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Gymshark Group Limited

Reports and Financial Statements

For the year ended 31 July 2022

Company Registration No. 12711328

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Company information

Directors	B Francis S Hewitt M Akar S Cartwright
Company secretaries	C Reed Gateley Secretaries Limited
Registered number	12711328
Registered Office	GSHQ Blythe Valley Park 3 Central Boulevard Solihull United Kingdom B90 8AB
Independent auditors	Ernst & Young LLP One Colmore Square Birmingham B4 6HQ

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Strategic Report

For the year ended 31 July 2022

The Directors present their Strategic Report for Gymshark Group Limited ("the Company") and its subsidiary undertakings (together ("the Group")) for the period ended 31 July 2022.

Principal Activities and Review of Business

The Company is the ultimate parent company of Gymshark LTD ("GL") and Gymshark USA Inc ("GUSA"), being the two trading entities within the Group. GL owns the entire issued share capital of GUSA and accounts for the trade and costs associated with the Group's domestic and international operations ("International", excluding the United States of America ("USA")) and central functions. GUSA is responsible for trade in the USA ("US"). In the prior year, GL accounted for all worldwide trade, excluding the last two trading weeks in the US region, which was accounted for in GUSA. The Company does not trade.

The principal activity of both GL and GUSA during the period was trading as a Direct to Consumer ("D2C") brand, selling fitness and conditioning apparel and associated accessories through e-commerce channels. The Group 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 Group 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, including rising raw materials, fuel and labour costs and 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 Group has continued to grow its sales both in the International and US regions. The Group remains profitable, though margins have been affected by the general economic environment.

During the year, GL 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 overall strategy of the Group remains to continue increasing 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

The Group started its regionalisation process and has made further investments in its US team during the year. As part of this regionalisation process to improve cross functional working and to ensure efficiencies, in April 2022 a 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 Group's private equity minority shareholder).

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Strategic Report (continued)

For the year ended 31 July 2022

Key Performance Metrics

The Directors of the Group closely monitor a range of KPIs. The principal KPIs relate to growth and profitability and include the following: revenue, which has increased by 21% to £484.5 million (2021: 54% to £401.9 million); gross profit margin which was 65% (2021: 70%); and profit before tax which decreased during the year to £27.8 million from £45.4 million. Despite an increase in revenue, the decrease in profit before tax was driven by increased discounting, one-off costs with setting up the US distribution centres, restructuring costs, Regent Street pre-opening costs as well as continued investment in people and technology.

The Directors monitor other KPIs which show that for the period ended 31 July 2022:

Orders increased by 13.9% (2021: 53%)
Units sold increased by 27.5% (2021: 63%)
Conversion* increased by 10bps (2021: 84bps)
International sales increased by 16.7% (2021: 47%)

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

ESG Review

Board and committees

The Group continued to invest into environmental, social and governance issues during the year ended 31 July 2022.

Oversight and ultimate accountability for the Group's operations sits with the board of the Company and its three sub-committees. The board has scheduled quarterly meetings each year, but ad hoc meetings are arranged as needed. During the year, the Directors recognised the importance of widening the board's skillset and of embracing a diversity of representation. Accordingly, special advisers were chosen to add different perspectives to the board's discussions. After the year end, one of these advisers, Stacey Cartwright, was formally appointed as an independent, non-executive director of the Group. The board now consists of five directors, of which three are non-executive directors, including the Group's former executive chairman, Steve Hewitt, who become a non-executive director with effect from 1 August 2022.

The board intends to put in place a formal training programme for the statutory directors over the next financial year. The programme will include climate change training as well as other topics relating to ESG.

The Group's audit and risk committee formally met twice during the financial year. This committee is now chaired by Stacey Cartwright and its members comprise two non-executive directors and one executive director.

The Group's remuneration committee formally met twice during the financial year. Its members comprise two non-executive directors and one executive director.

The Group's nomination and corporate governance committee formally met three times during the financial year. Its members comprise two non-executive directors and one executive director.

These sub-committees are being developed and will have more influence on operational decision-making in the next financial year.

Operational matters within the Group continue to be managed by monthly meetings of the C-suite which are chaired by the CEO. These meetings are supplemented by other cross-functional steering groups, which include a compliance committee and projects and investments committee.

Strategic Report (continued)

For the year ended 31 July 2022

Sustainability and people

The sustainability team and people team are responsible for external and internal social capital issues. These teams engage appropriate external advice where required.

The sustainability team's focus is on social issues within the Group's supply chain, including anti-modern slavery and human rights protection. The restrictions caused by the Covid-19 pandemic prevented the team from conducting supplier and potential supplier visits, but the relaxation of these restrictions will mean that greater travel is allowed, and in depth, personal meetings will resume.

The people team focuses on employee engagement and incentivisation, recruitment and diversity, equity and inclusivity issues as well as gender and disability pay gap reporting. The business remains committed to the health and well-being of its employees. Employees are offered a range of benefits which include: annual free health checks and for those employees in the UK free access to the group's gym and subsidised meals. The business actively encourages its employees to take at least one day a year away from the business to contribute to charitable causes.

The effective management and planning of environmental issues continues to be a priority for the Group's sustainability team.

The sub-sector the Group operates in is increasingly the subject of attention from law-makers and regulators alike. The sustainability team spends time researching and reporting on potential and actual legislation which may affect the areas and manner in which the Group trades. The Group also participates in relevant governmental consultations where it has an interest in so doing.

Protecting the planet through climate action is one of the pillars of the Group's sustainability strategy. The Group has previously committed to a 50% reduction in carbon and a 30% reduction in waste water in accordance with the Textiles 2030 initiative. During this financial year, the Group submitted its carbon reduction targets to the Science Based Targets initiative and had these targets approved in May 2022 (54% per unit reduction in scope 3 greenhouse gases ("GHGs") by 2030 based on a base line of 2021). The directors believe this is a positive commitment which will help to drive a focus and a reason for change throughout the Group's business operations.

The Group also recognised that it will fall within the scope of the Financial Stability Board's taskforce on climate-related financial disclosure regime ("TCFD"). Accordingly, external advisers were engaged to train key internal stakeholders within the business on TCFD and to devise an appropriate framework for assessing and managing physical and transition risks and opportunities within the business and its supply chain. A separate report on TCFD will be prepared and published on the Group's corporate website in the next twelve months.

As part of the Group's other initiatives, a letter of intent has been signed with BSI to achieve certification in accordance with ISO14001:2015, Environmental Management Audit, by the end of the next financial year. The Group intends to achieve a *Very Good* rating on its buildings in accordance with the Building Research Establishment Environmental Assessment Method standards by the end of 2023.

Strategic Report (continued)

For the year ended 31 July 2022

Principal Risks & Uncertainties

Risk management framework

Over the past 12 months, Gymshark has continued to evolve its internal governance and risk management process. Ultimate accountability and oversight of risk management sits with the board of the Company which meets quarterly. The board has delegated detailed risk management reviews to the audit and risk committee ("ARC") which meets quarterly. The ARC was originally set up with a majority of executive directors but is now led by a majority of non-executive directors.

The primary body which monitors risk is the compliance committee which meets monthly. This body consists of three members of the C-suite and other executives who have relevant subject matter expertise.

The compliance committee is chaired by the Company Secretary and has set a risk management strategy, appetite and tolerance, the terms of which have been considered and approved by the ARC. The compliance committee's terms of reference ("TOR") include specific consideration of five material risk areas which form part of a standing agenda item for the monthly meetings. The TOR enable this committee to give advice, to conduct internal investigations and to act as an independent reporting line for the business's subject matter experts.

The compliance committee is able to escalate issues to monthly meetings of the C-suite, the ARC or the board of the Company, depending upon the materiality of the issue.

The Company Secretary maintains Gymshark's corporate risk register which is supplemented by heat map identifying and scoring the material risk items. The corporate risk register details current and known risks as well as emerging risks. Detailed risk registers are also maintained by subject matter experts in each of the relevant business functions.

The principal challenge for the next financial year is to embed risk management at all levels in the business by ensuring that each business function reports regularly to the compliance committee and maintains and shares its functional risk registers. The compliance committee also intends to measure and report on changes to its assessment of the principal risk areas.

The principal risks during the last financial year are set out below.

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 the Group'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, the Group's consumer base is affected by many of the same macroeconomic issues which impact businesses. These economic issues can put discretionary spend under pressure. The Group is also in a highly competitive sector.	The Group mitigates its exposure to macroeconomic factors in a number of ways: - the Group benefits from a young customer demographic, which is generally considered to be less susceptible to drops in discretionary spend, as an older demographic; - the Group's products are offered at an accessible price point; and - the Group's D2C, primarily online business model means that central overheads are more controllable than those of retailers with significant real estate footprints. The board and C-suite constantly monitor macroeconomic trends.
Cyber threats and technology risks	The threat posed by cyber-attacks remains high for all tech enabled businesses. Customers of online retailers have high expectations for the experience and functionality of the ecommerce channels they use.	The Group 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 Group has also invested in training programmes to educate its staff on the latest trends in cyber-attacks and bad actors. The Group is aware of these expectations and continues to invest in the technology supporting its customer proposition.
Compliance risks	The Group 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	The risk to the Group is managed as follows:

Strategic Report (continued)

For the year ended 31 July 2022

Principal risk	Risk description / explanation	Risk mitigation / action
	compliance with data use and privacy regulations and due diligence on vendors in the Group's supply chain.	- by subject matter experts on compliance, for example on data governance, ethical issues and labelling; - the Group's in-house legal team includes a dedicated data and privacy lawyer and a compliance expert; and - the use of external counsel and professional advisers and membership and affiliations with leading global trade bodies where the Group requires additional support.
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 Group 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. The Group diversified its vendor base a couple of years ago and is not dependent upon a single vendor or any one region. The Group continues to build strong relationships with its key suppliers and the relaxation of the Covid-19 restrictions should lead to more in person visits.
Climate change and environment	During the last twelve months, the world's governments and NGOs have renewed their focus on the impact of climate change. 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.	The 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. The Group 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 Group carried out a quantitative scenario analysis on three of the most significant risks.

Strategic Report (continued)

For the year ended 31 July 2022

Principal risk	Risk description / explanation	Risk mitigation / action
Foreign exchange exposure	The Group 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 Group's presentational currency is Pound Sterling. This exposure could have a negative impact on profitability.	The Group 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 Group 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 Group has an internal tax team, including experts on corporate and indirect taxes and duties. In addition, the Group instructs leading experts on global taxes to give advice on areas where the internal tax team requires support.
Talent	The success of the Group is to a large extent dependent upon the skill, motivation and cohesion of its employees. The market for talent in the United Kingdom and the United States has been particularly competitive since COVID-19. The Group is particularly mindful of retaining its senior leaders to enable it to continue to grow in a sustainable and innovative way.	The Group has its own in-house recruitment and pay and perks teams within the People function. The Group 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.

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.

During the period to 31 July 2022, the directors have committed to improve the corporate governance within the Group, providing greater structure and consistency to processes and decision-making. Further detail is provided in the ESG Report.

The Group'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.

The directors provide scrutiny and oversight to the strategy and performance of the Group, focusing on trading, brand performance, product development, people and our community and the strength of the Group's internal controls and systems. The board was strengthened by the appointment of Melis Kahya Akar as its first non-executive director in September 2020 and by the involvement of special advisers and observers from General Atlantic.

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	Our customers are essential to our performance and are ultimately the reason that we exist. We acknowledge that relationships with our suppliers are important to our financial performance – they provide us with products and services we need to operate the business. We aim to be a responsible business and achieve our sustainability objectives to positively impact local communities.
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 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 the Group's key decision-making.

Strategic Report (continued)

For the year ended 31 July 2022

Principal decision taken in FY22 and headline rationale	Relevant Stakeholder	Considerations	Impacts
Launching a flagship retail store on Regent Street: First time decision to become multi-channel	Our community	The success and enthusiasm for our in-real life events has demonstrated 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	The Group 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 Group. 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 Group has not had to face before. The Group has put in place mitigation strategies to deal with this and to protect the staff in store.

Strategic Report (continued)

For the year ended 31 July 2022

Principal decision taken in FY22 and headline rationale	Relevant Stakeholder	Considerations	Impacts
Launching a flagship retail store on Regent Street (continued):	Our shareholders	The flagship store has required significant investment in both capital expenditure and operating expenditure.	Over the lifetime of the Group, the Group 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 Group's ethos is to be agile and disruptive. The 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.
Formalising an emerging markets strategy: Medium term planning to identify viable opportunities for continued international expansion	Our shareholders	Our shareholders include global private equity growth investor, General Atlantic, as well as individuals who have founded or helped to scale the business. During the last financial year, the Group has set up committees to ensure growth opportunities are scrutinised and approved.	The directors are mindful of unplanned growth and of the risks to value creation which could arise as a result. The directors are determined to establish Gymshark as a 100-year brand which is sustainable in its financial performance and in its impact on people and the planet. The emerging market strategy is being considered holistically with respect to the shareholders' medium-term objectives.
	Our suppliers	Extending the territories in which the Group trades has an impact on our network of vendors and the logistics operations which support this. As well as the challenges which arise from trading in new regulatory environments, there are opportunities to explore new partnerships at all tiers of the supply chain from raw materials to mills and from factories to final mile delivery providers.	The Group is looking into and taking advice on potential new territories and third-party connections. Detailed operational diligence is also undertaken before financial commitments are made. In addition to regulatory, tax and financial advice, ethical considerations are at the forefront of the Group's thinking to ensure that the right partnerships are concluded.

Strategic Report (continued)

For the year ended 31 July 2022

Principal decision taken in FY22 and headline rationale	Relevant Stakeholder	Considerations	Impacts
Formalising an emerging markets strategy (continued):	Our community	Providing a wider reach will enable the Group to amplify the Gymshark brand, increase its consumer base and to spread its fitness and conditioning message.	Any expansion into new territories requires cultural understanding and sensitivity as well as insight on differences in product range and fit which will appeal to consumers in that market. The Group is very mindful of these issues and has them at the forefront of its due diligence and planning.
Improving governance: 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	The Group has strengthened its relationships with its funders to secure the Group's short- and medium-term financing as it continues to scale in the backdrop of more challenging macro-economic factors.	In December 2021, the Group negotiated a new revolving credit facility with its long-term bankers, HSBC Bank Plc (HSBC) which has supported the business since inception. The Group treats HSBC as a valued partner and shares its plans and objectives on a regular basis. The Group required specialist local advice in North America, and JPMorgan Chase Bank, N.A (JPMorgan Chase) was selected as the partner. The US team intends to replicate the Group's relationship journey with HSBC in its dealings with JPMorgan Chase.
	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: - that consideration is given to the widest possible range of points of view, - that the best ideas are shared and debated; and - that authority bias is avoided. Executive sponsorship of the ERGs is provided by the C-suite.

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):			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. An impact committee is being established to enable the Group's corporate social responsibility activities to be more focused and for the impact to be measured and reported on a longer-term basis. Capital expenditure or operating expenditure outside of the normal course of business is reviewed on a case-by-case basis to help shape individual business cases and measure return on investment. The purpose of these groups is to drive better decision-making and accountability.
	Our shareholders	A shareholders' meeting is planned for the next financial year for our ultimate shareholders.	Although this is not a legal requirement for a private limited company, the directors want to give the shareholders from the largest to the smallest an opportunity to learn from, and question, the board on the Group's strategic direction and opportunities.
	Our community	The Group does not currently have a bespoke corporate website.	The directors approved a decision to set up a corporate website which will contain material information about the

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):			Group's governance, tax and sustainability initiatives. The Gymshark community will have one central place in which to access key information about the 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 provide contextualised information for the Group's stakeholders and consumers about the Group's impact on people and the planet. The information is expected to demonstrate the Group's commitment to responsible business practices and ethical conduct.
Evaluating the size, skills and locations of the work force: 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	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 Group's headquarters in Solihull, United Kingdom. The Group 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 Group'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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Strategic Report (continued)

For the year ended 31 July 2022

Future Developments

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

Ben Francis

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B Francis

Director

Directors' Report

For the year ended 31 July 2022

The Directors present their report and the financial statements of the Group for the period ended 31 July 2022.

Directors

The directors who served the Group during the period were as follows:

B Francis

S Hewitt

P Richardson (resigned 31 March 2022)

P Daw (resigned 31 December 2022)

M Akar

S Cartwright was appointed on 1 August 2022.

Results and dividends

The Group's profit for the 12-month period, after taxation, amounted to £22.5m (2021: £36.5m)

The directors do not recommend the payment of a dividend (2021: £nil).

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 financial risk management and future developments.

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 Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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 Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (and in respect of the parent Company financial statements, 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;

Directors' Report (continued)

For the year ended 31 July 2022

- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the parent Company financial statements, FRS 102) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent Company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 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 and/ or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group'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 Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent Company and Group 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 Group, 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 Group 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 the Group'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.

Directors' Report (continued)

For the year ended 31 July 2022

Social Impact

The Group 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 Group 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 Group 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 the Group launched its first diversity & inclusion strategy and new ERG. The Group is committed to ensuring that everyone has the chance to fulfil their potential, whilst working in an enjoyable inclusive environment. It is the Group'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 totalled £169k (2021: £163k). There were no political donations.

Streamlined Energy and Carbon Reporting ("SECR")

Gymshark has assessed its GHG emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'. The GHG emissions have been assessed following the ISO 14064-1:2018 standard and have used the 2022 emission conversion factors published by Department for Environment, Food and Rural Affairs ("Defra") and the Department for Business, Energy & Industrial Strategy ("BEIS").

As a business we have been assessing our carbon emissions since 2017, and first reported in line with SECR in 2021. This year is the first year that we are reporting a full Scope 3 inventory in line with the Greenhouse Gas Protocol, having made improvements to data collection and carbon accounting within the business.

Directors' Report (continued)

For the year ended 31 July 2022

Scope	Activity	FY22 Tonnes CO2e	FY21 Tonnes CO2e
Scope 1	Site Gas	7.5	3.5
	Company Car Travel	-	0.2
Scope 1 Sub-Total		**7.5**	**3.7**
Scope 2	Electricity Generation	581.7	393.8
Scope 2 Sub-Total		**581.7**	**393.8**
Scope 3	1 Purchased Goods and Services*	145,302.0	213,103.3
	2 Capital Goods	6,921.4	868.3
	3 Fuel and Energy Related	45.1	32.3
	4 Upstream Transportation and Distribution*	21,282.3	61,392.0
	5 Waste Generated in Operations	1.0	0.8
	6 Business Travel	748.0	166.1
	7 Employee Commuting	278.4	294.4
	8 Upstream Leased Assets	48.4	29.3
	9 Downstream Transportation and Distribution	3.0	3.5
	10 Processing of Sold Products	Excluded	Excluded
	11 Use of Sold Products	65,260.1	Not Calculated
	12 End of Life of Sold Products	4,419.7	6,554.8
	13 Downstream Leased Assets	Excluded	Excluded
	14 Franchises	Excluded	Excluded
	15 Investments	Excluded	Excluded
Scope 3 Sub Total		**244,309.4**	**282,444.9**
Total tonnes of CO2e		**244,898.6**	**282,842.4**
Tonnes of CO2e per employee		266.8	354.9
Tonnes of CO2e per £million turnover		506.2	707.1
Total energy consumption, own operations (kWh)*		2,072,085	1,650,937

* These activities have seen a decline in CO2e despite an increase in volumes due to a shift from air freight to the use of sea freight.

Energy Efficiency Actions

In 2021, Gymshark had its Science Based Target ("SBT") approved by the SBTi, setting the business on the trajectory to reduce emissions in line with best practice climate science. These targets cover emissions from the business' own operations, as well as the wider supply chain. Energy efficiency and decarbonization is a core component of achieving the targets, especially within the offices and buildings owned and operated by Gymshark. As part of this, the business has carried out a full greenhouse gas Scope 1, 2 and 3 inventory – assessing and reporting on emissions for all relevant categories.

As the business has transitioned from the Covid ways of working to having staff back in the office, energy consumption and greenhouse gas emissions from our own operations have increased, along with business related travel. In addition to this return to normal, in 2022 Gymshark also opened a brand new office space, GSIQ, which has increased the Group's overall energy consumption. The GSIQ has been built to BREEAM *Very Good* standard and has been fitted with brand new energy efficient lighting and HVAC equipment.

Directors' Report (continued)

For the year ended 31 July 2022

Energy Efficiency Actions (continued)

Within the value chain the carbon reduction activities have focused on two main areas, the materials and manufacture of products, and the logistics network to deliver products to customers. For materials a qualitative analysis has been carried out to identify the most significant material by carbon footprint and develop a roadmap to switch to preferred materials. Gymshark are also a signatory of WRAP Textiles 2030, and during the year have submitted data to inform a progress report which is due in Q1 FY23. A supplier scorecard has been developed using data from the Higg Facility Environmental Module to benchmark suppliers and identify where fossil fuels are used within the factory supply chain.

Gymshark have partnered with a new logistics partner to manage inbound shipments and have made significant efforts to avoid the use of air freight and improve planning capabilities. For last mile road deliveries and returns we maintain regular dialogue with logistics partners to ensure that low carbon options are used where possible. This is supported by certificates from fulfilment partners in the UK and Europe that a proportion of deliveries have been made in electric vehicles.

In addition to improving carbon efficiency throughout the value chain, during the year, Gymshark has carried out a thorough climate risk assessment in line with the guidance for the TCFD. This has enabled the business to develop a heatmap of climate risk across the entire business, and a quantitative scenario analysis has been carried out on three of the most significant risks. A separate report on TCFD will be prepared and published on the Group's corporate website in the next twelve months.

Disclosure of information to auditor

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 and the Group's 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 and Group's auditor is aware of that information.

Post balance sheet events

As at the signing date, the Group has utilised £30m of its RCF. In the post-balance sheet period, the related party loan of £10m was repaid in full.

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

Going concern

The directors are required to assess the Group's ability to continue as a going concern for a period of at least 12 months from the date of the signing of the Group financial statements. The Group's going concern assessment considers the Group'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 Group's borrowing facilities within its financial covenants. At 31 July 2022 the Group had net current assets of £90,012k (2021: £45,213k), cash and cash equivalents of £46,171k (2021: £46,526k) and net debt of £14,196k (2021: -£32,979k). The Group 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.

Directors' Report (continued)

For the year ended 31 July 2022

Going concern (continued)

Due to continued Group 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 Group during the months preceding significant promotions, when the Group 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 Group 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 Group 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 Group financial statements, and so determine that it remains appropriate for the Group financial statements to be prepared on a going concern basis.

Directors' Report (continued)

For the year ended 31 July 2022

Auditor

Ernst and Young LLP, our appointed auditor have conducted the audit for the year ended 31 July 2022 and have expressed a willingness to remain in office. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed reappointed as auditor in absence of an Annual General Meeting.

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

DocuSigned by:

Ben Francis

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B Francis

Director

Independent Auditor's Report to the Members of Gymshark Group Limited

Opinion

We have audited the financial statements of Gymshark Group Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 July 2022 which comprise Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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) ("FRS102").

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 July 2022 and of the group's and parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements 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 group 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 group and parent 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 group's ability to continue as a going concern.

Independent Auditor's Report to the Members of Gymshark Group Limited

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.

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 group and the parent 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 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.

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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Gymshark Group Limited

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.

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.

Our approach was as follows:

- 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 Group Limited is complying with those frameworks by 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 by 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.

Independent Auditor's Report to the Members of Gymshark Group Limited

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:

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James Golder (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

8 January 2023

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Consolidated Statement of Comprehensive Income

As at 31 July 2022

	Notes	2022 £000	2021 £000
Revenue	4	484,476	401,946
Cost of sales		(169,332)	(119,076)
Gross profit		315,144	282,870
Distribution costs		(122,728)	(94,133)
Administrative costs		(162,855)	(142,184)
Operating profit	7	29,561	46,553
Finance costs	9	(1,724)	(1,150)
Profit before taxation		27,837	45,403
Taxation	10	(5,308)	(8,906)
Profit for the financial year		22,529	36,497
Other comprehensive income:			
Items which may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		19,393	352
Total comprehensive income for the year		41,922	36,849

The notes on pages 32 to 62 form part of the financial statements.

Consolidated Statement of Financial Position

As at 31 July 2022

Company registration number: 12711328

	Notes	2022 £000	2021 £000
Non-current assets			
Intangible assets	11	680	187
Property, plant and equipment	12	38,375	28,491
Right-of-use assets	13	21,660	15,016
Deferred tax asset	14	6,529	4,928
		67,244	48,622
Current assets			
Inventories	16	120,764	79,946
Trade and other receivables	17	26,552	6,190
Cash and cash equivalents	18	46,171	46,526
Corporation tax asset	10	844	-
		194,331	132,662
Total assets		261,575	181,284
Current liabilities			
Trade and other payables	19	98,345	68,924
Borrowings	20	-	3,521
Lease liability	13	1,746	1,388
Provisions	21	4,228	10,012
Corporation tax liability	10	-	3,604
		104,319	87,449
Non-current liabilities			
Borrowings	20	50,000	-
Lease liability	13	19,615	16,489
Provisions	21	7,128	360
		76,743	16,849
Total liabilities		181,062	104,298
Net assets		80,513	76,986
Shareholders' funds			
Share capital	25	-	-
Share premium	25	80,000	80,000
Merger reserve	26	(100,000)	(100,000)
Foreign currency translation reserve		(19,745)	(352)
Own shares reserve	27	(149)	-
Retained earnings		120,407	97,338
Total shareholders' funds		80,513	76,986

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:
Ben Francis
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B Francis, Director

The notes on pages 32 to 62 form part of the financial statements.

Company Statement of Financial Position

As at 31 July 2022

Company registration number: 12711328

	Notes	2022 £000	2021 £000
Non-current assets			
Investments in subsidiaries	15	100,501	100,501
		100,501	100,501
Current assets			
Trade and other receivables	17	741	68
		741	68
Total assets		101,242	100,569
Current liabilities			
Trade and other payables	19	11,555	20,834
Corporation tax liability		158	-
Total liabilities		11,713	20,834
Net assets		89,529	79,735
Shareholders' funds			
Share capital	25	-	-
Share premium	25	80,000	80,000
Retained earnings		9,529	(265)
Total shareholders' funds		89,529	79,735

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement or statement of comprehensive income in these financial statements. The Company made a profit for the year of £9,254k (2021: £612k loss).

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:

Ben Francis

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B Francis

Director

The notes on pages 32 to 62 form part of the financial statements.

Consolidated Statement of Changes in Equity

For the period ended 31 July 2022

	Notes	Share capital £000	Share premium £000	Merger reserve £000	Foreign currency translation reserve £000	Own shares reserve £'000	Retained earnings £000	Total £000
As at 1 August 2020		-	-	75	-	-	60,494	60,569
Profit for the year		-	-	-	-	-	36,497	36,497
Other comprehensive income		-	-	-	(352)	-	-	(352)
Total comprehensive income for the year		-	-	-	(352)	-	36,497	36,145
Subscription of new shares	25	-	80,000	-	-	-	-	80,000
Group reorganisation	26	-	-	(100,075)	-	-	-	(100,075)
Share-based payment charge	27	-	-	-	-	-	347	347
Balance at 31 July 2021		-	80,000	(100,000)	(352)	-	97,338	76,986
Profit for the year		-	-	-	-		22,529	22,529
Own shares purchase	27	-	-	-	-	(149)	-	(149)
Other comprehensive income		-	-	-	(19,393)	-	-	(19,393)
Total comprehensive income for the year		-	-	-	(19,393)	(149)	22,529	2,987
Share-based payment charge	27	-	-	-	-	-	540	540
Balance at 31 July 2022		-	80,000	(100,000)	(19,745)	(149)	120,407	80,513

The notes on pages 32 to 62 form part of the financial statements.

Company Statement of Changes in Equity

For the period ended 31 July 2022

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Total £000
On incorporation on 1 July 2020		-	-	-	-
Loss for the year		-	-	(612)	(612)
Total comprehensive income for the year		-	-	(612)	(612)
Issue of share capital	25	-	80,000	-	80,000
Share-based payment expense	27	-	-	347	347
Balance at 31 July 2021		-	80,000	(265)	79,735
Profit for the year		-	-	9,254	9,254
Total comprehensive income for the year		-	-	9,254	9,254
Share-based payment expense	27	-	-	540	540
Balance at 31 July 2022		-	80,000	9,529	89,529

The notes on pages 32 to 62 form part of the financial statements.

Consolidated Statement of Cash Flows

For the period ended 31 July 2022

	Notes	2022 £000	2021 £000
Cash flows from operating activities			
Profit for the year		22,529	36,497
Adjustments for:			
- Depreciation of property, plant and equipment	12	3,839	2,542
- Depreciation of right-of-use assets	13	3,908	1,969
- Amortisation	11	258	631
- Finance costs	9	1,724	1,150
- Taxation	10	5,308	8,906
- Exchange movement		(13,322)	-
- Share based payment charge	27	540	347
Changes in working capital			
- (Increase) / decrease in inventories	16	(49,088)	(52,746)
- Decrease / (increase) in trade and other receivables	17	(17,759)	(599)
- Increase / (decrease) in trade and other payables	19	25,954	7,668
- (Decrease) / increase in in provisions	21	(5,124)	10,374
Cash generated from operating activities		(21,233)	16,739
Taxation paid	10	(11,334)	(11,875)
Net cash flow generated from operating activities		(32,567)	4,864
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(14,071)	(17,882)
Re-purchase of own shares	27	(149)	-
Subscription of new shares		-	80,000
Payments to former shareholder		-	(100,000)
Net cash flow used in investing activities		(14,220)	(37,882)
Cash flows from financing activities			
Borrowings drawn down	24	75,000	-
Repayment of borrowings	24	(28,521)	(1,232)
Increase in borrowings from related party		-	10,000
Interest paid		(1,380)	(1,124)
Principal elements of lease payments	13	(1,314)	(809)
Net cash flow used in financing activities		43,785	6,835
Net increase / (decrease) in cash and cash equivalents		(3,002)	(26,183)
Cash and cash equivalents at the beginning of the year		46,526	71,479
Effects of exchange rate changes on cash and cash equivalents		2,647	1,230
Cash and cash equivalents at the end of the year	18	46,171	46,526

The notes on pages 32 to 62 form part of the financial statements.

Notes to the Financial Statements

For the period ended 31 July 2022

1. General information

General information

Gymshark Group Limited (the "Company") is a company incorporated in the United Kingdom. The registered address of the Company is disclosed on the company information page.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (together referred to as the "Group").

The principal activities of the Group are set out in the Strategic Report on page 1.

2. Summary of significant accounting policies

Company accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and the Republic of Ireland" ('FRS 102').

The Company financial statements have been prepared on a historical cost basis, except unless otherwise specified within these accounting policies and in accordance with FRS 102. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

The Company has taken advantage of the disclosure exemptions available to them including the requirement of presentation of a cash flow statement as an equivalent disclosure is included in the consolidated Group financial statements above.

The principal accounting policies are set out as per the Group's accounting policies below other than the below additional policy:

Investments in subsidiaries

Investments in subsidiaries are shown at cost less provision for impairment. The Company has taken advantage of the merger relief exemption under s.612 and s.615 of the Companies Act to record the investment at the nominal value of shares issued.

Notes to the Financial Statements

For the period ended 31 July 2022

2. Summary of significant accounting policies (continued)

Group accounting policies

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 ("IFRS").

Gymshark Group Limited was incorporated on 1 July 2020 and was incorporated as part of a group restructure in which it acquired the previous parent of the Group, Gymshark Holdings Limited ("GHL") in a share-for-share exchange. The insertion of the Company on top of the existing Gymshark Holdings Limited group does not constitute a business combination under IFRS 3 'Business combinations' and instead has been accounted for as a group reorganisation. Merger accounting has been used to account for this transaction.

The consolidated financial statements have been prepared on a historical cost basis, except unless otherwise specified within these accounting policies and in accordance with IFRS. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate those of Gymshark Group Limited and all of its subsidiary undertakings. Where control over a subsidiary has been achieved via a group reconstruction, the transaction is accounted for using the merger method of accounting. The effect of the application of merger accounting is that the assets and liabilities of the acquiree are not adjusted to fair value, and the consolidated financial statements are presented as though the acquiree had always been part of the Group, by including the comparative period results and position within the consolidation.

All intercompany balances and transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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Notes to the Financial Statements

For the period ended 31 July 2022

2. Summary of significant accounting policies (continued)

Going concern

The directors are required to assess the Group's ability to continue as a going concern for a period of at least 12 months from the date of the signing of the Group financial statements. The Group's going concern assessment considers the Group'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 Group's borrowing facilities within its financial covenants. At 31 July 2022 the Group had net current assets of £90,012k (2021: £45,213k), cash and cash equivalents of £46,171k (2021: £46,526k) and net debt of £14,196k (2021: -£32,979k). The Group 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 Group 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 Group during the months preceding significant promotions, when the Group 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 Group 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 Group 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 Group financial statements, and so determine that it remains appropriate for the Group financial statements to be prepared on a going concern basis.

Notes to the Financial Statements

For the period ended 31 July 2022

2. Summary of significant accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

On consolidation, the assets and liabilities of foreign subsidiaries are translated into Pound Sterling at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at the average exchange rates during the course of the financial year. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the component of other comprehensive income relating to that particular foreign subsidiary is recognised in profit or loss.

Revenue

Revenue consists primarily of Direct to Consumer internet sales recognised on delivery, in addition to postage and packaging receipts.

The Group acts as the Principal in all material revenue arrangements. Revenues are recorded net of an appropriate deduction for actual and expected returns, relevant vouchers, discounts, and sales taxes.

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 Group has received consideration. If consideration is received before the Group 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 Group's policy was to sell products with a right of return within 30 days. The Group 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 and as such the assumption regarding the returns window has been updated within the accounting estimate for the refunds provision.

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.

Notes to the Financial Statements

For the period ended 31 July 2022

2. Summary of significant accounting policies (continued)

Intangible assets

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

Intangible assets are amortised using the straight-line method over the estimated useful economic life. The directors perform a review of the assets of the Group where there is evidence of a change in circumstance that may indicate a possible impairment. The amortisation period of intangible assets is as follows:

- Software – 2 – 5 years

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

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. 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 disposal are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

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

Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Impairment

The carrying amounts of the Group's assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated to assets in the unit on a pro-rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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Notes to the Financial Statements

For the period ended 31 July 2022

2. Summary of significant accounting policies (continued)

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Finance income

Finance income is recognised in the Statement of Comprehensive Income using the effective interest method.

Finance expense

Finance expenses are charged to the Statement of Comprehensive Income 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.

Financial instruments

Financial assets

Financial assets comprise trade and other receivables (excluding prepayments) and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs.

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument and are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Financial assets are derecognised when the Group has no reasonable expectation of recovering the financial asset. Indicators of where there is no reasonable expectation of recovery include indicators of a customer's inability to pay or losses arising in relation to contract disputes.

The Group classifies all of its financial assets as assets measured at amortised cost. Financial assets are measured at amortised cost when both of the following criteria are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest rate method.

At each reporting date the Group calculates a loss allowance for expected credit losses on financial assets measured at amortised cost. In establishing the appropriate amount of loss allowance to be recognised, the Group applies the simplified approach to its financial assets. Under the simplified approach the Group always recognises a loss allowance for a financial asset at an amount equal to the lifetime expected credit losses. Further details in respect of application of the simplified approach are set out in note 23.

Notes to the Financial Statements

For the period ended 31 July 2022

2. Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities include trade and other payables (excluding deferred income) and borrowings.

Financial liabilities are obligations to pay cash or other financial assets and are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

There are no material differences in accounting policies applied under FRS102 for the Company.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Cash and cash equivalents and bank overdrafts are offset, and the net amount is reported on the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is the ability and intention to settle on a net basis.

Where customers use payment processors, the Group recognise the balances due in "Other receivables" until the cash is received.

Leases

The Group as a lessee

Leases are recognised as a right-of-use assets and a corresponding liability at the date that the leased asset becomes available for use by the Group.

Lease liabilities are initially measured at net present value. At the commencement of a lease the net present value measurement includes the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects the Company exercising the option.

Lease payments made under an extension option are included in measuring the liability where the Group is reasonably certain to exercise the option.

The lease payments are discounted using the interest rate implicit in the lease. Where that rate cannot be readily determined the Group's incremental borrowing rate is used, being the rate of interest, the Group would have to pay to borrow over a similar term, with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. Where possible the incremental borrowing rate is determined using recent third-party financing received adjusted for conditions specific to the lease.

Interest on the lease liability is recognised in profit or loss over the lease period to produce a constant periodic rate of interest on the liability outstanding for the period.

Notes to the Financial Statements

For the period ended 31 July 2022

2. Summary of significant accounting policies (continued)

Right-of-use assets

Right-of-use assets are measured at cost comprising:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- an estimate of restoration costs to be incurred.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The right-of-use asset is depreciated over the underlying asset's useful life if the Group is reasonably certain to exercise an option to purchase. Right-to-use buildings held within property, plant and equipment are not revalued.

The Group leases office premises. Lease contracts are usually made for fixed periods of 1 to 10 years but can include extension clauses. Typically, the lease terms do not impose any covenants other than the security interests held in the leased asset held by the lessor. There are restrictions placed on the use of leased assets as security for borrowing purposes.

Pension costs

Defined contribution scheme

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.

Provisions

Provisions are recognised where the Group has a present legal or constructive obligation, as a result of a past event, 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.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Notes to the Financial Statements

For the period ended 31 July 2022

2. Summary of significant accounting policies (continued)

Taxation (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

There are no material differences in accounting policies applied under FRS102 for the Company.

Reserves

Retained earnings - This includes all current and prior period retained profits. The share-based payment reserve, which is subsumed within retained earnings, is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. There are no material differences in accounting policies applied under FRS102 for the Company.

Merger reserve - This reserve arose as a consequence of the group reorganisation which inserted the Company as the parent company of the Group.

Share premium – As part of the General Atlantic transaction, after the share-for-share exchange occurred, there was a subscription of new shares in the Company whereby the difference between the nominal value of the shares subscribed and the investment were recognised as share premium. There are no material differences in accounting policies applied under FRS102 for the Company.

Foreign exchange reserve - This reserve represents the cumulative effect of foreign exchange differences in relation to the retranslation of the Group's subsidiaries which are denominated in a currency other than the Group's reporting currency of Pounds Sterling (£).

Own shares reserve – The cost of own shares held within Gymshark Nominees Limited is deducted from shareholders' equity until the shares are cancelled, re-issued or disposed. Where such shares are subsequently sold or reissued, the fair value of any consideration received is also included in shareholders' equity.

Share-based payments

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for E shares of Gymshark Group Limited issued to employees. Details of the scheme are provided in Note 27. The fair value of employee services received in exchange for the grant of the E shares is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the awards granted. The total expense is recognised over the service period.

At the end of each reporting period, the Group reviews the plans' leavers and following the failure of meeting the service condition, a revision to the income statement charge is made with a corresponding adjustment to equity.

There are no material differences in accounting policies applied under FRS102 for the Company.

Notes to the Financial Statements

For the period ended 31 July 2022

2. Summary of significant accounting policies (continued)

Standards, amendments and interpretations in issue but not yet adopted

The adoption of the following standards, amendments and interpretations in future years are not expected to have a material impact on the Group's financial statements.

	Effective date: Accounting periods beginning on or after
Property, Plant and Equipment: Proceeds before Intended Use – Amendment to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendment to IAS 37	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2023

Notes to the Financial Statements

For the period ended 31 July 2022

3. Critical accounting judgements and sources of estimation uncertainty

The preparation of financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year or in the year of the revision and future periods if the revision affects both current and future years.

The following significant estimates and assumptions were made when preparing the financial statements:

Inventory valuation

Inventory is carried at the lower of cost or net realisable value. Inventory held at the balance sheet date is therefore assessed for impairment by the Directors. All inventory 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. Inventory items with a cover of more than one year are reviewed for impairment and written down accordingly. During the year, the amount of inventory written-down to net realisable value totalled £9,053k (2021: £1,834k).

Refunds provision

Revenue from the sale of goods is recognised when the Group delivers a product to the customer. Payment of the transaction is due immediately when the customer purchases the goods, and it is the Group'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 £2,095k (2021: £744k).

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 21.

IFRS 16 leases

Management exercises judgement in determining the lease term of its lease contracts with respect to break and extension options and through determining the dilapidation provision used to calculate the right-of-use asset. Management has assumed that for the majority of material leases that the extension option is expected to be exercised. Management calculates the dilapidation provision as their best estimate of expected costs to come to revert the leasehold back to its original state. Following the signing of the lease of the first Gymshark retail store on Regent Street, management have assumed a break clause will be exercised before the end of the term of the lease.

Notes to the Financial Statements

For the period ended 31 July 2022

4. Revenue

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

	2022 £000	2021 £000
Direct to consumer sales	481,281	401,946
Wholesale revenue	1,439	-
Retail revenue*	1,756	-
	484,476	401,946

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

A geographical analysis of revenue is as follows:

	2022 £000	2021 £000
United States	228,366	182,893
U.K.	88,990	86,453
Europe excluding the U.K.	111,507	84,391
Rest of World	55,613	48,209
	484,476	401,946

5. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	2022 Number	2021 Number
Administration staff	906	616
Management staff	12	11
	918	627

The aggregate payroll costs of these persons comprised:

	2022 £000	2021 £000
Wages and salaries*	49,278	36,911
Social security costs	4,733	3,022
Other pension costs	1,928	1,245
	55,939	41,178

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

Notes to the Financial Statements

For the period ended 31 July 2022

6. Directors' emoluments and key management personnel renumeration

Directors' emoluments

	2022 £000	2021 £000
Directors' emoluments	1,318	3,177
Contributions to defined contribution pension scheme	73	87
	1,391	3,264

Included in the above, are amounts attributable to the highest paid director of £519k (2021: £1,160k).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £31k (2021: £30k).

Key Management Personnel renumeration

	2022 £000	2021 £000
Short-term employee benefits	4,556	5,444
Post-employment benefits	203	181
	4,759	5,625

Key management personnel remuneration represents compensation paid to management staff which includes the statutory directors.

7. Operating profit

Operating profit is stated after charging / (crediting):

	2022 £000	2021 £000
Depreciation of property, plant and equipment	3,839	2,542
Depreciation of right-of-use assets	3,908	1,969
Amortisation of intangible assets	258	631
R&D expenditure	2,133	1,091
Inventory recognised as an expense	163,968	112,084
Foreign exchange (gain)/ loss	(16,092)	3,740

8. Auditors' remuneration

	2022 £000	2021 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	250	145

Notes to the Financial Statements

For the period ended 31 July 2022

9. Finance costs

	2022 £000	2021 £000
Bank interest payable	673	2
Other loan interest payable	-	89
Related party loan interest	344	265
Other interest payable	105	233
Interest on lease liabilities	602	561
	1,724	1,150

10. Taxation

The tax charge comprises:

	2022 £000	2021 £000
Current tax		
- UK current tax charge for the year	1,771	13,653
- Adjustments in respect of prior periods	95	(11)
- Foreign tax suffered	5,043	902
Total current tax	6,909	14,544
Deferred tax		
- Origination and reversal of timing differences	(2,263)	(5,429)
- Effect of change in tax rate	405	114
- Adjustments in respect of prior periods	257	(323)
Total deferred tax	(1,601)	(5,638)
Total tax charge	5,308	8,906

Notes to the Financial Statements

For the period ended 31 July 2022

10. Taxation (continued)

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2022 £000	2021 £000
Profit before tax	27,837	45,403
Tax using the UK corporation tax rate of 19% (2020: 19%)	5,289	8,626
Non-deductible expenses	966	2,291
Change in tax rates	257	212
Effects of overseas tax rates	(90)	(994)
Adjustments in respect of prior periods	500	(334)
Tax losses carried forward	-	7
Employee share acquisition	(40)	(58)
Income not taxable	(1,574)	(289)
Adoption of IFRS 16	-	(555)
Total tax charge	5,308	8,906

Legislation enacted during the year end 31 July 2021 included provisions which provided for an increase in the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. Deferred tax has therefore been recognised at 25%.

Notes to the Financial Statements

For the period ended 31 July 2022

11. Intangible assets

Group	**Computer software £000**
Cost	
At 1 August 2020	1,431
Additions	-
Disposals	(25)
At 31 July 2021	1,406
Transfer from Property, plant and equipment	751
At 31 July 2022	2,157
Amortisation and impairment	
At 1 August 2020	613
Amortisation charge	631
Disposals	(25)
At 31 July 2021	1,219
Amortisation charge	258
At 31 July 2022	1,477
Net book value	
At 31 July 2022	680
At 31 July 2021	187
At 1 August 2020	818

Notes to the Financial Statements

For the period ended 31 July 2022

12. Property, plant and equipment

Group	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
	£000	£000	£000	£000
Cost				
At 1 August 2020	9,347	6,053	123	15,523
Additions	3,784	1,776	12,322	17,882
Disposals	(1)	(51)	-	(52)
Transfers	-	123	(123)	-
Foreign exchange variance	(86)	-	-	(86)
At 31 July 2021	13,044	7,901	12,322	33,267
Additions	73	550	13,464	14,087
Disposals	(21)	-	-	(21)
Transfers into intangible assets	-	-	(751)	(751)
Transfers into property, plant and equipment	16,961	4,173	(21,134)	-
Foreign exchange variance	479	72	-	551
At 31 July 2022	30,536	12,696	3,901	47,133
Depreciation and impairment				
At 1 August 2020	1,504	780	-	2,284
Depreciation charge	1,424	1,118	-	2,542
Disposals	(1)	(49)	-	(50)
At 31 July 2021	2,927	1,849	-	4,776
Depreciation charge	2,517	1,322	-	3,839
Disposals	(4)	-	-	(4)
Foreign exchange variance	126	21	-	147
At 31 July 2022	5,566	3,192	-	8,758
Net book value				
At 31 July 2022	24,970	9,504	3,901	38,375
At 31 July 2021	10,117	6,052	12,322	28,491
At 31 July 2020	7,843	5,273	123	13,239

Notes to the Financial Statements

For the period ended 31 July 2022

13. Leases

Lessee

The Group leases various offices, items of plant and equipment.

Right-of-use assets recognised in the Statement of Financial Position:

Group	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 August 2020	13,180	1,137	14,317
Additions	5,024	-	5,024
Foreign exchange differences	(369)	-	(369)
31 July 2021	17,835	1,137	18,972
Additions	10,048	-	10,048
Foreign exchange differences	504	-	504
At 31 July 2022	28,387	1,137	29,524
Depreciation and impairment			
At 1 August 2020	1,322	665	1,987
Depreciation charge	1,686	283	1,969
At 31 July 2021	3,008	948	3,956
Depreciation charge	3,719	189	3,908
At 31 July 2022	6,727	1,137	7,864
Net book value			
At 31 July 2022	21,660	-	21,660
At 31 July 2021	14,827	189	15,016
At 31 July 2020	11,858	472	12,330

Notes to the Financial Statements

For the period ended 31 July 2022

13. Leases (continued)

Lease liabilities

Maturity analysis of lease liabilities:

The remaining contractual maturities of the undiscounted lease payments are as follows:

	2022 £000	2021 £000
Not later than a year	2,293	1,891
Later than one year and not later than five years	13,298	8,889
Later than 5 years	8,686	9,832
Total undiscounted lease payments	24,277	20,612
Less: future finance charges	(2,916)	(2,735)
	21,361	17,877
Total current lease liability	1,746	1,388
Total non-current lease liability	19,615	16,489

The Statement of Comprehensive Income shows the following amounts relating to leases:

	2022 £000	2021 £000
Depreciation of right of use assets:	3,908	1,969
Interest expense on lease liabilities	602	561

14. Deferred tax provision

Group	Liability/(asset)
At 1 August 2020	710
Adjustments in respect of prior years	(323)
Deferred tax charge to Statement of Comprehensive Income	(5,315)
At 31 July 2021	(4,928)
Adjustments in respect of prior years	405
Deferred tax charge to Statement of Comprehensive Income	(2,006)
At 31 July 2022	(6,529)

The Company does not have any deferred tax assets or obligations.

Notes to the Financial Statements

For the period ended 31 July 2022

14. Deferred tax provision (continued)

Deferred tax is calculated on temporary differences using a UK tax rate of 25% (2021: 25%, 2020: 19%). The Government announced that the UK rate of corporation tax will increase to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021.

Unremitted earnings

There are temporary differences relating to undistributed earnings in subsidiaries of £3,697k (2021: £282k) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the group is able to control the timing of distributions and is not expected to distribute these profits in the foreseeable future.

15. Investments in subsidiaries

Company	**Total £000**
Cost and Net Book Value	
At 1 August 2020, 31 July 2021 and at 31 July 2022	100,501

The Company has investments in the following subsidiary undertakings:

Name and address of the registered offices	Country of incorporation	Principal activities	Percentage of ownership %
Gymshark Holdings Limited - GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB	UK	Holding company	100
Gymshark Nominees - GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB	UK	Holding company	100
Gymshark HK Ltd* - Room 2901, 29/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong	Hong Kong	Provision of procurement services	100
Gymshark USA Inc* - 1675 South State St, Suite B, Dover, Delaware 19901	USA	Direct to consumer e-commerce sales of sports and conditioning apparel	100
Gymshark (Mauritius) Ltd* - Regus Business Centre, 34 Ebene Heights, Ebene Cybercity, Units 411/412, Ebene, Mauritius	Mauritius	Provision of procurement services	100
Gymshark Ltd* - GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB	UK	Direct to consumer e-commerce sales of sports and conditioning apparel	100

*Shares held indirectly through Gymshark Holdings Limited

Notes to the Financial Statements

For the period ended 31 July 2022

16. Inventories

Group	**2022 £000**	**2021 £000**
Finished goods	120,764	79,946
	120,764	79,946

Inventories recognised as an expense during the period ended 31 July 2022 amounted to £163,968k (2021: £112,084k). These were included in cost of sales.

17. Trade and other receivables

Group	**2022 £000**	**2021 £000**
Amounts falling due within one year:		
Trade receivables	1,293	20
Prepayments and accrued income	8,821	4,591
Other taxation and social security	13,038	-
Other receivables	3,400	1,579
	26,552	6,190

Company	**2022 £000**	**2021 £000**
Amounts falling due within one year:		
Amounts due from group undertakings	741	68
	741	68

The carrying amount of trade and other receivables approximates to their fair value.

At each reporting date the Group and Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. In establishing the appropriate amount of loss allowance to be recognised, the Group and Company apply the simplified approach to their financial assets. Under the simplified approach the Group and Company always recognise a loss allowance for a financial asset at an amount equal to the lifetime expected credit losses.

In applying the simplified approach, the methodology for determining credit risk is based on historic loss rates (e.g., bad debt write offs) which are applied as a default probability to receivables, based on the debtor age, and adjusted for factors that are specific to the debtors, general economic conditions and an assessment of forward-looking information at the reporting date. Where indicators of default risk are identified on specific exposures, the individually assessed assets will be provided in full or in accordance with the level of the cash flows expected to be recoverable. Default is defined as non-payment by a customer. The expected credit loss for the year is not material (2021: not material).

Notes to the Financial Statements

For the period ended 31 July 2022

18. Cash and cash equivalents

Group	2022 £000	2021 £000
Cash and cash equivalents	46,171	46,526
	46,171	46,526

19. Trade and other payables

Group	2022 £000	2021 £000
Current		
Trade payables	53,485	28,096
Amounts due to related parties*	10,132	10,026
Other taxation and social security	6,164	3,941
Accruals and deferred income	27,153	25,925
Other payables	1,411	936
	98,345	68,924

Company	2022 £000	2021 £000
Current		
Amounts due to Group undertakings**	-	9,915
Amounts due to related parties*	10,132	10,026
Other taxation and social security	235	81
Accruals and deferred income	1,188	812
	11,555	20,834

*On 16 September 2020 the Francis Family Office Limited provided Gymshark Group Limited with an unsecured loan of £10 million. The loan attracts interest at 3% above the Sterling Overnight Index Average (SONIA) rate per annum. Interest accrues daily and is payable quarterly in arrears. The loan and all accrued interest are repayable in full on demand and in any event before 30 April 2023. Ben Francis, a director and ultimate controlling party of the Company, is also a director and shareholder of the Francis Family Office Limited.

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

The carrying amount of trade and other payables approximates to their fair value.

Notes to the Financial Statements

For the period ended 31 July 2022

20. Borrowings

Amounts falling due within one year

Group	2022 £000	2021 £000
Bank facility	-	3,521
	-	3,521

Amounts falling due after more than one year

Group	2022 £000	2021 £000
Bank facility	50,000	-
	50,000	-

As at 31 July 2021, the Group 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.

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. During the year, this facility has been drawn fully down, partially repaid before being fully drawn down as at year end.

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

21. Provisions

Group	2022 £000	2021 £000
Dilapidation provision		
Current	93	12
Non-current	6,493	360
Legal claims provision		
Current	4,135	10,000
Non-current	635	-
	11,356	10,372
Total current provisions	4,228	10,012
Total non-current provisions	7,128	360

Notes to the Financial Statements

For the period ended 31 July 2022

21. Provisions (continued)

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 Group is required to restore the leased premises 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.

Group	Dilapidation provision £000	Legal claims provision £000	Total £000
At 1 August 2020			
Recognised as cost of right-of-use assets	372	-	372
Recognised in administrative expenses	-	10,000	10,000
At 31 July 2021	372	10,000	10,372
Recognised as cost of right-of-use assets	6,124	-	6,124
Increase / (decrease) in provision recognised in administrative expenses	90	(2,127)	(2,037)
FX impact recognised in administrative expenses	-	1,000	1,000
Utilisation of provision	-	(4,103)	(4,103)
At 31 July 2022	6,586	4,770	11,356

22. Pension costs

Defined contribution scheme

The Group participates in a defined contribution pension plan. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £1,928k (2021: £1,239k)

Contributions totalling £332k (2021: £217k) were payable to the scheme at the end of the year and are included in other creditors.

The Company had a pension charge of £86k (2021: £65k) with £4k included in other creditors at year end (2021: £3k).

Notes to the Financial Statements

For the period ended 31 July 2022

23. Financial instruments

Overview

The Company has exposure to foreign currency, interest rate, credit and liquidity risk that arises in the normal course of the Company's business. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Fair value of financial instruments

Trade and other receivables

The fair value of trade and other receivables, being the present value of future cash flows, discounted by the risk adjusted time value of money at the balance sheet date is approximated by its carrying value.

Trade and other payables

The fair value of trade and other payables, being the present value of future cash flows, discounted by the risk adjusted time value of money at the balance sheet date is approximated by its carrying value.

Cash and cash equivalents

The fair value of cash and cash equivalents is approximated by its carrying amount given its liquidy and credit risk.

Borrowings

The fair value of borrowings is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date. Given borrowing attract floating rate interest and were negotiated on an arm's length basis, their carrying value approximates its fair value.

Notes to the Financial Statements

For the period ended 31 July 2022

23. Financial instruments (continued)

Foreign currency risk

The Group is exposed to foreign currency risk for transactions that are denominated in currencies other than the functional currencies of the relevant group company.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Pounds Sterling, was as follows:

			2022		
	USD	EUR	CAD	AUD	Other
	£000	£000	£000	£000	£000
Trade and other receivables	15,683	258	109	151	217
Cash and cash equivalents	22,301	3,500	4,610	5,984	4,602
Trade payables	(46,550)	(822)	(547)	(426)	(10)
Accruals	(13,556)	(3,155)	(519)	(451)	(406)
Other payables	(416)	(2,607)	(256)	(337)	(1,042)

			2021		
	USD	EUR	CAD	AUD	Other
	£000	£000	£000	£000	£000
Trade and other receivables	1,390	234	85	94	169
Cash and cash equivalents	17,830	7,523	2,548	12,465	5,389
Trade payables	(11,483)	(1,198)	(498)	(54)	(61)
Accruals	(4,657)	(5,728)	-	(19)	(202)
Other payables	(11,034)	(1,122)	(110)	(89)	(54)

The Group is primarily exposed to changes in USD/GBP exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar-denominated financial instruments.

Holding all other variables constant, the below is the impact of exchange rate sensitivity on the statement of comprehensive income:

	2022	2021
	£'000	£'000
USD/GBP exchange rate – 5% movement	1,127	221
USD/GBP exchange rate – 10% movement	2,254	442

Notes to the Financial Statements

For the period ended 31 July 2022

23. Financial instruments (continued)

Interest rate risk

Interest rate risk arises on loans due to bank. Interest rates applicable to these balances are floating rates of interest linked to SONIA. Holding all other variables constant, the below is the impact of increases in SONIA on the statement of comprehensive income:

	2022	2021
	£'000	£'000
2% increase in SONIA	900	183
3% increase in SONIA	1,350	275

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables. Management monitors the exposure to credit risk on an ongoing basis. The carrying amount of the Group's financial assets represents its maximum exposure to credit risk. As at 31 July 2022, there were no receivables that were overdue (2021: no receivables overdue).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing its liquidity is to ensure, as far as possible, that it has sufficient liquidity available to meet its liabilities when due, both under normal and adverse economic conditions, without incurring unacceptable losses or risking damage to its reputation.

Undiscounted contractual maturities of financial liabilities at 31 July 2022

Group	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000
Trade and other payables	98,345	-	-	98,345
Borrowings	-	50,000	-	50,000
Lease liabilities	1,746	6,810	12,805	21,361
Provisions	4,228	635	6,493	11,356
	104,319	57,445	19,298	181,062

Undiscounted contractual maturities of financial liabilities at 31 July 2021

Group	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000
Trade and other payables	68,924	-	-	68,924
Borrowings	3,521	-	-	3,521
Lease liabilities	1,388	8,134	8,355	17,877
Provisions	10,012	-	360	10,372
	83,845	8,134	8,715	100,694

Notes to the Financial Statements

For the period ended 31 July 2022

23. Financial instruments (continued)

Capital management

The Group ensures that it has sufficient cash on demand to meet its expected operational expenses for a period of 60 days, including the servicing of any financial obligations. This excludes the potential impact of extreme circumstances which cannot be reasonably predicted, for example, natural disasters.

24. Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Group

	Borrowings	Leases	Related parties loan	Accrued interest	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2020	4,753	13,028	-	-	17,781
Net cash inflow (outflow) from financing activities	(1,232)	(1,370)	10,000	(563)	6,835
Lease addition	-	6,029	-	-	6,029
Interest payable (note 9)	-	561	-	589	1,150
Effect of exchange rate fluctuations	-	(371)	-	-	(371)
At 31 July 2021	3,521	17,877	10,000	26	31,424
Net cash inflow (outflow) from financing activities	46,479	(1,916)	-	(778)	43,785
Lease addition	-	4,099	-	-	4,099
Interest payable (note 9)	-	602	-	1,122	1,724
Effect of exchange rate fluctuations	-	699	-	-	699
At 31 July 2022	50,000	21,361	10,000	370	81,731

Notes to the Financial Statements

For the period ended 31 July 2022

25. Share capital

	Number of shares	Nominal value (£)	Total £
Authorised:			
A Preferred shares	363,673	0.0001	36
B Ordinary shares	1,180,537	0.0001	118
C Ordinary shares	118,444	0.0001	12
D Ordinary shares	6,000,600	0.000001	6
E Ordinary shares	14,520	0.000001	-
Allotted, called up and fully paid Ordinary shares at £1 each	7,677,774		172

Movements in shares

	Number of shares	Nominal value (£)	Share Premium £'000
At 1 July 2021	7,672,754	172	80,000
Allotment of E Ordinary shares	5,020	-	-
Balance at 31 July 2022	7,677,774	172	80,000

Share capital represents the nominal value of shares that have been issued.

A Preferred Shares

A preferred shares have a par value of £0.0001. Each share is entitled to one vote. Each share is entitled, on an equal basis, to dividend payments or any other distribution other than in respect of an asset sale, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. Share premium arose in the prior year on 122,500 newly subscribed F shares which were later converted to A shares.

B Ordinary Shares

B Ordinary shares have a par value of £0.0001. Each share is entitled to one vote. Each share is entitled, on an equal basis, to dividend payments or any other distribution other than in respect of an asset sale, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

C Ordinary Shares

C Ordinary shares have a par value of £0.0001. Each share is entitled to one vote. Each share is entitled, on an equal basis, to dividend payments or any other distribution other than in respect of an asset sale, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

D Ordinary Shares

D Ordinary shares have a par value of £0.000001. Each share is entitled to one vote per 100 D Ordinary shares held. Each share is entitled, on an equal basis, to dividend payments or any other distribution other than in respect of an asset sale, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

Notes to the Financial Statements

For the period ended 31 July 2022

25. Share capital (continued)

E Ordinary Shares

E Ordinary shares have a par value of £0.000001. Each share shall carry no voting rights. Each share shall not carry rights to dividend payments or any other distribution. Each share shall not carry rights to participate in a distribution arising from the winding up of the company.

26. Merger Reserve

This reserve arose as a consequence of the group reorganisation which inserted the Company as the parent company of the Group. The reserve represents the difference between the value paid for the shares, issued by the Company to General Atlantic, as part of the share-for-share exchange transaction, and the nominal value of the shares held by a former shareholder.

27. Share based payments

In the prior year 9,500 E shares were issued to various employees of Gymshark Limited at no cost to the employee. A further 5,020 shares were issued in the year to 31 July 2022 at no cost to the employee. The E shares are growth shares that vest upon an exit event, any proceeds available for distribution or consideration available for allocation shall be applied in a specific order of priority.

The fair value of the 5,020 shares issued in the year was determined using probability weighted expected returns model using the following inputs at the grant date:

Risk free rate	0.82%
Equity market risk premium ("EMRP")	5.00%
Conditional equity market risk adjustment ("CEMRA")	2.5%
Asset beta	1.2
Ungeared cost of equity	11.30%
Size premium	1.47%

The fair value of the E shares issued during the year, as at the valuation date, was estimated to be £170.27 per share.

None of the E shares had vested as at 31 July 2022 however, following the people restructure, 3,575 shares were forfeited with the legal and beneficial interest being held by Gymshark Nominees Limited. The consideration for these shares was £149k which represents the value held in the Groups own share reserve.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense was £540k (2021: £347k).

28. Capital commitments

The Group and Company had capital commitments of £622k at 31 July 2022 (2021: £7,496k).

29. Contingencies

The Company does not have any contingent arrangements at 31 July 2022 (2021: none).

The Group has a Debenture as security for debt from the bank. This includes a fixed and floating charge over all assets.

Notes to the Financial Statements

For the period ended 31 July 2022

30. Financial guarantees

Gymshark Group Limited has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under s.479A of the Companies Act 2006 in respect of the period ended 31 July 2022:

Subsidiary	Company registration number
Gymshark Holdings Limited	10381284
Gymshark Nominees Limited	13141039

31. Related parties

Directors' remuneration and key management personnel's remuneration are disclosed in note 6.

Purchases from entities controlled by key management personnel

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

At the period end there were outstanding balances payable to The Members Agency LLP of £11.1k (2021: £9.8k).

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

Other

On 16 September 2020, the Francis Family Office Limited provided Gymshark Group Limited with an unsecured loan of £10 million. The loan attracted interest at 3% above the sterling one-month London Interbank Offered Rate per annum until 31 December 2021. From 1 January 2022, the loan attracts interest at 3% plus SONIA. Interest accrues daily and is payable quarterly in arrears. The loan and all accrued interest are repayable in full on demand and in any event before 30 April 2023. Ben Francis, a Director of the Company, is also a director of the Francis Family Office Limited. At 31 July 2022, £10,132k including £132k of interest was outstanding (2021: £10,026k including £26k of interest).

In January 2022, £41k was made as an advance payment to a director to settle tax owed on the shares issued in 2021 (2021: £nil). This was included in other receivables at year end.

32. Subsequent events

As at the signing date, the Group had utilised £30m of its RCF. In the post-balance sheet period, the related party loan of £10m was repaid in full.

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

33. Ultimate parent company and parent company of larger group

The ultimate controlling party is B Francis who is the majority shareholder.

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