The Gym Group Limited
Notes to the financial statements (continued)

1 General information

The Gym Group Limited, previously named The Gym Group Holdings Limited ("Company"), is incorporated and domiciled in the United Kingdom with company number 08528493 The registered address of the Company is the Woodbridge House, Woodbridge Mews, Guildford Surrey, United Kingdom, GU11BA

2 Summary of significant accounting policies

A summary of the significant accounting policies is set out below, these have been applied consistently in the financial period

Statement of compliance and basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101 and with those parts of the Companies Act 2006 applicable to companies reporting under FRS101 The financial statements of the Company are included in the Company's consolidated financial statements which can be obtained from the Company's registered office

The financial statements are presented in sterling (£'000')

These financial statements are the first financial statements of the Company to be prepared in accordance with FRS 101 The last financial statements for the year ended 31 December 2014 have not been restated in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") on adoption of FRS 101 in the current year as no material adjustments have arisen as a result of the transition from old UKGAAP to FRS101 As such the disclosures required by IFRS 1 concerning the transition to FRS 101 are not applicable

However, in preparing these financial statements the Directors have recognised the following restatements by way of prior year adjustment

(a) Interest of £5,197,000 accrued up to 23 July 2014 on the preference shares prior to the change in their terms (see note 9) and waived by the shareholders at that time was originally credit against interest payable and similar costs in the year ended 31 December 2014 The Directors have reassessed that given the circumstances relating to this waiver that this was a transaction with the shareholders and should be credited directly to reserves While net assets of the Company are unaffected, the profit before and after tax of the Company for the year ended 31 December 2014 has been reduced by £5,197,000,
(b) A deferred tax charge of £657,000 recognised in the 2014 financial statements has subsequently been identified by the directors as incorrectly recognised The reversal of this charge has reduced the 2014 tax charge to £nil, increased profits after tax for the year ended 31 December 2014 by £657,000, with a consequential decrease in the deferred tax liability at 31 December 2014 and an increase in net assets of that amount,
(c) Amounts owed from a subsidiary undertaking of £7,964,000 presented as current in the 31 December 2014 balance sheet have been now been correctly presented as non-current reflecting their maturity term

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

(a) the requirements of IFRS 7 Financial Instruments,
(b) the requirements of paragraph 97 of IFRS 13 Fair Value Measurement,
(c) the requirements of IAS 7 Statement of Cash Flows,
(d) the requirements of paragraphs 10(d), 111 and 134 to 136 of IAS 1 Presentation of Financial Statements,
(e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors,
(f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures, and
(g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Company's accounting policies The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 (Critical accounting estimates and judgements)

The Gym Group Limited
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Going Concern

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

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

2 Summary of significant accounting policies *(continued)*

Investments

On initial recognition, investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid Where consideration is paid by way of shares, the excess of fair value of the shares over nominal value of those shares is recorded in share premium Where consideration is paid by way of cash, this is recognised as an increase to investments in subsidiaries Investments in subsidiaries are reviewed for impairment at each balance sheet date with any impairment charged to the income statement

Interest income

Interest income is the interest earned on cash held in bank accounts and is recognised in the accounts on an accruals basis

Financial Instruments

Financial Assets
The Company classifies its financial assets as loans and receivables Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets The Company's loans and receivables comprise Debtors and cash and cash equivalents in the balance sheet Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement

Financial liabilities
The company initially recognises its financial liabilities at fair value and subsequently they are measured at amortised cost using the effective interest method

Impairment of financial assets
An assessment of whether there is objective evidence of impairment is carried out for all financial assets at the balance sheet date This assessment may be of individual assets ('individual impairment') or of a portfolio of assets ('collective impairment') A financial asset is considered to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated

For individual impairment the principal loss event is one or more missed payments, although other loss events can also be taken into account, including arrangements in place to pay less than the contractual payments, fraud and bankruptcy or other financial difficulty indicators An assessment of collective impairment will be made of financial assets with similar risk characteristics For these assets, portfolio loss experience is used to provide objective evidence of impairment

For financial assets carried at amortised cost, the charge to the income statement reflects the movement in the level of provisions made, together with amounts written off net of recoveries in the period

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Board of Directors Dividends are paid at the discretion of the Board of Directors

2 Summary of significant accounting policies *(continued)*

Current taxation

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

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

Deferred taxation

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

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

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

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

3 Significant accounting judgements, estimates and assumptions

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

Critical accounting estimates and assumptions

There are no critical estimates or assumptions within these financial statements

The Gym Group Limited
Notes to the financial statements (continued)

4 Profit of Parent Company

As permitted by s408 of the Companies Act 2006, the company's profit and loss account is not presented as part of these accounts The parent company's profit for the financial period amounted to £1,989,759 (year ended 31 December 2014 - £3,496,126 restated)

5 Investments

	2015 £'000'	2014 £'000'
Investments in subsidiary undertaking at cost	**49,838**	**49,838**

The principal subsidiaries of the Group are as follows

Company	Principal activity	Country of incorporation	Holding %
The Gym Group Midco 1 Limited	Holding Company	United Kingdom	100%
The Gym Group Midco 2 Limited	Holding Company	United Kingdom	100%
The Gym Group Operations Limited	Holding Company	United Kingdom	100%
The Gym Limited	Fitness Operator	United Kingdom	100%

Other than the investment in The Gym Group Midco1 Limited all of these investments are held by subsidiaries

6 Debtors

	2015 £'000'	2014 £'000' Restated
Due within one year		
Corporate and other taxes	-	2
Other debtors and prepayments	28	-
	28	**2**
Due after more than one year		
Deferred tax	5	5
Loan to subsidiary undertaking	10,206	7,964
	10,239	**7,971**

On the 16 December 2013 the Company entered into an agreement with its subsidiary undertaking The Gym Group Midco1 Limited to provide a 5 year, £53 million revolving credit facility There is a variable annual interest rate of 10% per annum above LIBOR, accrued daily The principal and accrued interest are repayable on the expiration of the facility

7 Creditors amounts falling due within one year

	2015 £'000'	2014 £'000'
Amount due to subsidiary undertaking	264	102
Trade creditors	26	10
Other creditors & accruals	47	7
	337	**119**

8 Creditors amounts falling due after more than one year

	2015 £'000'	2014 £'000'
Shareholder loans	908	908
Accruals and deferred income	198	146
	1,106	**1,054**

9 Issued capital and reserves

The movements in the called up share capital and share premium account are set out below

Called up, authorised, allotted and fully paid	As at 31 December 2014 £'000'	6 months ended 30 June 2015 £'000'
Preference shares of £1 each	-	-
Preference shares of £0 0001 each	-	-
'A' Ordinary shares of £0 01 each	4	4
'B' Ordinary shares of £0 01 each	-	-
'C1' Ordinary shares of £0 04 each	4	4
'C2' Ordinary shares of £0 01 each	1	1
'C3' Ordinary shares of £0 01 each	-	-
	9	9
Reclassified Preference shares	-	-
Total	**9**	**9**

The number of ordinary shares in issue is set out below

	Number	Number
Preference shares of £1 each	-	-
Preference shares of £0 000001 each	48,393,939	48,393,939
'A' Ordinary shares of £0 01 each	385,575	385,575
'B' Ordinary shares of £0 01 each	20,486	20,486
'C1' Ordinary shares of £0 04 each	87,642	87,642
'C2' Ordinary shares of £0 01 each	87,963	95,463
'C3' Ordinary shares of £0 01 each	6,895	6,895
'C4' Ordinary shares of £0 02 each	50	50

The movements in shares occurred on following dates set out below

	Number	Number
23 July 2014	-	-
Issue of 'C2' Ordinary shares of £0 01	30,000	-
3 March 2015		
Issue of 'C2' Ordinary shares of £0 04 each	-	5,350
22 April 2015		
Issue of 'C2' Ordinary shares of £0 04 each	-	2,150

All shares rank pari passu in all respects other than outlined below

The Gym Group Limited

Prior to 23 July 2014

The A Ordinary Shares, B Ordinary Shares and C Ordinary shares shall rank pari passu among themselves, but they constitute separate class of share All shares carry equal voting rights with the exception of holders of 'C3' Ordinary shares' who shall have five votes in respect of each share provided that the 'A' Ordinary class of shares shall never have less than 82 38% of the total voting rights

Preference Shares or Roll-out Preference shares shall rank ahead of the Ordinary Shares for all purposes The Preference shares and Roll-out preference shares shall accrue a fixed cumulative preferential dividend at an annual rate of 10% and 12% respectively of the Issue Price per share, compounded annually on each anniversary This accrued dividend shall become due and payable immediately prior to Sale or Listing but shall not otherwise become payable without the consent of holders of 75% of the Preference and Roll-out preference shares

On the return of capital on liquidation or otherwise, the surplus assets of the Company shall be applied in the following order

- Each Preference share and Roll-out preference share holder shall receive 100% of the Issue Price thereof together with the aggregate amount of any accruals and/or unpaid amounts of dividend,
- £1 in aggregated to all holders of deferred shares,
  The balance shall be distributed prorate amongst each holder of 'A' Ordinary Shares, 'B' Ordinary Shares and C1, C2 and C3 Ordinary, subject to allocating 39 38% of the amounts allocated to holders of C1,C2 and C3 Ordinary shares to holders of 'A' and 'B' ordinary shares

As a result of the repayment terms attaching to the Preference shares and Roll-out preference shares these instruments have been treated as debt instruments

Post to 23 July 2014
The Articles of Association were amended on this date in respect of the repayment of the fixed preferential dividend on the Preference and Roll-out preference shares as follows

'All accruals of Preference share and Roll-out preference share dividend shall become payable at the sole discretion of the board'

As a result of the change in repayment terms attaching to the Preference shares and Roll-out preference shares these instruments have been reclassified from debt to equity