Gymshark Group Limited

Reports and Financial Statements

For the period ended 31 July 2021

Company Registration No. 12711328

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Company Information

Directors	B Francis S Hewitt P Daw P Richardson (Resigned 31 March 2022) M Akar
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 2 St Peter's Square Manchester M2 3DF

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Strategic Report

For the period ended 31 July 2021

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 2021.

Principal Activities and Review of Business

The Company is the ultimate parent company of Gymshark Limited and Gymshark USA Inc. Gymshark Limited's principal activity during the year was a Direct to Consumer ("D2C") brand, selling fitness and conditioning apparel and associated accessories through e-commerce channels. Gymshark USA Inc. started trading via the D2C model, during the last two weeks of the financial year. The Group is purpose-led and exists to unite the conditioning community.

The Group continued to grow its sales and profit throughout the period across all its key territories worldwide. The focus for the brand was to continue to produce on trend product and engaging content in a thoughtful and inclusive way for its stakeholders.

The period ended 31 July 2021 was notable for two reasons. First, this period was marked by the effects of the Covid-19 pandemic which created challenges for all businesses, but also opportunities for others, including D2C e-commerce brands. Secondly, the Group underwent a process to find a minority equity partner to help elevate its growth. As a result of this process, General Atlantic acquired 21% of the capital of the company in September 2020.

The Covid-19 pandemic caused a shift in consumer behaviour, accentuating the attraction of online shopping and promoting trends of wellness and casualisation. The Group was well placed to benefit from these macro trends and to service its existing community and attract new customers.

General Atlantic is an experienced and successful investor in consumer brands with a worldwide network of contacts that will help the Group continue its success. After a detailed selection process, General Atlantic was chosen because of its cultural alignment to the Company's vision and values and its commitment to the Group's responsible and sustainable growth.

KPIs

The Group has grown rapidly and profitably since it started trading in 2012. The Directors of the Group closely monitor a range of KPIs to ensure that this growth is maintained and managed.

The principal KPIs relate to growth and profitability and include the following: revenue, which has increased by 54% to £401.9 million (2020: £260.7 million); gross profit margin which was 70%; and profit before tax which increased during the year from £30.4 million to £45.4 million.

The Directors monitor other KPIs which show that for the period ended 31 July 2021:

Orders increased by 53% (2020 - 46%)
Units sold increased by 63% (2020 - 49%)
Conversion* increased by 84 bps (2020 - 20 bps)
International sales increased by 47% (2020 - 44%)

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

Strategic Report (continued)

For the period ended 31 July 2021

ESG update

Environmental, social and governance issues continued to be an important aspect of the Group's planning and activities throughout the period ended 31 July 2021.

Environmental matters were managed throughout the business, but with oversight and subject matter expertise through the Group's sustainability team which grew from one to nine colleagues during this period. The Group now has deeper internal expertise on ethics, climate action and packaging. The sustainability team has the resource to drive the Group's agenda to set, monitor and deliver objectives to manage its impact on the planet over the short, medium and longer term.

Social issues are managed both by the sustainability team and by the people team, supplemented by appropriate external advice where necessary. The sustainability team is responsible for external social issues, including human rights issues in the supply chain. The people team works to create an inclusive work environment for all employees and other stakeholders at the Group, with the aim of attracting, retaining and incentivising the best talent available.

The investment by General Atlantic has enabled the Directors to change its formal governance structures. Governance is led by strategic meetings of the Group's board of directors and through three new sub-committees of that board, being an audit and risk committee, a remuneration committee and a nomination and corporate governance committee. Two representatives from General Atlantic (one non-executive director and one observer) attend each such meeting. Meeting effectiveness is evaluated annually. These meetings are supplemented by regular, monthly operational meetings of the Company's C-suite.

Principal Risks & Uncertainties

The market for fitness and conditioning apparel continues to be strong, with a broad range of competition amongst established sportswear brands, new entrants to the market, and fast fashion brands introducing "athleisure" wear and related accessories. Despite this, the Group's brand strength, innovative designs, community focus and localised customer proposition, establishes Gymshark as a key player in the market, with huge potential and growth forecast in the future. The risks associated with trading overseas through the D2C model are managed through utilisation of in-house expert resource alongside key partnerships with third parties, with a focus on remaining agile and innovative.

Economic risk

The revenues and profitability of the Group can be influenced by global macroeconomic factors, including duties and taxes imposed upon the Group's imports and exports, any significant fluctuations in the cost of fuel used in transport and logistics or in raw materials prices and economic pressures on the consumer. These risks are mitigated as far as possible: for example, the Group has distribution centres within the UK, EU, Canada, USA and Australia to reduce import and export duties and to ensure the best possible customer proposition.

Technology and cyber security risk

Technology within e-commerce advances quickly, alongside increasing customer expectations of website user experience and functionality. The Group continues to invest heavily in the website, customer experience and IT infrastructure in the form of in-house resource and partnerships. The Group also has invested in cyber security, hiring additional in-house expertise to manage the potential threats.

Data risk

Resource has been dedicated to ensuring compliance with GDPR regulations and other Data Protection and privacy regulations, in order to mitigate any risk arising from non-compliance, including penalties or reputational risk.

Strategic Report (continued)

For the period ended 31 July 2021

Covid-19

The senior management of the Group is still managing the Covid-19 situation and constantly monitoring developments. Measures have been taken to ensure the safety of all staff, who during the period, have gradually been returning to the office. As the Group's sales are through a D2C model, these have not been adversely affected by Covid-19.

Political risk

The associated risks of Brexit continued in 2021. The Directors have devised a strategy to ensure reasonable management and mitigation of these risks, with a distribution centre in mainland Europe and assessing the supply chain where necessary. The Directors continue to stay informed and updated where possible and obtain advice from internal and external resource to facilitate decision making when necessary to ensure any long-term effects of Brexit are managed correctly.

Currency risk

The Group transacts across a number of currencies, principally Sterling, Dollar and Euro. It has income and expenditure in all principal currencies, therefore providing a natural hedge sufficient to reduce exposure to currency fluctuations. Any surplus foreign currency is sold for Sterling at a time that is convenient for the cashflows of the business, considering the political and economic environment at the time of transaction.

Credit risk

The Group's business is exclusively D2C online, whereby customers pay for their items at the time of order. This mitigates the risk of bad debts, and therefore the Directors consider this risk to be negligible. The risk around payment processors is also considered negligible as it is mitigated through the use of several providers, providing a natural hedge.

Liquidity risk

The Group is profitable and cash generative with adequate working capital available. The risk around liquidity is managed through a strong banking relationship alongside the availability of securing financing if required for expansion, such as asset financing.

Directors' statement of compliance with Section 172(1)

S172(1) of the Companies Act sets out the duties of each Director of a company to act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of shareholders as a whole and in doing so, have regard to a number of broader matters which are set out below:

a) the likely consequences of any decision in the long term;
b) the interests of the company's employees;
c) the need to foster the company's business relationships with suppliers, customers and others;
d) the impact of the company's operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct;
f) the need to act fairly between majority and minority shareholders of the group.

Strategic Report (continued)

For the period ended 31 July 2021

The Directors make strategic decisions on behalf of the Group and have operational oversight on the Group on a day-to-day basis. In making these decisions the Directors will consider their legal duty and also the priorities and requirements of the shareholders of the Group. The Directors' formally meet quarterly but have more informal, fortnightly calls to discuss and prioritise actions to benefit the Group and its stakeholders. In addition, the board has set up three sub-committees to help decision-making and governance, being an audit and risk committee, a remuneration committee and a nomination and corporate governance committee. Two representatives from General Atlantic (one non-executive director and one observer) attends all quarterly meetings, fortnightly calls and all sub-committee meetings.

a) the likely consequences of any decision in the long term;

The Directors' make strategic decisions in areas such as structure of the business, current product ranges, research and development, supply chain, sustainability, IT infrastructure, IT tools and key internal processes. In taking these decisions the Directors take into account local laws and regulations and customer and employee needs and the short term and long-term interests of the Group and its stakeholders.

The trading period for the Group continued to be dominated by the effects on the business of Covid-19. In making decisions in reaction to the pandemic, the Directors had to consider the effect on our employees as a main priority but also on our suppliers to ensure that anything we decided to do did not have an adverse effect on them. Our view was that if we ensured the welfare of our staff and also protected as far as we could our suppliers this would help to protect the business so that when the pandemic was over, we would be in a strong position. In making decisions during this period, we wanted to be sure that we acted fairly and responsibly at all times. To that end we made a decision early in the pandemic not to furlough any staff, to pay our suppliers on time and also not to cancel orders due to Covid, that had been placed with suppliers.

b) the interest of the Group's employees;

The Directors recognise that employee engagement and retention is one of the most important factors in the short term and long-term success of the Group. Gymshark is rapidly growing, and we are building a community which is all about human connection and preparing for tomorrow. Our employees are a fundamental part of this community. The health and wellbeing of our employees is a priority, and we promote personal growth at every opportunity. We know that if we look after our team, our team will look after our community and each other.

We have many communication channels with our employees including a weekly survey giving us real time engagement measures and feedback on what is and is not working and we respond to the feedback received. There are also Employee Resource Groups in place to help celebrate, educate and support employees to both drive change and make an impact.

There are also quarterly updates to all employees by the CEO and CFO, which covers a summary of important topics including company results, employee updates and wellbeing across Gymshark's various offices. All employees are encouraged to undertake training provided by the company which is relevant to them personally or their role at Gymshark.

Included in the Future Developments paragraph is information about the restructuring plan announced in April 2022, and the support offered to employees.

Strategic Report (continued)

For the period ended 31 July 2021

c) the need to foster the Group's business relationships with suppliers, customers and others;

Interaction with our customers and community is mainly through our social media platforms. These are monitored constantly, gauging feedback regarding Gymshark and its products but also topics that are important to the Gymshark community.

The Gymshark Sourcing teams work collaboratively with our suppliers to ensure that we only use approved suppliers who comply with guidelines such as those issued by the Fair Labour Association. Our suppliers are subject to a standards audit before they can become approved suppliers and also regular audit thereafter.

All suppliers are paid in full and in accordance with agreed terms. During the past two financial years, when much of the World was affected by Covid-19 restrictions, which affected trading, we did not cancel any orders due to Covid, that had been placed with our suppliers and ensured that they were paid in full, on time.

d) the impact of the Group's operations on the community and environment;

The Group encourages each office to support local and national charities through regular fundraising events. As stated earlier in this report the Group did not furlough any staff over the past two years. A number of staff whose time was not fully occupied during this period volunteered to help deliver prescription medicines for the NHS. Gymshark employees are also encouraged to take their 'give back' day each year which allows employees to give back to charities and local communities.

The business continues to challenge itself on meaningful environmental targets including public commitments such as, we have committed to a 50% carbon reduction in products and 30% water reduction in products by 2030 as part of our involvement with Textiles 2030. We are also committed to use 100% recycled polyester from 2025.

e) the desirability of the Group maintaining a reputation for high standards of business conduct;

The values and the culture that the business want all to follow are very important for us to maintain our standards and reputation.

- Do the right thing. Our communities can count on us to be honest, trustworthy and genuine. We know where we're good, and we're honest where we're not, because our transparency earns trust. We'll stand and speak for our community and where you stand with is or not you can always be sure of our sincerity.
- Find the Gymshark way. We refuse to forget the garage mentality that made us ambitious, agile and disruptive.
- Put family first. Unconditionally. To go further, we go together.
- Be human. We are accessible, inclusive and humble. Our community is built on human connection. That's because we're as much a part of the community as everyone else. We share the same ability to win and the same vulnerability to lose.
- Be caring. This means being conscious of the world we live in, caring for those around us and being proactive to create positive change. Our world is far from a perfect place, but we can always try to make it one. The push for a better tomorrow – one of inclusivity, sustainability, wellbeing and beyond – will only stop when it's no longer needed.

If employees have issues or concerns about non-compliance with any policies, laws or regulations these can be raised in confidence.

Strategic Report (continued)

For the period ended 31 July 2021

f) the need to act fairly between majority and minority shareholders of the Group

Part of employee training comprises business ethics and reminds employees that the Directors require them to comply with the Group's high standards of corporate liability. There is also a code of conduct that is sent to all new starters.

Until the investment by General Atlantic in September 2020, Gymshark Limited was a wholly owned subsidiary of Gymshark Holdings Limited. All shareholders in the parent company benefitted from the same rights, as set out in the Company's articles of association and receive a regular update on the financial performance of the trading entities.

The interests of all shareholders were considered as part of the Board's decisions throughout the year.

Future Developments

The Directors expect the performance of the Group to increase in the forthcoming year, including increasing revenue, orders and customer numbers. This is as a result of the Group continuing to expand the D2C model, with localised execution, alongside consumer demand for the brand and new, on trend products.

In early 2022, the Group finalised and completed a lease of retail premises in Regent Street, London. This exciting new venture, which will open in September 2022, will be a flagship store giving our customers not only a retail offering but also an opportunity to experience being part of the Gymshark community.

A restructuring plan was communicated to all employees in April 2022 and was designed to improve cross functional working, and to ensure efficiencies. Under this plan, approximately 120 job reductions are expected by the end of July 2022, subject to an appropriate consultation process. As part of the restructuring proposal, more than 100 new roles have been created and the business will seek to offer as many of these new roles to its current staff where it is appropriate to do so. This announcement represents a non-adjusting post-balance sheet event. The costs for this restructuring plan, subject to the consultation process, are estimated to be in the region of £2.5million and will be recognised in the accounts for the year ended 31 July 2022.

The group's investment plans will continue in increasing resources, including over 100 new roles created as part of the restructuring plan and a further 100 roles required to run the retail store, as well as developing and retaining talent with a focus upon health and wellbeing. The Directors recognise the importance of employee wellbeing for the business and individual, therefore this is a focus for the Group in 2022 and beyond. Those that are subject to the redundancy consultation have been offered support in the form of; support to understand the redundancy process, access to support modules on change and resilience, access to business coaching, leadership support and our wellbeing hub (available to all employees) to include use of the 24/7 employee assistance programme, access to mental health first aiders and the free use of a wellbeing app.

Tangible developments are intended to provide world-class facilities to the Company to enable research and development and additional cutting-edge creative output. During the year the company invested £1,091k (2020: £544k) in R & D expenditure, alongside committing to capital investment in our newest and most impressive building in Blythe Valley Business Park, GSIQ, which opened in March 2022, where our product, data, technology, international and part of our brand team will be based. This building will truly cement our investment in becoming a 100 year brand through providing specialist space and rooms to allow product development.

This report was approved by the board of Directors on 9 May 22 and signed on behalf of the board by:

B Francis

Director

Directors' Report

For the period ended 31 July 2021

The Directors present their report and the financial statements of the Group for the period ended 31 July 2021. The Company was incorporated on 1 July 2020.

Directors

The directors who were appointed on the date of incorporation unless otherwise noted, and served the Group during the period were as follows:

B Francis	
S Hewitt	
P Richardson	(Resigned 31 March 2022)
P Daw	(Appointed 16 September 2020)
M Akar	(Appointed 16 September 2020)

Results and dividends

The Group's profit for the 12-month period, after taxation, amounted to £36.5m. In the prior year the profit after taxation of Gymshark Holdings Limited (formally known as Clade Group Limited), which at that date was the ultimate parent that produced Group accounts, amounted to £24.8m.

The directors do not recommend the payment of a dividend (2020: £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;
- 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;

Directors' Report (continued)

For the period ended 31 July 2021

- 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 and high performance, and provide employees with regular communication on the company's plans, performance and figures.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

Donations

Charitable donations during the year totalled £163k (2020: £360k). There were no political donations.

Streamlined Energy and Carbon Reporting (SECR)

Gymshark has appointed Carbon Footprint Ltd, a leading carbon and energy management company, to independently assess its Greenhouse Gas (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 has used the 2021 emission conversion factors published by Department for Environment, Food and Rural Affairs (DEFRA) and the Department for Business, Energy & Industrial Strategy (BEIS). The financial control approach has been used to account for our own operations (Scope 1 and 2). Logistics partners are accounted for in Scope 3. The table below summarises the GHG emissions for reporting year: 1st August 2020 to 31st July 2021. As a business we have been assessing our carbon emissions since 2017, however choose to compare against a baseline of 2019-2020, the first year we reported in line with SECR.

Directors' Report (continued)

For the period ended 31 July 2021

Streamlined Energy and Carbon Reporting (SECR) (continued)

SCOPE	ACTIVITY	FY20 TONNES CO_2e	FY21 TONNES CO_2e
Scope 1	Site Gas	4.78	3.50
	Company Car Travel	-	0.22
Scope 1 Sub-Total		**4.78**	**3.72**
Scope 2	Electricity Generation	463.95	393.82
Scope 2 Sub-Total		**463.95**	**393.82**
Scope 3	Air Freight – Final Mile	12,920.32	27,861.18
	Air Freight – Inbound	10,692.47	25,587.06
	Returns	-	4,408.20
	Sea Freight	747.53	1,885.96
	Lorry Freight – Final Mile	646.14	1,306.39
	Lorry Freight – Inbound	32.65	343.20
	Home-Workers	-	265.42
	Air Travel	996.14	139.37
	Electricity Transmission and Distribution	32.43	32.32
	Taxi Travel	20.45	14.25
	Employee-Owned Car Travel (Grey Fleet)	10.85	7.70
	Rail Travel	8.40	3.47
	Water (And Wastewater)	2.28	3.33
	Hire Cars	0.24	1.26
	Waste	0.62	0.83
Scope 3 Sub Total		**26,110.52**	**61,859.94**
Total tonnes of CO_2e		**26,579.25**	**62,257.48**
Tonnes of CO_2e per employee		53.92	78.11
Tonnes of CO_2e per £million turnover		102.88	133.49
Kilograms of CO_2e per unit		1.96	2.87
Total energy consumption (kWh)*		1,581,354	1,650,937

**Total energy consumption includes UK electricity, UK site gas, company owned vehicles and employee owned vehicles (grey fleet)*

Directors' Report (continued)

For the period ended 31 July 2021

Streamlined Energy and Carbon Reporting (SECR) (continued)

Energy Efficiency Actions

This year we have increased the scope of the assessment to cover two additional sources of emissions that are increasingly relevant to our business. The first is the impact of customers returning goods through our returns partners, and the second is the impact of employees working from home. As the business continues to grow, we are aware that the carbon footprint of our operations and deliveries to customers continues to increase as well, therefore over the course of the next year our focus is on setting an ambitious carbon reduction target aligned to climate science. In the reporting year enclosed within this report, we have made a number of operational investments and improvements to minimize our carbon footprint and energy consumption.

Within our own operations we have made steps to ensure that all buildings are increasingly energy efficient. We have invested significantly in the building design, of GSIQ (which opened in March 2022), to BREEAM Very Good standard. The specifications and learnings from this investment will be applied to the existing portfolio, with all other buildings due to be retrofitted to also achieve BREEAM Very Good standard. Throughout the year, office attendance has been closely monitored, and lighting and heating systems are regularly adjusted to reflect the lower attendance numbers. We have also invested in our people as well, hiring an Environmental Sustainability Specialist who is responsible for monitoring energy performance at our own sites, and ensuring that processes are in place to optimise and reduce consumption going forward.

The ongoing Covid-19 pandemic has also caused the emissions from business travel to continue to decrease year on year. This has allowed us to revaluate the extent to which business travel is essential, and in the future, we intend to adapt to the new ways of working and ensure that there is only essential business travel as we emerge from the pandemic.

The largest proportion of our measured footprint is the delivery of our products to customers, which is carried out by our logistics partners. during the year, we also opened two new distribution centres in the US, and another in Melbourne. This enables us to provide a better service to our customers, but also reduces the carbon emissions associated with delivering products in the US and Australia. In the UK, we relocated a DC from Swindon to Lutterworth, reducing the average distance to customers and GSHQ. By having local DCs in our key markets this reduces the reliance on air freight when fulfilling orders. As per last year, the impact of air freight is the largest contributor to our carbon footprint. This has been exacerbated in the reporting year due to the ongoing disruption of supply chains, and the unpredictable nature of factory and port closures due to Covid-19. We have already made significant efforts to improve sales forecasting and logistics capabilities within the company in order to mitigate some of the disruption. 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.

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 referred to in the Strategic Report, in January 2022 Gymshark Limited signed a lease of a retail premises on Regent Street, London. The lease liability of this premise is approximately £21.9m. A new £50m RCF loan agreement was signed in December 2021 that expires in December 2024.

A restructuring plan was communicated to all employees in April 2022 which is expected to cost c.£2.5million. Included in the Future Developments paragraph is information about the restructuring, and the support offered to employees.

Directors' Report (continued)

For the period ended 31 July 2021

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 2021, the Group had net current assets of £45,213k (2020: £50,611k) and cash and cash equivalents of £46,526k (2020: £71,479k). The Group also has a £50m committed revolving credit facility ('RCF'), that expires in December 2024, which was negotiated in December 2021, as the previous RCF expired. 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 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 2023. This review 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. 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 compared to levels recorded in the financial year ended 31 July 2022 to date. In the 2022 financial year to date, revenue is tracking at over 20% ahead of the period ended 31 July 2021, therefore the scenario that sees revenue, and therefore profitability in the period to 31 July 2023 not increasing is considered unlikely. 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 4 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.

A reverse stress test scenario has also been modelled to assess the level of revenue reduction that would be required to cause a working capital issue. The likelihood of this scenario was then assessed. The review shows that the Group maintains borrowing headroom and continues to meet its covenants under the plausible downside scenario adopted, and that the reverse stress test scenario is implausible.

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

The directors also considered and assessed that there were no significant events forecast beyond 31 July 2023 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.

Auditor

Ernst and Young LLP will seek re-appointment at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 9 May 22 and signed on its behalf by:

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 2021 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 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements 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).

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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 the period to 31 July 2023 from when the financial statements are authorised for issue.

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 (Continued)

Other information

The other information comprises the information included in the annual report set out on pages 1 to 11, 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 there is 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 set out on pages 7-8, 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.

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

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.

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 group 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 identified revenue recognition as the principal fraud risk.
- 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Jamie Dixon
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
9 May 2022

Consolidated Statement of Comprehensive Income

For the period ended 31 July 2021

	Notes	2021 £000	2020 £000
Revenue	4	401,946	260,674
Cost of sales		(119,076)	(80,685)
Gross profit		282,870	179,989
Distribution costs		(94,133)	(59,994)
Administrative costs		(142,184)	(88,867)
Operating profit	7	46,553	31,128
Finance costs	9	(1,150)	(729)
Profit before taxation		45,403	30,399
Taxation	10	(8,906)	(5,607)
Profit for the financial year		36,497	24,792
Other comprehensive income:			
Items which may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		352	-
Total comprehensive income for the year		36,849	24,792

The notes on pages 22 to 55 form part of the financial statements.

Consolidated Statement of Financial Position

As at 31 July 2021

Company registration number: 12711328

	Notes	2021	2020	As at 1 August 2019
		£000	£000	£000
Non-current assets				
Intangible assets	11	187	818	1,337
Property, plant and equipment	12	28,491	13,239	8,359
Right-of-use assets	13	15,016	12,330	8,889
Deferred tax asset	14	4,928	-	153
		48,622	26,387	18,738
Current assets				
Inventories	16	79,946	28,233	22,536
Trade and other receivables	17	6,190	6,165	8,637
Cash and cash equivalents	18	46,526	71,479	30,443
		132,662	105,877	61,616
Total assets		181,284	132,264	80,354
Current liabilities				
Trade and other payables	19	68,924	52,298	28,604
Borrowings	20	3,521	1,265	1,264
Lease liability	13	1,388	797	1,323
Provisions	21	10,012	-	-
Corporation tax liability		3,604	906	585
		87,449	55,266	31,776
Non-current liabilities				
Borrowings	20	-	3,488	4,749
Lease liability	13	16,489	12,231	8,052
Provisions	21	360	-	-
Deferred tax provision	14	-	710	-
		16,849	16,429	12,801
Total liabilities		104,298	71,695	44,577
Net assets		76,986	60,569	35,777
Shareholders' funds				
Share capital	25	-	-	-
Share premium	25	80,000		
Merger reserve	26	(100,000)	75	75
Foreign currency translation reserve		(352)	-	-
Retained earnings		97,338	60,494	35,702
Total shareholders' funds		76,986	60,569	35,777

These financial statements were approved and authorised for issue by the board of directors on 9 May 22 and were signed on its behalf by:

....

B Francis
Director

The notes on pages 22 to 55 form part of the financial statements.

Company Statement of Financial Position

As at 31 July 2021

Company registration number: 12711328

	Notes	2021 £000
Non-current assets		
Investments in subsidiaries	15	100,501
		100,501
Current assets		
Trade and other receivables	17	68
		68
Total assets		100,569
Current liabilities		
Trade and other payables	19	20,834
Total liabilities		20,834
Net assets		79,735
Shareholders' funds		
Share capital	25	-
Share premium	25	80,000
Retained earnings		(265)
Total shareholders' funds		79,735

Gymshark Group Limited was incorporated on 1 July 2020 and is therefore preparing statutory financial statements for the first time.

The Company made a loss for the year of £612,000.

These financial statements were approved and authorised for issue by the board of directors on 9 May 22 and were signed on its behalf by:

....

B Francis

Director

The notes on pages 22 to 55 form part of the financial statements.

Consolidated Statement of Changes in Equity

For the period ended 31 July 2021

	Notes	Share capital £000	Share premium £000	Merger reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
As at 1 August 2019		-	-	75	-	35,702	35,777
Profit for the year		-	-	-	-	24,792	24,792
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	24,792	24,792
Balance at 31 July 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

The notes on pages 22 to 55 form part of the financial statements.

Company Statement of Changes in Equity

For the period ended 31 July 2021

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Total £000
On incorporation on 1 July 2020		-	-	-	-
Loss for the year		-	-	(612)	(612)
Other comprehensive income		-	-	-	-
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

Gymshark Group Limited was incorporated on 1 July 2020 and is therefore preparing statutory financial statements for the first time.

The notes on pages 22 to 55 form part of the financial statements.

Consolidated Statement of Cash Flows

For the period ended 31 July 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Profit for the year	36,497	24,792
Adjustments for:		
- Depreciation of property, plant and equipment	2,542	1,731
- Depreciation of right-of-use assets	1,969	1,462
- Amortisation	631	587
- Loss on disposal of intangible assets	-	9
- Finance costs	1,150	729
- Taxation	8,906	5,607
- Share based payment charge	347	-
Changes in working capital		
- Increase in inventories	(52,746)	(5,697)
- Decrease in trade and other receivables	(599)	2,465
- Increase in trade and other payables	7,668	23,694
- Increase in provisions	10,374	-
Cash generated from operating activities	16,739	55,379
Taxation paid	(11,875)	(4,424)
Net cash flow generated from operating activities	4,864	50,955
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,882)	(6,613)
Proceeds from sale of property, plant and equipment	-	3
Payments of software development costs	-	(73)
Subscription of new shares	80,000	-
Payments to former shareholder	(100,000)	-
Net cash flow used in investing activities	(37,882)	(6,683)
Cash flows from financing activities		
Increase in borrowings from related party	10,000	-
Interest paid	(1,124)	(729)
Repayment of loans	(1,232)	(1,260)
Principal elements of lease payments	(809)	(1,247)
Net cash flow used in financing activities	6,835	(3,236)
Net (decrease) / increase in cash and cash equivalents	(26,183)	41,036
Cash and cash equivalents at the beginning of the year	71,479	30,443
Effects of exchange rate changes on cash and cash equivalents	1,230	-
Cash and cash equivalents at the end of the year	46,526	71,479

No Statement of Cash Flows has been presented for the Company because it has not held any cash or cash equivalents throughout the period and has had no cash flows.

The notes on pages 22 to 55 form part of the financial statements.

Notes to the Financial Statements
For the period ended 31 July 2021

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 2021

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 ("IFRSs").

Gymshark Group Limited was incorporated on 1 July 2020 and is therefore preparing statutory financial statements for the first time. It was incorporated as part of a group restructure in which it acquired the previous parent of the Group, Gymshark Holdings Limited (formally Clade Group 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.

For all periods up to and including the year ended 31 July 2020, GHL (and other UK companies in the Group) prepared its financial statements in accordance with FRS 1 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). These financial statements for the period ended 31 July 2021 are the first the Group has prepared in accordance with IFRS.

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 financial statements are made up to 31 July 2021.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

As permitted by s408 of the Companies Act 2006, the Company has not presented its own profit and loss account. In the 13-month period to 31 July 2021, the Company made a loss of £612k. Gymshark Group Limited was incorporated on 1 July 2020 therefore there is no comparative information.

Notes to the Financial Statements
For the period ended 31 July 2021

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 2021, the Group had net current assets of £45,213k (2020: £50,611k) and cash and cash equivalents of £46,526k (2020: £71,479k). The Group also has a £50m committed revolving credit facility ('RCF'), that expires in December 2024, which was negotiated in December 2021, as the previous RCF expired. 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 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 2023. This review 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. 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 compared to levels recorded in the financial year ended 31 July 2022 to date. In the 2022 financial year to date, revenue is tracking at over 20% ahead of the period ended 31 July 2021, therefore the scenario that sees revenue, and therefore profitability in the period to 31 July 2023 not increasing is considered unlikely. 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 4 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.

A reverse stress test scenario has also been modelled to assess the level of revenue reduction that would be required to cause a working capital issue. The likelihood of this scenario was then assessed. The review shows that the Group maintains borrowing headroom and continues to meet its covenants under the plausible downside scenario adopted, and that the reverse stress test scenario is implausible.

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

The directors also considered and assessed that there were no significant events forecast beyond 31 July 2023 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 2021

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 exchange rates prevailing at the dates of the transactions. 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 internet sales, 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.

Revenues for goods and services are recognised upon despatch of the order from the distribution centres.

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.

It is the Group's policy to sell products with a right of return within 90 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.

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 2021

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 acquired as part of a business combination are recorded at the fair value at the acquisition date.

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:

- Computer 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:

- Land and buildings – 5 – 10 years straight line
- Plant and machinery – 3 – 15 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.

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 first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other 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.

Notes to the Financial Statements

For the period ended 31 July 2021

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 prepaid commissions and prepaid expenses) 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 Company 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 (written-off) when the Company 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 Company 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 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 Company applies the simplified approach to its financial assets. Under the simplified approach the Company 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 2021

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 Company 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.

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 2021

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, equipment and vehicles. 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, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made.

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.

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.

Notes to the Financial Statements

For the period ended 31 July 2021

2. Summary of significant accounting policies (continued)

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.

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

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 (£).

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 Limited issued to employees. Details of the scheme are provided in note 26. 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 vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the fair value of awards that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

First-time adoption of IFRS

These financial statements, for the period ended 31 July 2021, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 July 2020, Gymshark Holdings Limited (formally Clade Group Limited) prepared its financial statements in accordance with FRS 102.

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 July 2021, together with the comparative period data for the year ended 31 July 2020, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 August 2019, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its FRS 102 financial statements, including the statement of financial position as at 1 August 2019 and the financial statements as of, and for, the year ended 31 July 2020.

The Group has applied the following exemptions:

- The Group assessed all contracts existing at 1 August 2019 to determine whether a contract contains a lease based upon the conditions in place as at 1 August 2019.
- Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 August 2019. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 August 2019. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on either a straight-line basis over the lease term or another systematic basis.

Estimates

The estimates at 1 August 2019 and at 31 July 2019 are consistent with those made for the same dates in accordance with FRS 102 (after adjustments to reflect any differences in accounting policies).

Notes to the Financial Statements
For the period ended 31 July 2021

2. Summary of significant accounting policies (continued)

First-time adoption of IFRS (continued)

Group reconciliation of equity as at 1 August 2019 (date of transition to IFRS)

	Notes	FRS 102	Reclassification and remeasurements	As at 1 August 2019
		£000	£000	£000
Non-current assets				
Intangible assets		1,337	-	1,337
Property, plant and equipment	A	10,020	(1,661)	8,359
Right-of-use assets	A	-	8,889	8,889
Deferred tax asset	C	-	153	153
		11,357	7,381	18,738
Current assets				
Inventories		22,536	-	22,536
Trade and other receivables	A	8,750	(113)	8,637
Cash and cash equivalents	B	30,443	-	30,443
		61,729	(113)	61,616
Total assets		73,086	7,268	80,354
Non-current liabilities				
Trade and other payables		4,749	-	4,749
Lease liability	A	303	7,749	8,052
Deferred tax provision	C	26	(26)	-
		5,078	7,723	12,801
Current liabilities				
Trade and other payables		30,561	(1,957)	28,604
Borrowings (including overdrafts)		1,264	-	1,264
Lease liability	A	-	1,323	1,323
Corporation tax liability		585	-	585
		32,410	(634)	31,776
Total liabilities		37,488	7,089	44,577
Net assets		35,598	179	35,777
Shareholders' funds				
Share capital		-	-	-
Merger reserve		75	-	75
Retained earnings	A	35,523	179	35,702
Total shareholders' funds		35,598	179	35,777

Notes to the Financial Statements
For the period ended 31 July 2021

2. Summary of significant accounting policies (continued)

First-time adoption of IFRS (continued)

Group reconciliation of equity as at 31 July 2020

	Notes	FRS 102	Reclassification and remeasurements	As at 31 July 2020
		£000	£000	£000
Non-current assets				
Intangible assets		818		818
Property, plant and equipment	A	14,505	(1,266)	13,239
Right-of-use assets	A	-	12,330	12,330
		15,323	11,064	26,387
Current assets				
Inventories		28,233	-	28,233
Trade and other receivables	A	6,289	(124)	6,165
Cash and cash equivalents	B	71,479	-	71,479
		106,001	(124)	105,877
Total assets		121,324	10,940	132,264
Non-current liabilities				
Trade and other payables		3,488	-	3,488
Lease liability	A	-	12,231	12,231
Deferred tax provision		1,020	(310)	710
		4,508	11,921	16,429
Current liabilities				
Trade and other payables		54,253	(1,955)	52,298
Borrowings (including overdrafts)		1,265	-	1,265
Lease liability	A	-	797	797
Corporation tax liability		906	-	906
		56,424	(1,158)	55,266
Total liabilities		60,932	10,763	71,695
Net assets		60,392	177	60,569
Shareholders' funds				
Share capital		-	-	-
Merger reserve		75	-	75
Retained earnings	A	60,317	177	60,494
Total shareholders' funds		60,392	177	60,569

Notes to the Financial Statements

For the period ended 31 July 2021

2. Summary of significant accounting policies (continued)

First-time adoption of IFRS (continued)

Group reconciliation of total comprehensive income for the year ended 31 July 2020

	Notes	FRS 102 £000	Remeasurements	IFRS for the year ended 31 July 2020 £000
Revenue		260,674	-	260,674
Cost of sales		(80,685)	-	(80,685)
Gross profit		179,989	-	179,989
Distribution costs		(59,994)	-	(59,994)
Administrative costs	B	(89,049)	182	(88,867)
Operating profit		30,946	182	31,128
Finance income		-		-
Finance costs	B	(414)	(315)	(729)
Profit before taxation		30,532	(133)	30,399
Taxation	C	(5,738)	131	(5,607)
Profit for the financial year		24,794	(2)	24,792
Other comprehensive income:		-	-	-
Total comprehensive income/ (loss) for the year		24,794	(2)	24,792

Notes to the Financial Statements

For the period ended 31 July 2021

2. Summary of significant accounting policies (continued)

First-time adoption of IFRS (continued)

Notes to the reconciliation of equity as at 1 August 2019 and 31 July 2020 and total comprehensive income for the year ended 31 July 2020

A Leases

Under FRS 102, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. Under IFRS, as explained above in Note 2, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the date of transition to IFRS, the Group measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As a result, the Group recognised an increase of £8,311,000 (31 July 2020: £12,726,000) of lease liabilities and £7,228,000 (31 July 2020: £11,065,000) of right-of-use assets. The difference between lease liabilities and right-of-use assets relates to prepayments and accruals at the date of transition. Additionally, depreciation increased by £1,067,000 (included in administrative expenses) and finance costs increased by £315,000 for the year ended 31 July 2020.

Under FRS 102, assts held under finance leases are capitalised and included in property, plant and equipment. Under IFRS, they are presented in right-of-use assets. At the date of transition to IFRS, £1,661,000 (31 July 2020: £1,266,000) was reclassified from property, plant and equipment to right-of-use assets.

B Statement of cash flows

Under FRS 102, a lease is classified as a finance lease or an operating lease. Cash flows arising from operating lease payments are classified as operating activities. Under IFRS, a lessee generally applies a single recognition and measurement approach for all leases and recognises lease liabilities. Cash flows arising from payments of principal portion of lease liabilities are classified as financing activities. Therefore, cash outflows from operating activities decreased by £802,000 and cash outflows from financing activities increased by the same amount for the year ended 31 July 2020.

C Deferred tax

The transitional adjustments resulted in various temporary differences. In line with the accounting policies in Note 2, the Group has to recognise the tax effects of such differences. Deferred tax adjustments are recognised in relation to the underlying transaction either in retained earnings or a separate component of equity.

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
Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions	1 June 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IAS 1, Presentation of financial statements' on classification of liabilities	1 January 2021

Notes to the Financial Statements

For the period ended 31 July 2021

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 obsolescence provision

Inventory held at the balance sheet date is 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, inventory written off to fair value less cost to sell totalled £1,834k (2020: £1,300k) (2019: £500k).

Refunds provision

Revenue from the sale of goods is recognised when the Group sells 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 90 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. 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.

Legal provision

When a known or likely claim is identified, management assesses the likelihood of the claim using both internal and external advisors and a provision is subsequently recognised where a settlement is probable. There are a number of possible outcomes to these claims, with the uncertainties including the stage of discussion with the plaintiffs and whether the cases settle in or outside of formal proceedings. The legal provision also takes post period end knowledge and outcomes into consideration. Management acknowledge that it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions utilised, could require a material adjustment to the carrying amount of the asset or liability affected.

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 all 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.

Notes to the Financial Statements

For the period ended 31 July 2021

4. Revenue

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

	2021 £000	2020 £000
Direct to consumer sales	401,946	260,674
	401,946	260,674

A geographical analysis of revenue is as follows:

	2021 £000	2020 £000
United States	182,893	119,432
U.K.	86,453	51,590
Europe excluding the U.K.	84,391	58,244
Rest of World	48,209	31,408
	401,946	260,674

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:

	2021 Number	2020 Number
Administration staff	616	407
Management staff	11	11
	627	418

The aggregate payroll costs of these persons comprised:

	2021 £000	2020 £000
Wages and salaries	36,911	27,326
Social security costs	3,022	1,840
Other pension costs	1,245	746
	41,178	29,912

The group did not receive any government support under the UK Coronavirus Job Retention Scheme or any similar overseas schemes.

Notes to the Financial Statements

For the period ended 31 July 2021

6. Directors' emoluments and key management personnel renumeration

Directors' emoluments

	2021 £000	2020 £000
Directors' emoluments	3,177	5,678
Contributions to defined contribution pension scheme	87	97
	3,264	5,775

Included in the above, are amounts attributable to the highest paid director of £1.2m (2020: £1.8m).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £30,000 (2020: 28,000).

Key Management Personnel renumeration

	2021 £000	2020 £000
Short-term employee benefits	5,444	7,186
Post-employment benefits	181	114
	5,625	7,300

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):

	2021 £000	2020 £000
Depreciation of property, plant and equipment	2,542	1,731
Depreciation of right-of-use assets	1,969	1,462
Loss on disposal of assets	-	9
Amortisation of intangible assets	631	587
R&D expenditure	1,091	544
Inventory recognised as an expense	112,084	73,792
Foreign exchange loss	3,740	1,775

Notes to the Financial Statements

For the period ended 31 July 2021

8. Auditors' remuneration

	2021 £000	2020 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	145	45
Fees payable to the Group's auditor and its associates in respect of:		
- Services relating to financial statements	-	6
- Other non-audit services	-	-

9. Finance costs

	2021 £000	2020 £000
Bank interest payable	2	216
Other loan interest payable	89	17
Related party loan interest	265	-
Other interest payable	233	78
Interest on lease liabilities	561	418
Finance costs	1,150	729

Notes to the Financial Statements

For the period ended 31 July 2021

10. Taxation

The tax charge comprises:

	2021 £000	2020 £000
Current tax		
- UK current tax charge for the year	13,653	4,744
- Adjustments in respect of prior periods	(11)	-
- Foreign tax suffered	902	-
Total current tax	14,544	4,744
Deferred tax		
- Origination and reversal of timing differences	(5,429)	884
- Effect of change in tax rate	114	(21)
- Adjustments in respect of prior periods	(323)	-
Total deferred tax	(5,638)	863
Total tax charge	8,906	5,607

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

	2021 £000	2020 £000
Profit before tax	45,403	30,399
Tax using the UK corporation tax rate of 19% (2020: 19%)	8,626	5,776
Non-deductible expenses	2,291	1,378
Change in deferred tax rates	212	-
Effects of overseas tax rates	(994)	-
Adjustments in respect of prior periods	(334)	(1,478)
Tax losses carried forward	7	-
Future vesting of share options	(58)	-
Income not taxable	(289)	-
Adoption of IFRS 16	(555)	-
Adjustments arising on consolidation	-	(69)
Total tax charge	8,906	5,607

Notes to the Financial Statements

For the period ended 31 July 2021

11. Intangible assets

Group	**Computer software £000**
Cost	
At 1 August 2019	1,413
Additions	73
Disposals	(55)
At 31 July 2020	1,431
Additions	-
Disposals	(25)
At 31 July 2021	1,406
Amortisation and impairment	
At 1 August 2019	76
Amortisation charge	587
Disposals	(50)
At 31 July 2020	613
Amortisation charge	631
Disposals	(25)
At 31 July 2021	1,219
Net book value	
At 31 July 2021	187
At 31 July 2020	818
At 31 August 2019	1,337

Notes to the Financial Statements

For the period ended 31 July 2021

12. Property, plant and equipment

Group	Land and buildings £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost				
At 1 August 2019	7,779	1,287	-	9,066
Additions	1,568	4,922	123	6,613
Disposals	-	(156)	-	(156)
At 31 July 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
Depreciation and impairment				
At 1 August 2019	392	315	-	707
Depreciation charge	1,112	619	-	1,731
Disposals	-	(154)	-	(154)
At 31 July 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
Net book value				
At 31 July 2021	10,117	6,052	12,322	28,491
At 31 July 2020	7,843	5,273	123	13,239
At 31 August 2019	7,387	972	-	8,359

Notes to the Financial Statements

For the period ended 31 July 2021

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 2019	8,277	1,137	9,414
Additions	3,288	-	3,288
Modification of lease	1,620	-	1,620
Foreign exchange differences	(5)	-	(5)
31 July 2020	13,180	1,137	14,317
Additions	5,024	-	5,024
Foreign exchange differences	(369)	-	(369)
At 31 July 2021	17,835	1,137	18,972
Depreciation and impairment			
At 1 August 2019	146	379	525
Depreciation charge	1,176	286	1,462
At 31 July 2020	1,322	665	1,987
Depreciation charge	1,686	283	1,969
At 31 July 2021	3,008	948	3,956
Net book value			
At 31 July 2021	14,827	189	15,016
At 31 July 2020	11,858	472	12,330
At 1 August 2019	8,131	758	8,889

Notes to the Financial Statements

For the period ended 31 July 2021

13. Leases (continued)

Lease liabilities

Maturity analysis of lease liabilities:

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

	2021 £000	2020 £000	2019 £000
Not later than a year	1,891	1,089	1,111
Later than one year and not later than five years	8,889	6,413	5,417
Later than 5 years	9,832	7,563	3,983
Total undiscounted lease payments	20,612	15,065	10,511
Less: future finance charges	(2,735)	(2,037)	(1,136)
	17,877	13,028	9,375

Amounts recognised in the Statement of Comprehensive Income

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

	2021 £000	2020 £000
Depreciation of right of use assets:	1,969	1,462
Interest expense on lease liabilities	561	418

14. Deferred tax provision

Group	Liability/(asset)
At 1 August 2019	26
Adjustment to opening balance for IFRS 16 adoption	(179)
Restated opening balance at 1 August 2019	(153)
Charged to profit or loss	995
Differences arising due to the adoption of IFRS 16	(132)
Utilised in the year	-
At 31 July 2020	710
Adjustments in respect of prior years	(323)
Deferred tax charge to Income Statement	(5,315)
Utilised in the year	-
At 31 July 2021	(4,928)

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

Deferred tax is calculated on temporary differences using a UK tax rate of 25% (2020: 19%, 2019: 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.

Notes to the Financial Statements

For the period ended 31 July 2021

14. Deferred tax provision (continued)

Unremitted earnings

There are temporary differences relating to undistributed earnings in subsidiaries of £447k (2020: £52k) 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 incorporation on 1 July 2020 and 1 August 2020	-
Additions	100,501
31 July 2021	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 (formally Clade Group Limited) GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB	UK	Holding company	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
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
Clade Limited* GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB	UK	Dormant	100
Clade Holdings Limited* GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB	UK	Dormant	100

*shares held indirectly through Gymshark Holdings Limited (formally Clade Group Limited)

Notes to the Financial Statements

For the period ended 31 July 2021

16. Inventories

Group	2021 £000	2020 £000	1 August 2019 £000
Finished goods	79,946	28,233	22,536
	79,946	28,233	22,536

Inventories recognised as an expense during the period ended 31 July 2021 amounted to £112,084k (2020: £73,792k). These were included in cost of sales.

17. Trade and other receivables

Group	2021 £000	2020 £000	1 August 2019 £000
Amounts falling due within one year:			
Trade receivables	20	211	-
Prepayments and accrued income	4,591	2,847	6,906
Other receivables	1,579	3,107	1,731
	6,190	6,165	8,637

Company	2021 £000
Amounts falling due within one year:	
Amounts due from group undertakings	68
	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. There have been no expected credit losses recognised in the year (2020: £Nil, 2019: £Nil).

Notes to the Financial Statements

For the period ended 31 July 2021

18. Cash and cash equivalents

Group	2021 £000	2020 £000	1 August 2019 £000
Cash at bank and in hand	46,526	71,479	30,443
	46,526	71,479	30,443

19. Trade and other payables

Group	2021 £000	2020 £000	1 August 2019 £000
Current			
Trade payables	28,096	14,646	12,887
Amounts due to related parties**	10,026	-	-
Other taxation and social security	3,941	4,463	1,241
Accruals and deferred income	25,925	30,684	13,661
Other payables	936	2,505	815
	68,924	52,298	28,604

Company	2021 £000
Current	
Amounts due to Group undertakings*	9,915
Amounts due to related parties**	10,026
Other taxation and social security	81
Accruals and deferred income	812
	20,834

*Amounts due to group undertakings attract interest at 3% above the sterling one-month London Interbank Offered Rate per annum and are repayable in full on demand.

**On 16 September 2020 the Francis Family Office Limited (formally Ben Francis Limited) provided Gymshark Group Limited with an unsecured loan of £10 million. The loan attracts interest at 3% above the sterling one-month London Interbank Offered 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 of the Company, is also a director of the Francis Family Office Limited.

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

Notes to the Financial Statements

For the period ended 31 July 2021

20. Borrowings

Amounts falling due within one year

Group	2021 £000	2020 £000	1 August 2019 £000
Bank loans	3,521	1,265	1,264
	3,521	1,265	1,264

Amounts falling due after more than one year

Group	2021 £000	2020 £000	1 August 2019 £000
Bank loans	-	3,488	4,749
	-	3,488	4,749

The bank loan is secured by a fixed and floating charge over the assets of Gymshark Limited and a cross guarantee from its parent company Gymshark Holdings Limited (formally Clade Group Limited). Interest is payable on the loan at 1.25% over LIBOR and is repayable in March 2022. The Group will move from using LIBOR to SONIA from 1 January 2022. The movement to SONIA is not considered to have a material impact on the Group's financial statements.

At the end of the periods ended 31 July 2021 and 31 July 2020, the Group had an undrawn revolving credit facility ("RCF"), which allowed the Group to draw down £15m (with an accordion of £10m) that was subject to interest payable at 1.5% over LIBOR. The RCF expired on 16 December 2021, and as stated in the Directors Report, was replaced with a further RCF of £50m which expires in December 2024.

Notes to the Financial Statements

For the period ended 31 July 2021

21. Provisions

Group	2021 £000	2020 £000	1 August 2019 £000
Dilapidation provision			
Current	12	-	-
Non-current	360	-	-
Legal claims provision			
Current	10,000	-	-
	10,372	-	-
Total current provisions	10,012	-	-
Total non-current provisions	360	-	-

Information about individual provisions and significant estimates

Management has taken both external and internal legal advice in assessing known legal claims against the Group. When a known or likely claim is identified, management assesses the likelihood of the claim and a provision is subsequently recognised, where it is considered probable that a settlement will be required.

The current year provision relates to management's best estimate of legal costs and associated settlements required in respect of the litigations ongoing within the Group. Management expects the provision to be utilised within 12 months.

The Group is required to restore the leased premises of its retail stores 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 August 2019 and 31 July 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

Notes to the Financial Statements

For the period ended 31 July 2021

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 £1,239k (2020: £663k)

Contributions totalling £217k (2020: £114k, 2019: £68k) were payable to the scheme at the end of the year and are included in other creditors.

The Company has no members in the defined contribution pension plan.

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 is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand.

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 if the effect is material.

Notes to the Financial Statements

For the period ended 31 July 2021

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:

2021	USD £000	EUR £000	CAD £000	AUD £000	Other £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)

2020	USD £000	EUR £000	CAD £000	AUD £000	Other £000
Trade and other receivables	1,754	550	4	102	197
Cash and cash equivalents	31,562	20,399	2,329	7,722	5,325
Trade payables	(10,617)	(116)	(364)	(55)	(17)
Accruals	(10,384)	(297)	(7)	(56)	(215)
Other payables	(571)	(342)	(54)	(55)	(60)

2019	USD £000	EUR £000	CAD £000	AUD £000	Other £000
Trade and other receivables	312	326	13	20	165
Cash and cash equivalents	9,921	1,142	184	1,648	3,628
Trade payables	(7,435)	(1,359)	(6)	(36)	(73)
Accruals	(3,149)	(135)	(8)	(9)	(66)
Other payables	(290)	(155)	(25)	(27)	(35)

As shown in the table above, 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, a 5% increase in the USD/GBP exchange rate would increase the loss for the year by £221,000 (2020: £308,000).

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 LIBOR.

Holding all other variables constant, a 1% increase in LIBOR would decrease the profit for the year by £92,000 (2020: £Nil).

From the 1st January 2022, SONIA will replace LIBOR. The movement to SONIA is not considered to have a material impact on the Group's financial statements.

Notes to the Financial Statements

For the period ended 31 July 2021

23. Financial instruments (continued)

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 monitor 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 2021, there were no receivables that were 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 2021

Group	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'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

Contractual maturities of financial liabilities at 31 July 2020

Group	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000
Trade and other payables	52,298	-	-	52,298
Borrowings	1,265	3,488	-	4,753
Lease liabilities	797	5,851	6,380	13,028
	54,360	9,339	6,380	70,079

Contractual maturities of financial liabilities at 1 August 2019

Group	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000
Trade and other payables	28,604	-	-	28,604
Borrowings	1,264	4,749	-	6,013
Lease liabilities	1,323	4,245	3,807	9,375
	31,191	8,994	3,807	43,992

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.

Notes to the Financial Statements

For the period ended 31 July 2021

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

	1 August 2019 £'000	Financing cash flows £'000	New leases £'000	Lease modifications £'000	Finance cost £'000	Foreign currency movement £'000	31 July 2020 £'000
Borrowings	6,013	(1,260)	-	-	-	-	4,753
Lease liabilities	9,375	(1,667)	3,288	1,620	418	(6)	13,028
	15,389	(2,926)	3,288	1,620	418	(6)	17,781

	1 August 2020 £'000	Financing cash flows £'000	New leases £'000	Lease modifications £'000	Finance cost £'000	Foreign currency movement £'000	31 July 2021 £'000
Borrowings	4,753	(1,232)	-	-	-	-	3,521
Lease liabilities	13,028	(1,328)	6,029	-	519	(371)	17,877
	17,781	(2,560)	6,029	-	519	(371)	21,398

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	9,500	0.000001	-
Allotted, called up and fully paid Ordinary shares at £1 each	7,672,754		172

Notes to the Financial Statements

For the period ended 31 July 2021

25. Share capital (continued)

Movements in shares

	Number of shares	Nominal value (£)	Share Premium £'000
Opening balance on 1 July 2020 (incorporation)	-	-	-
Allotment of A Preferred shares	363,673	36	80,000
Allotment of B Ordinary shares	1,180,537	118	-
Allotment of C Ordinary shares	118,444	12	-
Allotment of D Ordinary shares	6,000,600	6	-
Allotment of E Ordinary shares	9,500	-	-
Balance at 31 July 2021	7,672,754	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 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.

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.

Notes to the Financial Statements

For the period ended 31 July 2021

27. Share based payments

Gymshark Group Limited introduced a Long-Term Incentive Plan ("LTIP"). On 16 September 2020, 9,000 E shares and on 30 November 2020 500 E shares were issued to various employees of Gymshark Limited 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 Shares was determined using probability weighted expected returns model using the following inputs at the grant date:

Risk free rate	0.78%
Equity market risk premium ("EMRP")	5.00%
Conditional equity market risk adjustment ("CEMRA")	3.25%
Asset beta	1.2
Ungeared cost of equity	11.90%
Size premium	1.47%

There were no E shares granted in prior years, and none of the E shares had vested as at 31 July 2021.

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

The fair value of the E Shares as at the Valuation Date was estimated to be £120.39 per share.

28. Capital commitments

The Group and Company had capital commitments of £7,496k at 31 July 2021 (31 July 2020: £400k, 1 August 2019: £1,600k).

29. Contingencies

The Company does not have any contingent arrangements at 31 July 2021.

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 2021

30. 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 £383k (2020: £420k, 2019: £Nil) 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 £9,758 (2020: £16,679, 2019: £Nil).

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 (formally Ben Francis Limited) provided Gymshark Group Limited with an unsecured loan of £10 million. The loan attracts interest at 3% above the sterling one-month London Interbank Offered 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 of the Company, is also a director of the Francis Family Office Limited. At 31 July 2021, £10,026k including £26k of interest was outstanding (2020: £nil loan and interest outstanding).

31. Subsequent events

A new £50m revolving credit facility loan agreement has been signed on 22 December 2021, which expires in December 2024.

The Group has signed a lease for its first retail space in Regent Street, London. The space is expected to open in Autumn 2022. The lease liability of this premise is approximately £21.9m.

A restructuring plan was communicated to all employees in April 2022 which is expected to cost c.£2.5million. Included in the Future Developments paragraph is information about the restructuring, and the support offered to employees.

32. Ultimate parent company and parent company of larger group

The ultimate controlling party is Mr 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 2021.