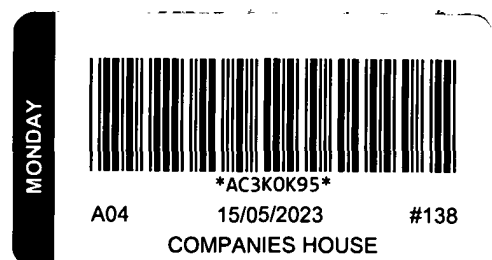


The Gym Limited

Annual report and financial statements for the year ended 31
December 2022

Registered number 05659669



The Gym Limited

Company Information

Directors	R Darwin (resigned 24 March 2023) J McIntosh (resigned 31 March 2023) D Melhuish A-M Murphy L Tait (appointed 17 October 2022)
Registered number	05659669
Registered office	5 th floor OneCroydon 12-16 Addiscombe Road Croydon CR0 0XT
Independent auditor	Ernst & Young LLP 16 Bedford Street Belfast BT2 7DT

The Gym Limited

Strategic Report

for the year ended 31 December 2022

Business review

The Gym Group, the trading name of the Company, is in a strong position going into 2023 despite the difficult economic environment which has caused challenges for all consumer businesses. Looking back to the start of 2021, we were commencing the third of the Covid-19 lockdowns and our recovery trajectory was uncertain. However, by the end of 2022, we were operating from 229 sites across the UK and generated revenue in the year that was 13% higher than in 2019. Our business also returned to generating free cash flow in the year. Our operating environment has changed post Covid-19, but through this period of transition, The Gym Group is one of the leading operators in our sector.

Membership grew during the year from 718,000 at the end of December 2021 to 821,000 at the end of December 2022, assisted by some further post Covid-19 membership recovery, yield optimisation and the strongest site opening programme in our history. Also in the year, we delivered on two transformational initiatives – the relaunch of the brand and the new technology infrastructure. Both initiatives will enable the business to trade more effectively over the coming years. The relaunch of the brand under The Gym Group name means we have a distinctive and memorable brand and visual identity that will build brand awareness in a crowded consumer market. The launch of our new technology infrastructure means that we have a modern, sophisticated website and app that will enable us to deliver highly effective levels of member acquisition.

It is now apparent that some members have not come back to in-gym workouts post Covid-19; therefore our work to recover pre Covid-19 levels of profitability is continuing. For sites open in 2018, the like-for-like revenue recovery (vs 2019) is 90%, reflecting membership volume recovery of c.81% of 2019 levels, with yield at c.110%. Some of the members have been displaced because they have not fully returned to office working - just 16 sites out of our 154 sites that were open pre Covid-19 are significantly workforce-dependent and the rest are located in residential areas or have a strong student membership. We believe that there is further membership recovery to come in the medium term but this has been slowed in the short term by the cost-of-living pressures which are having an impact on underlying demand.

Despite these trends, the market dynamics for our business are very strong and we are growing our share within the market. The Gym Group's share of the low cost gym market by number of sites is currently 29.3%, up from 16.7% in 2016. The demand for health and fitness is expected to continue to increase because of the health shock that the pandemic has given so many people; and within health and fitness, low cost gyms were the part of the market that grew most rapidly pre Covid-19. We also continue to see a good supply of sites in the locations that are most suitable for us.

As a result of our year of recovery, the business has resumed generating free cash flow to invest into our site expansion. 2022 has been a year of significant investment with 28 new sites and the additional spend on the technology infrastructure and brand relaunch. At the end of 2022, the Company and its fellow Group undertakings ("the Group") collectively had Non-Property Net Debt of £76.1m including £11.5m of finance leases. In 2022, because of the timing of recovery, part of this growth was funded from our debt facilities. However, as we move into 2023, we plan to revert to self-financing our growth from free cash flow generation.

Our confidence about the future growth potential of this business comes from having a high quality offer for members at an affordable price. This means that, with high levels of satisfaction, members will rejoin a number of times throughout their lifetime. Rejoiner rates are currently around 42% of new member acquisition, reflecting our success in driving multiple join events. Our member satisfaction ('OSAT') scores are at an all-time high post Covid-19 and our members are visiting the gyms on average 12% more often than they were in 2019. All this ensures we are in a strong position to trade through the current economic difficulties and expand into the future. At this time, our low price model is more relevant than ever.

The financial results for 2022 reflect the year of recovery. Revenue was £172.9m (2021: £106.0m) up 63%, and Adjusted EBITDA Less Normalised Rent was £33.3m compared with £1.2m in 2021. The Underlying Loss for the year was £9.3m (2021: loss of £28.9m) and the Statutory Loss was £19.6m (2021: loss of £33.7m).

Strategic priorities

Our business has a clear set of strategic priorities. Significant progress has been made against these strategic priorities with the successful delivery of two transformational initiatives in the year, as well as yield optimisation and the scale of the organic rollout. Whilst the short term economic situation is expected to remain challenging through 2023, the longer term market opportunity will only be enhanced by the current economic conditions and its impact on weaker competitors; we expect to continue to grow market share as a result.

1) Market opportunity and organic rollout

Our positioning in the market as a high quality, affordable gym priced at an average headline price of £21.49 per month is compelling and puts us in a strong position to continue to grow rapidly over the coming years. At the end of December 2022, our market share was 29.3% of the low cost market by number of sites (total market estimated at 781 sites across

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the UK). We believe that the UK low cost gym market has the potential to continue to grow strongly over the coming years and, as one of the few operators expanding, we expect our market share to also grow.

Our ability to expand rapidly and take advantage of the market opportunity is partly driven by our ability to identify the right locations and build the appropriate format for that location and open sites ranging from 7,000 to 21,000 sq. ft. This means that we can expand in smaller locations, as we have done in 2022 in towns such as Leyland, Lancashire and Glenrothes, Scotland (each around 8,000 sq. ft), as well as in larger sites such as the conversion of an existing gym in Paddington (21,000 sq. ft). This flexibility of gym format enables us to access more catchments across the country and increases our addressable market. Given the economic environment, we intend to be selective in terms of the sites that we open in the next year and continue to choose sites that will trade well at affordable rents. Our disciplined approach to rents continues the approach we have adopted successfully throughout our history and is reflected in a favourable rent profile in our estate.

We are pleased with the quality of our site rollout in 2022, and the 28 sites that we have opened in the year are performing according to our expectations. Five of the 28 sites are in residential areas of London and include the three sites that we acquired from Fitness First in March 2022 – these sites in Romford, Leyton and Harringay have already doubled their number of members compared to the member numbers pre-acquisition and will be strong sites over the coming years for our business.

ii) Optimising yield and profitability through a new price product architecture

Having the formats, the brand and the technology platform in place gives us opportunity to concentrate our next set of technology developments on more member-facing initiatives that will drive our yield and hence our profitability. These developments are being made on the back of extensive research with members and non-members, as well as detailed analysis in partnership with a well known industry consultant. The research we undertook confirmed what we already knew – that the value of the offering that we deliver and the quality of our proposition are very strong. As a result, we are implementing a well thought out strategy on yield to improve our profitability.

The first step taken during 2022 was to increase average headline price by approximately £2 per month on average for new members, and also to implement some repricing of the existing membership. Despite these increases, we remain the lowest priced 24/7 nationwide gym operator, ensuring that we provide excellent value for money at a time of squeezed discretionary incomes. Secondly, we recently introduced a new pay up front product on the back of this research – this is a very cost-effective product that will demonstrate the value of our offering versus the higher price competitors, whilst also giving us the benefit of increased tenure from those that take it up. Thirdly, in the Summer of 2023, we are planning to introduce a three tier price architecture that will give more choice to members and will include a lower entry price as well as an upper end premium product. This premium product will build on the already successful LIVE IT product that is currently taken up by around 30% of our membership base but with more product elements within it. This new price product architecture will require trialling and so is not expected to have initial yield uplift, but we expect it to increase the commercial flexibility of our trading and further increase our yields in the coming years.

iii) Developing the technology platform

The first of our transformational initiatives in 2022 was the launch of our new technology infrastructure. This project delivered an enhanced technology platform with mobile-centric developments for the website and the members area and further enhancements to the app. The rationale for this significant piece of development was to ensure improvements in site speed, gain search engine optimisation ('SEO') benefits and increase conversion rates. This project was implemented successfully and has already given us the ability to identify and make material improvements to our member acquisition journey.

We are also pleased with the progress that we have made with our app. Our app score rating is 4.7 on Apple and 4.6 on Android, among the highest in the industry and with well-used features such as site capacity, workout recording and class booking. We have also incorporated over 200 new Fiit videos into the app for our members to use and the technology platform has also enabled the integration of the Fiit offer into our LIVE IT product.

iv) Rolling out the new brand

The brand transformation was the second transformational project of the year with a successful relaunch in August 2022. The rationale for this initiative was to enhance our brand awareness and marketing effectiveness which had been held back by our previous generic brand. A unique brand name also gives us considerable SEO benefits by being able to drive more organic traffic to our site, particularly important as the cost of buying search terms through the big technology platforms continues to increase ahead of inflation. There were two significant parts to the project – designing and launching a new visual identity and then developing the new creative platform that was part of the first marketing campaign. We are confident that the new visual identity will serve this business well over the coming years – all sites have now been externally rebranded and other assets in use throughout the business have been updated. The new 'Gym

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Face' advertising campaign was rolled out in September and October. The same creative campaign was used for the important January and February peak trading period in 2023.

Our latest brand awareness metrics are encouraging with a 5.6 percentage points increase in prompted awareness in the 12 months since February 2022 - positioning us to trade very well across all channels and ultimately drive revenue growth.

Sustainability

We are very proud of our sustainability work centred around our purpose of breaking down barriers to fitness for all. The Gym Group is dedicated to increasing the social value it generates, while helping members to get great value from their gym memberships. One aim is to increase the percentage of members visiting our gyms at least four times per month and we are delighted that, through our initiatives, we have seen a 12% increase in member usage of our gyms in 2022.

We are proud to be the first carbon neutral gym chain in the UK and during the year, our work on carbon reduction and the net zero commitment to the Science Based Target initiative ('SBTi') has intensified. We are now working on verification by SBTi, whilst at the same time implementing energy saving programmes like our recent '20 is Plenty' campaign which has seen us increasing the temperature in our gyms during the summer months from 19°C to 20°C. Our commitment to net zero is now for us to reach this target by 2045 but we plan to have decarbonised our own business by 2035.

One of the key strengths of The Gym Group is our unique team and culture, and we were delighted to have retained high levels of engagement in our annual employee survey and to be recognised by Glassdoor in 2022 as number 25 in their list of the Best Places to Work in the UK (the only leisure business placed in the top 50). We also retained our Investors in People Gold award during the year.

Summary

The tough trading environment and economic circumstances over the past few months have made 2022 a challenging year for all and we are grateful for the support of our teams across our whole business. The commitment of our teams to ensuring great member service is also enabling us to achieve record OSAT scores and is another reason for our confidence about how we expect to trade well through the difficult economy.

Our business is as well positioned as any in our sector to flourish as the economy emerges from the dual impact of the cost-of-living crisis and the pandemic. We have a clear set of strategic priorities to improve this business and continue to add greater capability to trade effectively. The January and February 2023 trading period has demonstrated our ability to drive revenue growth to offset energy and other cost pressures that we are having to absorb. With increases in both membership and yield despite the economic headwinds, we are taking advantage of the strong market position that we have built within the wider health and fitness sector.

Principal risks and uncertainties

Approach to Risk management

The Group's Board and Senior Management Team ('SMT') take very seriously their responsibility for operating a robust risk management and internal controls process, and for reviewing their effectiveness at least annually. The Group's Board has overall responsibility for ensuring there is an effective risk management process in place which is designed to identify the principal risks that the business faces and to provide reasonable assurance that they are fully understood and managed. The Group's Audit and Risk Committee provides oversight and challenge on the effectiveness of risk management and mitigating controls.

Risk Appetite

The UK Corporate Governance Code requires companies to determine their risk appetite. This is an expression of the amount and types of risk that the Group is willing to take in order to achieve its strategic and operational objectives. A risk that can seriously affect the performance, prospects or reputation of a company is deemed to be a principal risk. The Group's risk management process aims to strike a balance between identifying, monitoring and mitigating risks whilst maximising potential opportunities and returns to ensure we deliver against our strategy. Our commitment to delivering a compelling member experience means that we have no appetite to lose our price competitiveness or our commitment to operational excellence. We are willing to accept the risk of partnering with third parties to deliver our core business activities. However, contracts and relationships with critical suppliers must be well monitored, value for money and regularly reviewed. In addition, third parties must comply with appropriate regulatory and ethical standards.

We seek to provide a great place to work, and balance costs and risks to ensure our colleagues are engaged and have the capability to deliver our strategy. We have no tolerance for harm (physical or mental) to individuals and actively promote diversity and inclusion. We also have no appetite for the loss of, or otherwise unauthorised or accidental disclosure of, member or other sensitive data and no appetite to knowingly breach the spirit or letter of the laws that apply

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Strategic Report

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to us. In areas of uncertainty, we will have a robust justification and clear rationale for the choices we make. Where possible, high priority projects must be delivered on time, to budget, to expected quality and in a way that safeguards the wellbeing of our colleagues working on the project. However, cost overruns and delays will sometimes be tolerated to achieve the desired outcome.

Risk Management Process

The Group's risk management process is designed to measure, evaluate, document and monitor risks within all areas of the business.

Each functional area of the business maintains an operational risk register in which functional heads and business area leaders identify and document the risks that their business area faces. A review of the functional risk registers is performed twice yearly by the SMT, made up of the Executive Committee and other senior management, and the output of that review is discussed with the Group's Audit and Risk Committee (on behalf of the Group's Board).

In addition, the Group's Board and SMT also consider and identify strategic risks at least annually – i.e. those risks that they believe would have a significant impact on our ability to achieve our strategic goals.

The Group's principal risk register is made up of those strategic risks (top down) and functional risks (bottom up) that are believed would have the greatest impact on our operations.

Each risk is evaluated against three criteria with equal weighting to arrive at an overall score:

- Likelihood – the likelihood of occurrence.
- Financial impact – the financial implications.
- Control environment – the strength of controls mitigating the risk.

In assessing the risks, consideration is given to 'what can go wrong', i.e. what could make the risk become realised. For each risk identified, current and future mitigations are developed and documented.

Principal risks

Risk management for the Company is considered and managed by the Group's Board and SMT on a Group-wide basis. They have identified ten principal risks which are set out on the following pages. These are the risks 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 our 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.

For each of the principal risks set out below, we have included examples of relevant controls or mitigating factors.

Principal risk	Description and impact	Mitigation and controls
Significant Business Interruption	<p>There are a number of factors that could cause widespread disruption or the closure of a significant proportion of our estate, including:</p> <ul style="list-style-type: none"> • a resurgence of Covid-19 or another pandemic of similar scale and impact; • a major health scare in relation to gym usage; • The failure of a key supplier or IT system impacting our ability to operate a substantial portion of our gyms; and • climate change resulting in an increase in the likelihood and severity of environmental disasters such as storms or droughts <p>This could lead to sub-optimal membership levels, an increase in the number of underperforming sites and substantially lower</p>	<ul style="list-style-type: none"> • Business continuity procedures and risks are monitored and refreshed regularly • Measures identified to preserve cash and reduce discretionary spend during periods where all, or a large proportion of, the Company's sites are closed; ability to re-open quickly to minimise revenue loss as shown during the Covid-19 pandemic • Critical suppliers identified and contingency plans in place in the event of supplier failure • Reviewed the risks of climate change on our business and identified adaptation action required as part of response to the TCFD recommendations

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Principal risk	Description and impact	Mitigation and controls
	revenue and profitability.	
Operational Gearing	<p>The high operational gearing of the business, as a result of the largely fixed cost base, limits the number of corrective actions that could be made to mitigate any underperformance in membership numbers, which could adversely impact profitability.</p> <p>In addition, the current macroeconomic and geopolitical environment has led to significant increases in utilities costs and wage inflation.</p> <p>The Company may be unable to attract sufficient members and/or increase prices to sufficiently cover the cost increases, leading to reduced margins.</p>	<ul style="list-style-type: none"> • Monthly monitoring of business performance at site level • Active yield management on a gym-by-gym basis • Regular financial management by the Group's Executive Committee and the Group's Board • Measures identified to reduce operating costs, preserve cash and reduce discretionary spending where necessary • Option to slow down expansion to preserve cash • Active retention management undertaken and cancellations closely monitored • Energy-efficient investment into our sites • 96% hedged on energy costs for FY23 and partially hedged for FY24
Member Experience	<p>Failure to provide members with a high quality product and service could result in loss of membership and reputational damage.</p> <p>A decrease in membership numbers as a result of a fall in actual or perceived customer service or confidence would adversely impact revenue and profitability.</p>	<ul style="list-style-type: none"> • Tracking of gym utilisation and member satisfaction scores through enhanced monitoring and feedback processes • Ongoing review of equipment usage and appropriate investment in repairs and maintenance to ensure we meet member requirements • Continuous review of further innovations to improve the member experience • Gym 'busyness' tracker helps nervous members to visit at quieter times • Strong member communication plan in place which focusses on our commitment to the community, overcoming anxiety to exercise, and tackling the reasons for increased gym intimidation. • Free Fiit membership added to the LIVE IT product in 2022, further enhancing the offering and value
Trading Environment	<p>The UK is currently experiencing a cost-of-living crisis and there is significant economic uncertainty. We need to respond appropriately to external market conditions while maintaining focus on delivering on our strategic objectives.</p> <p>Members may choose to cancel their membership due to financial hardship.</p> <p>In addition, the continued economic uncertainty could impact the Company's ability to access the level of funding it requires to deliver on its strategic objectives.</p> <p>There is also a risk that new competitors enter the fitness market offering an alternative to the low cost gym model.</p> <p>This could lead to sub-optimal membership levels, an increase in the number of</p>	<ul style="list-style-type: none"> • Well placed to operate successfully in a challenging economic environment as we are one of the lowest price gym operators in the UK market with an average monthly subscription which is £2 per month lower than most competitors in the low cost gym sector, and significantly lower than rates charged by mid-market and premium operators • Benefit from others 'trading down' from the mid-market or premium gyms • Highly experienced management team in place, with significant industry-wide knowledge and intelligence • Specialist advisors retained to assist the Company in ensuring it has access to appropriate financing to deliver its strategic objectives • Current bank facility agreement in place until October 2024, and strong underlying

The Gym Limited
Strategic Report
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Principal risk	Description and impact	Mitigation and controls
	underperforming sites and substantially lower revenue and profitability.	operating cash generation before investment in growth
Structural change in the industry	<p>The normalisation of hybrid working and the emergence of alternative out-of-home and flexible fitness offerings, means that there is a potential long term shift in the behaviour of traditional and prospective members and their appetite for low cost gyms in the locations where we have presence.</p> <p>There is also a risk that new competitors enter the fitness market offering an alternative to the low cost gym model.</p> <p>This could lead to sub-optimal membership levels, an increase in the number of underperforming sites and substantially lower revenue and profitability.</p>	<ul style="list-style-type: none"> Continue to combine our low cost operating model with innovative technology and scalable infrastructure, to ensure we remain relevant and good value for money Highly experienced management team in place, with significant industry-wide knowledge and intelligence Continue to invest in the member proposition with customer insight and segmentation analysis regularly undertaken to understand emerging trends and changes in member behaviour Continue to focus on choosing the best sites in a geographical area; increasingly opening sites on retail parks rather than in city centres
Our People	<p>The success of the business is dependent on talent attraction, development and retention, as well as a healthy culture and focus on wellbeing.</p> <p>A lack of experienced and motivated staff could have a detrimental impact in all areas of the business, from Operations to Gym Support.</p> <p>Increased demand and competition for staff could impact on our ability to support the gyms, deliver a good member experience and execute on our strategy. Stretched resources could see staff distracted from performing their core roles or failing to deliver on key projects.</p> <p>Lack of adequate succession planning and dependency on a small number of key staff could result in loss of knowledge and weakening of supplier relationships, which in turn could impact operational performance.</p> <p>Economic pressures and the cost-of-living crisis mean this risk is trending up, as costs increase and personnel seek higher salaries.</p>	<ul style="list-style-type: none"> Use a variety of tools to attract, retain and motivate staff at all levels of the business, including: <ul style="list-style-type: none"> Competitive remuneration and benefits packages Opportunity to own shares in the Group Opportunities for training and progression Short, clear reporting lines Succession planning Engagement surveys providing staff with the opportunity to provide feedback and ideas e-learning platform and internal communication and recognition platform, CORE Kickstart and 'Grow your own' PT programmes Employee forums. Wellbeing Programme and Wellbeing Hub in place Employee Assistance Programme providing 24/7 telephone counselling service Employee Diversity and Inclusion Group Growth of Gym Support and changes to the way we run the business, reducing dependencies on key individuals by spreading knowledge more widely Improved brand recognition will over time make The Gym Group more attractive to potential recruits
IT Dependency	Our ability to enrol members, carry out online marketing activity, process payments and control gym access is dependent on the performance of our IT systems.	<ul style="list-style-type: none"> Primary data systems are hosted by specialist hosting providers in suitable data centres

The Gym Limited
Strategic Report
for the year ended 31 December 2022 (continued)

Principal risk	Description and impact	Mitigation and controls
	<p>In addition, innovation introduced as part of our reopening plan post Covid-19 (including the gym 'busyness' tracker and contactless entry), has fundamentally changed the digital relationship with members and the volume of digital interactions.</p> <p>Whilst this is a long-term opportunity, it has introduced additional load and complexity to our member-facing technology platforms.</p> <p>Disruption to our critical IT systems could negatively impact member experience and/or our ability to collect revenue.</p>	<ul style="list-style-type: none"> • Primary IT infrastructure fully managed by specialist IT companies which provide best-practice architecture and support • All membership and business information backed up regularly using third party locations • Robust disaster recovery and business continuity plans in place • Additional capacity added to our infrastructure to cope with large spikes in usage • Regular programme of load testing on critical member-facing platforms
Cyber and Data Security	<p>The Company holds business critical and confidential information electronically. A breach of security or data protection regulations as a result of unauthorised access, loss or disclosure of this information could lead to legal claims, regulatory penalties, disruption of operations and/or reputational damage.</p> <p>Cyber attacks are generally increasing due to the current geopolitical instability; and over time, we believe our increased brand recognition will increase our vulnerability to such attacks.</p> <p>Data protection legislation brings potentially wide-reaching effects and consequences for all business, with penalties for breaches attracting fines of up to 4% of annual turnover, or €20m – whichever is the higher.</p>	<ul style="list-style-type: none"> • Networks and systems are protected by firewalls, industry-leading authentication management and security software and secure passwords • All sensitive data is captured and presented using SSL encryption • Access to central member data systems requires 2-Factor authentication. • All customer payment data is stored externally on systems that are PCI-DSS and/ or BACS certified. • Quarterly penetration testing performed on all key systems • Ongoing programme of assessments and accreditations testing the information security environment; transactional website scanned quarterly to ensure PCI compliance • Mandatory annual cyber security and data protection training for all employees. Employees with access to larger volumes of personal data required to complete a more advanced course for data protection each year • Additional security measures being implemented to further strengthen PCI compliance • Data Protection Manager in place to oversee and optimise our control environment in this area • Senior leadership briefs the Group's Board on information security matters at least annually when the CIO presents the Group's IT strategy • Cyber security insurance in place
Reputation, Brand and Trust	<p>The Gym Group brand is built on trust, inclusion, and strong sustainability credentials. The relaunch of the brand in FY22 and its growth and promotion in FY23 brings increased attention from media coverage of The Gym Group as brand recognition increases.</p> <p>A health and safety or other serious incident in any of our gyms could result in reputational</p>	<ul style="list-style-type: none"> • Company policies and procedures set out the expectations and behaviours that enable all colleagues to make the right decisions and communicate appropriately • Communication and engagement programmes in place to listen to our members and stakeholders and ensure we reflect their needs in our plans, which include health, community, climate and sustainability initiatives.

The Gym Limited
Strategic Report
for the year ended 31 December 2022 (continued)

Principal risk	Description and impact	Mitigation and controls
	<p>damage, particularly if misinformation is spread on social media.</p> <p>There is also a risk that an inappropriate social media post by a member of staff is interpreted as the view of The Gym Group, which could have a widespread impact on our brand and reputation, leading to loss of membership. This increases as the estate and workforce grows and brand recognition increases.</p>	<ul style="list-style-type: none"> • Promotion of our values and high standards of doing business should ensure we become a trusted brand which boosts our reputation • Clear, documented procedures in place for managing health and safety incidents; staff regularly trained to ensure all incidents are effectively managed • Robust business response plan in place to deal with brand and reputational issues, including the retention of a specialist PR agency and media training for key Executives • Central control of social media posts
Relationships with Key Suppliers	<p>The Gym Group maintains good relationships with its key suppliers and seeks to treat all suppliers ethically and professionally.</p> <p>Where possible, we employ a policy of using multiple suppliers to minimise business interruption should one supplier fail. However, we have key dependencies in areas such as equipment provision, gym access and payment processing.</p> <p>With the continuing macroeconomic challenges in the UK economy and the wider geopolitical conflicts, there is an increased risk of critical supplier failure caused by financial exposure and/or cyber attacks.</p> <p>There is also a risk of supply chain disruption due to lack of availability and increased cost of labour and materials.</p> <p>In addition, as our business grows, there is a risk that key suppliers' processes and procedures do not keep pace with our requirements.</p>	<ul style="list-style-type: none"> • Business continuity plans for critical suppliers in place and reviewed regularly • Close relationships maintained with our principal supply partners and contractors to provide as much visibility of future requirements as possible • Stock holding levels in place with main suppliers and advance purchasing of materials undertaken as appropriate • Constant focus on costs through regular meetings of senior executives, providing early sight of price increases, potential shortages and delays • Competitive tendering undertaken where appropriate to ensure price increases are minimised

Changes in Principal Risks in 2022

In 2021, 'Scale of change' was included as a Company principal risk. Given the successful delivery of a number of significant projects in FY22 in relation to technology and brand, as well as the reduction in the number of new sites expected to be opened in FY23, the Directors believes that the execution risk in relation to the delivery of major strategic projects has significantly reduced and, as such, that 'Scale of change' is no longer a Company principal risk. We do, however, continue to monitor the risk and ensure appropriate mitigations are in place as part of our ongoing risk management process. In addition, there remains significant demand on resources to optimise the brand and technology. The impact of this is captured in the risk entitled 'Our people'.

Emerging risks

In addition to the principal risks set out above, the SMT and Group's Board also considered emerging risks as part of their review. These are risks that, whilst not currently believed to be principal risks to the Company, are clearly important to us and could have a significant impact on the ability of the business to fulfil its strategic objectives in the future.

Climate change continues to be included in our emerging risks register. The full potential impact of this risk cannot yet be quantified with any certainty but we have considered a range of scenarios and mitigating actions to address these risks.

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SECTION 172 OF THE COMPANIES ACT 2006

Section 172 ('s172') of the Companies Act 2006 imposes on company directors a duty to act in the interests of a broad range of stakeholders including shareholders, employees, suppliers and local communities.

These are some of the Company's stakeholders and how it treats and interacts with them demonstrates how seriously the Directors takes their responsibilities under section 172.

From the perspective of the Directors, as a result of the Group's governance structure whereby:

- two of the Company's Directors are also the Group's Executive Directors and the other three Company Directors are senior managers in the Group; and
- the Company is the largest subsidiary in the Group, representing 100% of the Group's external revenue and operating the majority of the Group's central processes

Matters that the Directors are responsible for considering under section 172 have been considered to an appropriate extent by the Group's Board in relation to both the Group and the Company. The Directors have also considered relevant matters where appropriate.

Who They Are and Why They Matter	How we Engaged During 2022	Outcomes of that Engagement	How the Group's Board and Company Directors Considers the Interests of Our Stakeholders
Shareholders Our investors provide capital for growth, whilst providing challenge and feedback on our business model and plans for the future.	<ul style="list-style-type: none"> • Meetings with the Group's current and prospective shareholders. • Held dialogue with shareholder groups. • Presentations given to shareholders upon the release of the Group's annual or interim results. • Feedback from the Group's joint brokers following investor engagement and reports from brokers on market trends. • Reporting to the Group's Board as a whole on investor matters. • Preparation of investor materials and organising a Capital Markets Day. 	<p>The Group's Board did not recommend any dividends in respect of the financial year 2021 and does not recommend any in respect of financial year 2022 either.</p> <p>The Chair of the Board held a number of one-on-one shareholder meetings to discuss queries on governance or strategic matters. This type of engagement helps the Group's investors and shareholders to be better informed about our business.</p> <p>Shareholders were also keen to understand our remuneration decisions. The Group's Board and Remuneration Committee Chair continued to consult with shareholders, to understand their views on key decisions, and we will continue this dialogue in future years.</p>	<p>The Group's Board is kept informed of all responses received as part of shareholder consultations by management and the brokers.</p> <p>The Group's Board welcomes questions from shareholders at the Group's Annual General Meeting ('AGM').</p> <p>In addition, John Treharne, the Chair of the Board, is also available to shareholders.</p> <p>The Group's Board has committed to ongoing improvements in sustainability reporting.</p>
Employees Our employees define our culture and values. Fostering an engaged workforce is central to our strategy, enabling us to deliver the exceptional service	<ul style="list-style-type: none"> • We launched our 'people promise' focused on our commitment to providing development opportunities and career pathways, supporting employees and nurturing a friendly and inclusive culture. • Since our participation in the Kickstart Scheme in 	<p>Our people first approach contributed to our high engagement scores, successful retention of our Investors in People Gold accreditation and external recognition for our Equality, Diversity and Inclusion strategy and progress.</p> <p>66% of our Fitness Trainer Kickstarters and 38% of our</p>	<p>The Group's Board has met regularly to consider, oversee and review progress on people-related actions.</p> <p>All Directors visit several of our sites each year to support our teams.</p> <p>In December 2022, we held two 'We're With You' events, bringing together colleagues from across the business to</p>

The Gym Limited
Strategic Report
for the year ended 31 December 2022 (continued)

Who They Are and Why They Matter	How we Engaged During 2022	Outcomes of that Engagement	How the Group's Board and Company Directors Considers the Interests of Our Stakeholders
that keeps us at the forefront of our sector. Our friendly, inclusive and people-centred culture continues to be a key part of our success.	<p>December 2020, we have welcomed 234 young people between the ages of 16-24 to gain work experience and a qualification in fitness.</p> <ul style="list-style-type: none"> The newly established Emerging Talent Programmes give Assistant General Managers and Fitness Trainers the necessary competencies to progress within operational management roles. 	<p>Business Support Kickstarters converting to permanent roles at The Gym Group.</p> <p>We have seen great success with the first cohorts of our Emerging Talent programmes, with a 42% promotion rate within the Emerging Talent management development programme and 48% promotion rate within the Fitness Trainer Emerging Talent programme.</p>	celebrate the launch of our new visual identity and enable our leaders to engage, energise and recognise our teams.
<p>Members</p> <p>Being high quality, we represent for our members the lowest cost 24/7 nationwide gym operator in the market. We continue to work on eliminating gym intimidation and providing comfortable, safe and accessible facilities, delivering on our purpose of breaking down barriers to fitness for all.</p>	<ul style="list-style-type: none"> A key part of our strategy and business model is to ensure we achieve high levels of member satisfaction in our gyms. We measure this through OSAT scores. A primary focus in 2022 was the redevelopment of our online digital platform and website which launched in Spring 2022. In the Summer of 2022, we rolled out our new brand identity across all gyms and rebranded key digital touch points of our website and member app. 	<p>We constantly monitor market trends and member demand: our flexible gym format and design continues to evolve providing facilities closely matched to the member usage patterns, demographics and demands.</p> <p>The new website is very mobile device friendly, which is where we see most of our web traffic. In addition, the new platform is highly scalable and resilient, with state of the art analytics capabilities.</p> <p>A new cloud hosted digital platform, launched in April 2022, uses the latest technologies to maximise performance and deliver the best online experience to members across web and app.</p>	<p>We regularly review our member satisfaction scores at Group Board meetings.</p> <p>Directors use member feedback to identify ways in which our member journey can be improved or enhanced.</p> <p>The Group's Board has overseen the technology developments, receiving reports on progress of initiatives. It considers technology to be a strategic priority alongside driving membership recovery, developing our member value proposition and securing a high quality pipeline of great sites for our members.</p>
<p>Suppliers</p> <p>Our partnership with our suppliers ensures we source the best value goods and services for the benefit of our members.</p> <p>High standards of ethics and business conduct is an important part of being a responsible member of the</p>	<ul style="list-style-type: none"> Our strong, listed company covenant continues to be highly attractive to landlords. The Group has whistleblowing arrangements in place, which enable employees to raise concerns should they suspect wrongdoing or unethical conduct. We publish our Payment Practices Report twice a year and it is available to 	<p>We maintained helpful and positive relationships with our suppliers.</p> <p>We maintain our properties to a high standard, maintaining good relationships with property management companies and acting as responsible tenants.</p>	<p>The Group's Board is committed to high standards of ethical business conduct.</p> <p>The policies and procedures relevant to business conduct are available to all employees.</p> <p>Directors have worked with key suppliers to develop plans in accordance with business needs.</p> <p>The Directors take a zero-tolerance approach to bribery and corruption. They also review the Company's</p>

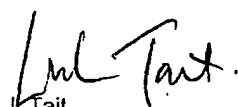
The Gym Limited
Strategic Report
for the year ended 31 December 2022 (continued)

Who They Are and Why They Matter	How we Engaged During 2022	Outcomes of that Engagement	How the Group's Board and Company Directors Considers the Interests of Our Stakeholders
communities in which we operate.	download from Companies House.		Modern Slavery Act Statement annually.
<p>Communities</p> <p>Being a valuable part of the communities in which we operate is hugely important to us. Providing safe and affordable facilities for exercise creates social value for the communities in which we operate.</p>	<ul style="list-style-type: none"> Our low price model enables fitness to be affordable for all, and supports those accessing a gym for the first time. We have launched the Gym Group community project aimed at fundraising in the gym's local community. We have worked closely with local authorities to support the safe inspection of our gyms We tried to ensure that our workforce was reflective of the communities in which we operate. 	<p>We aspire to achieve a gender balanced workforce by 2030 and for our senior leaders to be 40% female by 2025 driving greater female representation across our gyms.</p>	<p>The Group's Board recognises the importance of contributing to wider society and considers it a vital part of achieving our purpose.</p> <p>The Group's Board considers the long term impact of its operations as part of its sustainability strategy.</p> <p>The Group's Board considers diversity to be a focus for succession planning.</p>
<p>Environment</p> <p>A good quality environment is essential to provide basic human needs, for society to develop and for our business to grow. The health of the population is adversely affected by climate change and the resilience of our business is essential to meet the challenges it presents.</p>	<ul style="list-style-type: none"> Our commitment to net zero took a significant step forward this year, with detailed preparation of a full submission to SBTi which we have submitted for validation. 	<p>As part of our net zero commitment to SBTi we have also committed to:</p> <ul style="list-style-type: none"> engaging with all our key suppliers to set their own emissions reduction targets, aligned with climate science, by 2028; and developing a member engagement plan by 2025 to drive forwards our net zero ambition. 	<p>Our Group's Board and Executive Committee remain fully committed to identifying and addressing the immediate and longer term climate-related impacts on our business. Our Group's Board has overall accountability for managing the business risks and opportunities posed by climate change.</p> <p>The Group's Sustainability Committee meets at least three times per year and reports directly to the Group's Board.</p> <p>Responsibility for monitoring and overseeing the Group's climate-related progress is delegated to the Group's Chief Development and Sustainability Officer.</p>
<p>Lending Banks</p> <p>Our lending banks provide funds for growth and day-to-day working capital to enable us to operate and grow</p>	<ul style="list-style-type: none"> During the year we provided regular updates on the Group's financial performance, including performance against agreed debt covenants. In the first half of 2022, management met with the lending banks to discuss the Group's 	<p>Following discussions with the lending banks on the Group's strategic plan and the acquisition of the three sites from Fitness First, we agreed, in May 2022, certain changes to our RCF facility, including a one-year extension of Facility A (£70m) to October 2024; the</p>	<p>Management holds regular meetings/calls with lending banks during the year to enable them to be updated on the progress and performance in the business.</p> <p>Representatives from the lending banks are invited to</p>

The Gym Limited
Strategic Report
for the year ended 31 December 2022 (continued)

Who They Are and Why They Matter	How we Engaged During 2022	Outcomes of that Engagement	How the Group's Board and Company Directors Considers the Interests of Our Stakeholders
our business to its full potential.	strategic plan and the acquisition of the three sites from Fitness First.	cancellation in full of the temporary Facility B (£30m) and replacement with a new £10m facility to October 2024; and further relaxation of finance lease restrictions.	<p>the Group's half year and full year results presentations.</p> <p>In financial plans discussed at the Group Board, analysis is presented on how plans would impact debt covenants to ensure the interests of the lending banks are protected.</p> <p>The Directors' annual going concern assessment is performed with specific reference to the level of borrowings required under different scenarios and the impact of such scenarios on debt covenants.</p>

By order of the board



L. Tait
Director

6 April 2023

The Gym Limited

Directors' Report

for the year ended 31 December 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

The business review, principal risks and uncertainties, subsequent events and Section 172 statement are included in the Strategic Report.

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 Company 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 Company. 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.

Going concern

The Company is financed by cash generated from its own operations, lease arrangements and intercompany loans from other group companies, including its ultimate parent company, The Gym Group Plc ("TGG plc"). These intercompany loans are repayable on demand. The Company is therefore reliant on adequate financial resources being made available by Group companies, including TGG plc, and not demanding repayment of amounts due to group companies before 30 June 2024, to enable the Company to continue during the going concern period. TGG plc is financed by shareholder equity and bank facilities, including an £80.0 million Revolving Credit Facility ("RCF").

In assessing the going concern position of the Group for the year ended 31 December 2022, the Directors have considered the following:

- the Company's trading performance in FY22 and throughout the traditional January and February 2023 peak period;
- future expected trading performance to June 2024 (the going concern period), including membership levels and behaviours in light of the current difficult macro-economic environment; and
- the Group's financing arrangements and relationship with its lenders and shareholders.

The Board has reviewed the financial forecasts and downside scenarios of the Company and Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2024. As a result and based upon a letter of support from The Gym Group plc, which states that The Gym Group plc will continue to provide financial support to the Company and will provide sufficient funds to the Company for these purposes, the Directors continue to adopt the going concern basis in preparing these consolidated financial statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Company and Group's current and forecast liquidity position; the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios. Further details are provided in Note 2.

Directors

In addition to the Directors noted on page 1, the following served during the year:

M George (resigned 1 July 2022)

The Gym Limited
Directors' Report
for the year ended 31 December 2022 (continued)

Auditor

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 were Directors at the time when this Directors' report was 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



L Tait
Director
6 April 2023

The Gym Limited

Directors' Responsibilities Statement

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 Companies Act 2006 and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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

for the year ended 31 December 2022

Opinion

We have audited the financial statements of The Gym Limited for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 June 2024

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

The Gym Limited
Independent Auditor's Report
to the members of The Gym Limited
for the year ended 31 December 2022 (continued)

Opinions on other matters 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 Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including health and safety and GDPR.

The Gym Limited
Independent Auditor's Report
to the members of The Gym Limited
for the year ended 31 December 2022 (continued)

- We understood how the company is complying with those frameworks by making inquiries of management to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our inquiries through reading board minutes and correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue recognition and the impairment of property, plant and equipment, intangible and right of use assets to be fraud risks. Our testing of revenue included agreeing specific transactions to supporting membership data and the receipt of payment in bank statements, re-performing management's deferred membership fee income calculation, and the testing of certain revenue journals. Our testing in respect of impairment included evaluating and testing the impairment model methodology and integrity, challenging and assessing the reasonableness of management's assumptions, considering management's sensitivity analysis showing the impact of a reasonably possible change in key impairment assumptions and performing our own sensitivity analysis by reference to the results of our assessment of assumptions. As part of our work we utilised EY valuations specialists to assist in assessing the appropriateness of the methodology used and to assist in our assessment of the discount rate and long term growth rate assumptions used in the impairment model.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria. We read the minutes of Directors' meetings to identify any non-compliance with laws and regulations. We also made enquiries with the Directors and of management of the company regarding compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst + Young LLP

Michael Christie (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
6 April 2023

The Gym Limited
Statement of Comprehensive Income
for the year ended 31 December 2022

31 December 2022				31 December 2021			
		£m				£m	
	Note	Underlying	Non-underlying (Note 9)	Total	Underlying	Non-underlying (Note 9)	Total
Revenue	5	172.9	-	172.9	106.0	-	106.0
Cost of sales		(2.0)	-	(2.0)	(1.7)	-	(1.7)
Gross Profit		170.9	-	170.9	104.3	-	104.3
Other income	6	1.3	-	1.3	11.3	-	11.3
Operating expenses	7	(106.5)	(4.0)	(110.5)	(86.0)	(0.8)	(86.8)
Depreciation, amortisation and impairment	13, 14, 15	(59.3)	(8.5)	(67.8)	(52.7)	(4.3)	(57.0)
Operating profit/(loss)		6.4	(12.5)	(6.1)	(23.1)	(5.1)	(28.2)
Finance costs	10	(13.2)	-	(13.2)	(14.6)	-	(14.6)
Loss before tax		(6.8)	(12.5)	(19.3)	(37.7)	(5.1)	(42.8)
Tax (charge)/credit	11	(2.4)	2.1	(0.3)	8.8	0.3	9.1
Loss for the year and total comprehensive expense attributable to equity shareholders		(9.3)	(10.4)	(19.6)	(28.9)	(4.8)	(33.7)

Reconciliation of Operating Loss to Adjusted EBITDA Less Normalised Rent¹

		31 December 2022	31 December 2021
	Note	£m	£m
Operating loss		(6.1)	(28.2)
Add: Non-underlying operating Items	9	12.5	5.1
Long-term employee incentive costs (included in Operating expenses)	7, 22	0.9	1.3
Underlying depreciation and amortisation	13, 14, 15	59.3	52.7
Adjusted EBITDA		66.6	30.9
Normalised Rent ²		(33.3)	(29.7)
Adjusted EBITDA less Normalised Rent¹		33.3	1.2

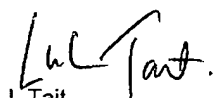
- Adjusted EBITDA less Normalised Rent is a non-statutory metric used internally by management and externally by investors. It is calculated as operating profit before depreciation, amortisation, long term employee incentive costs and non-underlying items, and after deducting Normalised Rent.
- Normalised Rent is the contractual rent that would have been paid in normal circumstances without any agreed deferrals, recognised in the monthly period to which it relates.

The Gym Limited
Statement of Financial Position
as at 31 December 2022

	Note	31 December 2022 £m	31 December 2021 £m
<i>Non-current assets</i>			
Intangible assets	13	37.0	30.4
Property, plant and equipment	14	181.0	165.7
Right-of-use assets	15	288.5	279.9
Deferred tax assets	11	15.3	15.2
Total non-current assets		521.8	491.2
<i>Current assets</i>			
Inventories		0.9	0.3
Trade and other receivables	16	8.9	7.3
Income taxes receivable		-	0.9
Cash and cash equivalents	17	5.3	7.2
Total current assets		15.1	15.7
Total assets		536.9	506.9
<i>Current liabilities</i>			
Trade and other payables	18	118.1	84.2
Lease liabilities	15	25.3	27.0
Borrowings	19	3.3	3.3
Provisions	20	0.6	-
Total current liabilities		147.3	114.5
<i>Non-current liabilities</i>			
Lease liabilities	15	325.1	309.3
Provisions	20	1.8	1.6
Total non-current liabilities		326.9	310.9
Total liabilities		474.2	425.4
Net assets		62.7	81.5
<i>Capital and reserves</i>			
Issued capital	21	68.3	68.3
Share premium		67.5	67.5
Capital contribution reserve		4.5	3.7
Retained deficit		(77.6)	(58.0)
Total equity shareholders' funds		62.7	81.5

The notes on pages 23 to 51 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 6 April 2023 and were signed on its behalf by:



L Tait
Director

Company Registration Number 05659669

The Gym Limited
Statement of Changes in Equity
For the year ended 31 December 2022

	Note	Issued capital £m	Share premium £m	Capital contribution reserve £m	Retained earnings/(deficit) £m	Total £m
At 1 January 2021		68.2	37.6	2.5	(24.3)	84.0
Loss for the year and total comprehensive expense		-	-	-	(33.7)	(33.7)
Long term employee incentives	22	-	-	1.1	-	1.1
Deferred tax on long term employee incentives	11	-	-	0.1	-	0.1
Issue of Ordinary share capital		0.1	29.9	-	-	30.0
At 31 December 2021		68.3	67.5	3.7	(58.0)	81.5
Loss for the year and total comprehensive expense		-	-	-	(19.6)	(19.6)
Long term employee incentives	22	-	-	0.9	-	0.9
Deferred tax on long term employee incentives	11	-	-	(0.1)	-	(0.1)
At 31 December 2022		68.3	67.5	4.5	(77.6)	62.7

Issued capital comprises the nominal value of Ordinary shares issued.

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

Capital contribution reserve comprises capital contributions from The Gym Group plc in relation to long term employee incentive costs.

Retained (deficit)/earnings comprises cumulative comprehensive income and losses less equity dividends paid.

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

1. General information

The Gym Limited ('the Company') provides low cost, high quality health and fitness facilities. It is a company limited by shares, incorporated and domiciled in the United Kingdom with company number 05659669. The registered address of the Company is 5th floor, OneCroydon, 12-16 Addiscombe Road, Croydon, United Kingdom, CR0 0XT.

2. Summary of significant accounting policies

Statement of compliance and basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 ('FRS 101') and in accordance with applicable accounting standards. The financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds sterling, except where otherwise indicated.

The Company meets the definition of a qualifying entity under FRS 101 and has therefore taken advantage of the following disclosure exemptions available to it under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraph 91 to 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) the requirements of paragraphs 10(d), 16, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (f) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payment;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The financial statements provide comparative information in respect of the previous period.

Going concern

The Company is financed by cash generated from its own operations, lease arrangements and intercompany loans from other group companies including its ultimate parent company, The Gym Group plc ("TGG plc"). These intercompany loans are repayable on demand.

The Company is therefore reliant on adequate financial resources being made available by group companies, including TGG plc, and not demanding repayment of amounts due to the parent before 30 June 2024, to enable the Company to continue during the going concern period. TGG plc is financed by shareholder equity and bank facilities, including an £80.0 million Revolving Credit Facility ('RCF').

In assessing the going concern position of the Company and Group for the year ended 31 December 2022, the Directors have considered the following:

- the Company's trading performance in FY22 and throughout the traditional January and February 2023 peak period;
- future expected trading performance to June 2024 (the going concern period), including membership levels and behaviours in light of the current difficult macro-economic environment; and
- the Group's financing arrangements and relationship with its lenders and shareholders.

2022 was a year of significant recovery and growth for The Gym Group, with membership at the end of December 2022 reaching 821,000, an increase of 14.3% from the end of December 2021. Average Revenue per Member per Month for the year ('ARPM') was £17.82 and for the second half of the year was £18.30, up 4.5% on the second half of the prior year. LIVE IT, the premium price product, ended the year at 29.6% of total membership compared with 27.1% in December 2021. As a result, revenue and Group Adjusted EBITDA both increased significantly. The Group also reported strong cash generation, with free cash flow of £16.6m being generated and used to part-fund the 25 new organic site openings as well as our investment in the new technology and brand. The remaining organic site openings and the acquisition of the three sites previously trading under the Fitness First brand were funded through an increase in the Group's borrowings. All sites opened in the year are performing in line with our expectations.

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

Going concern (continued)

In May 2022, the Group agreed with its lenders certain changes to the Group's Revolving Credit Facility ('RCF'). As a result, the Group now has access to a combined £80m facility which matures in October 2024. The Group also currently has access to £13m of finance lease facilities (£15m permitted under the RCF). As at 31 December 2022, the Group had Non-Property Net Debt (including finance leases) of £76.1m, with £15.4m of headroom (calculated off bank debt less cash) under the RCF. The RCF is subject to quarterly financial covenant tests on leverage (Net Debt to Group Adjusted EBITDA Less Normalised Rent), fixed charge cover (Adjusted EBITDAR to Net Finance Charges and Normalised Rent) and minimum liquidity. Whilst the going concern assessment covers the period to the end of June 2024, the Directors have considered the fact that the Group's RCF facility is currently expected to expire in October 2024 and concluded that there is a realistic prospect that this will be extended or refinanced before that time.

Following the January and February 2023 peak trading period, closing membership at 28 February 2023 was 890,000, an increase of 8.4% on the position at 31 December 2022. However, demand has been impacted by the cost-of-living pressures felt by many; and the Directors expect the current difficult macroeconomic environment and consumer behaviour to continue. As a result, we have taken a cautious approach to preparing the three year financial plan that underpins the going concern review.

The base case forecast for the period to 30 June 2024 anticipates continued growth in yields across the whole estate as a result of pricing actions that have already been taken. However, modest increases in membership levels are driven largely by the sites opened in 2022 and not by growth in the mature estate. In addition, the Directors have taken a more measured approach to new site openings throughout the plan period, with all new sites assumed to be self-financed. Under this scenario, all financial covenants are passed with a reasonable level of headroom and the Group can operate within its financing facilities.

The Directors have considered a downside scenario which anticipates a more significant cost-of-living downturn throughout the period under review. Under this scenario, membership numbers in the mature estate start to deviate from the base case from March 2023 such that they are approximately 10% lower by the end of 2023. Yields do continue to increase but at a much lower level than under the base case. Under this scenario, the number of new site openings is reduced and discretionary performance-related bonuses removed to ensure that all financial covenants continue to be passed and the Group continues to operate within its financing facilities.

The Directors have also considered a reverse stress test scenario to ascertain the extent of the downturn in trading that would be required to breach the Group's banking covenants or liquidity requirements. Mitigating actions assumed in this scenario include moving to a minimum level of maintenance and IT capital expenditure; reducing controllable operating costs and marketing expenditure; and pausing the new site opening programme in order to preserve cash. In this scenario, the number of new members each month would have to decline by 16.5% compared to the base case (the equivalent of membership reducing to 73% of the February 2023 closing membership number) before the leverage covenant would be breached in June 2024. However, the Group would remain within its liquidity limits.

In the event of a reverse stress test scenario, the Directors would introduce additional measures to mitigate the impact on the Group's liquidity, covenants and cash flow, including: (i) further reductions in controllable operating costs, marketing and capital expenditure; (ii) discussions with lenders to secure additional debt facilities and/or covenant waivers; (iii) deferral of, or reductions in, rent payments to landlords; and (iv) the potential to raise additional funds from third parties. The Directors consider the reverse stress test scenario to be highly unlikely.

Conclusion

The Group's Board has reviewed the financial forecasts and downside scenarios of the Company and Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2024. As a result and based upon a letter of support from The Gym Group plc, which states that The Gym Group plc will continue to provide financial support to the Company and will provide sufficient funds to the Company for these purposes, the Directors continue to adopt the going concern basis in preparing these financial statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Company and Group's current and forecast liquidity position; the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios.

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

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.

Revenue from memberships comprises monthly membership fees, non-refundable joining fees and longer term membership fees. Longer term membership fees comprise student memberships which typically cover a nine-month period, pay up front memberships which typically cover a six- or nine-month period and corporate annual membership. All membership income (being the membership fee and the joining fee) is recognised straight-line over the period that the membership relates to, with any subscriptions in advance of the period in which the service is provided being recorded as a contract liability in the statement of financial position.

Rental income from personal trainers, which represents amounts paid by standalone personal trainers to operate their business from our gyms, is recognised on a straight-line basis over the term of the rental agreement.

Other income, which includes the sale of goods through vending machines, is recognised at the point in time when control of the goods transfers to the customer.

Contracts with customers are non-complex and do not require any significant accounting judgements or estimates.

Cost of sales and gross profit

Cost of sales comprises costs arising in connection with the generation of ancillary revenue as well as call centre costs and payment processing costs. Therefore gross profit is before costs associated with operating the gyms.

Other income and government grants

Other income comprises government grants receivable, research and development tax credits and other non-membership related income.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

They are recognised in profit or loss on a systematic basis over the periods in which the Company recognises the related costs which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Where the income relates to a distinct identifiable expense, the income is offset against the relevant expense. Where an expense is not distinctly identifiable, or the income relates to multiple expenses, the income is recognised within Other income **Non-underlying items**

Non-underlying items are income or expenses that are material by their size and/or nature and are not considered to be incurred in the normal course of business. The Directors consider that these items should be disclosed separately on the face of the statement of comprehensive income (but within their relevant category) to allow a more comparable view of underlying trading performance.

Non-underlying items include restructuring and reorganisation costs (including site closure costs), costs of major strategic projects and investments, impairment of assets, amortisation and impairment of business combination intangibles, profit/loss on disposal of businesses, revaluation gains or losses on borrowings, and refinancing costs.

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

Non-underlying items (continued)

Profit before non-underlying items is reconciled to profit before taxation on the face of the statement of comprehensive income. Non-underlying items are disclosed in note 9.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or the Group's share of trade and assets acquired in a business combination at the date of acquisition. Goodwill on acquisitions is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Further information in relation to impairment testing is provided in the 'Impairment of non-financial assets' section of this note

Customers lists

Customer lists acquired as part of a business combination are initially recorded at fair value. They have finite useful lives and are carried at cost less accumulated amortisation and any recognised impairment. Amortisation is calculated using the straight-line method to allocate the cost of customers lists over their estimated useful lives, which is the period the Group expected to get value/benefit. The carrying value of customer lists is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Computer software and licenses

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring into 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 that 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 cost less accumulated amortisation and any recognised impairment loss.

Amortisation is calculated to write down the cost of the assets on a straight-line basis over their estimated useful lives, over three to five years. Useful lives are reviewed at the end of each reporting period and adjusted as appropriate. The carrying value of computer software is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The Gym Limited

Notes to the financial statements For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are included in the Financial Statements 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 over the estimated useful lives on the following bases:

- Leasehold improvements over the shorter of the useful life and the term of the lease
- Fixtures, fittings and equipment between three and ten years
- Gym and other equipment between five and ten years
- Computer equipment three years

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

Assets under construction represents the cost incurred in the construction of gyms and are included in Property, plant and equipment. No depreciation is provided on assets under construction until the asset is available for use.

Leases and Right-of-Use Assets

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease Liabilities

Lease liabilities are presented as a separate line in the Statement of Financial Position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. There are no variable lease payments nor residual value guarantees.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by The Gym Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term and security.

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

Leases and Right-of-Use Assets (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability whenever:

- there is a change in the Company's assessment of whether it is reasonably certain to exercise a purchase, extension or termination option, in which case the lease liability is remeasured by discounting the minimum lease payments using a revised discount rate at the effective date of the change in assessment;
- the lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- the lease payments change due to a rent review, in which case the lease liability is remeasured by discounting the revised lease payments using the original discount rate at the effective date of the change in rent;
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset, except in the case of modifications resulting in a reduction in the scope of the lease, or in instances where doing so would reduce the carrying amount of the right-of-use asset below zero. For a modification that fully or partially decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect partial or full termination of the lease and any difference between that adjustment and the amount of the remeasurement of the lease liability is recognised in profit or loss at the effective date of the modification. In other cases, if the right-of-use asset is reduced to zero by a remeasurement, any remaining amount of the remeasurement is recognised in profit or loss.

Although the Company enjoys security of tenure as tenant in respect of certain of its lease arrangements, there are conditions associated with these rights such that no unconditional right to extend the lease term exists.

Extension and termination options are included in a number of property leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. When it is reasonably certain that the Company will not exercise a termination option or will exercise an extension option, this assumption is included within the calculation of the lease liability.

Incremental Borrowing Rate

The calculation of lease liabilities requires the Company to determine an incremental borrowing rate ('IBR') to discount future minimum lease payments. Judgement has been applied to those leases entered into prior to November 2015 when the Group listed on the London Stock Exchange and entered into a Revolving Credit Facility ('RCF'), and which remain on the 31 December 2022 balance sheet as right-of-use assets and lease liabilities. Prior to this the Company was under private equity ownership, with its financing reflecting such ownership (including loan notes). As a consequence, there was less observable data on which to assess the IBR of the Company during this time, hence there was an increased level of judgement in assessing an appropriate IBR for use in applying IFRS to pre-2015 leases. Post listing and refinancing of the Group's bank facilities in October 2019, there was an increased level of observable data, including a market-based margin, to indicate the credit spread on which the Group could borrow. This margin was then added to observable Bank of England base or risk-free rates, such that the level of judgement on post-2015 leases, and in particular post-2019 leases, is considered to be low.

Right-of-use assets

Right-of-use assets predominantly relate to property leases and are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Right-of-use assets for non-property leases mainly relate to gym equipment purchased on hire purchase contracts and are depreciated over the asset's useful life.

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes:

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

Leases and Right-of-Use Assets (continued)

Right-of-use assets (continued)

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The carrying values of right-of-use assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment of non-financial assets

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Under IAS 36, goodwill is allocated to the cash generating units ('CGUs') on the basis of which CGU or group of CGUs is expected to benefit from the business combination in which the goodwill arose identified according to operating segments. As management has determined that the Company's goodwill cannot be allocated to CGUs on a non-arbitrary basis and that the Company has just one operating segment and goodwill is not monitored at any lower level, then consistent with the requirements of IAS 36, testing for goodwill impairment is performed at the operating segment level, being the entire business.

Assets that are subject to depreciation or 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 CGU to which the asset belongs. CGUs are identified based on the lowest level aggregation of asset from which largely independent cash inflows are generated. This can be a single gym or, in a number of instances, a group of gyms which are geographically closely located where the cash inflows from each individual gym are not generated largely independent of other gym sites within the surrounding geographical area. Any impairment charge is recognised in non-underlying items in the income statement in the period in which it occurs.

Impairment losses relating to goodwill cannot be reversed in future periods. At each reporting date, an assessment is made as to whether there is any indication that a previously recognised impairment loss for assets other than goodwill no longer exists or has decreased. If there is any such indication, the recoverable amount of the asset is recalculated and the impairment loss reversed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in non-underlying items in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase and recognised as a separate reserve within equity.

Financial Instruments

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: quoted prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable market data)

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

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

Financial assets

The Company classifies its financial assets as measured at amortised cost.

The Company measures its trade and other receivables and cash and cash equivalents at amortised cost. 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 statement of comprehensive income.

Due to the Company's upfront payment model, it has limited exposure to credit losses.

Financial assets are presented as current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Financial liabilities

The Company's financial liabilities comprise trade and other payables, other financial liabilities (including contingent consideration) and borrowings.

The Company initially recognises its financial liabilities at fair value net of transaction costs where applicable and, other than derivatives and contingent consideration, they are subsequently measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest method over the maturity of the loan. Contingent consideration is subsequently measured at its fair value, which is reassessed at each reporting period, and any fair value movement is recognised in non-underlying items in the income statement.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investments of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in finance costs in the income statement in the period in which they are incurred.

Pensions

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

Share based payments

The Company operates a number of share based arrangements for employees. 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.

Inventories

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

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

Trade and other receivables

Trade and other receivables comprise rental income due from personal trainers, room rental income, advertising income and amounts due from landlords in respect of contributions towards building work. They are initially measured at transaction price. Subsequently, trade and other receivables are measured at amortised cost. The loss allowance for trade receivables and accrued income is measured using the simplified approach (lifetime expected credit losses).

Cash and cash equivalents

Cash and cash equivalents 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.

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. Trade and other payables 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

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 substantively enacted at 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.

Deferred taxation

Deferred income tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date, 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 asset to be recovered.

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 in 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.

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

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 expenditure 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 a finance cost.

A dilapidations provision is recognised when there is a present obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the cost of meeting this obligation.

Dividends

Dividends payable by the Company are recognised on declaration.

3. Significant accounting judgements, estimates and assumptions

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

Accounting estimates made by the Company's 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 significant judgements that management has made in applying its accounting policies and the estimates and assumptions for which there is a significant risk of a material adjustment to the financial statements within the next financial year are set out below.

Critical judgements

Determination of CGUs for impairment testing

The Company's activities consist solely of the provision of low cost, high quality, 24/7, no contract gyms within the United Kingdom, traded through 229 sites as at 31 December 2022. All gyms operate under 'The Gym Group' brand including gyms acquired through business combinations. Under IAS 36, goodwill is allocated to the cash generating units ('CGUs') on the basis of which CGU or group of CGUs is expected to benefit from the business combination in which the goodwill arose. However, management has determined that the Company's goodwill cannot be allocated to CGUs on a non-arbitrary basis. Further, the Company has determined that it has a single operating segment and goodwill is not monitored at any lower level. Therefore, consistent with the requirements of IAS 36, testing for goodwill impairment is performed at the operating segment level, being the entire business.

Determination of CGUs for property, plant and equipment and right-of-use assets impairment testing

Annually, management consider indicators of impairment to determine if an impairment assessment is required for property, plant and equipment, right-of-use assets and intangible assets other than goodwill. Where indicated, management identifies the CGU into which an asset belongs. Individual assets generally do not generate independent cash inflows, and therefore they must be tested at the level of the CGU. In many cases, individual gyms are considered to generate largely independent cash flows and therefore are considered to be a single CGU for impairment purposes. However, there are some instances where a number of sites may be interdependent in generating cash flows. This is the case where some gyms in a geographic location have a higher proportion of LIVE IT members who frequently visit other gyms in the same geographic location. In these instances, there is significant trading interdependency and the cash inflows from each individual gym are not generated largely independent of each other. In these instances, these gyms are grouped together and considered to be one CGU for impairment assessment purposes. There is judgement required to determine which sites are largely independent and which gyms are interdependent on each other. If no grouping of sites was assumed, the additional impairment recognised in the financial year ended 31 December 2022 would have been £8.8m in relation to six sites. Further information is provided in note 14.

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

3. Significant accounting judgements, estimates and assumptions (continued)

Source of estimation uncertainty

Impairment testing

The recoverable amount of the Company's CGUs is typically based on value-in-use calculations. 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. Discount rates reflect the estimated return on capital employed required by an investor. This is also the benchmark used by management to assess operating performance and to evaluate future capital investment proposals.

The pre-tax discount rate is derived from the Company's post tax weighted average cost of capital. Changes in the discount rate are calculated with reference to latest market assumptions for the risk-free rate, equity market risk premium and the cost of debt.

Where an impairment loss is identified, it is allocated to the assets of the CGU on a pro rata basis to their carrying amount, subject to the limitation that the carrying amount of an asset cannot be reduced below the highest of fair value less costs of disposal, value-in-use or zero. Due to the ability to sublease the right-of-use assets, these have a measurable fair value less costs of disposal and, as a result, this restriction results in the right-of-use asset being written down only to its recoverable amount based on fair value less costs of disposal. Any remaining amount of the impairment loss that would otherwise have been allocated to the right-of-use asset is allocated instead pro rata to the other assets of the unit. More information, including key assumptions and carrying values, is included in notes 13, 14 and 15.

Whilst the Directors have currently assessed that reasonably possible changes in key assumptions are unlikely to cause an impairment in the carrying value of goodwill, estimates of future cash flows and the determination of discount rates applied to those cash flows could change in the longer term such that an impairment arises. Further, the Directors have currently assessed that the carrying value of property, plant and equipment is sensitive to reasonably possible changes in key assumptions – see note 14 for further details. In addition, estimates of future cash flows and the determination of discount rates applied to those cash flows could change in the longer term such that an impairment arises in relation to other CGUs.

Provisions

Provisions are made for dilapidations in respect of leased premises. The recognition and measurement of these provisions require estimates to be made in respect of uncertain events and amounts, with the key sources of estimation uncertainty relating to whether a restoration obligation will arise, the amount and timing of future cash flows required to settle any restoration obligation assessed as arising, and, to a lesser extent, the discount rate applied to those estimated cash flows. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Management has determined that the likelihood of a liability arising is not probable in relation to 196 of the Company's 229 gym sites as at 31 December 2022 as the Company enjoys security of tenure as tenant and therefore is unlikely to give up a site where it is trading profitably. If circumstances indicate otherwise the Company will recognise an appropriate provision.

If the future cost of restoration for those sites where a provision is currently recognised was to increase by 10% across these sites, the provision at 31 December 2022 would increase by £0.2m. If a provision was required for a site where the Company does benefit from security of tenure, the provision at 31 December 2022 would increase by £0.1m. A ten basis points change in the discount rate would not have a material impact on the provision recognised at 31 December 2022.

Details of dilapidation provisions recognised are set out in note 20.

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4. New and amended IFRS Standards

New and amended IFRS standards that are effective for the current year

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Reference to the conceptual framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018, without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no material impact on the financial statements of the Company.

There were no other standards and amendments that became effective in the period, that apply to the financial statements of the Company.

New and amended IFRS standards that are in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS standards that have been issued but are effective for reporting periods beginning on or after 1 January 2023:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

5. Revenue

The principal revenue streams for the Company are membership income, rental income from personal trainers and ancillary income.

Membership income comprises monthly membership fees, non-refundable joining fees and longer term membership fees in relation to student, pay up front and corporate memberships. Rental income from personal trainers represents amounts paid by standalone personal trainers to operate their business from our gyms. Ancillary income includes income from the sale of goods through vending machine, advertising income through the use of media screens and the sale of day memberships.

The majority of revenue is derived from contracts with members and all revenue arises in the United Kingdom.

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Notes to the financial statements

For the year ended 31 December 2022

5. Revenue (continued)

Disaggregation of revenue

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition.

	31 December 2022 £m	31 December 2021 £m
<i>Major products/service lines</i>		
Membership income	162.5	100.8
Rental income	7.8	4.0
Ancillary income	2.6	1.2
	172.9	106.0
<i>Timing of revenue recognition</i>		
Products transferred at a point in time	3.1	1.8
Products and services transferred over time	169.8	104.2
	172.9	106.0
<i>Liabilities relating to contracts with customers</i>		
Contract liabilities	(11.0)	(8.4)
<i>Revenue recognised that was included in contract liabilities in the prior year</i>		
Membership income	8.4	6.4

Contract liabilities relate to membership fees received at the start of a contract, where the Company has the obligation to provide a gym membership over a period of time and are included within trade and other payables (see note 18). The contract liability balance increases as the Company's membership numbers increase. The Company does not receive any consideration greater than 12 months in advance from members. Hence the total contract liability as at 31 December 2021 of £8.4m has been recognised as revenue during the year ended 31 December 2022.

6. Other income

	31 December 2022 £m	31 December 2021 £m
Government grant towards training costs	0.6	0.8
Research and Development Tax Credits	0.4	-
Government grant for the purposes of immediate financial support	-	10.5
Other	0.3	-
	1.3	11.3

The Company participated in the Kickstart scheme offered by the Government to combat youth unemployment. Under this scheme, the Company received financial support in order to offer six-month work placements for young people aged 16-24 who are claiming Universal Credit in the form of a one-off grant per person employed to cover setup costs. Government support income is recognised evenly over each six-month placement term. £0.6 million (2021: £0.8 million) has been recognised in Other income. There are no balances in deferred income related to this grant (2021: £0.1 million) and there is no outstanding balance receivable related to this grant as of 31 December 2022 (2021: £nil).

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Notes to the financial statements

For the year ended 31 December 2022

6. Other income (continued)

During the prior year, the Company received £7.1 million of direct local government grants as a result of the Covid-19 pandemic to provide immediate financial support for businesses that were forced to cease operations or close as a result of local restrictions. These grants were recognised in profit or loss in Other income at the same time as the related costs were recognised. The grants were received solely as compensation for costs incurred in the year and as such there are no future related costs in respect of them. The Company also received £3.4 million as part of a government initiative to provide immediate financial support as a result of the Covid-19 pandemic in the form of the Coronavirus Job Retention Scheme ('CJRS').

7. Operating expenses

Operating expenses comprise the following:

	31 December 2022 £m	31 December 2021 £m
Underlying employee costs (note 8)	35.9	31.4
Site costs (excluding employee costs) ¹	60.5	41.4
Central support office costs (excluding employee costs) ²	10.4	12.7
(Gain)/loss on disposal of property plant and equipment	(0.4)	0.4
Auditors' remuneration costs	0.1	0.1
Underlying operating expenses before depreciation, amortisation and impairment	106.5	86.0
Non-underlying operating expenses before depreciation, amortisation and impairment (note 9)	4.0	0.8
Operating expenses before depreciation, amortisation and impairment	110.5	86.8
Underlying depreciation and amortisation	59.3	52.6
Non-underlying depreciation, amortisation and impairment (note 9)	8.5	4.4
Depreciation, amortisation and impairment	67.8	57.0
Operating expenses	178.3	143.8

¹ Site costs include the fixed and variable costs of running the Company's gyms and include rates and services charges, cleaning costs, utilities, repairs and maintenance, site technology costs, marketing costs and insurance.

² Central support office costs largely comprise central technology costs and professional fees.

In 2022, the Company received government assistance in the form of a 66% discount on business rates (subject to a maximum of £2.0 million per business) for businesses in the retail, hospitality and leisure sectors in England for the period 1 June 2021 to 31 March 2022. In the prior year, the Company benefitted from a business rates holiday for these sectors covering the period from 1 January 2021 to 30 June 2021. The value of business rates saved during the year ended 31 December 2022 was £1.1 million (2021: £8.2 million).

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Notes to the financial statements For the year ended 31 December 2022

8. Employee information

	31 December 2022	31 December 2021
	£m	£m
Wages and salaries	32.0	28.1
Social security costs	2.7	1.9
Employers' pension costs	0.6	0.4
Long term employee incentive costs (note 22)	0.9	1.3
Underlying employee costs	36.2	31.7
Non-underlying employee costs	0.3	0.1
Employee costs	36.5	31.8

Included within employee costs in 2022 is £0.3m (2021: £0.3m) which has been included within cost of sales in the statement of comprehensive income.

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

	31 December 2022	31 December 2021
	Number	Number
Operational	1,848	1,873
Administration	175	120
	2,023	1,993

In addition to the staff costs above, included within administration expenses is £1.7m (2021: £2.7m) recharged from The Gym Group Operations Limited in respect of the Directors of the Company.

9. Non-underlying items

	31 December 2022	31 December 2021
	£m	£m
Affecting operating expenses before depreciation, amortisation and impairment		
Costs of major strategic projects and investments	4.6	0.5
Restructuring and reorganisation costs (including site closures)	(0.6)	0.3
Non-underlying operating expenses before interest, tax, depreciation, amortisation and impairment	4.0	0.8
Affecting depreciation, amortisation and impairment		
Impairment of property, plant & equipment, right of use assets and intangibles	8.3	4.1
Amortisation of business combination intangible assets	0.2	0.3
Total affecting depreciation, amortisation and impairment	8.5	4.4
Total all non-underlying items before tax	12.5	5.2
Tax on non-underlying items	(2.1)	(0.3)
Total non-underlying charge in income statement	10.4	4.8

The costs of major strategic projects and investments of £4.6m (2021: £1.8m) includes £4.0m (2021: £0.5m) in relation to the Company's brand transformation. The total costs incurred in the year in respect of this project were £6.5m of which £4.0m is reflected in the income statement and relates to the relaunch of the brand and creation of the Company's

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Notes to the financial statements

For the year ended 31 December 2022

9. Non-underlying items (continued)

visual identity and marketing assets, and £2.5m is included in property, plant and equipment and relates predominantly to new site signage. The remainder of the costs included in other strategic initiatives in the year largely relate to the integration costs of the three sites acquired from Fitness First in March 2022.

The credit in restructuring and reorganisation costs in the year reflects lease surrender income and costs associated with the closure of a small number of gyms, together with the profit on remeasurement of one of the Company's leases.

Non-underlying costs affecting depreciation, amortisation and impairment in the year amounted to £8.5m (2021: £4.2m), of which £8.2m (2021: £4.0m) relates to the impairment of 13 sites where slower recovery from Covid-19 and changes in hybrid working patterns have impacted on performance (see note 14 for further details). Also included here is the amortisation of business combination intangibles acquired as part of the Lifestyle, easyGym and Fitness First acquisitions.

10. Finance costs

	31 December 2022	31 December 2021
	£m	£m
Loans from Group undertakings	-	0.6
Lease interest	13.4	14.0
	13.4	14.6
Capitalised interest	(0.2)	-
Finance Costs	13.2	14.6

Capitalised interest is recognised within leasehold improvements. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average incremental borrowing rate applicable to the Company's leases during 2022 of 4.5%.

11. Taxation

Tax charge/(credit) on loss

	31 December 2022	31 December 2021
	£m	£m
Current income tax		
Current tax (charge)/credit on loss for the period	(0.1)	0.4
Adjustments in respect of prior years	-	0.4
Total current income tax	(0.1)	0.8
Deferred tax		
Origination and reversal of temporary differences	(0.4)	8.0
Change in tax rates	0.4	2.8
Adjustments in respect of prior years	(0.2)	(2.5)
Total deferred tax	(0.2)	8.3
Tax (charge)/credit	(0.3)	9.1

The tax assessed on the loss for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%).

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Notes to the financial statements For the year ended 31 December 2022

11. Taxation (continued)

Reconciliation of income tax credit

	31 December 2022 £m	31 December 2021 £m
Loss before tax	(19.3)	(42.8)
Tax calculation at standard rate of corporation tax of 19.0% (2020: 19.0%)	3.7	8.1
Expenses not deductible for tax purposes	0.6	(0.4)
Group relief surrendered for nil payment	(0.1)	0.3
Change in tax rates	(0.4)	3.2
Unrecognised tax losses	(3.9)	-
Adjustments in respect of prior years	(0.2)	(2.1)
Tax charge/(credit)	(0.3)	9.1

Deferred Tax

	Accelerated capital allowances £m	Losses £m	Intangible assets £m	Share schemes £m	Other £m	Total £m
At 1 January 2021	1.5	2.0	(0.1)	0.4	3.0	6.8
Adjustment in respect of prior years	(2.1)	(0.4)	-	-	-	(2.5)
Recognised in statement of comprehensive income	0.5	7.2	0.1	-	0.2	8.0
Recognised in equity	-	-	-	0.1	-	0.1
Change in deferred tax rate	(0.1)	2.5	-	-	0.4	2.8
At 31 December 2021	(0.2)	11.3	-	0.5	3.6	15.2
Adjustment in respect of prior years	1.9	(1.7)	(0.1)	-	(0.3)	(0.2)
Recognised in statement of comprehensive income	(0.5)	0.6	(0.3)	(0.1)	(0.3)	(0.6)
Recognised in equity	-	-	-	(0.1)	-	(0.1)
Business combinations	0.6	-	-	-	-	0.6
Change in deferred tax rate	-	0.4	-	-	-	0.4
At 31 December 2022	1.8	10.6	(0.4)	0.3	3.0	15.3

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Notes to the financial statements

For the year ended 31 December 2022

11. Taxation (continued)

Deferred Tax (continued)

Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these will be recovered within a reasonable period. Short term timing differences are generally recognised ahead of losses on the basis that they are likely to reverse more quickly. In assessing the probability of recovery, the Directors have reviewed the Company and Group's three year financial plan that underpins the going concern assessment, and the goodwill and property, plant and equipment impairment testing. The use of a three year period is also consistent with that used to assess the longer term viability of the Company and Group. The Directors believe this detailed plan provides convincing evidence to recognise the amount of deferred tax assets that are forecast to be recovered over this three-year period. In particular, and as disclosed in more detail in respect of going concern in note 2 and impairment in notes 14 and 15, this plan anticipates continued growth in yields across the whole estate and additional members from new site openings over the next three years. The Directors have also considered the impact of climate-related risks.

The trading losses incurred as a result of the Covid-19 pandemic, together with the introduction in March 2021 of the temporary enhanced capital allowances regime (the super-deduction tax break), have resulted in significant tax losses to carry forward which are not anticipated to be fully utilised during the three years covered by the Company and Group's financial plan. Losses for which no deferred tax asset is recognised equate to £20.2m, resulting in an unrecognised deferred tax asset of £5.1m using a 25% tax rate. There is no time limit for utilising trade losses in the UK.

A deferred tax asset has arisen on accelerated capital allowances, whereby the tax written-down value is higher than the net book value. A deferred tax liability has arisen on intangible assets of £0.4m. Other deferred tax assets include timing differences on the accounting for the various share schemes.

The Finance Act 2022 increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred tax assets and liabilities have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

There are no material uncertain tax provisions at 31 December 2022 (2021: £nil). However, judgement has necessarily been applied in estimating the impact and timing of utilisation of capital allowances and tax losses which could give rise to prior period adjustments in future years.

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Notes to the financial statements

For the year ended 31 December 2022

12. Business Combinations

On 22 March 2022, the Group acquired the trade and assets of three sites trading under the Fitness First brand. The property lease agreements in respect of these gyms have been transferred to the Company and the gyms have been rebranded to operate under The Gym Group brand. The details of the transaction, the purchase consideration, the net assets acquired, and the goodwill arising are as follows:

	Fair value recognised on acquisition £m
Assets	
Intangible assets	0.3
Property, plant and equipment	1.2
Right-of-use assets	3.3
Deferred tax assets	0.6
	5.4
Liabilities	
Trade and other payables	(0.6)
Lease liabilities	(3.3)
Provisions	(0.2)
	(4.1)
Total identifiable net assets at fair value	1.3
Goodwill arising on acquisition	4.1
Purchase consideration paid – satisfied by cash	5.4

The Company measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

The sites contributed revenues of £1.3m and net loss of £0.1m to the Company's results for the period from 22 March 2022 to 31 December 2022. The additional revenues that would have been recorded had the sites been acquired on 1 January 2022 are £0.4m. No additional net profit or losses would have been recognised.

The goodwill recognised is primarily attributed to the synergies and economies of scale expected from combining each gym within the Company's operations, the premium associated with advantageous site locations, potential growth opportunities offered by each gym and the assembled workforce. It will not be deductible for tax purposes.

Acquisition-related costs of £1.3m were incurred during the second half of 2021 by the Group's ultimate parent company, The Gym Group plc. No additional costs have been recognised in 2022.

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Notes to the financial statements

For the year ended 31 December 2022

13. Intangible assets

	Goodwill £m	Customer list £m	Contract £m	Computer software and licences £m	Total £m
<i>Cost</i>					
At 1 January 2021	22.0	2.5	1.0	15.1	40.6
Additions	-	-	-	5.3	5.3
At 31 December 2021	22.0	2.5	1.0	20.4	45.9
Additions	-	-	-	7.4	7.4
Business combinations	4.1	0.3	-	-	4.4
Disposals	-	-	(0.1)	(7.3)	(7.4)
At 31 December 2022	26.1	2.8	0.9	20.5	50.3
<i>Accumulated amortisation</i>					
At 1 January 2021	-	(2.3)	(0.1)	(7.4)	(9.8)
Charge for the year	-	(0.2)	(0.1)	(5.4)	(5.7)
At 31 December 2021	-	(2.5)	(0.2)	(12.8)	(15.5)
Charge for the year	-	(0.1)	(0.1)	(4.8)	(5.0)
Impairment	-	-	(0.1)	-	(0.1)
Disposals	-	-	-	7.3	7.3
At 31 December 2022	-	(2.6)	(0.4)	(10.3)	(13.3)
<i>Net book value</i>					
At 31 December 2021	22.0	-	0.8	7.5	30.3
At 31 December 2022	26.1	0.2	0.5	10.2	37.0

Included within additions to computer software and licences in 2022 is £1.0m in relation to a collaboration agreement with Fiit whereby Fiit granted The Gym Group a licence to provide certain products and content to LIVE IT members for a period of five years. Also included within additions to computer software and licenses in 2022 is £4.7m (2021: £3.0m) in relation to the investment made into the Company's new digital platform.

Impairment test for goodwill

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstance indicate that the carrying value may be impaired.

The recoverable amount of goodwill has been determined based on a value-in-use calculation using cash flow projections based on the Group's three year plan. Cash flows beyond this period are extrapolated using an estimated growth rate of 3.0% (2021: 3.0%). All cash flows are discounted using a pre-tax discount rate of 8.5% (2021: 11.9%).

Membership growth, growth rates in subscription prices and increases applied to costs are the key assumptions included within the Group's three year plan. These have been modelled based upon a mixture of historical experience and expected future performance. The impact of any future openings has not been included in the assessment as they do not form part of the existing assets. The performance of any gyms expected to close have been included within the calculation up to the point of closure.

In the years under review, management's value-in-use calculations have indicated no requirement to impair and no reasonably possible change in key assumptions give rise to an impairment. Further information on impairment is provided in note 3.

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Notes to the financial statements

For the year ended 31 December 2022

14. Property, plant and equipment

	Assets under Construction £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Gym and other equipment £m	Computer equipment £m	Total £m
<i>Cost</i>						
At 1 January 2021	2.3	191.9	11.3	83.8	3.6	292.9
Additions	1.9	16.4	0.2	2.5	0.7	21.7
Disposals	(0.1)	(1.5)	-	(0.5)	-	(2.1)
Transfers	(2.0)	1.9	-	0.1	-	-
At 31 December 2021	2.1	208.7	11.5	85.9	4.3	312.5
Additions	2.1	31.8	0.5	7.4	1.3	43.1
Business combinations	-	1.1	-	0.1	-	1.2
Disposals	-	(2.5)	(0.3)	(3.7)	-	(6.5)
Transfers	(1.8)	1.7	-	0.1	-	-
Transfer to other asset classes	(0.1)	-	-	-	-	(0.1)
At 31 December 2022	2.3	240.8	11.7	89.8	5.6	350.2
<i>Accumulated depreciation</i>						
At 1 January 2020	-	(63.0)	(8.0)	(47.6)	(2.9)	(121.5)
Charge for the year	-	(14.6)	(1.1)	(7.5)	(0.5)	(23.7)
Impairment	-	(2.8)	-	(0.4)	-	(3.2)
Disposals	-	1.3	-	0.3	-	1.6
At 31 December 2021		(79.1)	(9.1)	(55.2)	(3.4)	(146.8)
Charge for the year	-	(16.5)	(0.8)	(8.5)	(0.6)	(26.4)
Impairment	-	(2.2)	-	(0.3)	-	(2.5)
Disposals	-	2.5	0.3	3.7	-	6.5
At 31 December 2022	-	(95.3)	(9.6)	(60.3)	(4.0)	(169.2)
Net Book Value						
At 31 December 2021	2.1	129.6	2.4	30.7	0.9	165.7
At 31 December 2022	2.3	145.5	2.1	29.5	1.6	181.0

Included within additions for the year is £0.2m of capitalised interest (2021: £nil), and £6.2m of accrued capital expenditure (2021: £2.2m). In the prior year, there was also £0.1m of capital contributions from landlords not yet received.

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14. Property, plant and equipment (continued)

Impairment test for property, plant and equipment, right-of-use assets and other intangible assets

The Company reviews the carrying value of property, plant and equipment, right-of-use assets and intangible assets (excluding goodwill) for indicators of impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of the Company's CGUs is typically based on value-in-use calculations. The value in use at 31 December 2022 was calculated using the discounted present value of each CGU's expected future cash flows using the Group's three year plan as the basis. Membership growth, growth rates in subscription prices and increases applied to costs are the key assumptions included when determining the expected future cash flows of each CGU. These have been modelled based upon a mixture of historical experience and expected future performance. A pre-tax discount rate of 8.5% (2021: 11.9%) was used to calculate the present value.

During the year a total impairment loss of £8.2m was recognised relating to 13 sites which have been particularly hard hit by the Covid-19 pandemic and where recovery is slower than in the rest of estate. Of the total impairment charge recognised in the year of £8.2m, £2.5m was allocated against property, plant and equipment and £5.7m was allocated against right-of-use assets. The total recoverable amount of the affected CGUs was £7.7m.

The impairment loss was allocated to the assets of the CGU on a pro rata basis to their carrying amount, subject to the limitation that the carrying amount of an asset cannot be reduced below the highest of fair value less costs of disposal, value-in-use or zero. Due to the ability to sublease the right-of-use assets, these have a measurable fair value less costs of disposal and, as a result, this restriction results in the right-of-use asset being written down only to its recoverable amount based on fair value less costs of disposal. The remaining amount of the impairment loss that would otherwise have been allocated to the right-of-use asset was allocated pro rata to the other assets of the unit. In restricting the impairment charge recognised in respect of the right-of-use assets, their fair value less costs of disposal was calculated on the basis of the cash flows that could be realised by the Group through the sublet of the site, discounted using a post-tax discount rate of 7.8% (2021: 9.8%).

Under the downside scenario prepared for the going concern assessment, a further impairment of £1.1m would arise in relation to property, plant and equipment and £0.4m in relation to right-of-use assets at the sites impaired. An impairment charge of £0.1m in relation to property, plant and equipment at two sites and £0.6m in relation to right-of-use assets at a further four sites totalling would also be recognised under the downside scenario.

Further information on impairment is provided in note 3.

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15. Right-of-use assets and leases

The Company leases gym sites and its head office ('Property leases') and also enters into hire purchase and lease agreements for gym equipment ('Non-property leases'). Property leases are typically made for fixed periods of ten to 20 years but may have extension options as well. Non-property leases are typically made for fixed periods of three years. Both property and non-property leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Company.

i. Amounts recognised in the statement of financial position

	Property Leases £m	Non-property leases £m	Total £m
<i>Cost</i>			
At 1 January 2021	343.6	-	343.6
Additions	42.8	7.2	50.0
At 31 December 2021	386.4	7.2	393.6
Additions	33.7	8.1	41.8
Business combination	3.3	-	3.3
Disposal	(4.5)	-	(4.5)
Transfer between asset classes	-	0.1	0.1
At 31 December 2022	418.9	15.4	434.3
<i>Accumulated depreciation</i>			
At 1 January 2021	(89.3)	-	(89.3)
Charge for the year	(23.3)	(0.2)	(23.5)
Impairment	(0.9)	-	(0.9)
At 31 December 2021	(113.5)	(0.2)	(113.7)
Charge for the year	(26.5)	(1.6)	(28.1)
Impairment	(5.8)	-	(5.8)
Disposal	1.8	-	1.8
At 31 December 2022	(144.0)	(1.8)	(145.8)
<i>Net Book Value</i>			
At 31 December 2021	272.9	7.0	279.9
At 31 December 2022	274.9	13.6	288.5

During the year a total impairment loss of £8.2m was recognised relating to 13 sites which have been particularly hard hit by the Covid-19 pandemic and where recovery is slower than in the rest of estate. Of the total impairment charge recognised in the year of £8.2m, £2.5m was allocated against property, plant and equipment and £5.7m was allocated against right-of-use assets. The total recoverable amount of the affected CGUs was £7.7m. See note 14 for further disclosure.

In 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

Many lessors have provided rent concessions to lessees as a result of the Covid-19 pandemic. Rent concessions can include rent holidays or rent reductions for a period of time, possibly followed by increased rent payments in future periods. Applying the requirements in IFRS 16 for changes to lease payments, particularly assessing whether the rent concessions are lease modifications and applying the required accounting, could be practically difficult in the current environment. The objective of the amendment is to provide lessees that have been granted Covid-19 related rent concessions with practical relief, whilst still providing useful information about leases to users of the financial statements.

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

15. Right-of-use assets and leases (continued)

i. Amounts recognised in the statement of financial position (continued)

As a practical expedient, a lessee may elect not to assess whether a Covid-19-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic.

As permitted by this concession, the Company has derecognised £0.5m (2021: £1.6m) of the lease liability that has been extinguished by the forgiveness of lease payments on buildings. This has been netted off against operating expenses in the consolidated income statement.

In the prior year, where landlords have agreed to permanently change the frequency of rental payments, the change in the value of the lease liability of £0.8m was recognised within finance costs in the consolidated income statement as all changes impact solely on the interest charge related to the lease liability.

The split of lease liabilities between current and non-current is as follows:

	31 December 2022 £m	31 December 2021 £m
<i>Lease liabilities</i>		
Current	25.3	27.0
Non-current	325.1	309.3
Total lease liabilities	350.4	336.3

Maturity analysis of lease liabilities:

	31 December 2022 £m	31 December 2021 £m
Within one year	40.4	39.1
Greater than one year but less than two years	43.4	37.8
Greater than two years but less than three years	40.5	37.8
Greater than three years but less than four years	38.6	35.4
Greater than four years but less than five years	38.7	35.5
Five years or more	246.0	242.7
	447.6	428.3
Less: unearned interest	(97.2)	(92.0)
Total lease liabilities	350.4	336.3

The Gym Limited

Notes to the financial statements For the year ended 31 December 2022

15. Right-of-use assets and leases (continued)

ii. Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	31 December 2022	31 December 2020
	£m	£m
Lease liability derecognised under COVID-19 Rent Concession	(0.5)	(1.6)
Depreciation charge of right-of-use assets	28.1	23.5
Impairment of right-of-use-assets	5.8	0.9
Interest expense (included in finance cost)	13.4	14.0

There are no variable lease payments and no sublease income recognised in the statement of comprehensive income.

iii. Extension and termination options

The Company has recognised lease extension options contained within the lease in the calculation of right-of-use assets and lease liabilities at inception of the lease if management is reasonably certain to exercise the option to extend the lease beyond its contractual term. In all other cases, a lease extension is only recognised when a lease is extended beyond the original contractual term.

During the year, the Company has renegotiated four leases (2021: 12) which resulted in additional lease liabilities of £3.5m being recognised (2021: £6.9m) and terminated two leases (2021: none).

iv. Non-property leases facilities

At 31 December 2022, the Company had in place total available facilities of £12.5 million in respect of non-property lease arrangements (2021: £9.5 million) which it utilises to finance the fit out of new gyms. As at 31 December 2022, the amount outstanding on this facility was £11.5 million (2021: £6.4 million).

16. Trade and other receivables (Due in less than one year)

	31 December 2022	31 December 2021
	£m	£m
Trade receivables	0.6	0.8
Loss allowance	-	-
	0.6	0.8
Other receivables	0.7	0.6
Prepayments and accrued income	7.6	4.7
Amounts owed by Group undertakings	-	1.2
	8.9	7.3

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

The Gym Limited

Notes to the financial statements For the year ended 31 December 2022

17. Cash and cash equivalents

	31 December 2022	31 December 2021
	£m	£m
Cash at bank	0.4	3.2
Short term deposits	4.9	4.0
Total cash and cash equivalents	5.3	7.2

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Company and earn interest at the respective short term deposit rates.

18. Trade and other payables (Due in less than one year)

	31 December 2022	31 December 2021
	£m	£m
Trade Payables	7.9	2.2
Social security and other taxes	2.0	2.4
Accruals and other creditors	17.2	14.2
Contract liabilities (note 5)	11.0	8.4
Deferred income (note 6)	-	0.1
Amounts owed to Group undertakings	80.0	56.9
Total trade and other payables	118.1	84.2

Amounts owed to Group undertakings are unsecured, interest free and are repayable on demand.

19. Borrowings (Due in less than one year)

	31 December 2022	31 December 2021
	£m	£m
Amounts owed to Group undertakings	3.3	3.3
Total borrowings	3.3	3.3

In 2019, the Company has issued a promissory note amounting to £3.3m which is secured, bears no interest and is repayable on demand to The Gym Group Operations Limited.

The Gym Limited

Notes to the financial statements For the year ended 31 December 2022

20. Provisions

	Dilapidations £m	Other £m	Total £m
At 1 January 2021	1.2	0.1	1.3
New provisions	0.4	-	0.4
Utilisation of provision	-	(0.1)	(0.1)
At 31 December 2021	1.6	-	1.6
New provisions	0.2	0.2	0.4
Business combinations	-	0.5	0.5
Utilisation of provisions	-	-	-
At 31 December 2022	1.8	0.7	2.5
Due in more than one year	1.6	-	1.6
At 31 December 2021	1.6	-	1.6
Due in less than one year	-	0.7	0.7
Due in more than one year	1.8	-	1.8
At 31 December 2022	1.8	0.7	2.5

A dilapidations provision is recognised when there is a present obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of meeting this obligation, but the amount and timing of this are uncertain. Subject to a new lease not being negotiated to extend the current lease term, dilapidations would become payable between 2025 and 2040 with £0.1m expected to crystallise in the next five years, £0.8m crystallising in between five and ten years and the remainder crystallising in more than ten years.

21. Issued share capital

	31 December 2022 £m	31 December 2021 £m
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £0.01 each	68.3	68.3

The number of shares in issue is as follows:

	31 December 2022	31 December 2021
Ordinary shares of £0.01 each	6,827,608,250	6,827,608,250

Each Ordinary share carries equal voting and distribution rights.

No dividends were declared or paid during the year (2021: £nil). The Directors do not recommend a final dividend (2021: £nil).

In December 2021, 11,350,000 Ordinary shares of £0.01 each were issued for total consideration of £30.0m. The proceeds of the share issue were used to repay intercompany debt.

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

22. Long term employee incentives

The Company had the following equity-settled share based payment arrangements in operation during the year:

- a) The Gym Group plc Performance Share Plan ('PSP')
- b) The Gym Group plc Share Incentive Plan – Free shares ('SIP – Free Shares')
- c) The Gym Group plc Share Incentive Plan – Matching shares ('SIP')
- d) The Gym Group plc Restricted Stock Plan ('RSA')
- e) The Gym Group plc Long Service Award Plan ('LSA')
- f) The Gym Group plc Savings Related Share Option Scheme ('SAYE')

In accordance with IFRS 2 Share Based Payment, the value of the awards is measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. The Company recognised a total charge of £1.0m (2021: £1.1m) in respect of the Company's share based payment arrangements and a credit related to employer's national insurance of £0.1m (2021: charge of £0.2m).

The exercise price of all options under the schemes held during the year is £0.01, with the exception of the SAYE scheme where the exercise price ranges between 93.0p and 236.0p.

a) Performance Share Plan ('PSP')

The outstanding awards under the PSP as at 31 December 2022 will all vest within three years, subject to continued employment and the achievement of certain performance targets.

For awards made in 2022 and prior to 2020, the targets are based on TSR and financial performance measures with each target contributing to 50% of the vesting conditions. For awards made in 2022, the financial performance measures are Return on Invested Capital ('ROIC') and Cumulative Adjusted Group Operating Cash Flow, with the awards being split equally between these two measures. Prior to the 2019 awards all of the financial performance measures were based on adjusted EPS targets, with the 2019 awards split equally between EPS and ROIC.

For awards made in 2021 and 2020, the performance targets are solely based on TSR, with 33.3% based on absolute shareholder return and 66.7% based on relative TSR.

The vesting conditions of the Performance Share Plan awards are set out on page 101. The maximum term of these awards is three years and settlement is in the form of shares.

The fair value of the ROIC, Cumulative Adjusted Operating Cash Flow and EPS elements was determined using the share price at the date of grant.

The fair value of the TSR element of the award was estimated at the grant date using a Monte Carlo simulation model, taking into account the terms and conditions upon which the awards were granted. This model simulates the TSR and compares it against the group of comparator companies. It takes into account historic dividends and share price fluctuations to predict the distribution of relative share price performance.

The following assumptions were used for options granted during the year:

	2022	2021
Weighted average share price at date of grant	£2.22	£2.32
Exercise price	£0.0001	£0.0001
Expected volatility	61.75%	60.20%
Expected term until exercised	3 Years	3 Years
Expected dividend yield	-	-
Risk-free interest rate	1.57%	0.13%

The weighted average fair value of each award issued under this scheme during the year was £1.45 (2021: £1.83) and the weighted average remaining contractual life was 8.5 years (2021: 8.5 years) at 31 December 2022.

The Gym Limited

Notes to the financial statements

For the year ended 31 December 2022

22. Long term employee incentives (continued)

b) Share Incentive Plan – Free shares

The awards made under the SIP - Free Shares occurred when The Gym Group plc floated on the London Stock Exchange and were subject to continued employment requirements over a three-year period and had no performance conditions. Therefore, the options vested in full at the end of the three-year period. No further awards have been issued. The shares are held by an employee benefit trust. The weighted average remaining contractual life was 3.3 years at 31 December 2022 (2021: 4.3 years).

c) Share Incentive Plan – Matching shares

Under the SIP, for every share purchased by an employee the Company will award one matching share, up to a maximum value. Therefore, the options vest in full at the end of the three-year period. The awards are subject to continued employment requirements over a three-year period and have no performance conditions. The shares are held by an employee benefit trust. The weighted average fair value of each award issued under this scheme during the year was £1.60 (2021: £2.64) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 1.2 years at 31 December 2022 (2021: 1.3 years).

d) Restricted stock

The outstanding awards under the RSA are subject to continued employment requirements over a two or three-year period and have no performance conditions. Therefore, the options vest in full at the end of the period. The weighted average fair value of each award issued under this scheme during the year was £1.58 (2021: £2.66) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 8.7 years at 31 December 2022 (2021: 8.4 years).

e) Long Service Awards

The outstanding awards under the LSA are subject to continued employment requirements over a one-year period and have no performance conditions. Therefore, the options vest in full at the end of the period. The weighted average fair value of each award issued under this scheme during the year was £1.05 (2021: £2.61) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 0.9 years (2021: 0.6 years) at 31 December 2022.

f) Save as You Earn (SAYE) Scheme

Under the SAYE scheme, employees are allowed to acquire options over The Gym Group plc's shares at a discount of up to 20% of their market value at the date of grant. The awards are subject to continued employment requirements over a three-year period and have no performance conditions. Therefore, the options vest in full at the end of the period. The weighted average fair value of each award issued under this scheme during the year was £0.56 (2021: £1.17) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 2.7 years (2021: 2.5 years) at 31 December 2022.

23. Commitments and contingencies

The Company had £0.8m of commitments that were contracted but not provided as at 31 December 2022 relating to contracts for the fit-out of new gyms where works have not yet commenced (2021: £2.9m).

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 from www.tggplc.com.