Financial Statements The Gym Group Holdings Limited

For the year ended 31 December 2014

Registered number: 08528493

Company Information

Directors	D Burns A J Mathews P J T Gilbert Bridges Ventures LLP J Treharne
Registered number	08528493
Registered office	Woodbridge House Woodbridge Meadows Guildford Surrey GU1 1BA
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP

Contents

Group Strategic Report
For the year ended 31 December 2014

Highlights

- The Gym Group continues to lead the development of the high growth low-cost gym market in the UK
- 15 new gym openings in 2014 and 30% growth in total membership
- Now over 300,000 members across 55 sites located in most major cities in the UK
- EBITDA (1) growth of 25% to £19 million
- More than 20 new gym openings planned for 2015, supported by a strong pipeline of sites already secured

The Gym Group Holdings Ltd's principal activity is that of a holding company, which, through wholly owned subsidiary companies, provides financing and management services to its operating subsidiary The Gym Ltd.

Details of the objectives and business model of The Gym Ltd can be found in the accounts of The Gym Ltd.

We are confident that The Gym Group remains well placed to continue leading the growth of the low-cost gym market in the UK.

Financial Highlights

The Gym Group had another strong year in 2014, opening 15 new gyms and growing membership by 30% (almost 70,000 members). As a result The Gym delivered turnover and Gym EBITDA (2) growth of 27% and 26% respectively. The Gym Group plans to continue its rapid rollout of new sites in 2015 by opening in excess of 20 new gyms, supported by a strong pipeline of sites already secured.

A summary of the financial information for 2013 and 2014 is set out below. This provides additional detail to that shown in the consolidated profit and loss account on page 9 to assist with reviewing the performance of the group.

Key Performance Indicators

The Gym Group Holdings Ltd (Consolidated Accounts)

	Year ended 31 Dec 2014	From incorporation 14 May - 31 Dec 2013
	£m	£m
Turnover	45.9	20.5
Consolidated Group EBITDA (4)	18.8	7.7
Operating profit	4.9	1.1
(Loss) before taxation	(2.0)	(4.9)
Capital expenditure	25.0	7.4

Cashflow metrics	Year ended 31 Dec 2014	From incorporation 14 May - 31 Dec 2013
	£m	£m
Net cashflow from operating activities	15.0	5.5
Cash spent on capital expenditure	20.0	5.4

Group Strategic Report (continued)

For the year ended 31 December 2014

The Gym Ltd (100% owned trading subsidiary of The Gym Group Holdings Ltd)

The key performance indicators below are an extract from financial statements of The Gym Ltd for the year ended 31 December 2014.

KPIs	2014	2013	Growth	% Growth
No. Gyms open	**55**	**40**	**15**	**38%**
No. members	293k	225k	68k	30%
Member visits	13.5m	10.8m	2.7m	25%

P&L metrics	2014 £m	2013 £m	Growth £m	% Growth
Turnover	**45.9**	**36.2**	**9.7**	**27%**
Gym EBITDA (2)	23.0	18.2	4.8	26%
Company EBITDA (1)	**19.0**	**15.2**	**3.8**	**25%**

Cashflow metrics (£m)	2014	2013	Growth	% Growth
Net cashflow from operating activities	15.0	11.9	3.1	26%
Capex	20.0	11.6	8.4	72%

Revenue and EBITDA growth was driven by a combination of continued membership growth at our existing gyms and the 15 new Gyms opened in the year. The Gym Group is proud to have an extremely high quality portfolio of sites, with all gyms performing well and profitable.

Our growth has been, and will continue to be, funded by a combination of the significant cash generated by our existing gym estate, committed bank facilities and new funds committed by The Gym Group's shareholders.

The table below provides a reconciliation of EBITDA to operating profit for the last two years. Operating profit has similarly grown strongly, increasing 26% in 2014.

	2014	2013
Company EBITDA (1)	**19.0**	**15.2**
Depreciation	(5.5)	(4.0)
Gym equipment operating lease costs (3)	(3.1)	(3.0)
Pre-opening costs and exceptional items	(1.6)	(1.2)
Operating Profit	**8.8**	**7.0**

1: Company EBITDA is The Gym Limited's earnings before interest, tax, depreciation, amortisation, pre-opening costs, exceptional items and non-recurring operating lease costs.
2: Gym EBITDA is Company EBITDA (1) before central costs.
3: Operating leases were previously used to fund the purchase of gym equipment. The Gym Group now has access to cheaper and more efficient financing with which to fund the purchase of equipment and has ceased using operating leases. The existing balance of operating leases all end by May 2018 and will not be renewed.
4: Consolidated Group EBITDA is defined as group earnings before interest, taxation, exceptional items, depreciation, amortisation, pre-opening costs and non-recurring operating lease costs.

Group Strategic Report (continued)
For the year ended 31 December 2014

Cashflow, Capital Expenditure and Funding

The Gym Group's business model is very cash generative. Cash inflow from operating activities was £15.0m in 2014, up from £5.5m in the period May - December 2013. This strong cashflow will support the planned opening of more than 20 new Gyms in 2015.

In 2014 The Gym Ltd invested £25m in fitting out 15 new gyms and maintaining its existing gyms.

As well as investing in new gyms, The Gym Group is committed to maintaining its existing gyms to a high standard. We have a structured program of refurbishment and equipment replacement under which we have re-fitted and re-equipped our oldest gyms this year, spending £2m in 2014 on the gyms that were over 12 months old. In addition The Gym Group undertakes regular maintenance of all its gyms which is expensed through the P&L.

Funding Structure

The Gym Group Holdings Ltd is the ultimate parent company of The Gym Group of companies. The ownership hierarchy is The Gym Group Holdings Ltd, The Gym Group MidCo1 Ltd, The Gym Group MidCo2 Ltd, The Gym Group Ltd, The Gym Ltd.

The Gym Group Ltd has long term facilities in place with a supportive lender. These include a £20m capital expenditure facility to support our rollout of new gyms. As well as this, significant further equity funding has also been committed by The Gym Group's shareholders to support future growth.

In addition to its excellent financial metrics and market leading position, the Group also has a well-funded balance sheet, with £49m of invested equity, making us the best available low-cost gym covenant for landlords at existing and future sites.

Principal risks and uncertainties

The Group's major risks are technology failure, suppliers not completing work, incorrect choice of locations and competition from other operators. These and other risks as they are arise are reviewed at board meetings. These main risks are mitigated by, respectively, having robust backup systems, a broad base of suppliers, strong governance over gym location selection and innovation in and highest quality of our offering to members.

Premises
The Gym's expansion strategy requires a good pipeline of suitable gym premises in locations convenient for our potential members. The simplicity of The Gym Group's concept allows for a flexible approach to property types and locations for new gyms. Our concept is proven to work in a variety of buildings (from offices and leisure facilities to retail locations) and a wide range of locations (from large city centres to smaller towns and cities). Consequently, The Gym Group continues to have access to significant numbers of sites that are available and suitable for development.

Technology
Our business is critically dependent upon technology to provide a seamless and secure customer experience at low cost. We continue to invest significantly in technology to support our growth and development including in core member management systems, our consumer facing website, our access control systems and our digital marketing platforms. Our systems and applications architectures and associated databases are maintained by expert 3rd party providers to give resilient 24 hour support.

Interest Rate Risk
The Group has a £39.5m loan on which the interest rate varies with LIBOR. In order to mitigate the risk associated with movements in LIBOR the group has an interest rate swap hedge covering 90% of the forecast loan balance.

Group Strategic Report (continued)

For the year ended 31 December 2014

Recent Developments and Future Expectations

In early 2015 The Gym launched an updated brand which is currently being rolled out across our Gyms.

The new financial year has started very strongly with membership numbers growing strongly in the key January trading month. As at December 2014 annualised Revenue was £49.2m and run rate EBITDA was £21.3m. This sets a very solid platform for the year ahead. We have started the 2015 financial year with a strong pipeline of new sites, with 11 new gyms for 2015 already selling memberships.

As a result of the success of our concept, the availability of sites and the current low penetration rates of low-cost gyms amongst UK consumers, we continue to believe that there is a very significant opportunity for low-cost gyms in the UK and that The Gym Group remains well positioned to lead this growth through the rapid rollout of new gyms in the coming years.

Staff and Employment

The Gym Group is proud to be a great employer with a highly motivated and experienced team of directors and employees. We have a policy of supporting our experienced managers in running their Gyms for the benefit of our members. In 2014 we created 39 new full time jobs and opportunities for an estimated further 150 personal trainers.

Green Policy

Sustainable and efficient energy usage is a priority when choosing how to fit out our Gyms:

- Over 70% of our gym equipment is energy-efficient
- All cleaning products are 100% chemical-free
- Our cleaning equipment uses 70% less water than conventional machines
- The joining process is totally paperless
- Every Gym has sensor-controlled lighting, showers, WCs and wash basins
- Thirsty Planet bottled water available in all Gyms, raising money to provide clean water in Africa.

We also recycle a high proportion of waste (over 95% at our most recent openings) from our new build gyms.

This report was approved by the board on 17.4.15 and signed on its behalf.

A J Mathews
Director

Directors' Report

For the year ended 31 December 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

Results

The loss for the year, after taxation, amounted to £3,262,545 (2013 - loss £5,287,001).

Directors

The directors who served during the year were:

D Burns
A J Mathews
P J T Gilbert
J R Thomas (resigned 2 December 2014)
Bridges Ventures LLP
J Treharne

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' Report
For the year ended 31 December 2014

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17.4.15 and signed on its behalf.

A J Mathews
Director

Grant Thornton

Independent Auditor's Report to the Members of The Gym Group Holdings Limited

We have audited the financial statements of The Gym Group Holdings Limited for the year ended 31 December 2014, which comprise the Consolidated Profit and Loss account, the Consolidated and Company Balance sheets, the Consolidated Cash Flow Statement and Reconciliation of net cash flow to movement in net funds/debt and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

GrantThornton

Independent Auditor's Report to the Members of The Gym Group Holdings Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Grant Thornton UK LLP

Mark Henshaw (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London
Date: 17 April 2015

Consolidated Profit and Loss Account

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Turnover	1,2	**45,880,055**	20,479,010
Cost of sales		**(1,040,244)**	(641,062)
Gross profit		**44,839,811**	19,837,948
Administrative expenses		**(39,770,730)**	(18,697,548)
Exceptional administrative expenses	7	**(139,914)**	-
Total administrative expenses		**(39,910,644)**	(18,697,548)
Operating profit	3	**4,929,167**	1,140,400
Exceptional items			
Other exceptional items	7	**(1,949,503)**	-
Profit on ordinary activities before interest		**2,979,664**	1,140,400
Interest receivable and similar income		**19,653**	57
Interest payable and similar charges	6	**(4,979,204)**	(6,009,360)
Loss on ordinary activities before taxation		**(1,979,887)**	(4,868,903)
Tax on loss on ordinary activities	8	**(1,282,658)**	(418,098)
Loss for the financial year	18	**(3,262,545)**	(5,287,001)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 13 to 29 form part of these financial statements.

The Gym Group Holdings Limited
Registered number: 08528493

Consolidated Balance Sheet

As at 31 December 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Intangible assets	9		**49,453,196**		53,130,201
Tangible assets	10		**63,041,969**		44,584,777
			112,495,165		97,714,978
Current assets					
Stocks	12	**73,955**		138,501	
Debtors	13	**5,416,513**		4,007,277	
Cash at bank		**5,576,321**		4,090,955	
		11,066,789		8,236,733	
Creditors: amounts falling due within one year	14	**(13,377,285)**		(7,844,017)	
Net current (liabilities)/assets			**(2,310,496)**		392,716
Total assets less current liabilities			**110,184,669**		98,107,694
Creditors: amounts falling due after more than one year	15		**(67,930,178)**		(101,806,486)
Provisions for liabilities					
Deferred tax	16		**(1,821,537)**		(1,029,648)
Net assets/(liabilities)			**40,432,954**		(4,728,440)
Capital and reserves					
Called up share capital	17		**8,564**		8,216
Share premium account	18		**48,973,936**		550,345
Profit and loss account	18		**(8,549,546)**		(5,287,001)
Shareholders' funds/(deficit)	19		**40,432,954**		(4,728,440)

The notes on pages 13 to 29 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17.4.15

A J Mathews
Director

The Gym Group Holdings Limited
Registered number: 08528493

Company Balance Sheet
As at 31 December 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Investments	11		**49,838,084**		49,838,084
Current assets					
Debtors	13	**7,966,311**		1,747,237	
Creditors: amounts falling due within one year	14	**(118,841)**		(48,721)	
Net current assets			**7,847,470**		1,698,516
Total assets less current liabilities			**57,685,554**		51,536,600
Creditors: amounts falling due after more than one year	15		**(1,053,900)**		(52,017,011)
Provisions for liabilities					
Deferred tax	16		**(651,539)**		-
Net assets/(liabilities)			**55,980,115**		(480,411)
Capital and reserves					
Called up share capital	17		**8,564**		8,216
Share premium account	18		**48,973,936**		550,345
Profit and loss account	18		**6,997,615**		(1,038,972)
Shareholders' funds/(deficit)	19		**55,980,115**		(480,411)

The notes on pages 13 to 29 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17.4.15

A J Mathews
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Net cash flow from operating activities	20	**15,031,009**	5,485,222
Returns on investments and servicing of finance	21	**(4,967,216)**	(764,383)
Taxation		**(244,494)**	-
Capital expenditure and financial investment	21	**(19,943,823)**	(5,403,804)
Acquisitions and disposals	21	**-**	(22,834,064)
Cash outflow before financing		**(10,124,524)**	(23,517,029)
Financing	21	**11,609,890**	27,607,984
Increase in cash in the year		**1,485,366**	4,090,955

Reconciliation of Net Cash Flow to Movement in Net Funds/Debt

For the year ended 31 December 2014

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Increase in cash in the year	**1,485,366**	4,090,955
Cash inflow/(outflow) from increase/(decrease) in debt and lease financing	**(11,579,890)**	(27,327,563)
Change in net debt resulting from cash flows	**(10,094,524)**	(23,236,608)
New finance leases	**-**	(1,727,155)
Other non-cash changes	**43,843,536**	(67,874,120)
Acquired with subsidiary	**-**	(37,598,341)
Movement in net debt in the year	**33,749,012**	(130,436,224)
Net (debt)/funds at 1 January 2014	**(92,837,883)**	37,598,341
Net debt at 31 December 2014	**(59,088,871)**	(92,837,883)

The notes on pages 13 to 29 form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Going concern

The group had net current liabilities at 31 December 2014. Having reviewed cash flow forecasts the directors are satisfied that the group will have sufficient resources to continue in business for the foreseeable future and these financial statements have therefore been prepared on a going concern basis.

1.3 Basis of consolidation

The financial statements consolidate the accounts of The Gym Group Holdings Limited and all of its subsidiary undertakings ('subsidiaries').

The results of subsidiaries acquired during the year are included from the date of acquisition.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied in the principal activities of the group and non-refundable joining fees received during the year, exclusive of Value Added Tax and trade discounts.

1.5 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life of 15 years.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

L/Term Leasehold Property	-	Straight line over life of the lease
Fixtures & fittings	-	20% per annum straight line
Office equipment	-	20% per annum straight line
Computer equipment	-	33% per annum straight line
Other fixed assets	-	20% per annum straight line

1.7 Investments

Investments in subsidiaries are valued at cost less provision for impairment where necessary, to reduce book value to recoverable amount. The investment cost is the purchase price including acquisition expenses.

Notes to the Financial Statements
For the year ended 31 December 2014

1. Accounting Policies (continued)

1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 Operating leases

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

Benefits received and receivable from a landlord as an incentive to sign an operating lease and deemed to benefit the company are amortised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.10 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.12 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

Notes to the Financial Statements
For the year ended 31 December 2014

2. Turnover

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

	Year ended 31 December 2014	Period ended 31 December 2013
	£	£
Membership income	**45,393,138**	20,235,024
Vending machine income	**415,565**	211,481
Tanning bed income	**71,352**	32,505
	45,880,055	20,479,010

All turnover arose within the United Kingdom.

3. Operating profit

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

	Year ended 31 December 2014	Period ended 31 December 2013
	£	£
Amortisation - intangible fixed assets	**3,677,005**	2,023,339
Depreciation of tangible fixed assets:		
- owned by the group	**4,659,967**	1,866,271
- held under finance leases	**817,410**	324,983
Auditor's remuneration	**43,484**	35,000
Operating lease rentals:		
- other operating leases	**5,486,924**	2,223,374
Difference on foreign exchange	**324**	-

4. Staff costs

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

	Year ended 31 December 2014	Period ended 31 December 2013
	£	£
Wages and salaries	**4,941,750**	2,181,480
Social security costs	**502,858**	203,702
Other pension costs	**35,372**	9,563
	5,479,980	2,394,745

Notes to the Financial Statements

For the year ended 31 December 2014

4. Staff costs (continued)

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

	Year ended 31 December 2014 No.	Period ended 31 December 2013 No.
Average number of operational staff	**109**	88
Average number of management staff	**30**	12
	139	100

5. Directors' remuneration

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Remuneration	**664,738**	357,578
Company pension contributions to defined contribution pension schemes	**16,705**	9,563

During the year retirement benefits were accruing to 3 directors (2013 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £192,375 (2013 - £106,450).

6. Interest payable

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Bank interest and similar charges	**4,937,210**	2,353,146
Loan note interest	**2,391,711**	991,233
On finance leases and hire purchase contracts	**315,264**	-
Preference shares interest	**(2,664,981)**	2,664,981
	4,979,204	6,009,360

On 23 July 2014 the company's Articles of Association were amended such that its preference share capital was reclassified as equity share capital under UK Accounting Standards. As a consequence the interest accrued at 31 December 2013 in respect of the preference shares has been reversed with a resultant credit to interest payable in 2014.

Notes to the Financial Statements

For the year ended 31 December 2014

7. Exceptional items

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Costs incurred in relation to relocation of a gym	139,913	-
Costs in relation to aborted merger with Pure Gym	1,949,503	-
	2,089,416	-

8. Taxation

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Analysis of tax charge in the year/period		
Current tax (see note below)		
UK corporation tax charge on loss for the year/period	246,275	-
Adjustments in respect of prior periods	244,494	-
Total current tax	490,769	-
Deferred tax		
Origination and reversal of timing differences	669,615	611,194
Adjustments in respect of subsidiary's prior periods	122,274	(72,204)
Effect of tax rate change on opening balance of subsidiary	-	(120,892)
Total deferred tax (see note 16)	791,889	418,098
Tax on loss on ordinary activities	1,282,658	418,098

Notes to the Financial Statements

For the year ended 31 December 2014

8. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.49% (2013 - 23%). The differences are explained below:

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Loss on ordinary activities before tax	**(1,979,887)**	(4,868,903)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 - 23%)	**(425,537)**	(1,119,848)
Effects of:		
Fixed asset differences	**(837,757)**	-
Expenses not deductible for tax purposes	**3,643,000**	953,980
Capital allowances for year/period in excess of depreciation	**557,225**	(224,735)
Utilisation of tax losses	**-**	112,259
Adjustments to tax charge in respect of prior periods	**244,494**	-
Adjustments to brought forward values	**78,437**	-
Other short term timing differences	**(78,437)**	-
Other timing differences leading to an increase in taxation	**-**	12,520
Group relief	**(2,690,656)**	265,824
Current tax charge for the year/period (see note above)	**490,769**	-

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Notes to the Financial Statements

For the year ended 31 December 2014

9. Intangible fixed assets

Group	Goodwill £
Cost	
At 1 January 2014 and 31 December 2014	**55,153,540**
Amortisation	
At 1 January 2014	2,023,339
Charge for the year	3,677,005
At 31 December 2014	**5,700,344**
Net book value	
At 31 December 2014	**49,453,196**
At 31 December 2013	53,130,201

10. Tangible fixed assets

Group	Leasehold improvements £	Fixtures & fittings £	Office equipment £	Computer equipment £	Website costs £	Total £
Cost						
At 1 January 2014	41,711,452	3,083,072	8,076,833	366,382	643,054	53,880,793
Additions	15,889,053	1,054,603	7,651,356	177,804	237,171	25,009,987
Disposals	(1,067,401)	(103,736)	(1,129,146)	(10,982)	(6,745)	(2,318,010)
At 31 December 2014	56,533,104	4,033,939	14,599,043	533,204	873,480	76,572,770
Depreciation						
At 1 January 2014	4,233,375	1,047,407	3,530,173	219,335	265,726	9,296,016
Charge for the year	2,592,495	671,779	1,975,717	101,329	136,057	5,477,377
On disposals	(232,675)	(47,062)	(955,909)	(6,250)	(696)	(1,242,592)
At 31 December 2014	6,593,195	1,672,124	4,549,981	314,414	401,087	13,530,801
Net book value						
At 31 December 2014	49,939,909	2,361,815	10,049,062	218,790	472,393	63,041,969
At 31 December 2013	37,478,077	2,035,665	4,546,660	147,047	377,328	44,584,777

Included within the net book value of £63,041,970 is £5,460,256 (£2013: £1,724,317) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £817,410 (2013: £496,231). The depreciation charged to the financial statements in the year in respect of capitalised finance costs amounted to £Nil (2013: £12,987).

Notes to the Financial Statements

For the year ended 31 December 2014

11. Fixed asset investments

	Investments in subsidiary companies
Company	**£**
Cost or valuation	
At 1 January 2014 and 31 December 2014	**49,838,084**
Net book value	
At 31 December 2014	**49,838,084**
At 31 December 2013	49,838,084

Details of the principal subsidiaries can be found under note number 27.

12. Stocks

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Finished goods for resale	**73,955**	138,501	**-**	-

13. Debtors

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Amounts owed by group undertakings	**-**	-	**7,957,091**	1,734,866
Other debtors	**474,010**	102,195	**7,620**	7,370
Prepayments and accrued income	**4,791,372**	3,905,082	**-**	-
Tax recoverable	**151,131**	-	**1,600**	-
Deferred tax asset (see note 16)	**-**	-	**-**	5,001
	5,416,513	4,007,277	**7,966,311**	1,747,237

Notes to the Financial Statements
For the year ended 31 December 2014

14. Creditors:
Amounts falling due within one year

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Net obligations under finance leases and hire purchase contracts	**1,553,113**	440,703	**-**	-
Trade creditors	**4,516,935**	1,830,608	**9,600**	44,221
Amounts owed to group undertakings	**-**	-	**101,741**	-
Corporation tax	**246,275**	-	**-**	-
Other taxation and social security	**-**	475,056	**-**	-
Other creditors	**-**	229,720	**-**	-
Accruals and deferred income	**7,060,962**	4,867,930	**7,500**	4,500
	13,377,285	7,844,017	**118,841**	48,721

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

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Bank loans	**40,879,422**	28,807,744	**-**	-
Loan notes	**18,000,000**	18,000,000	**908,084**	908,084
Net obligations under finance leases and hire purchase contracts	**4,232,657**	1,286,452	**-**	-
Accruals and deferred income	**4,818,099**	5,318,351	**145,816**	2,714,988
Share capital treated as debt (Note 17)	**-**	48,393,939	**-**	48,393,939
	67,930,178	101,806,486	**1,053,900**	52,017,011

Disclosure of the terms and conditions attached to the non-equity shares is made in note 17.

Notes to the Financial Statements

For the year ended 31 December 2014

15. Creditors:
Amounts falling due after more than one year (continued)

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Between one and five years	**4,232,657**	1,286,452	**-**	-

The group's bank borrowings are secured by way of fixed and floating charge over the group's assets.

The Phoenix, Bridges and management loan notes included within creditors greater than one year are redeemable on 13 June 2023 at a coupon rate of 10% and are made up of the following:

Bridges loan notes - £5,658,683
Phoenix loan notes - £11,433,233
Management loan notes - £908,084

16. Deferred taxation

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
At beginning of year/period	**(1,029,648)**	-	**5,001**	-
Other movements arising in the year	**(791,889)**	(1,029,648)	**(656,540)**	5,001
At end of year/period	**(1,821,537)**	(1,029,648)	**(651,539)**	5,001

The provision for deferred taxation is made up as follows:

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Accelerated capital allowances	**1,767,608**	874,390	**646,538**	-
Tax losses brought forward	**(2,638)**	-	**-**	-
Other timing differences	**56,567**	155,258	**5,001**	5,001
	1,821,537	1,029,648	**651,539**	5,001

Notes to the Financial Statements
For the year ended 31 December 2014

17. Share capital

	2014 £	2013 £
Shares classified as capital		
Allotted, called up and fully paid		
385,575 (2013 - 385,575) A Ordinary shares of £0.01 each	**3,856**	3,856
20,486 (2013 - 20,486) B Ordinary shares of £0.01 each	**205**	205
87,642 (2013: 87,642) C1 Ordinary shares of £0.04 each	**3,506**	3,506
48,393,939 Preference shares of £0.000001 each	**48**	-
87,963 (2013 - 57,963) C2 Ordinary shares of £0.01 each	**880**	580
6,895 (2013 - 6,895) C3 Ordinary shares of £0.01 each	**69**	69
	8,564	8,216
Shares classified as debt		
Allotted, called up and fully paid		
48,393,939 Preferences shares of £1 each	**-**	48,393,939

On 23 July 2014 the company's Articles of Association were amended such that its preference share capital was reclassified as equity share capital under UK accounting standards.

On 23 July 2014 the company issued 30,000 C2 ordinary shares of £0.01 each for consideration of £1 each.

18. Reserves

Group	Share premium account £	Profit and loss account £
At 1 January 2014	**550,345**	**(5,287,001)**
Loss for the financial year	**-**	**(3,262,545)**
Premium on shares issued during the year	**29,700**	**-**
Premium on shares reclassified as debt during the year	**48,393,891**	**-**
At 31 December 2014	**48,973,936**	**(8,549,546)**

Notes to the Financial Statements

For the year ended 31 December 2014

18. Reserves (continued)

Company	Share premium account £	Profit and loss account £
At 1 January 2014	550,345	(1,038,972)
Profit for the financial year	-	8,036,587
Premium on shares issued during the year	29,700	-
Premium on shares reclassified as debt during the year	48,393,891	-
At 31 December 2014	48,973,936	6,997,615

19. Reconciliation of movement in shareholders' funds

Group	2014 £	2013 £
Opening shareholders' deficit	(4,728,440)	-
Loss for the financial year/period	(3,262,545)	(5,287,001)
Shares issued during the year/period	348	8,216
Movement on share premium during the year	48,423,591	550,345
Closing shareholders' funds/(deficit)	40,432,954	(4,728,440)

Company	2014 £	2013 £
Opening shareholders' deficit	(480,411)	-
Profit/(loss) for the financial year/period	8,036,587	(1,038,972)
Shares issued during the year/period	348	8,216
Movement on share premium during the year	48,423,591	550,345
Closing shareholders' funds/(deficit)	55,980,115	(480,411)

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account.

The profit/(loss) for the year/period dealt with in the accounts of the company was £8,036,587 (2013 : loss of £1,038,972).

Notes to the Financial Statements

For the year ended 31 December 2014

20. Net cash flow from operating activities

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Operating profit	4,929,167	1,140,400
Exceptional items	(1,949,503)	-
Amortisation	3,677,005	2,023,339
Depreciation	5,477,377	2,191,254
Non-cash hedge borrowing	-	(18,727)
Decrease in stocks	64,547	106,619
(Increase)/decrease in debtors	(1,402,371)	385,579
Increase/(decrease) in creditors	4,234,787	(343,242)
Net cash inflow from operating activities	15,031,009	5,485,222

21. Analysis of cash flows for headings netted in cash flow statement

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Returns on investments and servicing of finance		
Interest received	19,653	6,801
Interest paid	(4,671,605)	(771,184)
Hire purchase interest	(315,264)	-
Net cash outflow from returns on investments and servicing of finance	(4,967,216)	(764,383)

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(20,951,372)	(5,403,804)
Sale of tangible fixed assets	1,007,549	-
Net cash outflow from capital expenditure	(19,943,823)	(5,403,804)

Notes to the Financial Statements

For the year ended 31 December 2014

21. Analysis of cash flows for headings netted in cash flow statement (continued)

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Acquisitions and disposals		
Purchase of The Gym Ltd shares from shareholders	-	(26,819,633)
Cash acquired with subsidiary	-	3,985,569
Net cash from acquisitions and disposals	-	(22,834,064)

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Financing		
Issue of ordinary shares	**30,000**	280,421
New secured loans	**8,500,000**	31,000,000
Loan notes issued	**3,079,890**	11,433,233
Repayment of loans	-	(45,610,367)
Repayment of other loans	-	(234,149)
Shares treated as debt - Issued	-	30,738,846
Net cash inflow from financing	**11,609,890**	27,607,984

22. Analysis of changes in net debt

	1 January 2014 £	Cash flow £	Other non-cash changes £	31 December 2014 £
Cash at bank and in hand	4,090,955	1,485,366	-	5,576,321
Debt:				
Debts due within one year	(440,703)	(41,629,678)	40,517,268	(1,553,113)
Debts falling due after more than one year	(96,488,135)	30,049,788	3,326,268	(63,112,079)
Net debt	(92,837,883)	(10,094,524)	43,843,536	(59,088,871)

Notes to the Financial Statements

For the year ended 31 December 2014

23. Capital commitments

At 31 December 2014 the group and company had capital commitments as follows:

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Contracted for but not provided for in these financial statements	**3,393,965**	3,951,991	**-**	-

24. Operating lease commitments

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2014	2013	**2014**	2013
Group	**£**	£	**£**	£
Expiry date:				
Within 1 year	**-**	-	**187,964**	-
Between 2 and 5 years	**-**	-	**2,368,448**	3,615,459
After more than 5 years	**9,334,182**	6,811,189	**-**	-

25. Related party transactions

Phoenix Equity Partners Limited, the Group's ultimate controlling party by virtue of its majority shareholding in The Gym Group Holdings Ltd, charged the group £nil (2013: £729,067) in consultancy fees, £101,912 (2013: £36,851) monitoring fees, £nil (2013: £1,692,742) interest on preference shares and £1,206,284 (2013: £629,611) interest on loan notes.

As at 31 December 2014 Phoenix Equity Partners Limited held £11,433,233 of 10% loan notes in The Gym Group MidCo1 Ltd and £30,738,846 10% preference shares in The Gym Group Holdings Ltd. At the year end the group owed £nil (2013: £44,221) in monitoring fees, £nil (2013: £1,692,742) interest on preference shares and £1,835,895 (2013: £629,611) interest on loan notes to Phoenix Equity Partners Limited.

Phoenix Equity Partners (Guernsey) Limited, a company in the same Group as Phoenix Equity Partners Ltd, charged the group £nil (2013: £611,341) in fees relating to the group restructure and refinancing of 13 June 2013. At the year end the group had no outstanding liability with Phoenix Equity Partners (Guernsey) Limited.

Bridges Ventures, minority shareholder in The Gym Group Holdings Limited, charged the company £30,000 (2013: £30,175) in respect of monitoring fees and out of pocket expenses in the year, of which £nil (2013: £nil) was outstanding at year end.

During the year Bridges Ventures charged the group £597,030 (2013: £925,160) interest on loan stock and £nil (2013: £837,794) interest on its preference shares.

As at 31 December 2014 Bridges Ventures held £5,658,683 loan notes in The Gym Group MidCo1 Ltd and £15,213,663 10% preference shares in The Gym Group Holdings Limited. As at 31 December 2014, Bridges Ventures was owed £908,645 (2013: £311,615) of interest on the loan notes and £nil (2013: £837,794) of interest on the preference shares as well as £nil (2013: £171,575) in deferred consideration for purchase of their shares in The Gym Ltd by the group.

J Treharne, a director of the company, owns £1,759,780 preference shares in the Company. No interest was payable on these (2013: £96,908) during the period. As at 31 December 2014 J Treharne was owed £nil (2013: £96,908) in interest on preference shares and £nil (2013: £20,517) in deferred consideration on purchase of his shares in The Gym Ltd by The Gym Group Ltd on 13 June 2013.

P Gilbert, a director of the company, owns £345,106 10% preference shares in the Company. No interest was payable on these during 2014 (2013: £19,004 payable). At 31 December 2014 £nil (2013: £19,004) was owed to P Gilbert.

A Mathews, a director of the company, owns £336,544 10% preference shares in the Company. Interest of nil (2013: £18,533) was payable during the period and nil (2013: £18,533) was owed to A Mathews at 31 December. A Mathews was also owed £nil (2013: £4,103) in deferred consideration on purchase of his shares in The Gym Ltd by The Gym Group Ltd on 13 June 2013.

During the year the company was charged £5,270,283 (2013: £2,510,297) for services from Closewall Limited, a company under the control of a family member of a director, J Treharne. At the year end £467,396 (2013: £353,531) was owed to Closewall Limited by the Company.

During the year the company was charged £7,753 (2013: £3,222) for goods purchased from C Treharne who is a family member of a director, J Treharne. At the year end there was £536 (2013: £500) owed to C Treharne.

Notes to the Financial Statements
For the year ended 31 December 2014

26. Controlling party

Phoenix Equity Partners Limited is the Group's ultimate controlling party by virtue of its majority shareholding in The Gym Group Holdings Limited.

27. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
The Gym Group Midco1 Limited	England	100	Directly owned
The Gym Group Midco2 Limited	England	100	Indirectly owned
The Gym Group Limited	England	100	Indirectly owned
The Gym Limited	England	100	Indirectly owned