COMPANY REGISTRATION NUMBER: 08130873

Gymshark Ltd

Financial Statements

31 July 2018

Gymshark Ltd

Financial Statements

Year ended 31 July 2018

Contents | **Page**

Gymshark Ltd

Strategic Report

Year ended 31 July 2018

The Directors present their strategic report for the year ended 31 July 2018.

Principle Activities and Review of Business

The Company's principle activity during the year was the Direct to Consumer ("D2C") e-commerce sales of conditioning apparel and associated accessories.

The Company continued to aggressively grow its sales and profit throughout the year across all its key territories worldwide. The focus for the business was to expand into key new markets by rolling out additional e-commerce websites, all focused around having a local execution plan & thus capitalising on the current established D2C model.

During the year the Company moved to its new headquarters in Solihull, West Midlands, known as "GSHQ". The Company recognises that attracting, developing and retaining talent, while growing the Company's unique culture, has been pivotal to the success of the brand and will continue to be paramount in the years to come.

The market remains competitive, including globally established sports & activewear brands through to fashion brands with fitness focused product lines. However, the Company continues to outperform the market and gain global market share.

KPIs

The Directors of the Company closely monitor a range of KPI's.

KPI's relating to growth and profitability include: Revenue, which has increased by over 154% to £103.1m; gross profit margin, which was 72% for the year and profit before tax which increased during the year by 116% to £17.6 million.

Principle Risks & Uncertainties

The fitness apparel market continues to be strong, with a broad range of competition amongst established sportswear brands, new entrants to the market, and fast fashion brands introducing "athleisure" wear and related accessories. Despite this, the Company's brand strength, innovative designs, community focus and localised customer proposition, establishes Gymshark as a key player in the market, with huge potential and growth forecast in the future. The risks associated with expanding overseas through the D2C model are managed through utilisation of in-house expert resource alongside key partnerships with third parties, with a focus on remaining "brave and smart".

Economic risk
The profitability of the Company can be influenced by global macroeconomic factors, including foreign exchange markets, duties and taxes imposed upon the Company's imports and exports, and any significant fluctuations in the cost of fuel used in transport and logistics. These risks are managed through establishing a natural hedge to minimise foreign exchange exposure, and operating distribution centres within the UK and EU to reduce imports and exports across borders.

Political risk
2018 was a turbulent year politically as a result of the uncertainty over Brexit. The associated risks of Brexit have been considered by the Directors and the Company has devised a strategy to ensure reasonable management and mitigation of these risks, including opening a distribution centre in mainland Europe and assessing the supply chain where necessary. The outcome of Brexit is unknown, unpredictable & thus potentially volatile; however the Directors continue to stay informed and updated where possible, and obtain advice from internal and external resource to facilitate decision making when necessary.

Technology risk

Technology within e-commerce advances quickly, alongside increasing customer expectations of website user experience and functionality. The Company continues to invest heavily in the website, customer experience and IT infrastructure in the form of in-house resource and partnerships.

Legal risk
During the year, the EU General Data Protection Regulation ("GDPR") came into effect in the UK. Resource has been dedicated to ensuring compliance with GDPR regulations in order to mitigate any risk arising from non-compliance, including penalties or reputational risk.

Currency risk
The Company transacts across a number of currencies, most notably Sterling, Dollar and Euro. It has income and expenditure in all currencies, therefore providing a natural hedge sufficient to reduce exposure to currency fluctuations. Any surplus foreign currency is sold into Sterling at a time that is convenient for the cashflows of the business, considering the political and economic environment at the time of transaction.

Credit risk
The Company's business is exclusively "D2C" online, whereby customers pay for their items at the time of order. This mitigates the risk of bad debts, and therefore the Directors consider this risk to be mitigated.

Liquidity risk
The Company is profitable and cash generative with adequate working capital available. Additional facilities, such as an overdraft, is available for use should this ever become required. The risk around liquidity is managed through a strong banking relationship alongside the availability of securing financing if required for expansion, such as asset financing.

Future Developments

The Directors expect the performance of the Company to increase in the forthcoming year, including increasing revenue, orders and customer numbers. This is as a result of the Company continuing to expand the D2C model through further e-commerce websites with localised execution, alongside consumer demand for the brand and innovative, on trend products.

Investment will continue in increasing resource, as well as developing and retaining talent with a focus upon health and wellbeing. The Directors recognise the importance of employee wellbeing for the business and individual, therefore this is a focus for the Company in 2019 and beyond.

Tangible developments are intended to provide world-class facilities to the Company to enable research and development, increased innovation and additional cutting-edge creative output.

Overseas developments in the forthcoming year includes expanding into new markets though the roll out of international e-commerce stores.

Gymshark Ltd

Strategic Report *(continued)*

Year ended 31 July 2018

This report was approved by the board of directors on 23 April 2019 and signed on behalf of the board by:

S Hewitt
Director

Registered office:
GSHQ
Blythe Valley Park
3 Central Boulevard
Solihull
B90 8AB

Gymshark Ltd

Directors' Report

Year ended 31 July 2018

The directors present their report and the financial statements of the company for the year ended 31 July 2018.

In preparing the Directors' Report, the directors have complied with S414C (11) of the Companies Act 2006 by including certain disclosures required by S416(4) within the Strategic Report which are financial risk management and future developments

Directors

The directors who served the company during the year were as follows:

B Francis
S Hewitt
P Richardson
R Chapple (Appointed 1 October 2017)

R Chapple resigned as a director on 29 October 2018

Dividends

The directors do not recommend the payment of a dividend so that cash is retained in the company for capital expenditure projects that are required for the rapid growth and efficiency improvements of the business.

Disclosure of information in the strategic report

The company has chosen in accordance with the Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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.

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.

Auditor

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

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent auditors

Mazars were appointed as Auditor during the period and will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

Post Balance Sheet Events

There were no post balance sheet events to note.

This report was approved by the board of directors on 23 April 2019 and signed on behalf of the board by:

S Hewitt
Director

Registered office:
GSHQ
Blythe Valley Park
3 Central Boulevard
Solihull
B90 8AB

Opinion

We have audited the financial statements of Gymshark Ltd (the 'company') for the year ended 31 July 2018 which comprise the statement of income and retained earnings, statement of financial position and the related notes, 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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 1.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Group's and Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Group and Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 the 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 the 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, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.

Ian Holder (Senior Statutory Auditor)
for and on behalf of
Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham

24 April 2019

Gymshark Ltd

Statement of Income and Retained Earnings

Year ended 31 July 2018

	Note	2018 £	2017 £
Turnover	4	**103,084,778**	40,525,205
Cost of sales		**29,025,409**	10,813,994
Gross profit		**74,059,369**	29,711,211
Distribution costs		**21,438,380**	7,659,864
Administrative expenses		**35,012,939**	13,901,286
Operating profit	5	**17,608,050**	8,150,061
Interest payable and similar expenses	9	**40,939**	–
Profit before taxation		**17,567,111**	8,150,061
Tax on profit	10	**3,408,374**	1,628,691
Profit for the financial year and total comprehensive income		**14,158,737**	6,521,370
Dividends paid and payable	11	**–**	(95,439)
Retained earnings at the start of the year		**9,041,153**	2,615,222
Retained earnings at the end of the year		**23,199,890**	9,041,153

All the activities of the company are from continuing operations.

There is no comprehensive income or expenses other than the profit for the financial year and the preceding financial year. Accordingly, no statement of comprehensive income is given.

The notes on pages 11 to 22 form part of these financial statements.

Gymshark Ltd

Statement of Financial Position

31 July 2018

	Note	2018 £	2018 £	2017 £
Fixed assets				
Intangible assets	12		330,299	-
Tangible assets	13		4,178,721	723,406
Fixed asset investments	14		-	-
			4,509,020	723,406
Current assets				
Stocks	15	12,071,070		1,738,202
Debtors	16	6,676,669		3,600,522
Cash at bank and in hand		21,073,003		9,326,997
		39,820,742		14,665,721
Creditors: amounts falling due within one year	17	20,019,877		6,275,782
Net current assets			19,800,865	8,389,939
Total assets less current liabilities			24,309,885	9,113,345
Creditors: amounts falling due after more than one year	18		1,052,944	–
Provisions				
Taxation including deferred tax	20		57,049	72,190
Net assets			23,199,892	9,041,155
Capital and reserves				
Called up share capital	24		2	2
Profit and loss account	25		23,199,890	9,041,153
Shareholders funds			23,199,892	9,041,155

These financial statements were approved by the board of directors and authorised for issue on 23 April 2019, and are signed on behalf of the board by:

S Hewitt
Director

Company registration number: 08130873

The notes on pages 11 to 22 form part of these financial statements.

1. General information

Gymshark Ltd is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB.

The nature of the Company's operations and principle activities are set out in the Strategic Report on page 1.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' issued by the Financial Reporting Council.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity and the primary economic environment in which the Company operates.

Going concern

The financial statements have been prepared on a going concern basis. The Company has sufficient financial resources to ensure its operational existence for the foreseeable future and the Directors forecast strong revenue and profit growth in 2019 and beyond. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Exemption from preparing statement of cash flows

Under FRS102 (section 1.12), the company is exempt from the requirement to present a statement of cash flows and related notes on the grounds that its parent company (Clade Group Limited) includes the company's cash flows in its own consolidated financial statements. This information is included in the consolidated financial statements of Clade Group Limited as at 31 July 2018 and these financial statements may be obtained from the registered office.

Exemption from preparing consolidated accounts

The Company has taken advantage of the exemption available under Section 400 of the Companies Act 2006 from preparing Consolidated Accounts, as it is a wholly owned subsidiary of Clade Group Ltd, a company registered in the United Kingdom which itself prepares consolidated financial statements that are publicly available.

3. Accounting policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no significant management judgements.

Stock obsolescence provision

Stock held at the balance sheet date is assessed for impairment by the directors. All stock which is considered out of season, succeeded by an updated product or considered to have quality concerns is written down to the lower of cost or net realisable value. Stock items with a cover of more than one year are reviewed for impairment and written down accordingly. During the year, stock write off to fair value less costs to sell totalled £1,127,241 (2017: £34,035).

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

3. Accounting policies *(continued)*

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Software and IT	-	25% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Land and buildings	-	10% straight line
Plant and machinery	-	25% straight line

Investments

Investments held as fixed assets are stated at cost less any impairment in value.

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow moving or defective items where appropriate.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

3. Accounting policies *(continued)*

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Leases

Assets held under finance lease, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined by the inception of the lease) and are depreciated over the shorted of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account after the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

4. Turnover

Turnover arises from:

	2018	2017
	£	£
Sale of goods	**103,084,778**	40,525,205

No geographical analysis of turnover is given as in the opinion of the directors, such information would be seriously prejudicial to the interests of the company.

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2018	2017
	£	£
Amortisation of intangible assets	**95,807**	–
Depreciation of tangible assets	**357,156**	174,006
Loss on disposal of tangible assets	**178,254**	5,361
Impairment of trade debtors	**849**	–
Foreign exchange differences	**(70,944)**	406,906
Operating lease rentals	**778,363**	308,255

6. Auditor's remuneration

	2018	2017
	£	£
Fees payable for the audit of the financial statements	**27,500**	18,400

Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	**–**	16,670

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2018	2017
	No.	No.
Administrative staff	**136**	97
Management staff	**3**	3
	139	100

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018	2017
	£	£
Wages and salaries	**10,663,735**	4,878,534
Social security costs	**1,442,974**	330,349
Other pension costs	**65,067**	–
	12,171,776	5,208,883

During the year, key management personnel were remunerated a total of £6,279,581 (2017: £968,990)

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2018	2017
	£	£
Remuneration	**5,130,724**	1,294,765

8. Directors' remuneration (continued)

During the year retirement benefits were accruing to 3 directors (2017 – 3) in respect of defined contribution pension schemes.

Remuneration of the highest paid director in respect of qualifying services:

	2018	2017
	£	£
Aggregate remuneration	**1,763,695**	552,699

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,186 (2017 – Nil)

9. Interest payable and similar expenses

	2018	2017
	£	£
Interest on obligations under finance leases and hire purchase contracts	**40,939**	–

10. Tax on profit

Major components of tax expense	2018	2017
	£	£
Current tax:		
UK current tax expense	**3,423,515**	1,626,225
Adjustments in respect of prior periods	–	1,095
Total current tax	**3,423,515**	1,627,320
Deferred tax:		
Origination and reversal of timing differences	**(15,141)**	1,371
Tax on profit	**3,408,374**	1,628,691

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 17%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2017: 19.67%).

	2018	2017
	£	£
Profit on ordinary activities before taxation	**17,567,111**	8,150,061
Profit on ordinary activities by rate of tax	**3,337,751**	1,603,140
Adjustment to tax charge in respect of prior periods	–	1,095
Effect of expenses not deductible for tax purposes	**53,514**	38,319
Effect of capital allowances and depreciation	**17,109**	(13,863)
Tax on profit	**3,408,374**	1,628,691

11. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2018	2017
	£	£
Dividends on equity shares of £0.00 (2017 - £477.20) per share	**–**	95,439

12. Intangible assets

	Software & IT
	£
Cost	
Additions	**159,279**
Transfer from Tangible assets	**495,890**
Disposals	**(120,332)**
At 31 July 2018	**534,837**
Amortisation	
Charge for the year	**95,807**
Disposals	**(68,331)**
Transfer from Tangible assets	**177,062**
At 31 July 2018	**204,538**
Carrying amount	
At 31 July 2018	**330,299**
At 31 July 2017	–

13. Tangible assets

	Land and buildings	Plant and machinery	Software & IT	**Total**
	£	£	£	**£**
Cost				
At 1 August 2017	–	581,772	495,890	**1,077,662**
Additions	2,906,754	1,350,798	–	**4,257,552**
Disposals	–	(190,888)	–	**(190,888)**
Transfer to Intangible assets	–	–	(495,890)	**(495,890)**
At 31 July 2018	2,906,754	1,741,682	–	**4,648,436**
Depreciation				
At 1 August 2017	–	177,194	177,062	**354,256**
Charge for the year	101,104	256,052	–	**357,156**
Disposals	–	(64,635)	–	**(64,635)**
Transfer to Intangible assets	–	–	(177,062)	**(177,062)**
At 31 July 2018	101,104	368,611	–	**469,715**
Carrying amount				
At 31 July 2018	2,805,650	1,373,071	–	**4,178,721**
At 31 July 2017	–	404,578	318,828	723,406

13. Tangible assets *(continued)*

The Company has leased plant and machinery on leases which are considered to meet the definition of finance leases and are accounted for accordingly. These assets have a cost of £2,185,844 (2017 - Nil) and a net book value of £2,054,606 (2017 - Nil).

14. Fixed asset investments

	Subsidiary
	£
Cost	
At 1 August 2017	–
Additions	–
At 31 July 2018	–

During the year, Gymshark Ltd acquired 100% of the share capital in Gymshark HK Ltd, a company incorporated in Hong Kong SAR, whose registered office is Room 2901, 29/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

The actual cost of the shares held in Gymshark HK Ltd is £0.10. At 31 July 2018 the company had not commenced to trade

15. Stocks

	2018	2017
	£	£
Raw materials and consumables	**12,071,070**	1,738,202

16. Debtors

	2018	2017
	£	£
Trade debtors	**606,874**	103,925
Amounts owed by group undertakings	**2,323,865**	1,297,504
Prepayments and accrued income	**1,158,089**	324,237
Other debtors	**2,587,841**	1,874,856
	6,676,669	3,600,522

17. Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	**6,225,480**	1,566,965
Accruals and deferred income	**8,950,530**	2,349,907
Corporation tax	**3,418,812**	1,626,225
Social security and other taxes	**311,598**	131,520
Obligations under finance leases and hire purchase contracts	**758,521**	–
Other creditors	**354,936**	601,165
	20,019,877	6,275,782

18. Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Obligations under finance leases and hire purchase contracts	**1,052,944**	–

19. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2018	2017
	£	£
Not later than 1 year	**758,521**	–
Later than 1 year and not later than 5 years	**1,052,944**	–
	1,811,465	–

20. Provisions

	Deferred tax (note 21)
	£
At 1 August 2017	**72,190**
Additions	**(15,141)**
At 31 July 2018	**57,049**

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2018	2017
	£	£
Included in provisions (note 20)	**57,049**	72,190

The deferred tax account consists of the tax effect of timing differences in respect of:

	2018	2017
	£	£
Accelerated capital allowances	**57,049**	72,190

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £65,067 (2017: £Nil).

23. Financial instruments

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2018 £	2017 £
Financial Assets		
Measured at undiscounted amount receivable		
Trade and other receivables (note 16)	**3,194,715**	1,978,781
Equity instruments measured at cost less impairment		
Fixed asset investments (note 14)	**–**	–
	3,194,715	1,978,781

	2018 £	2017 £
Financial liabilities		
Measured at amortised cost		
Obligations under finance leases and hire purchase contracts (note 19)	**1,811,466**	–
Measured at undiscounted amount payable		
Trade and other creditors (note 17)	**6,580,416**	2,168,130
Social security and other taxes (note 17)	**311,598**	131,520
	8,703,480	2,299,650

24. Called up share capital

Issued, called up and fully paid

	2018 No.	2018 £	2017 No.	2017 £
Ordinary A shares of £0.01 each	**190**	**2**	190	2
Ordinary B shares of £0.01 each	**10**	**–**	10	–
	200	**2**	200	2

The A shares rank pari passu in all respects to the B shares.

25. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

26. Operating leases

The total future minimum lease payments under non-cancellable operating leases for land & buildings are as follows:

	2018 £	2017 £
Within one year	**1,019,012**	189,016
Between one and five years	**3,901,536**	478,064
After five years	**4,145,382**	212,917
	9,062,547	879,997

27. Controlling party

The company is a wholly owned subsidiary of Clade Group Limited, a company incorporated in England which is under the control of Mr B Francis who is a director and the majority shareholder.

The address of the registered office of Clade Group Limited is GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB.

Copies of the consolidated accounts for which Gymshark Ltd is a qualifying undertaking can be obtained from the registered office.

Clade Group Ltd is the smallest and largest group of undertakings that the results of Gymshark Ltd are consolidated into.