% (2014: 21.5%)	971	1,234
Expenses not deductible for tax purposes	(1,080)	(89)
Group relief received for no consideration	(1,436)	(1,055)
Change in tax rates	(91)	-
Adjustments in respect of prior years	55	282
	(1,581)	372

The Finance Act 2013 reduced the main rate of corporation to 21% from 1 April 2014 and to 20% with effect from 1 April 2015. Further future rate reductions have been announced as part of the 2015 Budget to 19% from 1 April 2017 and 18% from 1 April 2020. Therefore a blended tax rate of 20.25% (2014: 21.49%) has been applied in calculating the income tax charge. Deferred tax assets and liabilities have been measured at the rate expected to be in effect when the deferred tax asset or liability reverses.

Deferred tax liability

	Accelerated capital allowances £'000
At 1 January 2013	1,386
Prior year adjustment	177
Charge in year	414
Change in deferred tax rate	(264)
At 31 December 2013	1,713
Prior year adjustment	(526)
Charge in year	581
At 31 December 2014	1,768
Prior year adjustment	55
Charge in year	(1,545)
Change in deferred tax rate	(91)
At 31 December 2015	187

The Gym Limited

Notes to the financial statements

12. Property, plant and equipment

	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>					
At 1 January 2013	32,780	2,265	15,276	272	50,593
Additions	9,080	818	4,264	95	14,257
Disposals	(19)	-	(280)	(2)	(301)
At 1 January 2014	41,841	3,083	19,260	365	64,549
Additions	15,978	1,054	7,526	178	24,736
Disposals	(1,067)	(104)	(1,129)	(10)	(2,310)
At 31 December 2014	56,752	4,033	25,657	533	86,975
Additions	17,364	1,549	9,428	391	28,732
Disposals	(89)	(13)	(298)	-	(400)
At 31 December 2015	74,027	5,569	34,787	924	115,307
<i>Accumulated depreciation</i>					
At 1 January 2013	2,276	523	4,496	137	7,432
Charge for the year	1,961	524	3,411	83	5,979
Disposals	-	-	(280)	-	(280)
At 1 January 2014	4,237	1,047	7,627	220	13,131
Charge for the year	2,602	672	4,225	101	7,600
Disposals	(233)	(47)	(980)	(6)	(1,266)
At 31 December 2014	6,606	1,672	10,872	315	19,465
Charge for the year	5,745	656	4,329	177	10,907
Disposals	(42)	(7)	(253)	-	(302)
At 31 December 2015	12,309	2,321	14,948	492	30,070
<i>Net book value</i>					
At 31 December 2013	37,604	2,036	11,633	145	51,418
At 31 December 2014	50,146	2,361	14,785	218	67,510
At 31 December 2015	61,718	3,248	19,839	432	85,237

The net book value of tangible fixed assets includes an amount of £nil (2014: £9,995,000; 2013: £8,484,000) in respect of assets held under finance leases. The related depreciation charge on these assets for the period was £1,472,000 (2014: £2,964,000; 2013: £2,691,000).

The Gym Limited

Notes to the financial statements

13. Intangible assets

	Computer software £'000
<i>Cost</i>	
At 1 January 2013	495
Additions	148
	<hr/>
At 31 December 2013	643
Additions	237
Disposals	(5)
	<hr/>
At 31 December 2014	875
Additions	575
	<hr/>
At 31 December 2015	1,450
<i>Accumulated amortisation</i>	
At 1 January 2013	156
Charge for the year	111
	<hr/>
At 31 December 2013	267
Charge for the year	137
	<hr/>
At 31 December 2014	404
Charge for the year	209
Accelerated write offs	99
	<hr/>
At 31 December 2015	712
<i>Net book value</i>	
At 31 December 2013	376
At 31 December 2014	471
At 31 December 2015	738

14. Inventories

	2015 £'000	2014 £'000	2013 £'000
Finished goods and goods for resale	<hr/> 122	<hr/> 75	<hr/> 138

The Gym Limited

Notes to the financial statements

15. Trade and other receivables

	2015 £'000	2014 £'000	2013 £'000
Other receivables	394	474	111
Income and other taxes	6	35	-
Prepayments and accrued income	4,535	3,108	2,520
Amounts owed by group undertakings	446	106	-
	<u>5,381</u>	<u>3,723</u>	<u>2,631</u>

16. Trade and other payables

	2015 £'000	2014 £'000	2013 £'000
Trade payables	2,548	4,494	1,773
Social security and other taxes	-	-	511
Other creditors	-	-	8
Lease incentives and future rental increases	9,408	5,995	2,002
Accruals and deferred income	8,332	5,616	5,874
Amounts owed to group undertakings	-	5,983	931
	<u>20,288</u>	<u>22,088</u>	<u>11,099</u>

Trade payables are non-interest bearing and are payable on average within 22 days (2014: 30 days; 2013: 30 days).

17. Borrowings

	2015 £'000	2014 £'000	2013 £'000
Amounts owed to group undertakings	10,000	-	-
Finance leases	-	10,169	8,037
	<u>10,000</u>	<u>10,169</u>	<u>8,037</u>
Due in less than one year	-	3,613	2,363
Due in more than one year	10,000	6,556	5,674
	<u>10,000</u>	<u>10,169</u>	<u>8,037</u>

Amounts owed to group undertakings are unsecured, bear interest at 4.5% and are repayable in more than one year.

Finance leases relate to the leasing of gym equipment and are generally for a five year term with an option to purchase the equipment.

The Gym Limited

Notes to the financial statements

18. Provisions

	Dilapidations £'000
At 1 January 2013	41
New provisions	89
Unwinding of discount	1
At 31 December 2013	131
New provisions	89
Unwinding of discount	3
At 31 December 2014	223
Unwinding of discount	9
At 31 December 2015	232

Provisions relate to potential payments for dilapidations to landlords. The timing of these payments is inherently uncertain, but would occur on exiting the related property lease.

19. Issued share capital

	2015 £'000	2014 £'000	2013 £'000
<i>Allotted, called up and fully paid</i>			
1,392,529,500 Ordinary shares of £0.01 each	13,925	425	425

The number of shares in issue is as follows:

	2015	2014	2013
Ordinary shares of £0.01 each	1,392,529,500	42,529,500	42,529,500

During the year ended 31 December 2015 the Company issued 1,350,000,000 Ordinary shares of £0.01 each in consideration for the extinguishing of intercompany debt. Each Ordinary share carries equal voting and distribution rights.

20. Reserves

Issued capital

The balance of issued capital comprises the nominal value of Ordinary shares issued.

Share premium

Share premium comprises the excess of consideration received over nominal value of Ordinary shares issued.

Capital contribution reserve

The capital contribution reserve represents capital contributions from The Gym Group Plc in relation to share based payment charges.

Retained earnings

Retained earnings comprises cumulative comprehensive income and losses less equity dividends paid.

The Gym Limited

Notes to the financial statements

21. Commitments and contingencies

Operating lease commitments

The Group has entered into leases on commercial real estate. These leases have an average outstanding life of 14.6 years (2014: 15.6 years) and typically include security of tenure. There are no restrictions placed on the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December, analysed by the period in which they fall due are as follows:

	2015 £'000	2014 £'000	2013 £'000
Within one year	10,053	7,075	5,210
Between one and two years	11,334	8,690	6,109
Between two and five years	35,904	30,852	19,633
Greater than five years	128,025	115,767	89,126
	185,316	162,384	120,078

Finance lease commitments

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are, as follows:

	2015 £'000	2014 £'000	2013 £'000
Within one year	-	4,644	3,296
Between one and two years	-	3,841	3,054
Between two and five years	-	3,568	3,722
Greater than five years	-	-	-
	-	12,053	10,072
Future finance charges	-	(1,884)	(2,035)
Present value	-	10,169	8,037

The present value of finance lease liabilities is as follows:

	2015 £'000	2014 £'000	2013 £'000
Within one year	-	3,613	2,363
Between one and two years	-	3,267	2,704
Between two and five years	-	3,289	2,970
Greater than five years	-	-	-
	-	10,169	8,037

Capital commitments

	2015 £'000	2014 £'000	2013 £'000
Contracted for but not provided	2,342	3,394	3,952

A cross guarantee exists between the Company and its parent company in respect of the parent company's bank facilities.

The Gym Limited

Notes to the financial statements

22. Related party transactions

The Company has taken advantage of the exemption under Section 33 of FRS 102 not to disclose transactions with fellow wholly owned subsidiaries. Balances with fellow wholly owned subsidiaries and the ultimate parent company, The Gym Group Plc, are as follows:

	2015 £'000	2014 £'000
The Gym Group Plc	(9,906)	102
The Gym Group Midco 1 Limited	27	2
The Gym Group Midco 2 Limited	3	2
The Gym Group Operations Limited	322	(5,983)

The following table provides the total amounts owed to related parties for the relevant financial period:

	2015 £'000	2014 £'000
Closewall Limited	49	467
C Treharne	-	1
	49	468
Opening balance	468	354
Purchases	7,635	5,278
Repayments	(8,054)	(5,164)
	49	468

The following table provides the total amounts of purchases from related parties for the relevant financial period:

	2015 £'000	2014 £'000
Closewall Limited	7,627	5,270
C Treharne	8	8
Total	7,635	5,278

Closewall Limited is a company under the control of a family member of a director, J Treharne, and provides services to the Company. C Treharne is a relation of a director, J Treharne, and provides services to the Company.

Key management personnel are considered to be the Directors. Directors' remuneration is shown in note 8 to the financial statements.

The Gym Limited

Notes to the financial statements

23. Transition to FRS 102

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with the previous UK GAAP. These financial statements are the first the Company has prepared in accordance with FRS 102. Accordingly, the Company has prepared financial statements which comply with FRS 102 applicable for year beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes. In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 102, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 102. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under the previous UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 102 from previous UK GAAP, the company has taken advantage of transitional relief as follows:

Lease incentives

The company has not applied paragraphs 20.15A or 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to transition to FRS 102.

The Gym Limited

Notes to the financial statements

23. Transition to FRS 102 (continued)

Reconciliation of equity at 1 January 2014

	Note	As previously stated £'000	FRS 102 transition £'000	Other £'000	Restated £'000
<i>Non-current assets</i>					
Property, plant and equipment	(a), (b), (c), (f)	44,585	6,509	324	51,418
Intangible assets	(b)	-	376	-	376
Total non-current assets		44,585	6,885	324	51,794
<i>Current assets</i>					
Inventories		138	-	-	138
Trade and other receivables	(a)	3,579	(948)	-	2,631
Cash and cash equivalents		4,078	-	-	4,078
Total current assets		7,795	(948)	-	6,847
Total assets		52,380	5,937	324	58,641
<i>Current liabilities</i>					
Trade and other payables	(d), (f), (g)	7,407	2,002	1,690	11,099
Income taxes payable		-	-	-	-
Borrowings	(a)	441	1,922	-	2,363
Total current liabilities		7,848	3,924	1,690	13,462
<i>Non-current liabilities</i>					
Borrowings	(a)	1,286	4,388	-	5,674
Provisions	(c)	-	131	-	131
Deferred tax liabilities	(e)	1,749	(36)	-	1,713
Total non-current liabilities		3,035	4,483	-	7,518
Total liabilities		10,883	8,407	1,690	20,980
Net assets		41,497	(2,470)	(1,366)	37,661
<i>Capital and reserves</i>					
Issued capital		425	-	-	425
Share premium		37,633	-	-	37,633
Retained earnings / (deficit)		3,439	(2,470)	(1,366)	(397)
Total equity shareholders' funds		41,497	(2,470)	(1,366)	37,661

The Gym Limited

Notes to the financial statements

23. Transition to FRS 102 (continued)

Reconciliation of equity at 31 December 2014

	Note	As previously stated £'000	FRS 102 transition £'000	Other £'000	Restated £'000
<i>Non-current assets</i>					
Property, plant and equipment	(a), (b), (c), (f)	63,042	4,269	199	67,510
Intangible assets	(b)	-	471	-	471
Total non-current assets		63,042	4,740	199	67,981
<i>Current assets</i>					
Inventories		75	-	-	75
Trade and other receivables	(a), (d)	4,858	(1,135)	-	3,723
Cash and cash equivalents		5,571	-	-	5,571
Total current assets		10,504	(1,135)	-	9,369
Total assets		73,546	3,605	199	77,350
<i>Current liabilities</i>					
Trade and other payables	(d), (f), (g)	16,628	3,495	1,965	22,088
Income taxes payable		246	(173)	-	73
Borrowings	(a)	1,553	2,060	-	3,613
Total current liabilities		18,427	5,382	1,965	25,774
<i>Non-current liabilities</i>					
Borrowings	(a)	4,233	2,323	-	6,556
Provisions	(c)	-	223	-	223
Deferred tax liabilities	(e)	1,768	-	-	1,768
Total non-current liabilities		6,001	2,546	-	8,547
Total liabilities		24,428	7,928	1,965	34,321
Net assets		49,118	(4,323)	(1,766)	43,029
<i>Capital and reserves</i>					
Issued capital		425	-	-	425
Share premium		37,633	-	-	37,633
Retained earnings		11,060	(4,323)	(1,766)	4,971
Total equity shareholders' funds		49,118	(4,323)	(1,766)	43,029

The Gym Limited

Notes to the financial statements

23. Transition to FRS 102 (continued)

Notes to the reconciliations of equity

(a) Equipment leases

Leases previously classified as operating leases have been reclassified as finance leases as they satisfy the recognition criteria of FRS 102. This resulted in the following adjustments:

	2014 £'000	2013 £'000
Property, plant and equipment - recognition	4,535	6,759
Trade and other receivables - reversal of initial down payment treated as a prepayment	(618)	(948)
Borrowings - current - recognition of finance lease liability	(2,060)	(1,922)
Borrowings - non-current - recognition of finance lease liability	<u>(2,323)</u>	<u>(4,388)</u>

(b) Intangible assets

Costs that meet the recognition criteria such as software and costs associated with website design are reclassified from tangible to intangible assets.

	2014 £'000	2013 £'000
Property, plant and equipment - reclassification	(471)	(376)
Intangible assets - reclassification	<u>471</u>	<u>376</u>

(c) Provisions

The Company has an obligation to return commercial property that has been leased in a specified condition at the end of the contract term. Under FRS 102 the Company has to recognise the cost as a discounted liability. The amount is also included as part of the cost of the asset being dismantled and depreciated accordingly. The net impact is as follows:

	2014 £'000	2013 £'000
Property, plant and equipment - recognition	205	126
Provisions - recognition	<u>(223)</u>	<u>(131)</u>

(d) Lease Incentives and fixed rent increases

Under the previous UK GAAP, the policy on recognition of lease incentives is to spread the incentive over the period to the first rent review. Under FRS 102 the requirement is to spread over the life of the lease. Similarly where leases contain fixed or determinable rent increases, these form part of the minimum lease payments and as such FRS 102 requires that the fixed increases are spread of the life of the lease. The majority of the Company's leases contain fixed 5 year rent increases with an average lease length of 17 years. The net impact on 'Trade and other payables' is as follows:

	2014 £'000	2013 £'000
Trade and other receivables - current	(517)	-
Trade and other payables - current	<u>(3,495)</u>	<u>(2,002)</u>

The Gym Limited

Notes to the financial statements

23. Transition to FRS 102 (continued)

(e) Taxation

Tax balances have been restated for the impact of the changes in accounting standards.

	2014 £'000	2013 £'000
Deferred tax liability	-	(36)
Corporation tax liability	<u>173</u>	<u>-</u>

(f) Property, plant and equipment

In addition to adjustments arising from the transition to FRS 102, the Company had not recognised an accrual for items of property, plant and equipment purchased during the years ending 31 December 2013 and 31 December 2014. The effect on accruals and property, plant and equipment is as follows:

	2014 £'000	2013 £'000
Property, plant and equipment - recognition	199	324
Trade and other payables - current	(199)	-
Trade and other payables - non-current	<u>-</u>	<u>(324)</u>

(g) Revenue recognition

Under UK GAAP revenue is recognised once all performance conditions have been satisfied, failing that revenue should be recognised by reference to the stage of completion. The Company previously recognised 100% of membership on receipt of payment irrespective of the stage of completion at the end of the reporting period. The UK GAAP balances have therefore been restated accordingly. The net impact on 'Trade and other payables' is as follows:

	2014 £'000	2013 £'000
Trade and other payables - current	<u>(1,766)</u>	<u>(1,366)</u>

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Notes to the financial statements

23. Transition to FRS 102 (continued)

Statement of comprehensive income for the year ended 31 December 2013

	Note	As previously stated £'000	FRS 102 transition £'000	Other £'000	Restated £'000
Revenue	(e)	36,179	-	(445)	35,734
Cost of sales		(906)	-	-	(906)
Gross profit		35,273	-	(445)	34,828
Administration expenses	(a), (b), (c)	(28,316)	1,203	-	(27,113)
Operating profit		6,957	1,203	(445)	7,715
Finance costs	(a), (b)	(1,621)	(930)	-	(2,551)
Finance income		-	-	-	-
Profit before tax		5,336	273	(445)	5,164
Tax charge	(d)	(1,137)	809	-	(328)
Profit for the year attributable to equity shareholders		4,199	1,082	(445)	4,836
Other comprehensive income for the year		-	-	-	-
Total comprehensive income attributable to equity shareholders		4,199	1,082	(445)	4,836

The Gym Limited

Notes to the financial statements

23. Transition to FRS 102 (continued)

Statement of comprehensive income for the year ended 31 December 2014

	Note	As previously stated £'000	FRS 102 transition £'000	Other £'000	Restated £'000
Revenue	(e)	45,880	-	(400)	45,480
Cost of sales		(1,040)	-	-	(1,040)
Gross profit		44,840	-	(400)	44,440
Administration expenses	(a), (b), (c)	(36,081)	(1,230)	-	(37,311)
Operating profit		8,759	(1,230)	(400)	7,129
Finance costs	(a), (b)	(648)	(761)	-	(1,409)
Finance income		20	-	-	20
Profit before tax		8,131	(1,991)	(400)	5,740
Tax charge	(d)	(510)	138	-	(372)
Profit for the year attributable to equity shareholders		7,621	(1,853)	(400)	5,368
Other comprehensive income for the year		-	-	-	-
Total comprehensive income attributable to equity shareholders		7,621	(1,853)	(400)	5,368

Notes to the statements of comprehensive income

(a) Equipment leases

Leases previously classified as operating leases have been reclassified as finance leases as they satisfy the recognition criteria of FRS 102. This resulted in the following adjustments:

	2014 £'000	2013 £'000
Administrative expenses - reverse operating lease rental charge	(3,014)	(2,842)
Administrative expenses - Depreciation	2,224	2,097
Finance costs - finance lease interest charge	758	929

The Gym Limited

Notes to the financial statements

23. Transition to FRS 102 (continued)

(b) Provisions

The Company has an obligation to return commercial property that has been leased in a specified condition at the end of the contract term. Under FRS 102 the Company has to recognise the cost as a discounted liability. The amount is also included as part of the cost of the asset being dismantled and depreciated accordingly. The net impact is as follows:

	2014 £'000	2013 £'000
Finance costs - unwinding of discount	3	1
Administrative expenses - Depreciation	<u>10</u>	<u>3</u>

(c) Lease Incentives and Fixed Rent Increases

Under the previous UK GAAP, the policy on recognition of lease incentives is to spread the incentive over the period to the first rent review. Under FRS 102 the requirement is to spread over the life of the lease. Similarly where leases contain fixed or determinable rent increases, these form part of the minimum lease payments and as such FRS 102 requires that the fixed increases are spread of the life of the lease. The majority of the Company's leases contain fixed 5 year rent increases with an average lease length of 17 years.

	2014 £'000	2013 £'000
Administrative expenses	<u>2,010</u>	<u>(462)</u>

(d) Taxation

Tax balances have been restated for the impact of the changes in accounting standards.

	2014 £'000	2013 £'000
Taxation	<u>138</u>	<u>809</u>

(e) Revenue recognition

Under UK GAAP revenue is recognised once all performance conditions have been satisfied, failing that revenue should be recognised by reference to the stage of completion. The Company previously recognised 100% of membership on receipt of payment irrespective of the stage of completion at the end of the reporting period. The UK GAAP balances have therefore been restated accordingly.

	2014 £'000	2013 £'000
Revenue	<u>(400)</u>	<u>(445)</u>

24. Ultimate group undertaking

The Company's immediate parent undertaking is The Gym Group Operations Limited.

The Company's ultimate parent undertaking is The Gym Group Plc. The Company is included within these group accounts which are publicly available.

Until 12 November 2015 The Gym Group Plc's controlling shareholders were Phoenix Equity Partners 2010 L.P. and Phoenix Equity Partners 2010 GP L.P. ('the Phoenix Funds'), which are managed by Phoenix Equity Partners 2010 Guernsey Limited. Phoenix Equity Nominees Limited holds the shares on behalf of the shareholders. Phoenix Equity Partners Limited is an advisor to Phoenix Equity Partners 2010 Guernsey Limited.

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Notes to the financial statements

25. Off balance sheet arrangements

The Company enters into operating lease arrangements for commercial real estate. The lease rental expense for the year is disclosed in note 5 and the annual commitments under these lease arrangements are disclosed in note 21. There are no other material off-balance sheet arrangements.