

AMENDED

**Gymshark Ltd**

**Reports and financial statements**

**For the year ended 31 July 2022**

Company Registration No: 08130873

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**GYMSHARK LTD**

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**COMPANY INFORMATION**

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| <b>Directors</b>            | B Francis<br>N Chana   |
| <b>Company secretary</b>    | C Reed   |
| <b>Registered number</b>    | 08130873   |
| <b>Registered office</b>    | GSHQ<br>Blythe Valley Park<br>3 Central Boulevard<br>Solihull<br>United Kingdom<br>B90 8AB |
| <b>Independent auditors</b> | Ernst & Young LLP<br>One Colmore Square<br>Birmingham<br>B4 6HQ                            |

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**GYMSHARK LTD**

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**CONTENTS**

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|  | Page           |
|--|----------------|
| <b>Strategic Report</b>                  | <b>1 – 10</b>  |
| <b>Directors' Report</b>                 | <b>11 – 15</b> |
| <b>Independent Auditors' Report</b>      | <b>16 - 18</b> |
| <b>Statement of Comprehensive Income</b> | <b>19</b>      |
| <b>Statement of Financial Position</b>   | <b>20</b>      |
| <b>Statement of Changes in Equity</b>    | <b>21</b>      |
| <b>Notes to the Financial Statements</b> | <b>22 – 46</b> |

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## **GYMSHARK LTD**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2022**

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The Directors present their Strategic Report for the year ended 31 July 2022.

#### **Principal activities and Review of business**

The principal activity of the Company ("GL") during the period was trading as a Direct to Consumer ("D2C") brand, selling fitness and conditioning apparel and associated accessories through e-commerce channels.

This year was the first full year where the Company stopped selling directly to customers in the USA and instead, sells stock to its fully owned subsidiary Gymshark USA Inc ("GUSA") for this company to service these customers. Therefore, GL only accounted for the trade and costs associated with domestic and the rest of the world international operations during the current year.

The group of which the Company is part of, is purpose-led and exists to unite the conditioning community. The focus for the brand remains to continue to produce products that align with our core focus in Lifting and Conditioning, and engaging content in a thoughtful and inclusive way for its stakeholders throughout the world.

During the period to 31 July 2022, management has been mindful of increasingly complex global macro-economic trends. All countries where the Company trades were affected by the Covid-19 pandemic and the relaxation of societal restrictions has impacted the consumer and businesses alike. Apparel businesses have been hit by rising input costs in their supply chains, whether from rising raw materials, fuel and labour costs or from the impact of increased freight and logistics costs. The consumer has had more opportunities to apply discretionary spend to entertainment and travel, but inflation and rising costs are also affecting spending. Despite these pressures, the Company has continued to grow its like-for-like external sales. The Company remains profitable, though margins have been affected by the general economic environment.

During the year, GL has signed a lease for a flagship store on London's Regent Street and intends to use this space to bring the brand to a wider audience in real life, with a mixture of in-store experiences, personalised products, and community-based events. The store opened on 29 October 2022.

The Company also developed and opened a new office on its campus in Solihull, GSIQ, and intends to use this space to galvanise its go to market functions and to drive product innovation. GSIQ has a development centre containing machinery to enable it to trial and produce short run, exclusive products.

The overall strategy of the group headed by Gymshark Group Limited ("Gymshark"), remains to continue increasing external revenues in a profitable and sustainable manner, whilst at the same time executing its regionalised model and selling desirable products to its growing consumer base.

#### **People update**

Gymshark started its regionalisation process and has made further investments in the GUSA team during the year. As part of this regionalisation process to improve cross functional working and to ensure efficiencies, in April 2022 a UK restructuring plan was communicated to all employees. The cost of this restructure of £2.2m is included in administrative costs.

Founder and majority shareholder, Ben Francis, became Chief Executive Officer ("CEO") with effect from the start of the financial year. Ben has previously served as CEO, Chief Brand and Marketing Officer as well as holding C-suite positions in the technology and product functions. Ben will continue to drive the direction of the business, working closely with the rest of the C-suite and the team from General Atlantic (the Gymshark Group's private equity minority shareholder).

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**GYMSHARK LTD**


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**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**


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**KPIs**

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

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| Revenue                                     | 349,054     | 437,629     |
| Like-for-like external revenue* (Note 4)    | 256,110     | 219,053     |
| Gross profit margin                         | 53%         | 67%         |
| Like-for-like external gross profit margin* | 65%         | 69%         |

\*Like-for-like external revenue and gross profit margin is defined as excluding: the impact of external sales and cost of sales associated with US customers and the impact of internal sales and cost of sales to Gymshark US Inc, who are the company responsible for servicing the US customers in FY22.

Previously, profit before tax was considered as a KPI for the company, but due to the new arrangement of Gymshark Ltd selling stock to GSA whilst retaining the majority of the wider Gymshark Group's overhead costs, the Directors no longer deem the measurement to be a KPI. The profit before tax KPI is now only considered at a wider Gymshark Group level.

Other KPI's that are monitored in relation to the year ended 31 July 2022 show that on a like-for-like basis\*:

Orders increased by 9% (2021: 59%)

Units sold increased by 30% (2021: 61%)

Conversion\*\* increased by 20 bps (2021: 60 bps)

\*Like-for-like basis on other KPIs is defined as the impact of external customers excluding US customers.

\*\* Conversion is calculated as the number of orders as a proportion of the number of sessions to the Gymshark website.

**Principal risks and uncertainties**

The company's operational and financial performance is subject to several principal risks, which are set out below. The risks outlined below apply to both the company and the wider Gymshark Group, where they are centrally managed and mitigated.

## GYMSHARK LTD

STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2022

| Principal risk                     | Risk description / explanation   | Risk mitigation / action   |
|------------------------------------|--|--|
| Economic risk                      | Global macroeconomic factors, including duties and taxes imposed upon Gymshark's products, fluctuations in the prices of fuel and raw materials, third party delivery surcharges and the war in Ukraine, affect the business. In addition, Gymshark's consumer base is affected by many of the same macroeconomic issues which impact businesses. These economic issues can put discretionary spend under pressure. Gymshark is also in a highly competitive sector.   | Gymshark mitigates its exposure to macroeconomic factors in a number of ways:<br><ul style="list-style-type: none"> <li>- the business benefits from a young customer demographic which is generally considered to be less susceptible to drops in discretionary spend as an older demographic;</li> <li>- the products are offered at an accessible price point; and</li> <li>- the D2C, primarily online business model means that central overheads are more controllable than those of retailers with significant real estate footprints.</li> </ul> <p>The board and C-suite constantly monitor macroeconomic trends.</p> |
| Cyber threats and technology risks | The threat posed by cyber attacks remains high for all tech enabled businesses.<br><br>Customers of online retailers have high expectations for the experience and functionality of the ecommerce channels they use.   | Gymshark has dedicated in-house expertise to manage the potential threats and regularly uses third party suppliers to test and verify the security of its systems. The company has also invested in training programmes to educate its staff on the latest trends in cyber attacks and bad actors.<br><br>The company is aware of these expectations and continues to invest in the technology supporting its customer proposition.  |
| Supply chain                       | Gymshark's product supply chain is complex, covering raw material suppliers, mills and yarn manufacturers, garment factories (including seamless and CTM) and producers of trims, accessories, labels and packaging amongst other suppliers. During the last 12 months, this supply chain has been hit by a number of adverse events, including the effects of the Covid-19 pandemic, labour shortages, port congestion, air freight costs and extreme weather events. | The business mitigates its supply chain risk with front line operational expertise in its sourcing and supply chain team, including its local offices in Hong Kong and Mauritius. Gymshark diversified its vendor base a couple of years ago and is not dependent upon a single vendor or any one region.<br><br>The business continues to build strong relationships with its key suppliers and the relaxation of the Covid-19 restrictions should lead to more in person visits.   |

## GYMSHARK LTD

STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2022

| Principal risk                 | Risk description / explanation  | Risk mitigation / action  |
|--------------------------------|---|---|
| Compliance risks               | Gymshark has significant international presence, trading in over 180 countries worldwide. This reach means that compliance with laws and regulations is increasingly complex. Specific areas of review are around compliance with data use and privacy regulations and due diligence on vendors in the supply chain.                    | <p>The risk to Gymshark is managed as follows:</p> <ul style="list-style-type: none"> <li>- a Compliance committee has been set up which brings compliance and risk points around the business into regular focus with a group of key stakeholders including chiefs,</li> <li>- by subject matter experts on compliance, for example on data governance, ethical issues and labelling;</li> <li>- the company's in-house legal team includes a dedicated data and privacy lawyer and a compliance expert; and</li> <li>- the use of external counsel and professional advisers and membership and affiliations with leading global trade bodies where the company requires additional support.</li> </ul> |
| Climate change and environment | <p>During the last twelve months, the world's governments and NGOs have renewed their focus on the impact of climate change.</p> <p>The COP26 Conference in Glasgow in November 2021 was the focal point for this effort. In addition, law-makers and regulators are seeking to drive more change through legislation such as TCFD.</p> | <p>The Gymshark Group has submitted its carbon reduction targets for Scope 1, 2 and 3 to the Science Based Targets Initiative and had them approved in May 2022. The Group believes this is a vital step to making a difference to its impact on the planet as well as complementing the Group's prior commitment to the Textiles 2030 Commitment. Gymshark has also invested in a project for a wide range of stakeholders from within the business to better understand TCFD and to map out its climate-related risks and opportunities. As part of this exercise, the business carried out a quantitative scenario analysis on three of the most significant risks.</p>                                |

GYMSHARK LTD

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

|                           |   |  |
|---------------------------|---|--|
| Foreign exchange exposure | The company is a UK-head quartered business that sells products to customers across the globe in a multitude of currencies. Continued growth across the world gives rise to a foreign exchange exposure given that the Company's presentational currency is Pound Sterling. This exposure could have a negative impact on profitability.                    | The Company has income and expenses in all principal currencies, being Pound Sterling, Euro and US Dollars, therefore providing a natural hedge. Surplus foreign currency is sold for Pound Sterling at a time that is convenient for cashflows of the business, considering the political and economic environment at the time of the transaction.  |
| Tax                       | The Company operates in multiple jurisdictions across the globe, both in terms of its suppliers and consumer base. As a result, there is a degree of complexity in this operating model which requires professional advice, particularly on tax issues.   | The Company has an internal tax team, including experts on corporate and indirect taxes and duties. In addition, the Company instructs leading experts on global taxes to give advice on areas where the internal tax team requires support.   |
| Talent                    | The success of the Company is to a large extent dependent upon the skill, motivation and cohesion of its employees. The market for talent in the United Kingdom has been particularly competitive since COVID-19. The Company is particularly mindful of retaining its senior leaders to enable it to continue to grow in a sustainable and innovative way. | The Company has its own in-house recruitment and pay and perks teams within the People function. The Company regularly takes external advice on remuneration and benefits and strives to offer attractive packages to talent at all levels within the business. People issues are constantly discussed during meetings of the C-suite and the strength and composition of the senior leadership team is reviewed at board meetings and board committee meetings. |

The Directors have also considered funding and covenant compliance as a principal risk, which have both been considered as part of going concern.



## GYMSHARK LTD

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**
**Section 172 (1) Companies Act 2006 statement**

The directors are fully aware of the contents of Section 172(1) and of their obligations to have regard to the matters set out in this provision in their roles.

The directors provide scrutiny and oversight to the strategy and performance of the company, via focusing on the wider Gymshark Group results, reviewing trading, brand performance, product development, people and our community and the strength of the internal controls and systems. During the period to 31 July 2022, the directors have committed to improve the corporate governance at the wider Gymshark Group level, providing greater structure and consistency to processes and decision-making.

The company's values include do the right thing, be human and be caring. These values apply as much to its corporate governance as to its trading operations. For example, doing the right thing encompasses honesty, trustworthy and genuine; be human stresses the importance of being accessible, inclusive, and humble; and be caring comprises being conscious of the world we live in, caring for those around us and being proactive to create positive change. The directors accept and embrace these values in their work.

Our key stakeholders groups are set out below. Each stakeholder group has their own individual priorities, of which the Directors are aware and have regard to. These priorities are considered, where appropriate, in the Board's decision making.

| Stakeholders   | Why they are important  |
|--|---|
| Our community – customers, suppliers and wider society | <p>Our customers are essential to our performance and the reason that we exist.</p> <p>We recognise that relationships with our suppliers are important to our financial performance – they provide us with essential products and services we need to operate the business.</p> <p>We aim to be a responsible business and achieve our sustainability objectives to positively impact local communities.</p> |
| Our athletes   | Our athletes are ambassadors for the brand providing marketing services and are essential for our brand awareness.  |
| Our staff  | Our people are key to the delivery of the business' strategy.   |
| Our ultimate shareholders                              | Our shareholders are providers of capital and have a financial interest in our performance  |
| Our funders  | Our funders provide us with access to a facility to help fund our working capital. Our funders have a financial interest in our performance, and we have quarterly covenants to satisfy.  |

Below are examples which show how the factors set out in section 172(1) have been considered in some of Gymshark's key decision-making.

## GYMSHARK LTD

STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2022

| Principal decision taken in FY22 and headline rationale   | Relevant Stakeholder      | Considerations  | Impacts  |
|---|---------------------------|---|--|
| <b>Launching a flagship retail store on Regent Street:</b><br><br>First time decision permanently to become multi-channel | Our community             | The success and enthusiasm for our in-real life events has shown us that there is strong demand from our community to engage with our brand in real life.   | Opening our first physical store was a decision made with a view for the long term promotion of the brand. The proposed store is designed to become a community hub where our consumers can experience the Gymshark brand in person, whether through fitness classes, running clubs, meeting our athletes or by purchasing our products  |
|   | Our athletes              | Our athletes are important members of the Gymshark community given their credibility and expertise in fitness and conditioning. Our athletes will be visible in store and will be on hand to enhance customer experience and the athletes' own personal profiles.   | Existing and new athletes will have more regular opportunities to meet our consumers in real life and to show case their expertise in a permanent location for the first time. Further opportunities for collaborations should emerge from this engagement as well as developing deeper commercial arrangements with existing and new talent.  |
|   | Our staff                 | Gymshark has never had a permanent physical location before. Opening a flagship store requires a new team with a different skill set to those staff who work in our head office. Our new team members will need to embrace and reflect the Gymshark values to promote consumer experience of and sentiment towards the brand. | A vibrant new team will add value to the business. It is anticipated that team members will engage proactively with consumers and gather feedback on our products and events to improve the way in which we operate. In addition to the opportunities, physical retail carries different risks which the business has not had to face before. The business has put in place mitigation strategies to deal with this and to protect the staff in store. |
|   | Our ultimate shareholders | The flagship store has required significant investment in both capital expenditure and operating expenditure.   | Over the lifetime of the company, it has continued to invest in its products, people and systems with a view to creating a 100-year brand, which is backed by our shareholders. The company's ethos is to be agile and disruptive. The ultimate shareholders have been involved in the planning of the project and are aware of the opportunities created by offering a new channel to the consumer and also of the risks and financial profile        |

## GYMSHARK LTD

STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2022

| Principal decision taken in FY22 and headline rationale   | Relevant Stakeholder | Considerations  | Impacts  |
|---|----------------------|---|--|
| <b>Improving governance:</b><br><br>Accelerated by the investment from General Atlantic, establishing a variety of new committees to support resilient decision-making and future proof the business's growth plans | Our funders          | Gymshark has strengthened its relationships with its funders to secure the company short and medium term financing as it continues to scale in the backdrop of more challenging macro-economic factors.   | In December 2021, the company negotiated a new revolving credit facility with its long-term bankers, HSBC Bank Plc (HSBC) which has supported the business since inception. The company treats HSBC as a valued partner and shares its plans and objectives on a regular basis.  |
|   | Our staff            | Governance at Gymshark does not only mean the statutory board and its sub-committees. Operational governance and participation extends to non-statutory employee resource groups ("ERGs"), a compliance committee, an impact committee and a group which provides scrutiny and guidance for key investment decisions. | Staff participation in ERGs ensures: <ul style="list-style-type: none"> <li>- that consideration is given to the widest possible range of points of view,</li> <li>- that the best ideas are shared and debated; and</li> <li>- that authority bias is avoided.</li> </ul> Executive sponsorship of the ERGs is provided by the C-suite.<br><br>A compliance committee has been established to ensure that our staff and community are kept safe and sound by a group of subject matter experts which meets monthly to share developments and provide scrutiny over internal control procedures.<br><br>An impact committee is being established to enable Gymshark's corporate social responsibility activities to be more focused and for the impact to be measured and reported on a longer term basis. |

## GYMSHARK LTD

STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2022

| Principal decision taken in FY22 and headline rationale  | Relevant Stakeholder | Considerations   | Impacts   |
|--|----------------------|--|---|
| Improving governance (continued)   | Our community        | Gymshark does not currently have a bespoke corporate website.  | <p>The directors approved a decision to set up a corporate website which will contain material information about the wider Group's governance, tax and sustainability initiatives.</p> <p>The Gymshark community will have one central place in which to access key information about the wider Gymshark Group's board, accounts, tax strategy, modern slavery statement and policies on ethical compliance, anti-bribery and corruption and sustainability partnerships. The intention is that this website will demonstrate Gymshark's commitment to responsible business and the highest standards of ethical conduct as well as containing data about the businesses impact on the planet.</p>                                      |
| <p>Evaluating the size, skills and locations of the work force:</p> <p>Ensuring that the employee base has the necessary skills in the right places to enable the business to have the best opportunity to grow globally</p> | Our employees        | Our business engages a large number of employees in four principal jurisdictions throughout the world. The majority of employees are based in the company's headquarters in Solihull, United Kingdom. The company has been fast growing and profitable since its incorporation but has not faced significant macro-economic headwinds until 2022. In the light of these headwinds but also given the intended growth profile, the board wanted to understand the size, skills and locations of the company's employee base in order to allow it to continue to grow in the most responsible way. | The board did not take the decision to restructure certain roles within the business lightly. The board consulted with and took recommendations from its C-suite which considered its organisation charts in detail and drew up comprehensive plans to ensure that the right people were in the right roles. The executive leadership team also took appropriate professional advice to manage the restructuring process, which was then executed over a four month period. Any restructuring of employees will cause degrees of uncertainty, but the C-suite put in place support measures to allow staff to raise questions throughout the process. At the end of the process, approximately 60 members of staff were made redundant. |

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**GYMSHARK LTD**

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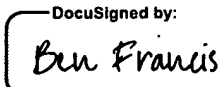
**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2022**

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**Future Developments**

The Directors recognise that the wider macro-economic environment is continuing to have an impact on the consumer and on the Company's business. As a result, the Directors anticipate that the previous growth trajectory that the Company experienced in different times will not continue in the same way. The Directors are continuing to explore ways to innovate the Company's product offering and go to market strategies. The main areas for future development include extensions to the product range and expanding the Company's sales in new territories. Any such extensions or expansion will be carried out in line with the Company's purpose of uniting the conditioning community.

This report was approved by the board of Directors on 8 January 2023 and signed on behalf of the board by:

DocuSigned by:  
  
84D588584EA7476...  
B Francis  
Director

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## **GYMSHARK LTD**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2022**

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The directors present their report and the financial statements for the year ended 31 July 2022.

#### **Directors**

The directors who served during the year were:

B Francis  
S Hewitt (resigned on 31 July 2022)  
P Daw (resigned on 31 December 2022)  
P Richardson (resigned on 31 March 2022)

N Chana was appointed on 1 August 2022.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £12.6m (2021: £48.9m). Dividends of £10.6m (2021: £Nil) were paid during the year.

#### **Disclosure of information in the strategic report**

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 future developments, research and development and business relationships.

#### **Statement of Directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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), Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 of the company for that period.

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

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 102, 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 appropriate to presume that the company will not continue in business.

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**GYMSHARK LTD**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2022**

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**Statement of Directors' responsibilities in respect of the financial statements (continued)**

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 company 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

**Employee involvement**

The Directors support the participation of employees in the activities of the company, encourage employees to become involved in the pursuit of safety, efficiency, inclusion, and high performance, and provide employees with regular two-way communication on the company's plans, performance, and figures.

**Disabled employees**

The company gives full consideration to applications for employment from anyone with a disability, and commits to ensuring our opportunities at Gymshark are more accessible to people with disabilities by:

- providing a fully inclusive and accessible recruitment process;
- being flexible when assessing people, so disabled job applicants have the best opportunity to demonstrate that they can do the job; and
- making workplace adjustments (also known as reasonable adjustments) as required.

Where existing employees become disabled, it is in the company's policy wherever practicable to make every effort to ensure that they stay in continuous employment and provide training and career development and promotion to disabled employees where appropriate.

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## **GYMSHARK LTD**

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### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2022**

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#### **Social Impact**

The company has sought to increase the social impact it has for our colleagues and local communities, therefore has established an Impact Committee to ensure a fair, inclusive, and consistent process for all volunteering and fundraising. Gymshark offers colleagues one volunteering day per year, which embodies our values of doing the right thing and being proactive to create positive change.

#### **Employee Wellbeing**

The company supports employee wellbeing through a choice of inclusive benefits, free access to mental health support, including trained mental health first aiders, 24/7 access to a GP and wellbeing app, plus PMI for all employees. The business regularly promotes and encourages everyone to get involved with physical wellbeing activities, as well as our ERG Healthy Mind Champions continuing to champion all aspects of the wellbeing of our people.

#### **Diversity and Inclusion**

In 2022 Gymshark launched its first diversity & inclusion strategy and new ERG. The business is committed to ensuring that everyone has the chance to fulfil their potential, whilst working in an enjoyable inclusive environment. It is the company's policy to promote equal opportunities at work and ensure no employee or job applicant is subjected to discrimination, harassment, bullying or victimisation in the workplace.

#### **Donations**

Charitable donations during the year totaled £133k (2021: £163k). There were no political donations.

#### **Streamlined Energy and Carbon Reporting (SECR)**

The directors are aware of the requirements for large UK companies to report on their UK energy use and carbon emissions. The information in relation to greenhouse gas emissions, energy usage, and energy efficiency actions which includes Gymshark Ltd's impact, is included Gymshark Group Limited Annual report.

#### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company auditor is aware of that information.

#### **Post balance sheet events**

As at the signing date, the company had utilised £30m of its RCF.

The first bricks and mortar store opened on Regent Street on 29th October 2022.



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**GYMSHARK LTD**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2022**

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**Going concern**

The directors are required to assess the Company's ability to continue as a going concern for a period of at least 12 months from the date of the signing of the Company's financial statements. The Company's going concern assessment considers the Company's principal risks and is dependent on a number of factors, including financial performance, continued access to borrowing facilities and the ability to operate the Company's borrowing facilities within its financial covenants. At 31 July 2022 the Company had net current assets of £128,387k (2021: £83,779k), cash and cash equivalents of £33,029k (2021: £43,325k) and net debt of £17,206k (2021: -£39,804k). The Company has a £50m committed revolving credit facility with an additional £30m committed accordion ('RCF'), that expires in December 2024 with an option to extend the facility for a further 2 years until December 2026. Drawings of £50m on the RCF as at 31 July 2022 have been partially repaid, now only £30m drawn, following the peak promotional period. The RCF has covenants measuring net leverage and interest cover, which are tested quarterly.

Due to continued profitability, the detailed review of the going concern assessment was focused around working capital management, in particular, the liquidity and the net leverage covenant of the Gymshark Group during the months preceding significant promotions, when Gymshark builds its inventory holding. The review included an assessment of the future funding requirements, based on trading continuing in line with current and future performance expectations and focused on the expected weekly cash flows and quarterly covenant compliance forecasts extending to 31 July 2024. This revised base case modelled significant headroom on covenants and sufficient levels of cash to fund working capital management.

Consideration has also been given to plausible downside scenarios to determine the impact on profitability and future cash flows. In the 2023 financial year to date, revenue is tracking at the same level as for the corresponding period during the year ended 31 July 2022, therefore a downside scenario considered was around future sales being below the projected levels in the base forecast period, including there being no increase in revenue in the financial year ended 31 July 2023 compared to the prior year. This scenario modelling also included a reasonable controllable mitigation which involves reducing inventory purchases during the current year to reduce any surplus stock at 31 July 2023 as well as reviewing other costs to ensure the company remained profitable with positive cash flow.

The impact of this scenario on cash flow demonstrated that the business would still have headroom on its covenants and sufficient liquidity to continue building up inventory holdings before the significant promotions.

The directors have also considered the impact of key inventory and non-inventory suppliers on going concern. Over the last 5 years the business has diversified by geography and by the number of inventory suppliers, so that there is not an over reliance on a single country or company for inventory. Major suppliers of goods or services not for resale were identified as key but no indications have been identified with respect to these companies ceasing to trade. The company has not been approached by any supplier of goods or services to improve payment terms which would have impacted working capital requirements.

A reverse stress test scenario has also been modelled to assess the level of revenue reduction that would be required to cause a liquidity or covenant issue. The directors also considered what interest rates would give rise to an interest cover issue under the plausible but severe scenarios. The likelihood of these scenarios were then assessed. The directors concluded that the reverse stress test scenarios are implausible.

It is acknowledged by the directors that the company will seek further committed funding, as necessary, to fund any additional short-term working capital in advance of entering any obligations to purchase inventory fuelled by increased demand.

The directors also considered and assessed that there were no significant events forecast immediately beyond 31 July 2024 that would impact the going concern assessment. Therefore, the directors are satisfied that the Company will have sufficient ongoing facilities available throughout the forecast period used to assess the going concern assumption.

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**GYMSHARK LTD**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2022**

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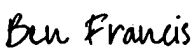
**Going concern (continued)**

Based on their assessment, the directors believe the Company has adequate available resources to fund its operations for the foreseeable future, and not less than 12 months from the date of the signing of these Company financial statements, and so determine that it remains appropriate for the Company financial statements to be prepared on a going concern basis.

**Auditor**

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

This report was approved by the board of directors on 8 January 2023 and signed on its behalf by:

DocuSigned by:  
  
84D588584EA7476...

**B Francis  
Director**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GYMSHARK LTD**

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**Opinion**

We have audited the financial statements of Gymshark Ltd for the year ended 31 July 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 32, 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) ("FRS 102").

In our opinion, the financial statements:

- ▶ give a true and fair view of the company's affairs as at 31 July 2022 and of its profit 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 31 July 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.

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GYMSHARK LTD

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### 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, 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.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GYMSHARK LTD**

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

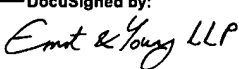
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not 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 and the relevant direct and indirect tax compliance regulations.
- ▶ We understood how Gymshark Ltd is complying with those frameworks making enquiries of management, the audit committee and the Company Secretary. We corroborated those enquiries through our review of Board minutes and noted that there was no contradictory evidence.
- ▶ We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur considering the risk assessment performed by management, understanding the controls in place to mitigate fraud and considering which areas may be most susceptible to the risk of management override. We also performed risk assessment analytical procedures and identified sources and types of journal entries in the company's financial processes. Any fraud risk factors identified were evaluated to identify risk of material misstatement due to fraud as well as the presumptive risk of material misstatement due to fraud in respect of revenue recognition and management override.
- ▶ Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved using data analytic approaches to identify any unusual journal entries, including any in the revenue process and obtaining evidence that those journals are authorised, supported by appropriate documentation and have been accounted for appropriately. We also made enquiries of those charged with governance and those outside of the finance function as to whether there was any actual or suspected fraud. These procedures were designed to provide reasonable assurance that the group and parent company financial statements were free from material misstatement due to fraud.

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.

DocuSigned by:  
  
B6A8060B0138444...  
James Golder (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham  
8 January 2023

## GYMSHARK LTD

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JULY 2022

|  | Note | 2022<br>£000         | 2021<br>£000         |
|--|------|----------------------|----------------------|
| Turnover                               | 4    | 349,054              | 437,629              |
| Cost of sales                          |      | (163,709)            | (143,593)            |
| <b>Gross profit</b>                    |      | <b>185,345</b>       | <b>294,036</b>       |
| Distribution costs                     |      | (60,755)             | (93,184)             |
| Administrative expenses                |      | (119,039)            | (139,311)            |
| Other operating income                 | 5    | 7,784                | -                    |
| <b>Operating profit</b>                | 6    | <b>13,335</b>        | <b>61,541</b>        |
| Interest receivable and similar income | 10   | 3,765                | 1,278                |
| Interest payable and similar expenses  | 11   | (1,092)              | (426)                |
| <b>Profit before tax</b>               |      | <b>16,008</b>        | <b>62,393</b>        |
| Tax on profit                          | 12   | (3,381)              | (13,503)             |
| <b>Profit for the financial year</b>   |      | <b><u>12,627</u></b> | <b><u>48,890</u></b> |

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2022 (2021: £Nil).

## GYMSHARK LTD

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JULY 2022**  
**Company number 08130873**

|   | Note | 2022<br>£000          | 2021<br>£000          |
|---|------|-----------------------|-----------------------|
| <b>Fixed assets</b>                                     |      |                       |                       |
| Intangible assets                                       | 14   | 680                   | 187                   |
| Tangible assets   | 15   | 35,747                | 26,133                |
|   |      | <u>36,427</u>         | <u>26,320</u>         |
| <b>Current assets</b>                                   |      |                       |                       |
| Stocks  | 17   | 81,742                | 60,289                |
| Debtors: amounts falling due within one year            | 18   | 103,525               | 58,631                |
| Cash at bank and in hand                                | 19   | 33,029                | 43,325                |
|   |      | <u>218,296</u>        | <u>162,245</u>        |
| Creditors: amounts falling due within one year          | 20   | (85,774)              | (68,454)              |
| Provisions  | 24   | (4,135)               | (10,012)              |
|   |      | <u>(89,909)</u>       | <u>(78,466)</u>       |
| <b>Net current assets</b>                               |      | <u>128,387</u>        | <u>83,779</u>         |
| <b>Total assets less current liabilities</b>            |      | <u>164,814</u>        | <u>110,099</u>        |
| Creditors: amounts falling due after more than one year | 21   | (50,000)              | -                     |
| <b>Provisions for liabilities</b>                       |      |                       |                       |
| Deferred tax  | 23   | (2,552)               | (882)                 |
| Provisions  | 24   | (1,322)               | (304)                 |
|   |      | <u>(3,874)</u>        | <u>(1,186)</u>        |
| <b>Net assets</b>                                       |      | <u><u>110,940</u></u> | <u><u>108,913</u></u> |
| <b>Capital and reserves</b>                             |      |                       |                       |
| Profit and loss account                                 | 26   | 110,940               | 108,913               |
|   |      | <u><u>110,940</u></u> | <u><u>108,913</u></u> |

These financial statements were approved and authorised for issue by the board of directors on 8 January 2023 and were signed on its behalf by:

DocuSigned by:  
  
 94D588584EA747B  
 B Francis, Director

## GYMSHARK LTD

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2022

|  | Notes | Profit and loss<br>account<br>£000 | Total equity<br>£000  |
|--|-------|------------------------------------|-----------------------|
| <b>At 1 August 2020</b>                        |       | 60,023                             | 60,023                |
| <b>Comprehensive income for the year</b>       |       |                                    |                       |
| Profit for the year                            |       | 48,890                             | 48,890                |
| <b>Total comprehensive income for the year</b> |       | <u>48,890</u>                      | <u>48,890</u>         |
| <b>At 1 August 2021</b>                        |       | <u>108,913</u>                     | <u>108,913</u>        |
| <b>Comprehensive income for the year</b>       |       |                                    |                       |
| Profit for the year                            |       | 12,627                             | 12,627                |
| Dividend paid                                  | 13    | (10,600)                           | (10,600)              |
| <b>Total comprehensive income for the year</b> |       | <u>2,027</u>                       | <u>2,027</u>          |
| <b>At 31 July 2022</b>                         |       | <u><u>110,940</u></u>              | <u><u>110,940</u></u> |



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**GYMSHARK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

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**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 with the registered number 08130873. 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 principal activities are set out in the Strategic Report on page 1.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

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

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

The following principal accounting policies have been applied:

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**GYMSHARK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

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**2.2 Going concern**

The directors are required to assess the Company's ability to continue as a going concern for a period of at least 12 months from the date of the signing of the Company's financial statements. The Company's going concern assessment considers the Company's principal risks and is dependent on a number of factors, including financial performance, continued access to borrowing facilities and the ability to operate the Company's borrowing facilities within its financial covenants. At 31 July 2022 the Company had net current assets of £128,387k (2021: £83,779k), cash and cash equivalents of £33,029k (2021: £43,325k) and net debt of £17,206k (2021: -£39,804k). The Company has a £50m committed revolving credit facility with an additional £30m committed accordion ('RCF'), that expires in December 2024 with an option to extend the facility for a further 2 years until December 2026. Drawings of £50m on the RCF as at 31 July 2022 have been partially repaid, now only £30m drawn, following the peak promotional period. The RCF has covenants measuring net leverage and interest cover, which are tested quarterly.

Due to continued profitability, the detailed review of the going concern assessment was focused around working capital management, in particular, the liquidity and the net leverage covenant of the Gymshark Group during the months preceding significant promotions, when Gymshark builds its inventory holding. The review included an assessment of the future funding requirements, based on trading continuing in line with current and future performance expectations and focused on the expected weekly cash flows and quarterly covenant compliance forecasts extending to 31 July 2024. This revised base case modelled significant headroom on covenants and sufficient levels of cash to fund working capital management.

Consideration has also been given to plausible downside scenarios to determine the impact on profitability and future cash flows. In the 2023 financial year to date, revenue is tracking at the same level as for the corresponding period during the year ended 31 July 2022, therefore a downside scenario considered was around future sales being below the projected levels in the base forecast period, including there being no increase in revenue in the financial year ended 31 July 2023 compared to the prior year. This scenario modelling also included a reasonable controllable mitigation which involves reducing inventory purchases during the current year to reduce any surplus stock at 31 July 2023 as well as reviewing other costs to ensure the company remained profitable with positive cash flow.

The impact of this scenario on cash flow demonstrated that the business would still have headroom on its covenants and sufficient liquidity to continue building up inventory holdings before the significant promotions.

The directors have also considered the impact of key inventory and non-inventory suppliers on going concern. Over the last 5 years the business has diversified by geography and by the number of inventory suppliers, so that there is not an over reliance on a single country or company for inventory. Major suppliers of goods or services not for resale were identified as key but no indications have been identified with respect to these companies ceasing to trade. The company has not been approached by any supplier of goods or services to improve payment terms which would have impacted working capital requirements.

A reverse stress test scenario has also been modelled to assess the level of revenue reduction that would be required to cause a liquidity or covenant issue. The directors also considered what interest rates would give rise to an interest cover issue under the plausible but severe scenarios. The likelihood of these scenarios were then assessed. The directors concluded that the reverse stress test scenarios are implausible.

It is acknowledged by the directors that the company will seek further committed funding, as necessary, to fund any additional short-term working capital in advance of entering any obligations to purchase inventory fuelled by increased demand.

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**GYMSHARK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

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**2.2 Going concern (continued)**

The directors also considered and assessed that there were no significant events forecast immediately beyond 31 July 2024 that would impact the going concern assessment. Therefore, the directors are satisfied that the Company will have sufficient ongoing facilities available throughout the forecast period used to assess the going concern assumption.

Based on their assessment, the directors believe the Company has adequate available resources to fund its operations for the foreseeable future, and not less than 12 months from the date of the signing of these Company financial statements, and so determine that it remains appropriate for the Company financial statements to be prepared on a going concern basis

**2.3 Exemption from preparing statement of cash flows**

Under FRS 102 (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 ultimate parent company (Gymshark Group Limited) includes the company's cash flows in its own consolidated financial statements. This information is included in the consolidated financial statements of Gymshark Group Limited as at 31 July 2022 and these financial statements may be obtained from the registered office.

**2.4 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 Gymshark Group Limited, a company registered in the United Kingdom which itself prepares consolidated financial statements that are publicly available.

**2.5 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

**Transactions and balances**

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

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

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

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**GYMSHARK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

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**2.5 Foreign currency translation (continued)**

All foreign exchange gains and losses are presented in the profit and loss account within Administrative expenses.

**2.6 Revenue**

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

**Sale of goods**

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

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

Income from other services relates to delivery receipt payments is measured at the transaction price which is the value of the consideration received or receivable that the entity expects to be entitled to, net of value added tax, and is recognised at which date the service is completed.

The amount of revenue arising from the sale of goods and provision of services has been disclosed in Note 4 to the financial statements.

A gift card liability is the obligation to transfer goods to a customer for which the company has received consideration. If consideration is received before the company transfers goods to the customer, revenue is deferred, and a gift card liability is recognised. Customer deposits and gift cards are recognised as revenue when the customer is passed control of the goods.

During the current financial year, the company's policy was to sell products with a right of return within 30 days. The company uses the expected value method to estimate the value of goods that will be returned. A refund liability due to customers is recognised within creditors due within one year. In the prior year, the returns policy offered was 90 days, but has been altered to be in line with the general retail industry.

**2.7 Other operating income**

Other operating income includes revenue from all other operating activities which are not related to the principal activities of the company, such as management fees, gains/losses from disposals, interest income, dividend income, etc.

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**GYMSHARK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

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**2.8 Operating leases: the Company as lessee**

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.9 Research and development**

In the research phase of an internal project, it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 2 to 5 years.

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**2.10 Interest income**

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

**2.11 Interest payable**

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

**2.12 Borrowing costs**

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

**2.13 Pensions**

**Defined contribution pension plan**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

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**GYMSHARK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

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**2.14 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**2.15 Intangible assets**

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

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

The estimated useful lives range as follows:

|                 |   |                           |
|-----------------|---|---------------------------|
| Software and IT | - | 2 - 5 years 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.

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**GYMSHARK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

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**2.16 Tangible fixed assets**

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

|                                   |                              |
|-----------------------------------|------------------------------|
| Furniture, fixtures and equipment | - 5 - 10 years straight line |
| Plant and machinery               | - 3 - 10 years straight line |

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

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

Assets under construction are carried at cost. Depreciation of these assets commences when they are complete and ready for use.

**2.17 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.18 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.

**2.19 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price. Cost is based on the cost of purchase on a first in, first out basis plus the absorbed cost of duty and freight to ship the product to the warehouses.

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

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**GYMSHARK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

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**2.20 Trade and other debtors**

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

**2.21 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.22 Trade and other creditors**

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

**2.23 Assets held under finance leases**

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.

**2.24 Provisions for liabilities**

Provisions are recognised where the company has a present legal or constructive obligation, as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made.

The provision for dilapidations is recognised where there is a present obligation to restore leased premises to their pre-occupancy state at the end of the lease. The provision is calculated for each lease with reference to the size of the lease and using third party information where appropriate. The cost is recognised across the lease term.

**2.25 Dividends**

Equity dividends are recognised when a legally binding liability is established. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.



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**GYMSHARK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

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**2.26 Financial instruments**

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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**GYMSHARK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

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**3. 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. Below are the key sources of estimation uncertainty listed by management:

*Stock valuation*

Stock is carried at the lower of cost or net realisable value. Stock held at the balance sheet date is therefore assessed for impairment. 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 written-down to net realisable value totalled £3.0m (2021: £1.8m).

*Refunds provision*

Revenue from the sale of goods is recognised when the company delivers a product to the customer. Payment of the transaction is due immediately when the customer purchases the goods, and it is the company's policy to sell its products to the end customer with a right of return within 30 days. Therefore, a refund liability (including in creditors due within one year) is recognised for expected refunds in relation to sales made until the end of the reporting period. The anticipated returns are recognised as an inventory asset, with a corresponding adjustment to cost of sales. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method), and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date and where possible against post period end actual returns. As at year end the refunds provision totalled £1.5m (2021: £0.5m).

*Legal provision*

When a known or likely claim is identified, management assesses the likelihood of the claim with our internal advisors and a provision is subsequently recognised where a settlement is probable. The legal provision also takes post period end knowledge and outcomes into consideration. As at year end the legal provision totalled £4,770k (2021: £10,000k). Refer to Note 24.

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**GYMSHARK LTD**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**


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**4. Turnover**

An analysis of turnover by class of business is as follows:

|                      | <b>2022</b><br><b>£000</b> | <b>2021</b><br><b>£000</b> |
|----------------------|----------------------------|----------------------------|
| External D2C sales   | 253,893                    | 398,627                    |
| Wholesale sales      | 1,438                      | -                          |
| Retail sales*        | 779                        | -                          |
| Intercompany sales** | 92,944                     | 39,002                     |
|                      | <u>349,054</u>             | <u>437,629</u>             |

A geographical analysis of the external, wholesale and retail turnover is as follows:

|                                      | <b>2022</b><br><b>£000</b> | <b>2021</b><br><b>£000</b> |
|--------------------------------------|----------------------------|----------------------------|
| United Kingdom                       | 88,990                     | 86,453                     |
| Rest of Europe                       | 111,507                    | 84,391                     |
| Rest of the World                    | 55,613                     | 48,209                     |
| <b>Total excluding United States</b> | <u>256,110</u>             | <u>219,053</u>             |
| United States***                     | -                          | 179,574                    |
| <b>Total including United States</b> | <u>256,110</u>             | <u>398,627</u>             |

\* Retail sales represents income from sample sales and pop-up sales / events held. No turnover has been derived from the flagship retail store in the year.

\*\*Gymshark USA Inc. (a 100% owned subsidiary of Gymshark Limited) started selling directly to customers based in the USA during July 2021, therefore during the current financial year, Gymshark Limited have sold £nil to United States external customers.

\*\*\* There has been an increase in intercompany sales as Gymshark USA Inc. purchase stock from Gymshark Limited to service their customers. Our transfer pricing policy requires Gymshark USA Inc. to make an arm's length operating margin on its distribution of Gymshark products to the US market. The price of goods sold from Gymshark Ltd to Gymshark USA Inc. is subject to transfer pricing adjustments to ensure the targeted operating margin is achieved within Gymshark USA Inc.

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**GYMSHARK LTD**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**


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**5. Other operating income**

|                         | <b>2022</b>  | <b>2021</b> |
|-------------------------|--------------|-------------|
|                         | <b>£000</b>  | <b>£000</b> |
| Intercompany recharges* | 7,673        | -           |
| Other income            | 111          | -           |
|                         | <u>7,784</u> | <u>-</u>    |

\*Intercompany recharges relate to charges to subsidiaries for back-office services performed by Gymshark Ltd and their employees. This is the first year for the recharge following the incorporation of Gymshark USA Inc in July 2021.

**6. Operating profit**

The operating profit is stated after charging/(crediting):

|                                     | <b>2022</b>  | <b>2021</b>  |
|-------------------------------------|--------------|--------------|
|                                     | <b>£000</b>  | <b>£000</b>  |
| Amortisation of intangible assets   | 258          | 631          |
| Depreciation of tangible assets     | 3,511        | 2,365        |
| Foreign exchange (gain) / loss      | (13,959)     | 2,476        |
| Buildings - operating lease rentals | 1,671        | 1,085        |
| R&D Expenditure                     | <u>2,132</u> | <u>1,091</u> |

**7. Auditors' remuneration**

|                        | <b>2022</b> | <b>2021</b> |
|------------------------|-------------|-------------|
|                        | <b>£000</b> | <b>£000</b> |
| Auditors' remuneration | <u>220</u>  | <u>130</u>  |

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the consolidated accounts of the ultimate parent Company

## GYMSHARK LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**8. Employees**

Staff costs, including directors' remuneration, were as follows:

|                                     | 2022<br>£000  | 2021<br>£000  |
|-------------------------------------|---------------|---------------|
| Wages and salaries*                 | 38,270        | 29,728        |
| Social security costs               | 3,882         | 2,581         |
| Cost of defined contribution scheme | 1,431         | 962           |
|                                     | <u>43,583</u> | <u>33,271</u> |

\*Wages and salaries include £2.2m of restructuring costs (2021: £nil).

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

|                      | 2022<br>No. | 2021<br>No. |
|----------------------|-------------|-------------|
| Administrative staff | 747         | 529         |
| Management staff     | 11          | 12          |
|                      | <u>758</u>  | <u>541</u>  |

During the year, key management personnel were remunerated a total of £3.4m (2021: £5.6m). Key management personnel remuneration represents compensation paid to management staff which includes the statutory directors.

**9. Directors' remuneration**

|   | 2022<br>£000 | 2021<br>£000 |
|---|--------------|--------------|
| Directors' emoluments   | 300          | 2,218        |
| Company contributions to defined contribution pension schemes | 14           | 32           |
|   | <u>314</u>   | <u>2,250</u> |

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**GYMSHARK LTD**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**


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**9. Directors' remuneration (continued)**

During the year retirement benefits were accruing to 1 director (2021:4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £314k (2021: £800k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13.5k (2021: £7.5k).

During the prior year, several directors were transferred to be employed by Gymshark Group Limited.

**10. Interest receivable**

|                                  | <b>2022</b>  | <b>2021</b>  |
|----------------------------------|--------------|--------------|
|                                  | <b>£000</b>  | <b>£000</b>  |
| Intercompany interest receivable | <u>3,765</u> | <u>1,278</u> |

**11. Interest payable and similar expenses**

|  | <b>2022</b>  | <b>2021</b> |
|--|--------------|-------------|
|  | <b>£000</b>  | <b>£000</b> |
| Bank interest payable                      | 2            | 2           |
| Loan interest payable                      | 673          | 87          |
| Intercompany interest payable              | 317          | 63          |
| Finance leases and hire purchase contracts | -            | 42          |
| Other interest payable                     | 100          | 232         |
|  | <u>1,092</u> | <u>426</u>  |

## GYMSHARK LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022

## 12. Taxation

|  | 2022<br>£000 | 2021<br>£000  |
|--|--------------|---------------|
| <b>Corporation tax</b>                           |              |               |
| Current tax on profits for the year              | 1,788        | 13,580        |
| Adjustments in respect of previous periods       | (77)         | 63            |
| <b>Total current tax</b>                         | <u>1,711</u> | <u>13,643</u> |
| <b>Deferred tax</b>                              |              |               |
| Origination and reversal of timing differences   | 847          | 182           |
| Adjustments in respect of prior periods          | 566          | (322)         |
| Effect of change in tax rate                     | 257          | -             |
| <b>Total deferred tax</b>                        | <u>1,670</u> | <u>(140)</u>  |
| <b>Taxation on profit on ordinary activities</b> | <u>3,381</u> | <u>13,503</u> |

9

## GYMSHARK LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022

## 12. Taxation (continued)

## Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

|  | 2022<br>£000        | 2021<br>£000         |
|--|---------------------|----------------------|
| Profit on ordinary activities before tax   | <u>16,008</u>       | <u>62,393</u>        |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%) | 3,042               | 11,855               |
| Effects of:  |                     |                      |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment                  | 510                 | 2,234                |
| Income not taxable   | (687)               | -                    |
| Adjustments to current tax charge in respect of prior periods  | (77)                | 63                   |
| Adjustments to deferred tax charge in respect of prior periods   | 566                 | (322)                |
| Group relief for nil consideration   | (190)               | (110)                |
| Employee share acquisition relief  | (40)                | (217)                |
| Tax rate changes   | 257                 |                      |
| <b>Total tax charge for the year</b>   | <u><u>3,381</u></u> | <u><u>13,503</u></u> |

## Factors that may affect future tax charges

There were no factors that may affect future tax charges.



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**GYMSHARK LTD**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**


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**13. Dividends**

|                | <b>2022</b>   | <b>2021</b> |
|----------------|---------------|-------------|
|                | <b>£000</b>   | <b>£000</b> |
| Dividends paid | <u>10,600</u> | <u>-</u>    |

**14. Intangible assets**

|                       | <b>Software &amp; IT</b> |
|-----------------------|--------------------------|
|                       | <b>£000</b>              |
| <b>Cost</b>           |                          |
| At 1 August 2021      | 1,406                    |
| Additions             | 751                      |
|                       | <u>          </u>        |
| At 31 July 2022       | <u>2,157</u>             |
| <b>Amortisation</b>   |                          |
| At 1 August 2021      | 1,219                    |
| Charge for the year   | 258                      |
|                       | <u>          </u>        |
| At 31 July 2022       | <u>1,477</u>             |
| <b>Net book value</b> |                          |
| At 31 July 2022       | <u>680</u>               |
| At 31 July 2021       | <u>187</u>               |

## GYMSHARK LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022

## 15. Tangible fixed assets

|                                  | Furniture,<br>fixtures and<br>equipment<br>£000 | Plant and<br>machinery<br>£000 | Assets under<br>construction<br>£000 | Total<br>£000 |
|----------------------------------|---|--------------------------------|--------------------------------------|---------------|
| <b>Cost</b>                      |   |                                |                                      |               |
| At 1 August 2021                 | 10,550  | 8,620                          | 12,322                               | 31,492        |
| Additions                        | -   | 412                            | 13,464                               | 13,876        |
| Transfers into tangible assets   | 16,961  | 4,173                          | (21,134)                             | -             |
| Transfers into intangible assets | -   | -                              | (751)                                | (751)         |
| At 31 July 2022                  | 27,511  | 13,205                         | 3,901                                | 44,617        |
| <b>Depreciation</b>              |   |                                |                                      |               |
| At 1 August 2021                 | 2,641   | 2,718                          | -                                    | 5,359         |
| Charge for the year              | 2,132   | 1,379                          | -                                    | 3,511         |
| At 31 July 2022                  | 4,773   | 4,097                          | -                                    | 8,870         |
| <b>Net book value</b>            |   |                                |                                      |               |
| At 31 July 2022                  | <u>22,738</u>                                   | <u>9,108</u>                   | <u>3,901</u>                         | <u>35,747</u> |
| At 31 July 2021                  | <u>7,909</u>                                    | <u>5,902</u>                   | <u>12,322</u>                        | <u>26,133</u> |

The Company has leased plant and machinery on terms which are considered to meet the definition of finance leases and are accounted for accordingly. These assets together with those assets subject to hire purchase have a cost of £2.2m (2021: £2.2m) and net book value of £0.6m (2021: £0.9m).

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**GYMSHARK LTD**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**


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**16. Fixed asset investments**

The cost of shares in group undertakings is £82 (2021: £82).

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

| <b>Name</b>      | <b>Registered office</b>   | <b>Class of shares</b> | <b>Holding</b> |
|------------------|--|------------------------|----------------|
| Gymshark HK Ltd  | Room 2901, 29/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong | Ordinary               | 100%           |
| Gymshark USA Inc | 1675 South State St, Suite B, Dover, Delaware 19901                        | Ordinary               | 100%           |

**17. Stocks**

|                | <b>2022<br/>£000</b> | <b>2021<br/>£000</b> |
|----------------|----------------------|----------------------|
| Finished goods | <u>81,742</u>        | <u>60,289</u>        |

Inventories are stated after provisions for impairment of £2,869k (2021: £3,134k).

**18. Trade and other debtors**

|                                    | <b>2022<br/>£000</b> | <b>2021<br/>£000</b> |
|------------------------------------|----------------------|----------------------|
| Trade debtors                      | 863                  | 20                   |
| Amounts owed by group undertakings | 92,167               | 52,709               |
| Other debtors                      | 1,969                | 1,424                |
| Prepayments and accrued income     | 4,813                | 4,478                |
| Corporation tax asset              | 3,713                | -                    |
|                                    | <u>103,525</u>       | <u>58,631</u>        |

Amounts owed by group undertakings attract interest at 3% above the SONIA rate per annum and are repayable in full on demand.

## GYMSHARK LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022

## 19. Cash and cash equivalents

|                           | 2022<br>£000  | 2021<br>£000  |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | <u>33,029</u> | <u>43,325</u> |

## 20. Creditors: Amounts falling due within one year

|                                    | 2022<br>£000  | 2021<br>£000  |
|------------------------------------|---------------|---------------|
| Bank loans                         | -             | 3,521         |
| Trade creditors                    | 49,542        | 28,051        |
| Amounts owed to group undertakings | 7,836         | 4,700         |
| Corporation tax                    | -             | 2,807         |
| Other taxation and social security | 5,245         | 3,873         |
| Other creditors                    | 1,427         | 696           |
| Accruals and deferred income       | 21,724        | 24,806        |
|                                    | <u>85,774</u> | <u>68,454</u> |

Amounts owed to group undertakings attract interest at 3% above the SONIA rate per annum and are repayable in full on demand.

## 21. Creditors: Amounts falling due after more than one year

|            | 2022<br>£000  | 2021<br>£000 |
|------------|---------------|--------------|
| Bank loans | <u>50,000</u> | <u>-</u>     |

## GYMSHARK LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022

## 22. Loans

Analysis of the maturity of loans is given below:

|  | 2022<br>£000  | 2021<br>£000 |
|--|---------------|--------------|
| <b>Amounts falling due within one year</b> |               |              |
| Bank loans                                 | -             | 3,521        |
| <b>Amounts falling due 1-2 years</b>       |               |              |
| Bank loans                                 | 50,000        | -            |
|  | <u>50,000</u> | <u>3,521</u> |

In 2021, the company had an undrawn £15m revolving credit facility ('RCF'), with an accordion of £10m, that was subject to 1.5% over LIBOR. This facility expired in December 2021. The £3.5m bank loan at 31 July 2021 was a separate facility that was subject to interest at 2.1%.

A three year, £50m RCF agreement was signed on 22 December 2021 that expires on 22 December 2024, with an option to extend for two one-year periods. The new RCF is subject to interest payable at Margin plus SONIA which is payable every 6 months.

In May 2022, a £30m accordion became a committed facility, but remains undrawn at 31 July 2022. This facility is subject to interest payable at Margin plus SONIA.

## 23. Deferred taxation

|                           | 2022<br>£000   | 2021<br>£000 |
|---------------------------|----------------|--------------|
| At beginning of year      | (882)          | (1,022)      |
| Charged to profit or loss | (1,670)        | 140          |
| <b>At end of year</b>     | <u>(2,552)</u> | <u>(882)</u> |

The provision for deferred taxation is made up as follows:

|                                | 2022<br>£000   | 2021<br>£000 |
|--------------------------------|----------------|--------------|
| Fixed asset timing differences | (2,662)        | (1,028)      |
| Short term timing differences  | 110            | 146          |
|                                | <u>(2,552)</u> | <u>(882)</u> |

## GYMSHARK LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022

## 24 Provisions

|                               | 2022<br>£000 | 2021<br>£000  |
|-------------------------------|--------------|---------------|
| <b>Dilapidation provision</b> |              |               |
| Current                       | -            | 12            |
| Non-current                   | 687          | 304           |
| <b>Legal claims provision</b> |              |               |
| Current                       | 4,135        | 10,000        |
| Non-current                   | 635          | -             |
| <b>Total provisions</b>       | <b>5,457</b> | <b>10,316</b> |
| Total current provisions      | 4,135        | 10,012        |
| Total non-current provisions  | 1,322        | 304           |

|   | Dilapidation<br>provision<br>£000 | Legal claims<br>provision<br>£000 | Total<br>£000 |
|---|-----------------------------------|-----------------------------------|---------------|
| At 1 August 2021  | 316                               | 10,000                            | 10,316        |
| Increase / (decrease) in provision<br>recognised in administrative expenses | 383                               | (2,127)                           | (1,744)       |
| FX impact recognised in administrative<br>expenses                          | -                                 | 1,000                             | 1,000         |
| Utilisation   | (12)                              | (4,103)                           | (4,115)       |
| At 31 July 2022   | <u>687</u>                        | <u>4,770</u>                      | <u>5,457</u>  |

**Information about individual provisions and significant estimates**

When a known or likely claim is identified, management assesses the likelihood of the claim with our internal advisors and a provision is subsequently recognised where a settlement is probable. The legal provision also takes post period end knowledge and outcomes into consideration. Management expects the provision to be largely utilised within 12 months with a small balance expected to be settled in August 2023.

The company is required to restore the leased premises of its retail store and offices to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

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**GYMSHARK LTD**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**


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**25. Share capital**

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| <b>Allotted, called up and fully paid</b> |             |             |
| 2 (2021 - 2) Ordinary shares of £1 each   | 2           | 2           |

**26. Reserves****Profit and loss account**

This reserve records retained earnings and accumulated losses.

**27. Capital commitments**

The company had capital commitments of £622k (2021: £7,500k).

**28. Pension commitments**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,431k (2021: £962k).

Contributions totalling £328k (2021: £199k) were payable to the scheme at the end of the year and are included in other creditors.

**GYMSHARK LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022****29. Commitments under operating leases**

The Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
|  | <b>£000</b>   | <b>£000</b>   |
| <b>Land and buildings</b>                    |               |               |
| Not later than 1 year                        | 1,734         | 1,816         |
| Later than 1 year and not later than 5 years | 11,614        | 6,920         |
| Later than 5 years                           | 4,158         | 5,880         |
|  | <u>17,506</u> | <u>14,616</u> |
|  | <b>2022</b>   | <b>2021</b>   |
|  | <b>£000</b>   | <b>£000</b>   |
| <b>Other assets</b>                          |               |               |
| Not later than 1 year                        | 307           | 342           |
| Later than 1 year and not later than 5 years | 224           | 400           |
|  | <u>531</u>    | <u>742</u>    |

**30. Related party transactions**

As a qualifying entity under FRS102 the entity is able to take advantage of the disclosure exemption under the requirements of Section 33 Related Party Disclosures paragraph 33.7.

**Purchases from entities controlled by key management personnel**

The company paid fees totalling £177k (2021: £383k) to The Members Agency LLP, an entity controlled by members of the company's key management personnel. The Members Agency provides management representation for athletes and influencers.

At the year end there were outstanding balances payable to The Members Agency LLP of £11.1k (2021: £9.5k).

The Directors consider that the transactions with The Members Agency LLP are on an arm's length basis.



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**GYMSHARK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

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**31. Post balance sheet events**

As at the signing date, the company had utilised £30m of its RCF

The first bricks and mortar store opened on Regent Street on 29th October 2022.

**32. Ultimate controlling party**

The company is a wholly owned subsidiary of Gymshark Holdings Limited, a company incorporated in England. The ultimate parent company is Gymshark Group Limited, also incorporated in England, which is under the control of B Francis who is a director and the majority shareholder by means as an individual and via Francis Family Office Limited, of which B Francis is also a director.

Gymshark Group Limited is the smallest and largest group of undertakings that the results of Gymshark Limited are consolidated into as at 31 July 2022.

The address of the registered office of Gymshark 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.