

The Gym Group Midco2 Limited

Annual report and financial statements for the year ended 31
December 2017

Registered number 08530623

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The Gym Group Midco2 Limited

Company Information

Directors	R Darwin J Treharne
Registered number	08530623
Registered office	5 th floor No. 1 Croydon 12-16 Addiscombe Road Croydon CR0 0XT
Independent auditor	Ernst & Young LLP 16 Bedford Street Belfast BT2 7DT

The Gym Group Midco2 Limited

Directors' Report

for the year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Future developments

The directors expect the Company to continue in its activity as an intermediate holding company.

Financial instruments

The Company finances its activities with intercompany debt. Details of the related financial risks to which the Company is exposed to are given in the Strategic Report.

Directors

The directors who served during the year were:

R Darwin
J Treharne

Going concern

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.

Subsequent events

On 28 and 29 March 2018 the Company declared and paid dividends of £1.7 m and £1.2 m respectively.

Auditors

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

Disclosure of information to auditors

Having made enquiries of fellow directors and of the Company's auditors, each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



R Darwin
Director
5 July 2018

The Gym Group Midco2 Limited
Strategic Report
for the year ended 31 December 2017

The Directors present their strategic report for the year ended 31 December 2017.

Business review

The Company has acted as an intermediate holding company throughout the current and prior year.

The loss for the year, after taxation, is £3,000 (2016: Profit £2,495,800). The directors do not recommend a final dividend (2016: nil).

On the 21 December the Company issued 2,800,000 shares of £0.01 each as part of an intergroup debt capitalisation totalling £28,000,000. In addition the Company accepted a debt equity swap converting £28,000,000 of intercompany loans granted to The Gym Group Operations Limited.

Principal risks and uncertainties

As an intermediate holding company the principal risk faced by the Company is credit risk associated with intercompany balances. Recoverability of intercompany balances is reviewed at least annually.

By order of the board



R Darwin

Director

5 July 2018

The Gym Group Midco2 Limited

Statement of Directors' Responsibilities

for the year ended 31 December 2017

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 of the profit or loss for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Gym Group Midco2 Limited

Independent Auditor's Report

to the members of The Gym Group Midco2 Limited

for the year ended 31 December 2017

Opinion

We have audited the financial statements of The Gym Group Midco 2 Limited for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

The Gym Group Midco2 Limited

Independent Auditor's Report

to the members of The Gym Group Midco2 Limited

for the year ended 31 December 2017

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <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

Ernst & Young LLP

Michael Christie (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast

Date 5/7/18

Belfast

The Gym Group Midco2 Limited
Statement of Comprehensive Income
for the year ended 31 December 2017

	Note	31 December 2017 £	31 December 2016 £
Administration expenses		(3,000)	(4,200)
Operating loss	4	(3,000)	(4,200)
Dividend income		-	2,500,000
Finance costs		-	-
Finance income		-	-
(Loss) / profit before tax		(3,000)	2,495,800
Tax charge	5	-	-
(Loss) / profit for the year attributable to equity shareholders		(3,000)	2,495,800
Other comprehensive income for the year		-	-
Total comprehensive (loss) / income attributable to equity shareholders		(3,000)	2,495,800

The Gym Group Midco2 Limited
Statement of Financial Position
as at 31 December 2017

	Note	31 December 2017 £	31 December 2016 £
<i>Non-current assets</i>			
Investments in subsidiaries	6	156,151,301	128,151,301
<i>Current assets</i>			
Trade and other receivables	7	7,732,857	7,738,199
Total assets		163,884,158	135,889,500
<i>Current liabilities</i>			
Trade and other payables	8	7,639,557	7,641,899
Total liabilities		7,639,557	7,641,899
Net assets		156,244,601	128,247,601
<i>Capital and reserves</i>			
Issued capital	9	28,002,876	2,876
Share premium	10	281,608	281,608
Retained earnings	10	127,960,117	127,963,117
Total equity shareholders' funds		156,244,601	128,247,601

These financial statements were approved by the Board of Directors on 5 July 2018.

Signed on behalf of the Board of Directors



R Darwin

Director

Company Registration Number 08530623

The Gym Group Midco2 Limited
Statement of Changes in Equity
For the year ended 31 December 2017

	Issued Capital	Share Premium	Retained earnings	Total
	£	£	£	£
At 1 January 2016	2,876	281,608	127,967,317	128,251,801
Profit for the year and other	-	-	2,495,800	2,495,800
Dividends paid (note 11)	-	-	(2,500,000)	(2,500,000)
At 31 December 2016	2,876	281,608	127,963,117	128,247,601
Profit for the year and other	-	-	(3,000)	(3,000)
Issue of Ordinary share capital	28,000,000	-	-	28,000,000
At 31 December 2017	28,002,876	281,608	127,960,117	156,244,601

The Gym Group Midco2 Limited

Notes to the financial statements for the year ended 31 December 2017

1. General information

The Gym Group Midco2 Limited ('the Company') was incorporated on 15 May 2013. It is domiciled in the United Kingdom with company number 08530623. The registered address of the Company is 5th floor, No.1 Croydon, 12-16 Addiscombe Road, Croydon, CR0 0XT.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of The Gym Group plc. The group accounts of The Gym Group plc are available to the public and can be obtained from www.tggplc.com.

2. Summary of significant accounting policies

Statement of compliance and basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and in accordance with applicable accounting standards. A number of new European Union endorsed standards and amendments to existing standards are effective for periods beginning on or after 1 January 2017. None of these have a material, if any, impact on the financial statements of the Company in 2017. The financial statements are presented in Pounds Sterling and all values are rounded to the nearest Pound, except where otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of The Gym Group plc.

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

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraph 91 to 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) the requirements of paragraphs 10(d), 10(f), 16, 39(c), 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.

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.

Investments in subsidiaries

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.

The Gym Group Midco2 Limited

Notes to the financial statements for the year ended 31 December 2017

2. Summary of significant accounting policies (continued)

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 'trade and other receivables' 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. 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.

Finance costs

Finance costs relating to borrowings are recognised in the income statement in the period in which they are incurred.

Finance income

Interest income is recognised on an accruals basis.

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.

The Gym Group Midco2 Limited

Notes to the financial statements

for the year ended 31 December 2017

2. Summary of significant accounting policies *(continued)*

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 on an undiscounted basis 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 FRS 101 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. However, the nature of estimation means that actual outcomes could differ from those estimates.

The carrying value, and any potential impairments, of investments in subsidiaries and loans and receivables is considered to be a critical judgement. The recoverable amount of these balances is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a pre-tax discount rate in order to calculate the present value of the cash flows.

4. Operating loss

Operating loss is stated after charging:

	2017	2016
	£	£
<i>Auditors' remuneration</i>		
Audit of the financial statements	3,000	3,000

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated financial statements of The Gym Group plc.

The Gym Group Midco2 Limited

Notes to the financial statements for the year ended 31 December 2017

5. Taxation

There was no tax charge in the current or prior year.

Reconciliation of income tax charge:

	2017 £	2016 £
(Loss) / profit before tax	(3,000)	2,495,800
Tax calculation at standard rate of corporation tax of 19.25% (2016: 20.00%)	(578)	499,160
Expenses not deductible for tax purposes	-	-
Non-taxable income	-	(500,000)
Group relief surrendered	578	840
	<u>-</u>	<u>-</u>

The Finance Act 2015 maintained the main rate of corporation at 20% for the financial year commencing on 1 April 2016 and confirmed a future rate reduction to 19% commencing on 1 April 2017. The 2016 Finance Bill announced a further rate reduction to 17% from 1 April 2020. Therefore, a blended tax rate of 19.25% (2016: 20.00%) has been applied in calculating the income tax charge. Deferred tax assets and liabilities have been measured at the rate expected to be in effect when the deferred tax asset or liability reverses.

The Gym Group Midco2 Limited

Notes to the financial statements for the year ended 31 December 2017

6. Investments in subsidiaries

	£
At 1 January 2016 and 1 January 2017	128,151,301
Capitalisation of intercompany loan balances	28,000,000
At 31 December 2017	156,151,301

On 21 December 2017 The Gym Limited issued share capital to the Company in consideration for the extinguishing of intercompany debt.

The subsidiaries of the Company are as follows:

Company	Principal activity	Country of incorporation and principal place of business	Proportion of voting rights and shares held %
The Gym Group Operations Limited	Holding Company	United Kingdom	100%
The Gym Limited	Fitness Operator	United Kingdom	100%*
Derwent Fitness North West Limited	Fitness Operator	United Kingdom	100%*
Derwent Fitness Gym Services Limited	Fitness Operator	United Kingdom	100%*

* Indirectly held

The Company holds no listed investments. The registered office of the subsidiaries is No.1 Croydon, 12-16 Addiscombe Road, Croydon, CR0 0XT.

7. Trade and other receivables

	2017 £	2016 £
Amounts owed by group undertakings	7,732,857	7,738,199
	7,732,857	7,738,199

8. Trade and other payables

	2017 £	2016 £
Accruals and deferred income	3,000	5,342
Amounts owed to group undertakings	7,636,557	7,636,557
	7,639,557	7,641,899
Due in less than one year	7,639,557	7,641,899
Due in more than one year	-	-
	7,639,557	7,641,899

The Gym Group Midco2 Limited

Notes to the financial statements for the year ended 31 December 2017

9. Issued share capital

	2017 £	2016 £
<i>Authorised, allotted, called up and fully paid</i>		
2,800,284,453 Ordinary shares of £0.01 each	28,002,845	2,845
31,212,314 Preference shares of 0.00001 pence each	31	31

On 21 December 2017 the share capital of the Company was increased following the capitalisation of £28,000,000 of intercompany debt following the issuance of 2,800,000,000 Ordinary shares of £0.01 each.

Each Ordinary share carries one voting right. Preference shares carry no voting rights.

The Directors do not recommend a final dividend.

10. Reserves

Issued capital

The balance of issued capital comprises the nominal value of Ordinary shares issued.

Share premium

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

Retained earnings

Retained earnings comprises cumulative comprehensive income and losses less equity dividends paid.

11. Ultimate group undertaking

The Company's immediate parent undertaking is The Gym Group Midco1 Limited.

The Company's ultimate parent undertaking is The Gym Group plc. The company is included within these group accounts which are publicly available from www.tggplc.com.

12. Subsequent events

On 28 and 29 March 2018 the Company declared and paid dividends of £1.7 m and £1.2 m respectively.