Gymshark Group Limited

Reports and Financial Statements

For the year ended 31 July 2023

Company Registration No. 12711328

Company information

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

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Strategic Report

For the year ended 31 July 2023

The Directors present their Strategic Report for Gymshark Group Limited ("the Company") and its subsidiary undertakings (together ("the Group")) for the year ended 31 July 2023.

Principal Activities and Review of Business

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

The Group is purpose-led and exists to unite the conditioning community. The principal activity of both GL and GUSA during the period was trading as a Direct to Consumer ("D2C") brand, selling fitness and conditioning apparel and associated accessories, primarily through e-commerce channels. The focus for the brand remains to continue to produce products that align with our core focus in Lifting and Conditioning, and to create engaging content in a thoughtful and inclusive way for its stakeholders throughout the world.

During the last financial year, apparel businesses have continued to face rising input costs, including rising raw materials and labour costs. However, other costs notably freight began to normalise during the financial year. The board has continued to monitor these costs closely as well as changes to the macro environment, from a general perspective and with regard to conditions in key geographies.

The consumer has been hit by the general macro-economic climate, with inflation and cost of living increases impacting discretionary spending. Despite these pressures, the board is pleased to report that the Group has continued to grow its sales and improve profitability, and is particularly impressed with the business's performance during the second half of the financial year. The board has not recommended the declaration of a dividend and has instead prioritised the reinvestment of profits back into the business in line with prior years.

During the year, GL opened its first permanent retail store on London's Regent Street. This store is a flagship for the brand and has delivered an exciting range of in-store experiences, personalised products, and community-based events to new and existing customers. The board has been very pleased with the execution and performance of the store and its enhancement to the brand.

The Group has also entered into a lease agreement for one of its distribution centre ("DC") based in Pennsylvania, US during the year. This DC will allow us to offer a competitive proposition to our customers in the US and continue to scale our operations as we continue to grow. The result of signing this lease agreement has resulted in a large right-of-use asset and corresponding lease liability on the balance sheet.

The overall strategy of the Group remains to continue increasing revenues in a profitable and sustainable manner, and to create and develop desirable products to its growing consumer base. The board is continuing to drive resilience through operational improvements and investment in infrastructure, people and systems.

People update

The Group has undergone a number of structural changes during the year to improve the overall efficiency and effective of its operations. In January 2023, the Group took the decision to restructure its regional team in North America and, as a result, the number of roles reduced from approximately 125 to 40. Expertise remains in North America in commercial, e-commerce, CRM and sponsorship roles. Following a review of its sourcing strategy, the Group decided to close its regional sourcing offices in Hong Kong and Mauritius. These offices were closed by May 2023 and the staff involved were either made redundant or offered roles in the UK.

The Group has successfully made a number of senior appointments to strengthen its C-suite, adding additional experience and expertise to its existing teams.

Strategic Report (continued)

For the year ended 31 July 2023

People update (continued)

Notable appointments include Mat Dunn (new Chief Financial Officer, who has significant retail and e-commerce experience) and Laurent Madelaine (new Chief Supply Chain and Product Officer, the first time the business has created this role, and who has over 30 years experience in supply chain, sourcing and logistics in the retail sector). In addition, the business has continued to invest in making experienced hires in managerial and executive roles in other areas of the business.

Key Performance Metrics

The Directors of the Group closely monitor a range of KPIs. The principal KPIs relate to growth and profitability and include the following:

	2023	2022
Revenue	£556.2m	£484.5m
Gross profit margin	60%	65%
Profit before tax	£13.1m	£27.8m
EBITDA including exceptional items	£40.4m	£37.6m
EBITDA excluding exceptional items	£45.3m	£39.9m

The Directors monitor other KPIs which show that for the period ended 31 July 2023:

Orders increased by 13.1% (2022: 13.9%)
Units sold increased by 8.7% (2022: 27.5%)
Conversion[1] remained flat (2022: increased by 10bps)
International sales increased by 12.5% (2022: 16.7%)

[1]Conversion is calculated as the number of orders as a proportion of the number of sessions to the Gymshark website.

Financial Review

Overall, 2023 was a successful year with net revenue, up 15% per annum despite tough economic conditions and declining consumer confidence. Our progress was underpinned by the relevance and quality of our product to consumers and the resonance of our brand with the conditioning community and improvements to the efficiency and effectiveness of our operations.

It was a difficult start to the year with our first quarter impacted by the Cost-of-Living crisis and weaker execution particularly in the US market. However, we successfully launched our first permanent retail store on Regent Street and immediately saw strong performance. Despite the tough start, The Black Friday and Cyber Monday 2022 sales event performed well and momentum built from there.

Since January 2023, the Group has focused on execution particularly in product, supply chain and the commercial areas of its business working to improve the effectiveness and efficiency of its operations. In the short-term this has led to a focus on bettering the way we interact with consumers, increasing levels and relevance of new product whilst reducing historic excess stock. This has impacted gross profit which was 60% for 2023 (2022: 65%), but has delivered efficiencies in our supply chain, increased profitability and materially improved our cash flow.

During this period, the Group also restructured its regional offices (North America, Hong Kong and Mauritius) to reduce the complexity in its operations and exits the year a much more simple and effective business.

Strategic Report (continued)

For the year ended 31 July 2023

The focus on execution, combined with the simplification of our business has resulted in strong growth and improved profitability in the second half of the financial year. The Group's efforts to improve its efficiency has at the year-end reduced the stock balance by c.£22m and resulted in a movement from net debt of £14.2m in the prior year to a net cash position of £35.0m at 31 July 2023.

This has helped the Group increase investment in areas to help drive future growth, including strategic brand investments (e.g. large lifting events) and new technology projects to improve our digital experience.

All of this has resulted in EBITDA (excluding exceptional costs) increasing year on year in 2023 to £45.3m from £39.9m in 2022, whilst strategically investing in the brand and positioning the business for future growth.

As a result, we approach the 2024 with confidence in our ability to continue to grow our business and improve its profitability despite continued tough trading conditions.

Please note that since the last annual report EBITDA is now considered a primary KPI and one that is reported on and analysed more extensively than Profit before tax, due to its proxy for underlying trading performance.

Environmental, Social and Governance Review

Governance: board and committees

Environmental, social and governance issues continue to be important considerations for the Group in its strategic thinking and decision-making.

The board of the Company has three sub-committees, being the Audit and Risk Committee ("ARC"), the Remuneration Committee and the Nomination and Corporate Governance Committee. The board and its three sub-committees have oversight and ultimate accountability for the Group's operations.

The board has scheduled quarterly meetings each year, but ad hoc meetings are arranged as needed. At the start of the financial year, Stacey Cartwright, who had previously been serving as a special adviser, was formally appointed as an independent, non-executive director of the Group. Stacey is vastly experienced in the retail sector, having served as Chief Financial Officer of a listed business and has been a Chief Executive Officer of another leading brand. Stacey brings independence and governance expertise to the board. The board consisted of five directors, of which three were non-executive directors to 31 July 2023. During the financial year, Philip Daw resigned as Chief Financial Officer and was replaced as a statutory director by Mat Dunn in January 2023. At the end of the financial year, Steve Hewitt resigned his position as a non-executive director in order to pursue other interests. The board now consists of two executive directors and two non-executive directors and has a 50-50 gender balance.

The ARC formally met three times during the financial year. This committee is chaired by Stacey Cartwright and its members comprise two non-executive directors and one executive director.

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

The Group's nomination and corporate governance committee formally met once during the financial year. Succession planning remains a key objective and, as noted above, a number of senior hires were successfully made during the year. The members of this committee comprise two non-executive directors and one executive director.

The terms of reference and effectiveness of these sub-committees are being improved. One of the principal objectives for the next financial year is to improve the content and regularity of reporting by subject matter experts from within the business to the committee members.

The Group's C-suite manage operational matters under the leadership of the CEO. Monthly meetings which are chaired by the CEO are formally held and minuted. The business has cross-functional steering groups and other groupings in order to streamline governance. In particular, the Group has a compliance committee which meets monthly and exists to provide guidance on material business risks and compliance.

Strategic Report (continued)

For the year ended 31 July 2023

Sustainability and people

External and internal social capital issues are managed by the sustainability and people teams respectively. Appropriate external advice is taken, where required.

The business operates in a sector where anti-modern slavery and human rights protection in supply chains are of paramount importance. The Group's sustainability team produces and publishes a detailed Modern Slavery statement which sets out the work done to mitigate the risks posed by these issues.

The business places great importance on the engagement of its employees. The people team's priorities are: employee engagement and incentivisation; recruitment; and diversity, equity and inclusivity issues. The people team also deals with the compliance and improvement of gender, ethnicity and disability pay gap reporting. The health and well-being of the Group's employees is important to the board. Employees are offered a range of competitive benefits which include: free gym access to employees on the main campus in Solihull, subsidized meals and annual free health checks. The business actively encourages its employees to take at least one day a year away from the business to contribute to charitable causes.

Employee Involvement

The Directors support the participation of employees in the activities of the Group, encourage employees to become involved in the pursuit of safety, efficiency, inclusion, and high performance, and provide employees with regular two-way communication on the company's plans, performance and figures.

Disabled Employees

The Group gives full consideration to applications for employment from anyone with a disability, and commits to ensuring our opportunities at Gymshark are more accessible to people with disabilities by:

- Providing a fully inclusive and accessible recruitment process
- Being flexible when assessing people, so disabled job applicants have the best opportunity to demonstrate that they can do the job
- Offer an interview to all disabled candidates who meet the minimum criteria for the role in which they are applying for
- Making workplace adjustments (also known as reasonable adjustments) as required

Where existing employees become disabled, it is in the Group's policy wherever practicable to make every effort to ensure that they stay in continuous employment and provide training and career development and promotion to disabled employees where appropriate

Social Impact

The Group has sought to increase the social impact it has for our colleagues and local communities, therefore has established an Impact Committee to ensure a fair, inclusive, and consistent process for all volunteering and fundraising. We offer colleagues one volunteering day per year, which embodies our values of *doing the right thing* and *being proactive to create positive change.* We also offer match funding up to a certain amount to support employees with their personal charitable efforts.

Strategic Report (continued)

For the year ended 31 July 2023

Employee Wellbeing

The Group supports employee wellbeing through a choice of inclusive benefits, free access to mental health support, including over 30 trained mental health first aiders, 24/7 access to a GP and wellbeing app, plus PMI for all employees. The Groups regularly promotes and encourages everyone to get involved with physical and mental wellbeing activities and has developed an internal wellbeing hub; *The Life Locker*, to host all information for support and resources available to employees.

Equity, Diversity and Inclusion

The group continues to deliver and develop its EDI Strategy. In 2023 the Group launched a new employee resource group (ERG), *The Belonging Committee*, a team led by colleagues to promote, educate, and celebrate all things EDI. This ERG has a particular focus currently on gender equity, multi-cultures, LGBTQ+, disability and wellbeing. This ERG is also committed to ensuring that everyone has the chance to fulfil their potential, whilst working in an enjoyable inclusive environment. It is the Group's policy to promote equal opportunities at work and ensure no employee or job applicant is subjected to discrimination, harassment, bullying or victimisation in the workplace.

Donations

Charitable donations during the year totalled £44k (2022: £169k). There were no political donations.

Sustainability and environmental issues

The board recognises the importance of managing and planning for environmental issues, whether created by the Group on others or affecting the Group as a result of others' actions.

Law-makers and regulators across the globe have taken an increasing interest in the impact of textiles and apparel businesses on the environment. The sustainability team spends time researching and reporting on potential and actual legislation which may affect the areas and manner in which the Group trades. This team then actively manages the changes required in order to ensure effective compliance.

During the prior financial year, the Group submitted its carbon reduction targets to the Science Based Targets initiative and had these targets approved in May 2022 (54% per unit reduction in scope 3 greenhouse gases ("GHGs") by 2030 based on a base line of 2021). The Group has previously committed to a 50% reduction in carbon and a 30% reduction in waste water in accordance with the Textiles 2030 initiative. The board recognises that regularly reporting on progress against these commitments and implementing a credible plan will be increasingly important.

As noted previously, the business is working with the British Standards Institution ("BSI") to achieve certification in accordance with ISO14001:2015, Environmental Management Audit and is well progressed to deliver this.

The Group also recognised that it falls within the scope of the Financial Stability Board's taskforce on climate-related financial disclosure regime ("TCFD"). Accordingly, the Group has arranged training for key internal stakeholders within the business on TCFD and devised an appropriate framework for assessing and managing physical and transition risks and opportunities within the business and its supply chain. The Group is continuing to work on the quality of its TCFD disclosures and intends to provide a high level assessment of the financial impact of the risks under TCFD in next year's annual accounts.

Strategic Report (continued)

For the year ended 31 July 2023

TCFD Report: climate-related financial disclosures

Gymshark recognises that climate change poses one of the most pressing issues facing the members of our communities. From the workers manufacturing our products through to our customers across the world, climate change is already impacting livelihoods, the natural environment around us, and affecting how we do business.

We are a young business and have made strides to consider where climate change poses the greatest risk to us. This is the first climate-related disclosure for Gymshark, and we recognise that we are at the start of our journey, however we want and have to do more.

Governance and risk management

We have described our corporate governance below and our approach to risk management, including climate related risk and opportunities is set out in the principal risks section below.

Strategy on climate related risks and opportunities

When considering the impact and likelihood of climate risk we have considered business impacts through three lenses; how it impacts our own operations, our customers, and our supply chain. We started our analysis of these areas in September 2021 when we hosted a workshop with directors and senior managers within Gymshark to assess where climate risks will be most material, and over which time horizon.

Timeframes were chosen to be reflective of the maturing approach to risk management at Gymshark recognising that we are in our infancy and rapidly growing and evolving. The time horizons considered for climate risks and opportunities were: Short term (0-2 years), Medium term (2-5 years), and Long term (5+ years).

Physical and transition risks and opportunities to Gymshark are assessed and managed within the supply chain and product function with assistance from subject matter experts from other functions, including relevant individuals from the commercial, data and legal teams. The relevant physical and transition risks and opportunities for Gymshark are set out in the table below.

Risk/ Opportunity	Description	Potential effect on business	Timeframe
Acute physical risk	Disruption or damage to buildings and contents at manufacturing and logistics sites due to extreme weather events	Delays or reduction in product availability leading to reduced revenues	Short-Medium
Acute physical risk	Disruption to transportation routes and freight availability due to extreme weather events	Delays to final movement of completed product to distribution centres, reducing revenues or increasing costs	Short-Medium
Chronic physical risk	Scarcity of supply of raw materials if sourcing in areas affected by severe water scarcity/drought/migration of workforce due to climate change	Increased raw material costs	Medium
Political and legal transition risk	Policy changes at a region or country level to drive sustainable development, or move away from polluting industries	Increased production costs	Medium

Strategic Report (continued)

For the year ended 31 July 2023

Risk/ Opportunity	Description	Potential effect on business	Timeframe
Political and legal risk	Environmental restrictions cause limited supply of raw materials and affect production volumes	Decreased production volumes and increased costs	Medium
Market risk	Increasingly climate-conscious consumer base seeking sustainable products unavailable at Gymshark due to long product planning times	Reduced revenues	Medium
Reputation risk	Reputational damage to Gymshark if sustainably-branded products are found to not adhere to sustainable sourcing or manufacturing standards or if Gymshark is associated with unsustainable technology or influencers	Reduced sales, brand value and customer loyalty	Short-Medium
Products and Services Opportunity	Develop sustainable product lines or partnerships/collaborations to retain and attract climate conscious consumers	Increased energy efficiency, lower fuel costs, retained revenues	Medium

In 2022, we conducted a detailed scenario analysis exercise with a team of third-party experts to analyse three key risks to the business. Physical risks analysed were the exposure of logistics and operational sites to extreme weather events, and the chronic climate impact on the supply of cotton as a raw material. To quantify physical risk we used the Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways (SSP) 1 – 2.6, IPCC SSP 2 – 4.5 and IPCC SSP 5 – 8.5. These scenarios are from a reputable source and were chosen to assess a broad range of potential impacts from different temperature rise scenarios (covering <2C, 2-3C and 4C). For each scenario, we have calculated the financial impact to the business in years 2030 and 2040. By carrying out this risk assessment we are able to identify any sites of particularly high risk, and begin the process of establishing mitigation measures. This included diversifying and expanding our vendor base in Bangladesh, a high-risk climate region, to reduce the potential financial impact from future climate events. Considering the chronic climate impact on cotton has allowed the business to understand where climate risk could impact the cost of raw materials in the future, and develop a roadmap to switch to particular preferred materials.

The policy impact on the price of synthetic materials was also analysed, given that currently synthetic materials make up the majority of our raw fibre supply, using the following International Energy Agency (IEA) scenarios to quantify transition risk: IEA Net Zero Emissions by 2050 Scenario (NZE), IEA Sustainable Development Scenario (SDS), and IEA Announced Policies Scenario (APS) / IEA Stated Policies Scenario (STEPS). These were chosen to assess a broad range of potential impacts from different temperature rise scenarios related to transition risk (1.5C, <2C and 2-3C). As with physical risk scenarios, we have quantified the impact on synthetic material price under each scenario in 2030 and 2040. The outputs of this scenario analysis give insight into under which scenarios raw material cost changes will have a material impact on business strategy.

Strategic Report (continued)

For the year ended 31 July 2023

Deep Dive – Transition Risk – Price of Synthetic Fibres

Polyester and Nylon represent our two highest volume raw materials. Polyester is generally produced from polyethylene terephthalate ("PET"), which is most commonly derived from crude oil and natural gas, whereas Nylon has historically used coal as its primary fossil fuel feedstock. It is reasonable to expect that synthetic fibre production will be affected by multiple factors in a warming world. For example, policy changes may result in carbon pricing mechanisms being implemented, that will increase levies on products derived from fossil fuels. Alternatively, resource scarcity either due to production curbs, or uneconomic market conditions, may also increase the cost of virgin fibre.

Raw material cost is a critical component of our production costs, and would have a significant impact on margins if not accounted for. Should prices need to adapt to maintain margin, then there is a risk that products are no longer cost competitive. Therefore this is a significant risk to business revenue and profit as a result of climate change.

To carry out the scenario calculations, historical synthetic fibre prices were indexed to the historic price of oil. Using the climate scenarios described above, the projected price of oil was used to infer the changes to the price of virgin synthetic fibres. In all climate scenarios, the cost of synthetic fibre was expected to rise, after adjusting for outside factors such as inflation.

To mitigate the impact on product costs and margin as a result of potential climate related price changes, fibre sourcing and managing this process is a key consideration in the development of our approach to supply chain resilience. To mitigate the risk of price volatility, and reputational risk associated with using fibres derived from fossil fuels, we are currently agreeing a preferred materials list that ensures we are not reliant on virgin synthetic fibre. Actions around improved forecasting will also ensure buyers and suppliers have better advance visibility of material volumes demand, and can plan and price accordingly. There are also supply constraints on the volume of verifiable, quality recycled synthetic fibres, therefore by making this commitment now, we are signalling to the market the need for technological advancement and investment to supply fibres at scale.

Other climate-related impacts

As well as material price changes, we expect many other impacts on the supply chain as a result of climate change. For example, increased ambient temperatures may put factory workers at greater risk of health problems. We want to ensure open and honest dialogue with our suppliers to address any potential issues before they have an adverse impact.

Outputs of all scenario analysis have been presented to and shared with senior staff across product, finance and property teams. In addition to the specific climate risk engagement, the sustainability team work on a number of projects across the business to bring environmental and climate change into day to day business planning and strategy, including introducing sustainability concepts to onboarding materials for all new starters, developing a preferred fibre list to help reduce the climate impact of our products, and creating data visualisations and dashboards to make climate insights (such as near real time emissions form freight modes) accessible for the whole business.

We plan to continue to review the mitigation actions in place alongside the residual effects of climate change on the business, with plans to refresh our risk identification exercise in 2024, and review the need to conduct further scenario analysis in 2025. We also aim to formalise our preferred materials strategy, embedding climate risk and opportunities into our approach, and further our outreach to suppliers to understand the climate mitigation and adaptation measures currently in place, and the next steps required to reduce our supply chain risk.

Strategic Report (continued)

For the year ended 31 July 2023

Metrics and Targets

To monitor and manage the climate-related risks to the business, as well as realise the climate-related opportunities, Gymshark utilise several targets and KPIs, including:

Target (by 2030)	KPI	Relevance
Reduce absolute scope 1 and 2 emissions by 40%	Scope 1 and 2 emissions	As an e-commerce business with a small number of offices and a single retail store, our own Scope 1 and 2 emissions are a small proportion of the total. Despite this, we are committed to reducing the absolute footprint of our own operations, and moving towards procuring 100% renewable energy.
Reduce the emissions from products and logistics by 54% per new product	Proportion of freight transported by ocean, air and road Proportion of preferred fibres used in products	The vast majority of emissions are associated with producing and transporting the products that we sell. We have set ambitious science-based climate targets to reduce carbon emissions throughout our entire value chain, and have committed to setting science-based net zero targets in the near future.
Reduce the carbon footprint per new product by 50%	Proportion of freight transported by ocean, air and road Proportion of preferred fibres used in products	
Reduce the water footprint per new product by 30%	Proportion of preferred fibres used in products	Water is a scarce global resource and availability will be impacted by climate change. We also recognise its importance to biodiversity and the impact water scarcity can have on nature and the ecosystems we rely on.

We are also monitoring return rates and reasons to understand our impact on circularity and waste, and continue our thinking on the impact of returns on the climate.

We are members of the Sustainable Apparel Coalition and use the emission factors from the Material Sustainability Index in our carbon and water calculations. We also use data from specific suppliers where available through the Higg Facilities Environmental Module. We are also a signatory of WRAP Textiles 2030 (which is a voluntary commitment established by the Waste and Resources Action Programme designed to accelerate the UK's fashion and textiles industries towards a circular economy), and this year have submitted data to inform a progress report.

Our logistics network is wholly operated by our partners, and we are able to receive tailored emission reports related to the inbound movement of goods. For outbound and last mile, we calculate these ourselves.

Strategic Report (continued)

For the year ended 31 July 2023

Metrics and Targets (continued)

Our Materials Team is responsible for monitoring the proportion of preferred fibres used in products against our material purchasing strategy. We are in the process of hiring a Circularity Manager who will be responsible for shaping this strategy further, and setting and monitoring related targets.

Our Supply Chain Director is responsible for tracking and monitoring our progress on the proportion of freight transported by ocean, air and road. We currently have a third-party helping us to conduct our carbon and water footprint calculations, however we plan to move this in-house and set up a formal quarterly monitoring process for all climate and sustainability-related metrics and targets to track our progress and continue to steer action.

Streamlined Energy and Carbon Reporting ("SECR")

CATEGORY	FY23 tCO2e	FY22 tCO2e
Scope 1	7.2	7.5
Scope 2 - Location Based	598.3	426.0
Scope 2 - Market Based	35.1	581.7
Total Energy Consumption, MWh	***2,794.3***	***2,072.0***
Scope 3		
1a Purchased Goods & Services	99,898.8	135,752.7
1b Purchased Goods & Services Not for Resale	8,192.1	9,549.3
2 Capital Goods	3,833.7	6,921.4
3 Fuel and Energy Related Activities	184.8	45.1
4 Upstream Transportation and Distribution	11,840.5	21,282.3
5 Waste Generated in Operations	1.4	1.0
6 Business Travel	1,489.4	748.0
7 Employee Commuting	1,232.6	278.4
8 Upstream Leased Assets	3.4	48.4
9 Downstream Transportation and Distribution	2.7	3.0
10 Processing of Sold Products	*Excluded*	*Excluded*
11 Use of Sold Products	51,984.8	65,260.1
12 End of Life of Sold Products	3,999.4	4,419.7
13 Downstream Leased Assets	*Excluded*	*Excluded*
14 Franchises	*Excluded*	*Excluded*
15 Investments	*Excluded*	*Excluded*
Total Scope 1	**7.2**	**7.5**
Total Scope 2 - Location Based	**598.3**	**426.0**
Total Scope 2 - Market Based	**35.1**	**581.7**
Total Scope 3	**182,663.6**	**244,309.4**
Total Scope 1, 2, 3 - Market Based	**182,705.9**	**244,898.6**

Strategic Report (continued)

For the year ended 31 July 2023

Streamlined Energy and Carbon Reporting ("SECR") ***(continued)***

CATEGORY	FY23	FY22
Total Emissions	182,663.55	244,309.40
Total Energy Consumption (SECR)	2,794.29	2,011.00
Product Emissions / Product Purchased	4.20	4.91
Logistics Emissions / Product Purchased	0.50	0.77
Total Emissions / Product Purchased	4.70	5.68
Product Emissions / Product Sold	3.32	4.90
Logistics Emissions / Product Sold	0.39	0.77
Total Emissions / Product Sold	3.71	5.67
Total Emissions / £mn Revenue	328.21	504.28

During the current financial year, Gymshark has seen an absolute reduction in our global carbon footprint across Scope 1, 2 and 3 of 25%. Within the reporting scope of SECR, our operational energy consumption in the UK has increased by 39%, and the Location-based emissions have increased by 172 tCO2e respectively.

Scope 1 and 2 represent the emissions associated with the energy consumed across all buildings within our operational control. Since the last reporting period, there have been operational changes across the business that have had a material impact on our energy consumption. At the main Solihull campus, we have been working to maximise utility at the brand new GSIQ, with many teams moving over from HQ. In addition to this, the state-of-the-art development centre is now live and operational, allowing us to create and test prototype garments on site. The result of this is an increase in electricity consumption at GSIQ of 144%. Conversely electricity consumption at GSHQ has fallen by 20%. A major step forward in the past 12 months is that all electricity consumed across the Gymshark Campus is fully certified as renewable energy. Therefore, despite an increase in electricity consumption, we proudly report our Market-based emissions are now zero tCO2e. We do not want to act complacent however, and are currently reviewing proposals for the installation of a cloud-based building energy management system across GSIQ to support the Property team in optimising and reducing absolute energy consumption.

The direct burning of fuel (Scope 1) is a relatively minor part of our footprint. All offices are fully electrified, with only our Lifting Club in Solihull consuming natural gas for the hot water in the club's changing rooms. In FY23, this fell by 1%.

The other major addition to the Gymshark family in the past 12 months was the official opening of our first physical retail store on Regent Street in London. The official opening date was 29 October 2022 and since then the store has been a game changer for bringing the Gymshark community together in person. Throughout the design process we have worked closely with the Crown Estate to ensure that the building meets their high standards and have achieved BREEAM "Very Good" rating. We have also continued to purchase fully renewable backed electricity for the ongoing operation of the store.

Internationally, we have made the decision to consolidate our portfolio of offices and have now closed our offices in both Mauritius and Hong Kong. We have worked with our staff in these locations to relocate to our other offices where possible. This has a small impact on our operational carbon footprint, reducing the footprint by 700 kgCO2e.

Scope 3 captures all the emissions from the wider value chain. This includes the upstream emissions from manufacturing and shipping Gymshark's sportswear products worldwide, as well as the downstream impacts of our customers washing and eventually disposing of the products.

Strategic Report (continued)

For the year ended 31 July 2023

Streamlined Energy and Carbon Reporting ("SECR") ***(continued)***

We recognise that the vast majority of Scope 3 emissions are attributable to the raw materials used in products, the energy used by our suppliers to turn these materials into garments, and the logistics network required to distribute these to our customers in 190 countries. Since 2021, we have had a verified Science Based Target of reducing absolute emissions within these categories by 42% by 2030.

For raw materials, our analysis shows that the material-related emissions per garment have gone down by 12% compared to last year. This has been driven by a conscious effort to use recycled fibres in our products. In the previous year, our use of recycled polyester to virgin polyester was approximately 50:50, in FY23 we have improved this to nearly 90% of all polyester products consisting of recycled fibres. We have also used nearly six times as much Recycled Nylon compared to FY22 as well.

Within our network of suppliers we have continued to monitor and measure the emissions per garment through the use of the Worldly FEM (Facilities Environmental Module). In FY23, the emissions associated with manufacturing have reduced by 24% on a per garment basis. Not all our suppliers currently provide data to the Worldly FEM platform, therefore we are taking the initiative and rolling out our 'Shared Fitness' programme across all suppliers within Tier 1 and Tier 2. This consists of measuring and working with our supply chain across several different performance categories, including energy consumption. It is too early to see the results of this, but we hope that this not only gives us greater reporting accuracy but provides a data-based platform through which to work alongside our suppliers to reduce their environmental impact.

Finally, to monitor the carbon impact of our logistics network, we have been working closely with our supply chain partners to access detailed monthly emission reports. This represents a strong step change away from estimated emissions calculations and gives the logistics team far more accuracy and granularity into the emissions associated with specific routes or markets. Supply chain optimisation has been a focus area for us for a number of years now, and the team has made incredible progress in reducing the volume of product moved by air, and now nearly 95% of shipments are made by Ocean. In FY23 the emissions associated with inbound logistics has fallen significantly, which is also reinforced by a reduction in volume. For last mile deliveries, emissions have fallen by 5%.

To calculate the SECR Summary above, Gymshark has used Minimum, the Enterprise Carbon Management Platform, to independently calculate our Greenhouse Gas ("GHG") emissions in accordance with the principles of the Greenhouse Gas Protocol. The GHG emissions have been assessed following the ISO-14064:2018 standard and have used 2023 emission conversion factors published by the Environmental Protection Agency ("EPA"), the Department for Business, Energy & Industrial Strategy ("BEIS"), International Energy Agency ("IEA"), and Worldly (previously Higg). The reporting year shown is from 1 August 2022 - 31 July 2023, and considers all assets under Gymshark's operational control.

Strategic Report (continued)

For the year ended 31 July 2023

Principal Risks & Uncertainties

Risk management framework

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

The primary body which monitors principal risks (including climate-related risks) from an operational perspective is the compliance committee. This body consists of three members of the C-suite, the Company Secretary and other executives who have relevant subject matter expertise.

The compliance committee is chaired by the Company Secretary and has set a risk management strategy, appetite and tolerance, the terms of which have been considered and approved by the ARC. The compliance committee's terms of reference ("TOR") include specific consideration of five material risk areas which are the subject of a deeper dive discussion once a year and also discussed monthly on a case by case basis. The TOR enable this committee to give advice, to conduct internal investigations and to act as an independent reporting line for the business's subject matter experts.

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

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

The board recognises that embedding risk management throughout all functions in a relatively young and fast-moving business like Gymshark will take a degree of time. However, the board is pleased to report that the tax, sustainability, ethical, regulatory, cyber and property teams already have regular and more mature risk management processes and are reporting regularly to the compliance committee and maintaining and sharing their functional risk registers.

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

Strategic Report (continued)

For the year ended 31 July 2023

Principal risk	Changes in risk rating from FY22 and executive owner	Risk description / explanation	Risk mitigation / action
Economic risk	Risk rating: Same as in FY22 Executive owner: The Chief Executive Officer	Global macroeconomic factors have continued to affect apparel businesses. Fluctuations in the prices of fuel and raw materials, third party delivery surcharges and labour costs continue to affect many businesses. The Group's consumer base is affected by higher interest rates, fluctuating and high levels of inflation and cost of living increases. The Group also operates in a highly competitive sector which has faced inventory issues and pressure to discount prices.	The Group mitigates its exposure to macroeconomic factors in a number of ways: - the Group benefits from a young customer demographic, which the directors generally consider to be less susceptible to drops in discretionary spend, as an older demographic is; and - many of the Group's products are offered at relatively accessible price points The C-suite constantly monitors applicable macroeconomic trends and, where necessary, recommend changes to the business's operating model.
Cyber threats and technology risks	Risk rating: Same as in FY22 Executive owner: The Chief Technology Officer	The threat posed by cyber-attacks rema ns high for all tech enabled businesses. Customers of online retailers have high expectations for the experience and functionality of the ecommerce channels they use.	The Group has dedicated in-house expertise to manage the potential threats and regularly uses third party suppliers to test and verify the security of its systems. The Group has also invested in training programmes to educate its staff on the latest trends in cyber-attacks and bad actors. The Group is aware of customers' expectations and continues to invest in the technology supporting its customer proposition and enhancing the customer journey.

Strategic Report (continued)

For the year ended 31 July 2023

Principal risk	Changes in risk rating from FY22 and executive owner	Risk description / explanation	Risk mitigation / action
Compliance risks	Risk rating: Increase from FY22 Executive owner: The Chief Financial Officer	The Group has significant international presence, trading in over 180 countries worldwide. This reach means that compliance with laws and regulations is increasingly complex. Specific areas of review are around compliance with data use and privacy regulations and due diligence on vendors in the Group's supply *chain. The increase in risk rating from FY23* mainly relates to the risks created by the business' first permanent physical retail operation in Regent Street.	The risk to the Group is managed as follows: - by subject matter experts on compliance, for example on data governance, ethical issues and labelling; - *through the Group's regulatory and ethical teams* which regularly brief the relevant business units on forth-coming legislation; and - by the use of external counsel and professional advisers and membership and affiliations with leading global trade bodies where the Group requires additional support.
Supply chain	Risk rating: Lower than in FY22 *Executive owner:* The Chief Supply Chain and Product Officer	Gymshark's product supply chain is global and covers raw material suppliers, mills and yarn manufacturers, garment factories (including seamless and CTM) and producers of trims, accessories, labels and packaging amongst other suppliers.	The Group diversified its vendor base a couple of years ago and is not dependent upon a single factory or any one region. The Group also recognises the importance of *building strong relationships of* mutual trust and understanding with its key suppliers. *The Group mitigates* its supply chain risk through the operational expertise in its sourcing and supply chain team. The Group has recruited its first ever Chief Supply Chain and Product Officer and has made other senior hires. The Group has *also promoted* existing team members, encouraging them to further specialize as they have taken on new roles. These changes in personnel, together with an improving macro-economic environment, have led to the conclusion that the risk rating is lower than it was in FY22.

Strategic Report (continued)

For the year ended 31 July 2023

Principal risk	Changes in risk rating from FY22 and executive owner	Risk description / explanation	Risk mitigation / action
Climate change and environment	Risk rating: Increased from FY22 Executive owner: The Chief Supply Chain and Product Officer	Climate change will continue to be a risk factor for all apparel businesses. The Group is now bound to report on its TCFD processes and understands the importance of building climate change impacts into its cross-functional business processes. The risk rating for climate change and environment has increased because of the lead time in recruiting the right resource and identifying the most suitable technology solution.	The Group submitted its carbon reduction targets for Scope 1, 2 and 3 to the Science Based Targets Initiative and had them approved in May 2022. The Group accepts that it now needs to make progress against these commitments and report on this to its stakeholders and to the public. The Group is committed to hiring dedicated resource and investing in technology to assist with these commitments.
Foreign exchange exposure	Risk rating: Increased from FY22 Executive owner: The Chief Financial Officer	The Group is a UK-head quartered business that sells products to customers across the globe in a number of different currencies. Continued growth across the world gives rise to a foreign exchange exposure given that the Group's presentational currency is Pound Sterling. This exposure could have a negative impact on profitability. The risk rating is perceived to have increased because of the volatility of Pound Sterling as against the US Dollar.	The Group has income and expenses in all principal currencies, being Pound Sterling, Euro and US Dollars, therefore providing a natural hedge. Surplus foreign currency is sold for Pound Sterling at a time that is convenient for cashflows of the business, considering the political and economic environment at the time of the transaction. During the year, a $140 million balance between the two Group trading entities, Gymshark Limited and Gymshark USA Inc, has been designated as part of Gymshark Limited's net investment in Gymshark USA Inc. This monetary balance is deemed unlikely to settle. In the consolidated financial statements that includes both entities, the exchange differences that arises on the designated monetary balance is recognised in other comprehensive income and will be reclassified from equity to profit or loss on disposal of the net investment.

Strategic Report (continued)

For the year ended 31 July 2023

Principal risk	Changes in risk rating from FY22 and executive owner	Risk description / explanation	Risk mitigation / action
Tax	Risk rating: Same as in FY22 Executive owner: The Chief Financial Officer	The Group operates in multiple jurisdictions across the globe, both in terms of its suppliers and consumer base. As a result, there is a degree of complexity in this operating model which requires professional advice, particularly on tax issues.	The Group has an internal tax team, including experts on corporate and indirect taxes and duties. In addition, the Group instructs leading experts on global taxes to give advice on areas where the internal tax team requires support.
Talent	Risk rating: Increased from FY22 Executive owner: The Chief People Officer	The success of the Group is to a large extent dependent upon the skill, motivation and cohesion of its employees. The market for talent in the United Kingdom and the United States has been particularly competitive since COVID-19. The Group is particularly mindful of retaining its senior leaders to enable it to continue to grow in a sustainable and innovative way. The risk rating is perceived to have increased as a result of increased competition in the market for talent and as the brand is not known in physical retail, it is hard to recruit when competing with established retailers.	The Group has its own in-house recruitment and pay and perks teams within the People function. The Group regularly takes external advice on remuneration and benefits and strives to offer attractive packages to talent at all levels within the business. People issues are constantly discussed during meetings of the C-suite and the strength and composition of the senior leadership team is reviewed at board meetings and board committee meetings.

The Directors have also considered funding and covenant compliance as a principal risk, which have both been considered as part of going concern.

Strategic Report (continued)

For the year ended 31 July 2023

Section 172 (1) Companies Act 2006 statement

The directors understand the contents of Section 172(1) and their obligations to consider the matters set out in this provision in their roles.

During the period to 31 July 2023, the directors have committed to improve the corporate governance within the Group, providing greater structure and consistency to processes and decision-making. The directors provide scrutiny and oversight to the strategy and performance of the Group, focusing on trading, brand performance, product development, people and our community and the strength of the Group's internal controls and systems. Further detail is provided in the ESG Report.

The Group's values include doing the right thing, be human and be caring. These values apply as much to its corporate governance as to its trading operations. For example, doing the right thing encompasses honesty, trustworthy and genuine; be human stresses the importance of being accessible, inclusive, and humble; and be caring comprises being conscious of the world we live in, caring for those around us and being proactive to create positive change. The directors accept and embrace these values in their work.

Our key stakeholders groups are set out below. Each stakeholder group has their own individual priorities, of which the Directors are aware and consider. These priorities are considered, where appropriate, in the Board's decision making.

Stakeholders	Why they are important
Our community – customers and wider society	Our customers are essential to our success and are ultimately the reason why we exist. We aim to be a responsible business and achieve our sustainability objectives to positively impact the communities in which are stakeholders are based.
Our suppliers of both stock and goods not for resale	We acknowledge that relationships with our stock suppliers are important to our financial performance – they provide us with products we need to operate the business.
Our athletes and influencers	Our athletes and influencers are ambassadors for the brand providing marketing services and promoting awareness of our brand.
Our staff	Our people are key to the delivery of the business' strategy.
Our shareholders	Our shareholders are providers of capital and have a financial interest in our performance.
Our funders	Our funders provide us with access to a facility to help fund our working capital. Our funders have a financial interest in our performance, and we have quarterly covenants to satisfy.

Below are examples which show how the factors set out in section 172(1) have been considered in some of the Group's key decision-making.

Strategic Report (continued)

For the year ended 31 July 2023

Principal decision taken in FY23 *and headline* rationale	**Relevant Stakeholders**	**Key Considerations**	**Decision**
Restructuring the US team: Repurposing headcount in the Denver office and re-centralizing certain functions in the global HQ	Our staff	Any decision to rationalize and restructure headcount has a number of considerations, including the long term interests of the employees who may remain in the business and the desire to continue to work with suppliers and meet customers' needs. However, the impact on the financial and personal well-being of the at risk individuals is an important balancing factor.	The board carefully considered the future organisation of the operation in North America and the ability of existing expertise in the UK head office to deliver global support. The board also took external advice on the legal requirements of a US restructuring and advice on the most effective way to minimize the impact on the relevant individuals. It was decided that the business in North America should be restructured to allow the Group to retain central control and reduce overheads.
Strategic plan: Adopting a new three year vision and communicating this to internal stakeholders	Our staff	Most responsible businesses will set a clear strategy and communicate this with their employees. These strategies will go beyond financial metrics and define purpose, objectives, timescales and implications for staff in an engaging way.	The C-suite prepared an updated three year plan and presented this to the board over two different days. The first part was a thorough strategic review and objective setting (the 'why' and the 'what'). The second part focused on delivery (the 'how'). The board approved the plans which were then rolled out to all staff on a dedicated day.
	Our shareholders	Shareholders want to understand that their management teams have credible but ambitious plans for which they will be held account.	At the same time as the board considered the strategic plan, representatives of the three principal shareholders were consulted and approved it.

Strategic Report (continued)

For the year ended 31 July 2023

Principal decision taken in FY23 and headline rationale	Relevant Stakeholders	Key Considerations	Decision
Engaging more deeply with an athlete: Deciding to create a new creative role for an athlete and to offer E Shares as part of the compensation	Our shareholders	Shareholders in privately owned companies often have a greater connectivity and potential impact on its performance than shareholders in other entities.	The board was aware that a particular class of shares in the capital of the Company was capable of being allocated to consultants. One of the business's most long-standing and successful athletes and influencers wanted to deepen his connections with the brand. It was agreed that he should take on a consultancy role as 'director of creative' and accordingly that E shares could be allocated to him.
	Our community	Suppliers typically want to understand who the shareholders are in their corporate customers. Gymshark's customers are also curious and often ask who owns the Company.	The board was aware of an opportunity to enhance the business' longstanding relationship with David Laid, a key Gymshark athlete based in the US, by giving him further responsibility as a creative consultant by allocating shares to him and thereby adding to his status as a supplier and promoter of the brand. Once the shares had been allocated to him, David Laid created some engaging content to tell Gymshark's customers about his new role and contribution to the brand.

Strategic Report (continued)

For the year ended 31 July 2023

Principal decision taken in FY23 and headline rationale	Relevant Stakeholders	Key Considerations	Decision
Closing regional offices in Hong Kong and Mauritius: Reducing overseas headcount and centralizing expertise in the UK	Our staff	As noted above, restructuring part of a business's employee organisation structure involves financial, legal, operational and personal considerations. The board considered the loyalty and hard work of the sourcing offices as well as the impact of Covid on the ability of the teams in the sourcing offices to meet and form relationships with suppliers. The board also considered the advice from its Chief Supply Chain Officer on industry developments within various regions which specialize in apparel manufacturing in the context of the business's future trading aspirations. The board also assessed additional jobs which would be required in the United Kingdom and which individuals within the overseas offices should be offered the chance to relocate.	The board balanced the competing considerations and decided that a simpler operating model with expertise concentrated in the UK headquarters would be more beneficial to the Group and to supplier relationships than keeping regional offices.

Strategic Report (continued)

For the year ended 31 July 2023

Principal decision taken in FY23 and headline rationale	Relevant Stakeholders	Key Considerations	Decision
Closing regional offices in Hong Kong and Mauritius: Reducing overseas headcount and centralizing expertise in the UK (continued)	Our suppliers	For a business which outsources the production of its goods, management of positive relationships with manufacturers and the delivery of high quality product for the consumer are both extremely important. The board carried out the necessary diligence on the impact of centralizing relationships with our apparel manufacturers. The board also considered the medium and long term changes in sourcing strategy and the resource needed to ensure these suppliers continue to have positive relationships with the business.	The board decided that the two regional offices would be closed down and support provided centrally from the UK, with additional roles being created where needed. A concentration of expertise in the UK headquarters was felt to be the best way of fostering effective relationships with our suppliers of stock.

Strategic Report (continued)

For the year ended 31 July 2023

Future Developments

The Directors recognise that the wider macro-economic environment is continuing to have an impact on the consumer and on the Group's business. As a result, the Directors anticipate that the previous growth trajectory that the Group experienced in different times will not continue in the same way. However, the group is confident that it can continue to grow its business meaningfully whilst improving profitability and has clear plans in place to deliver this. The main areas for future development include improved digital experience, expanding the Group's operations in new territories, physical retail and thoughtful extensions to the product range. Any such extensions or expansion will be carried out in line with the Group's purpose of uniting the conditioning community.

This report was approved by the board of Directors on 23 November 2023 and signed on behalf of the board by:

DocuSigned by:

Ben Francis

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B Francis

Director

Directors' Report

For the year ended 31 July 2023

The Directors present their report and the financial statements of the Group for the period ended 31 July 2023.

Directors

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

B Francis

S Hewitt (resigned 31 July 2023)

P Daw (resigned 31 December 2022)

M Akar

S Cartwright (appointed 1 August 2022)

M Dunn (appointed 9 January 2023)

Results and dividends

The Group's profit for the year after taxation, amounted to £10.2m (2022: £22.5m).

The directors do not recommend the payment of a dividend (2022: £nil).

Disclosure of information in the Strategic Report

In preparing the Directors' Report, the Directors have complied with S414C (11) of the Companies Act 2006 by including certain disclosures required by S416(4) within the Strategic Report which are financial risk management and future developments.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (and in respect of the parent Company financial statements, Section 10 of FRS 102) and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

Directors' Report (continued)

For the year ended 31 July 2023

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report and, Directors' report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

No events after the reporting date noted.

Directors' Report (continued)

For the year ended 31 July 2023

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 until 31 December 2024. At 31 July 2023 the Group had net current assets of £36,492k (2022: £90,012k), cash and cash equivalents of £34,966k (2022: £46,171k) and net debt of -£34,966k (2022: £14,196k). The Group has a £50m committed revolving credit facility ('RCF') with an additional £30m committed accordion, that expires in December 2024 with an option to extend the facility for a further 2 years until December 2026. This facility is only expected to be used to meet short-term working capital fluctuations. As at 31 July 2023 the RCF was fully repaid, as at the date of this report £nil is drawn, following the peak promotional period. The RCF has covenants measuring net leverage and interest cover, which are tested quarterly.

Due to continued Group profitability, the detailed review of the going concern assessment was focused around working capital management, in particular, the liquidity and the net leverage covenant of the Group during the months preceding significant promotions, when the Group builds its inventory holding. The review included an assessment of the future funding requirements, based on trading continuing in line with current and future performance expectations and focused on the expected weekly cash flows and quarterly covenant compliance forecasts extending to 31 December 2024. This revised base case modelled adequate headroom on covenants at all testing dates throughout the going concern period along with sufficient levels of cash to fund working capital management.

Consideration has also been given to severe but plausible downside scenarios to determine the impact on profitability and future cash flows. In the 2024 financial year to date, revenue is tracking at c.20% higher than the corresponding period during the year ended 31 July 2023. As part of our considerations we developed multiple downside scenarios whereby future sales are below the projected levels in the base forecast, including there being no increase in revenue in the financial year ended 31 July 2023 compared to the prior year. This scenario modelling also included a reasonable controllable mitigation which involves reducing inventory purchases during the current year to reduce any surplus stock at 31 July 2024 as well as reviewing other costs to ensure the company remained profitable with positive cash flow.

The impact of this scenario on cash flow demonstrated that the business would still have headroom on its covenants at all testing dates 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. The business has diverse supplier base by geography and by the number of inventory suppliers, so that there is not an over reliance on a single country or company for inventory. Major suppliers of goods or services not for resale were identified as key but no indications have been identified with respect to these companies ceasing to trade. The company has not been approached by any supplier of goods or services to improve payment terms which would have impacted working capital requirements. Over the next financial year, the supplier base will be diversified further, with new suppliers onboarded in new territories to support the roll out of the sourcing strategy and drive down shipment times / duty rates.

A reverse stress test scenario has also been modelled to assess the level of revenue reduction that would be required to cause a liquidity or covenant issue. The directors also considered what interest rates would give rise to an interest cover issue under the plausible but severe scenarios. The likelihood of these scenarios were then assessed. The directors concluded that the reverse stress test scenarios are remote.

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

Directors' Report (continued)

For the year ended 31 July 2023

Going concern *(continued)*

Under both the base case and plausible but severe downside scenarios, the directors consider the likelihood of the facility needing to be drawn at the date of its expiry to be remote.

The directors also considered and assessed that there were no significant events forecast immediately beyond 31 December 2024 that would impact the going concern assessment. Therefore, the directors are satisfied that the Group will have sufficient ongoing facilities available throughout the forecast period used to assess the going concern assumption.

Based on their assessment, the directors believe the Group has adequate available resources to fund its operations for the going concern period to 31 December 2024 and therefore have concluded that it remains appropriate for the Group financial statements to be prepared on a going concern basis.

Auditor

Ernst and Young LLP, our appointed auditor have conducted the audit for the year ended 31 July 2023 and have expressed a willingness to remain in office. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed reappointed as auditor in absence of an Annual General Meeting.

This report was approved by the board of directors on 23 November 2023 and signed on its behalf by:

DocuSigned by:
Ben Francis
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B Francis

Director

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

Opinion

We have audited the financial statements of Gymshark Group Limited ('the parent company') and its subsidiaries ('the group') for the year ended 31 July 2023 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 35, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) ("FRS102").

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 July 2023 and of the group's and parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 24-25, 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

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 company and determined that the most significant are those that relate to the reporting framework and the relevant direct and indirect tax compliance regulations.
- We understood how Gymshark Group Limited is complying with those frameworks by making enquiries of management, the Audit Committee and the Company Secretary. We corroborated those enquiries through our review of Board minutes and noted that there was no contradictory evidence.
- We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including how fraud might occur considering the risk assessment performed by management, understanding the controls in place to mitigate fraud and considering which areas may be most susceptible to the risk of management override. We also performed risk assessment analytical procedures and identified sources and types of journal entries in the company's financial processes. Any fraud risk factors identified were evaluated to identify risk of material misstatement due to fraud. We did not identify any material risks of misstatement due to fraud, other than the presumptive risk of material misstatement due to fraud in respect of revenue recognition and management override.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations, including in respect of fraud. 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

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.

DocuSigned by:
Ernst & Young LLP
B6A8080B0138444...

James Golder (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
23 November 2023

Consolidated Statement of Comprehensive Income

As at 31 July 2023

	Notes	2023 £000	Restated 2022 £000
Revenue	4	556,216	484,476
Cost of sales		(224,004)	(169,332)
Gross profit		332,212	315,144
Distribution costs		(114,257)	(122,728)
Administrative costs		(192,997)	(160,565)
Exceptional items	9	(4,871)	(2,290)
Operating profit	7	20,087	29,561
Finance costs	10	(7,246)	(1,724)
Finance income	11	238	-
Profit before taxation		13,079	27,837
Taxation	12	(2,888)	(5,308)
Profit for the financial year		10,191	22,529
Other comprehensive income:			
Items which may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(1,066)	(19,393)
Total comprehensive income for the year		9,125	3,136

The notes on pages 38 to 69 form part of the financial statements.

Consolidated Statement of Financial Position

As at 31 July 2023

Company registration number: 12711328

	Notes	2023 £000	2022 £000
Non-current assets			
Intangible assets	13	3,436	680
Property, plant and equipment	14	41,440	38,375
Right-of-use assets	15	80,557	21,660
Deferred tax asset	16	9,543	6,529
		134,976	67,244
Current assets			
Inventories	18	98,695	120,764
Trade and other receivables	19	11,150	26,552
Cash and cash equivalents	20	34,966	46,171
Corporation tax asset	12	8,219	844
		153,030	194,331
Total assets		288,006	261,575
Current liabilities			
Trade and other payables	21	105,015	98,345
Lease liability	15	10,937	1,746
Provisions	23	586	4,228
		116,538	104,319
Non-current liabilities			
Borrowings	22	-	50,000
Lease liability	15	72,259	19,615
Provisions	23	6,954	7,128
Deferred tax liability	16	3,379	-
		82,592	76,743
Total liabilities		199,130	181,062
Net assets		88,876	80,513
Shareholders' funds			
Share capital	27	-	-
Share premium	27	80,000	80,000
Merger reserve	28	(100,000)	(100,000)
Foreign currency translation reserve		(20,811)	(19,745)
Own shares reserve	29	(430)	(149)
Retained earnings		130,117	120,407
Total shareholders' funds		88,876	80,513

These financial statements were approved and authorised for issue by the board of directors on 23 November 2023 and were signed on its behalf by:

DocuSigned by:
Ben Francis
84D586584EA7476
B Francis, Director

The notes on pages 38 to 69 form part of the financial statements.

Company Statement of Financial Position

As at 31 July 2023

Company registration number: 12711328

	Notes	2023 £000	2022 £000
Non-current assets			
Investments in subsidiaries	17	100,501	100,501
		100,501	100,501
Current assets			
Trade and other receivables	19	-	741
			741
Total assets		100,501	101,242
Current liabilities			
Trade and other payables	21	12,400	11,555
Corporation tax liability		-	158
Total liabilities		12,400	11,713
Net assets		88,101	89,529
Shareholders' funds			
Share capital	27	-	-
Share premium	27	80,000	80,000
Retained earnings		8,101	9,529
Total shareholders' funds		88,101	89,529

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement or statement of comprehensive income in these financial statements. The Company made a loss for the year of £947k (2022: £9,254k profit).

These financial statements were approved and authorised for issue by the board of directors on 23 November 2023 and were signed on its behalf by:

DocuSigned by:
Ben Francis
84D588584EA7476

B Francis

Director

The notes on pages 38 to 69 form part of the financial statements.

Consolidated Statement of Changes in Equity

For the period ended 31 July 2023

	Notes	Share capital £000	Share premium £000	Merger reserve £000	Foreign currency translation reserve £000	Own shares reserve £'000	Retained earnings £000	Total £000
As at 1 August 2021		-	80,000	(100,000)	(352)	-	97,338	76,986
Profit for the year		-	-	-	-		22,529	22,529
Other comprehensive income		-	-	-	(19,393)	-	-	(19,393)
Total comprehensive income for the year		-	-	-	(19,393)	-	22,529	3,136
Own shares purchase	29	-	-	-	-	(149)	-	(149)
Share-based payment charge	29	-	-	-	-	-	540	540
Balance at 31 July 2022		-	80,000	(100,000)	(19,745)	(149)	120,407	80,513
Profit for the year		-	-	-	-	-	10,191	10,191
Other comprehensive income		-	-	-	(1,066)	-	-	(1,066)
Total comprehensive income for the year		-	-	-	(1,066)	-	10,191	9,125
Own shares purchase	29	-	-	-	-	(347)	-	(347)
Re-issue of shares from own shares reserve	29	-	-	-	-	66	-	66
Share-based payment credit	29	-	-	-	-	-	(481)	(481)
Balance at 31 July 2023		-	80,000	(100,000)	(20,811)	(430)	130,117	88,876

The notes on pages 38 to 69 form part of the financial statements.

Company Statement of Changes in Equity

For the period ended 31 July 2023

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 1 August 2021		-	80,000	(265)	79,735
Profit for the year		-	-	9,254	9,254
Total comprehensive income for the year		-	-	9,254	9,254
Share-based payment charge	29	-	-	540	540
Balance at 31 July 2022		-	80,000	9,529	89,529
Loss for the year		-	-	(947)	(947)
Total comprehensive income for the year		-	-	(947)	(947)
Share-based payment credit	29	-	-	(481)	(481)
Balance at 31 July 2023		-	80,000	8,101	88,101

The notes on pages 38 to 69 form part of the financial statements.

Consolidated Statement of Cash Flows

For the period ended 31 July 2023

	Notes	2023 £000	2022 £000
Cash flows from operating activities			
Profit for the year		10,191	22,529
Adjustments for:			
- Depreciation of property, plant and equipment	14	7,958	3,839
- *Depreciation of right-of-use assets*	15	11,896	3,908
- Amortisation	13	440	258
- Loss on disposal of property, plant and equipment	14	74	-
- Finance costs	10	7,246	1,724
- Finance income	11	(238)	-
- Taxation	12	2,888	5,308
- Exchange movement		(6,324)	(13,322)
- *Share based payment (credit)/charge*	29	(481)	540
Changes in working capital			
- Decrease / (increase) in inventories	18	25,812	(49,088)
- Decrease / (increase) in trade and other receivables	19	11,407	(17,759)
- Increase / (decrease) in trade and other payables	21	18,594	25,954
- (Decrease) / increase in in provisions	23	(4,039)	(5,124)
Cash generated from operating activities		85,424	(21,233)
Taxation paid	12	(8,217)	(11,334)
Net cash flow generated from operating activities		77,207	(32,567)
Cash flows from investing activities			
Property, plant and equipment additions	14	(7,305)	(14,071)
Intangible additions	13	(3,196)	-
Net cash flow used in investing activities		(10,501)	(14,071)
Cash flows from financing activities			
Borrowings drawn down	26	110,000	75,000
Repayment of borrowings	26	(170,000)	(28,521)
Interest paid		(7,216)	(1,380)
Interest received		238	-
Principal elements of lease payments	15	(8,430)	(1,314)
Re-purchase of own shares	29	(347)	(149)
Re-issue of own shares	29	66	-
Net cash flow used in financing activities		(75,689)	43,636
Net (decrease)/increase in cash and cash equivalents		(8,983)	(3,002)
Cash and cash equivalents at the beginning of the year		46,171	46,526
Effects of exchange rate changes on cash and cash equivalents		(2,222)	2,647
Cash and cash equivalents at the end of the year	20	34,966	46,171

Notes to the Financial Statements

For the period ended 31 July 2023

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 2023

2. Summary of significant accounting policies (continued)

Group accounting policies

Basis of preparation

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

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

Basis of consolidation

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

All intercompany balances and transactions between Group companies are eliminated on consolidation.

In preparing the consolidated financial statements, management has considered the impact of climate change and our relevant disclosures made in the Strategic Report, including those made in accordance with TCFD. Management have identified no issues that would impact the carrying values of our assets or have any other impact on the financial statements.

Restatement of Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income has been restated with respect to the "Exchange differences on translation of foreign operations" in the "Items which may be reclassified to profit or loss in subsequent periods". The signage of the £19,393k should have been presented as a credit in the 31 July 2022 financial statements and has been accurately reflected in these financial statements.

Notes to the Financial Statements

For the period ended 31 July 2023

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 until 31 December 2024. At 31 July 2023 the Group had net current assets of £36,492k (2022: £90,012k), cash and cash equivalents of £34,966k (2022: £46,171k) and net debt of -£34,966k (2022: £14,196k). The Group has a £50m committed revolving credit facility ('RCF') with an additional £30m committed accordion, that expires in December 2024 with an option to extend the facility for a further 2 years until December 2026. This facility is only expected to be used to meet short-term working capital fluctuations. As at 31 July 2023 the RCF was fully repaid, as at the date of this report £nil is drawn, following the peak promotional period. The RCF has covenants measuring net leverage and interest cover, which are tested quarterly.

Due to continued Group profitability, the detailed review of the going concern assessment was focused around working capital management, in particular, the liquidity and the net leverage covenant of the Group during the months preceding significant promotions, when the Group builds its inventory holding. The review included an assessment of the future funding requirements, based on trading continuing in line with current and future performance expectations and focused on the expected weekly cash flows and quarterly covenant compliance forecasts extending to 31 December 2024. This revised base case modelled adequate headroom on covenants at all testing dates throughout the going concern period along with sufficient levels of cash to fund working capital management.

Consideration has also been given to severe but plausible downside scenarios to determine the impact on profitability and future cash flows. In the 2024 financial year to date, revenue is tracking at c.20% higher than the corresponding period during the year ended 31 July 2023. As part of our considerations we developed multiple downside scenarios whereby future sales are below the projected levels in the base forecast, including there being no increase in revenue in the financial year ended 31 July 2023 compared to the prior year. This scenario modelling also included a reasonable controllable mitigation which involves reducing inventory purchases during the current year to reduce any surplus stock at 31 July 2024 as well as reviewing other costs to ensure the company remained profitable with positive cash flow.

The impact of this scenario on cash flow demonstrated that the business would still have headroom on its covenants at all testing dates 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. The business has diverse supplier base by geography and by the number of inventory suppliers, so that there is not an over reliance on a single country or company for inventory. Major suppliers of goods or services not for resale were identified as key but no indications have been identified with respect to these companies ceasing to trade. The company has not been approached by any supplier of goods or services to improve payment terms which would have impacted working capital requirements. Over the next financial year, the supplier base will be diversified further, with new suppliers onboarded in new territories to support the roll out of the sourcing strategy and drive down shipment times / duty rates.

A reverse stress test scenario has also been modelled to assess the level of revenue reduction that would be required to cause a liquidity or covenant issue. The directors also considered what interest rates would give rise to an interest cover issue under the plausible but severe scenarios. The likelihood of these scenarios were then assessed. The directors concluded that the reverse stress test scenarios are remote.

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

Under both the base case and plausible but severe downside scenarios, the directors consider the likelihood of the facility needing to be drawn at the date of its expiry to be remote.

Notes to the Financial Statements

For the period ended 31 July 2023

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

Going concern (continued)

The directors also considered and assessed that there were no significant events forecast immediately beyond 31 December 2024 that would impact the going concern assessment. Therefore, the directors are satisfied that the Group will have sufficient ongoing facilities available throughout the forecast period used to assess the going concern assumption.

Based on their assessment, the directors believe the Group has adequate available resources to fund its operations for the going concern period to 31 December 2024 and therefore have concluded that it remains appropriate for the Group financial statements to be prepared on a going concern basis.

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 the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

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

During the period ended 31 July 2023, a monetary balance of $140 million between the two Group trading entities, Gymshark Limited and Gymshark USA Inc, has been designated as part of Gymshark Limited's net investment in Gymshark USA Inc. Whilst repayable on demand, the directors do not intend to call this loan in the foreseeable future. In the consolidated financial statements that includes both entities, the exchange differences that arises on the designated monetary balance is recognised in other comprehensive income and will be reclassified from equity to profit or loss on disposal of the net investment.

Revenue

Revenue primarily relates to Direct to Consumer internet sales, in addition to wholesale sales and sales made in the Regent Street store.

Revenue is recorded net of deductions for returns, discounts, and sales taxes and recognised when control of the goods are transferred over to the customer.

Note 4 to the financial statements details the split of revenue by category and by territory.

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.

The Group's policy is to sell products with a right of return within 30 days. The Group uses the expected value method to estimate the value of goods that will be returned. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. A refund liability due to customers is recognised within creditors due within one year.

Notes to the Financial Statements

For the period ended 31 July 2023

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.

During the current financial year, a new accounting policy has been created following the first year of internal development of capitalizable software. Capitalised software development costs include internal payroll-related costs for those directly involved with the project and associated external costs for services and goods. Costs are only capitalised to these projects during the development stage when specific criteria are met including; costs being reliably measured, assessment of technical feasibility, future economic benefit expected from the asset and the ability to use or sell the software.

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

- Software – 2 – 5 years

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

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Such cost includes the purchase price and costs incurred directly attributable to making the asset capable of operating as intended. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation is provided on the following basis:

- Furniture, fixtures and equipment – 5 – 10 years straight line
- Plant and machinery – 3 – 10 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Assets under construction are held at cost. Depreciation of these assets commences when they are complete and become in use.

Inventories

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

Notes to the Financial Statements

For the period ended 31 July 2023

2. Summary of significant accounting policies (continued)

Impairment

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

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

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

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.

Exceptional items

During the current financial year an exceptional items accounting policy has been created. Exceptional items relate to those material, non-recurring, and unusual items that are of significant enough size to present separately on the Consolidated Statement of Comprehensive Income, whereby the Directors deem separate presentation allows for the Group's financial performance to be fairly analysed. Further information is disclosed on note 9.

Notes to the Financial Statements

For the period ended 31 July 2023

2. Summary of significant accounting policies (continued)

Financial instruments

Financial assets

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

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

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

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

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

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

At each reporting date the Group calculates a loss allowance for expected credit losses on financial assets measured at amortised cost. In establishing the appropriate amount of loss allowance to be recognised, the Group applies the simplified approach to its financial assets. Under the simplified approach the Group always recognises a loss allowance for a financial asset at an amount equal to the lifetime expected credit losses. Further details in respect of application of the simplified approach are set out in note 25.

Financial liabilities

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

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits with an original maturity of approximately three months or less and are subject to insignificant changes in value and readily convertible into known amounts.

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

Notes to the Financial Statements

For the period ended 31 July 2023

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

Lease Accounting

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 the Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the liability outstanding for the period.

Interest paid and cash payments on principial elements of lease liabilities has been presented within cash flows from financing activities in the Consolidated Statement of Cash Flows as the leases were entered into for cash management purposes.

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 currently holds leases for its office premises, a fulfilment centre and the flagship store. 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.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those with a lease term of less than 12 months) and to low-value assets. The lease payments associated with short-term and low-value assets are recognised as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

For the period ended 31 July 2023

2. Summary of significant accounting policies (continued)

Pension costs

Defined contribution scheme

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income as incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Provisions

Provisions are recognised where the Group has a present legal or constructive obligation, as a result of a past event, is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made.

The provision for dilapidations is recognised where there is a present obligation to restore leased premises to their pre-occupancy state at the end of the lease. The provision is calculated for each lease with reference to the size of the lease and using third party information where appropriate. The cost is recognised across the lease term.

Taxation

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

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

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

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

There are no material differences in accounting policies applied under FRS 102 for the Company.

Notes to the Financial Statements

For the period ended 31 July 2023

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. There are no material differences in accounting policies applied under FRS 102 for the Company.

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

Share premium – As part of the General Atlantic transaction, after the share-for-share exchange occurred, there was a subscription of new shares in the Company whereby the difference between the nominal value of the shares subscribed and the investment were recognised as share premium. There are no material differences in accounting policies applied under FRS 102 for the Company.

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

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

Share-based payments

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from individuals as consideration for E shares of Gymshark Group Limited. Details of the scheme are provided in Note 29. The fair value of the service received in exchange for the grant of the E shares is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the awards granted. The total expense is recognised over the service period.

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

There are no material differences in accounting policies applied under FRS 102 for the Company.

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
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	1 January 2024

Notes to the Financial Statements

For the period ended 31 July 2023

3. Critical accounting judgements and sources of estimation uncertainty

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

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

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

Inventory valuation

Inventory is carried at the lower of cost or net realisable value. Inventory held at the balance sheet date is therefore assessed for impairment by the Directors. All inventory which is considered out of season, succeeded by an updated product or considered to have quality concerns is written down to the lower of cost or net realisable value. The year end inventory provision totalled £4,314k (2022: £9,053k).

Refunds provision

Revenue from the sale of goods is recognised when the Group delivers a product to the customer. Payment of the transaction is due immediately when the customer purchases the goods, and it is the Group's policy to sell its products to the end customer with a right of return within 30 days. Therefore, a refund liability (including in creditors due within one year) is recognised for expected refunds in relation to sales made until the end of the reporting period. The anticipated returns are recognised as an inventory asset, with a corresponding adjustment to cost of sales. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method), and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date and where possible against post period end actual returns. As at year end the refunds provision totalled £3,527k (2022: £2,095k).

IFRS 16 leases

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

Internally generated software intangibles

Management also exercises a level of judgement over the capitalisation of internally generated software assets. Areas of judgement include assessing whether costs incurred meet the criteria for capitalisation and the amount capitalised. As at year end, £3,196k of internally generated software intangibles had been capitalised (2022: £nil).

Notes to the Financial Statements

For the period ended 31 July 2023

4. Revenue

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

	2023 £000	2022 £000
Direct to consumer sales	536,465	481,281
Wholesale revenue	7,762	1,439
Retail revenue[1]	11,989	1,756
	556,216	484,476

[1]For the year ended 31 July 2022, retail revenue represents income from sample sales and pop-up sales / events held. No income had been derived from the flagship retail store. For the year ended 31 July 2023, retail revenue also incorporates income from the flagship retail store.

A geographical analysis of revenue is as follows:

	2023 £000	2022 £000
United States	250,491	228,366
U.K.	111,727	88,990
Europe excluding the U.K.	129,411	111,507
Rest of World	64,587	55,613
	556,216	484,476

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:

	2023 Number	2022 Number
Administration staff	732	906
Retail sales staff	111	-
Management staff	10	12
	853	918

The aggregate payroll costs of these persons comprised:

	2023 £000	2022 £000
Wages and salaries[1]	50,742	49,278
Social security costs	4,514	4,733
Pension costs	1,842	1,928
	57,098	55,939

[1]Wages and salaries include £3.4m (2022: £2.2m) of restructuring costs. In 2023 these have been designated as exceptional items.

Notes to the Financial Statements

For the period ended 31 July 2023

6. Directors' emoluments and key management personnel renumeration

Directors' emoluments

	2023 £000	2022 £000
Directors' emoluments	2,024	1,318
Contributions to defined contribution pension scheme	53	73
Compensation for loss of office[1]	242	-
	2,319	1,391

Included in the above, are amounts attributable to the highest paid director of £968k (2022: £519k). The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £31k (2022: £31k). At the year end, £nil of loans made to directors were outstanding (2022: £40k). The loans are interest free and repayable on demand.

Key Management Personnel renumeration

	2023 £000	2022 £000
Wages & Salaries	3,901	3,667
Contributions to defined contribution pension scheme	129	203
Severance[1]	833	889
	4,863	4,759

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

[1]Compensation for loss of office and severance costs are included in the £3.4m restructuring costs in wages and salaries in Note 5 and in Note 9 as exceptional items.

7. Operating profit

Operating profit is stated after charging / (crediting):

	2023 £000	2022 £000
Depreciation of property, plant and equipment	7,958	3,839
Depreciation of right-of-use assets	11,896	3,908
Amortisation of intangible assets	440	258
R&D expenditure	2,412	2,133
Inventory recognised as an expense	216,825	163,968
Loss on disposal of assets	74	-
Foreign exchange (gain)/ loss	(2,401)	(16,092)

Notes to the Financial Statements

For the period ended 31 July 2023

8. Auditors' remuneration

	2023 £000	2022 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	336	250

9. Exceptional items

The Group income statement for the year ended 31 July 2023 includes exceptional items following a change in the accounting policy. These costs have been designated as exceptional as the Directors deem separate presentation allows for the Group's financial performance to be fairly analysed:

	2023 £000	2022 £000
Restructuring costs[1]	3,669	2,160
Other costs[2]	452	130
Strategy consultant costs[3]	750	-
	4,871	2,290

[1]Restructuring costs includes £3.4m wages and salaries costs, £55k pension costs and £222k social security costs, which predominantly relate to redundancy costs. These costs were designated as exceptional items following the US office strategic restructure to centralise business functions as described in the Strategic Report and the closure of the Hong Kong and Mauritius sourcing offices (2022: £2.2m wages and salaries, £0.1m pension and social security costs incurred relating to the UK restructure redundancy costs).

[2]Other costs include non-payroll costs incurred associated with the US restructure and closure of the Hong Kong and Mauritius sourcing offices. Costs include office closure costs, relocation costs to redeploy individuals to the UK, travelling costs for management to communicate and manage the restructures and office closures, and external legal fees incurred. (2022: non-payroll costs incurred associated with the UK restructure).

[3]One-off strategy consultant costs paid to assist the development of future strategy, including providing resource to support the building of the business plan.

10. Finance costs

	2023 £000	2022 £000
Bank interest payable	2,579	673
Related party loan interest	160	344
Other interest payable	15	105
Interest on lease liabilities	4,492	602
	7,246	1,724

Notes to the Financial Statements

For the period ended 31 July 2023

11. Finance income

	2023 £000	2022 £000
Bank interest receivable	165	-
Other interest receivable	73	-
	238	-

12. Taxation

The tax charge comprises:

	2023 £000	2022 £000
Current tax		
- UK current tax charge for the year	2,011	1,771
- Adjustments in respect of prior periods	(122)	95
- Foreign tax suffered	913	5,043
Total current tax	2,802	6,909
Deferred tax		
- Origination and reversal of timing differences	62	(2,263)
- Effect of change in tax rate	4	405
- Adjustments in respect of prior periods	20	257
Total deferred tax	86	(1,601)
Total tax charge	2,888	5,308

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

	2023 £000	2022 £000
Profit before tax	13,079	27,837
Tax using the UK corporation tax rate of 21.01% (2022: 19%)	2,748	5,289
Non-deductible expenses	1,480	966
Change in tax rates	10	257
Effects of overseas tax rates	(67)	(90)
Adjustments in respect of prior periods	(118)	500
Employee share acquisition	(154)	(40)
Income not taxable	(890)	(1,574)
Effects of other tax reliefs	(121)	-
Total tax charge	2,888	5,308

Notes to the Financial Statements

For the period ended 31 July 2023

12. Taxation (continued)

Legislation enacted during the year end 31 July 2022 included provisions which provided for an increase in the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. Deferred tax has therefore been recognised at 25%.

13. Intangible assets

Group	Computer software £000	Assets under construction[1] £000	Total £000
Cost			
At 1 August 2021	1,406	-	1,406
Transfer from Property, plant and equipment	751	-	751
At 31 July 2022	2,157	-	2,157
Internally developed additions	2,645	551	3,196
At 31 July 2023	4,802	551	5,353
Amortisation and impairment			
At 1 August 2021	1,219	-	1,219
Amortisation charge	258	-	258
At 31 July 2022	1,477		1,477
Amortisation charge	440	-	440
At 31 July 2023	1,917	-	1,917
Net book value			
At 31 July 2023	2,885	551	3,436
At 31 July 2022	680	-	680
At 1 August 2021	187	-	187

[1] Intangible assets that are under construction relate to those internally generated software assets that are incomplete as at the year-end date.

Notes to the Financial Statements

For the period ended 31 July 2023

14. *Property, plant and equipment*

Group	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
	£000	£000	£000	£000
Cost				
At 1 August 2021	13,044	7,901	12,322	33,267
Additions	73	550	13,464	14,087
Disposals	(21)	-	-	(21)
Transfers into intangible assets	-	-	(751)	(751)
Transfers into property, plant and equipment	16,961	4,173	(21,134)	-
Foreign exchange variance	479	72	-	551
At 31 July 2022	30,536	12,696	3,901	47,133
Additions	5,069	2,236	-	7,305
Disposals	(624)	(124)	(37)	(785)
Transfers into property, plant and equipment	3,486	4,269	(3,864)	3,891[1]
Foreign exchange variance	(170)	(32)	-	(202)
At 31 July 2023	38,297	19,045	-	57,342
Depreciation and impairment				
At 1 August 2021	2,927	1,849	-	4,776
Depreciation charge	2,517	1,322	-	3,839
Disposals	(4)	-	-	(4)
Foreign exchange variance	126	21	-	147
At 31 July 2022	5,566	3,192	-	8,758
Depreciation charge	5,404	2,554	-	7,958
Disposals	(623)	(88)	-	(711)
Foreign exchange variance	(59)	(44)	-	(103)
At 31 July 2023	10,288	5,614	-	15,902
Net book value				
At 31 July 2023	28,009	13,431	-	41,440
At 31 July 2022	24,970	9,504	3,901	38,375
At 31 July 2021	10,117	6,052	12,322	28,491

[1] The £3,891k relates to a contribution towards the design and construction of an asset which had not been received and recognised as a prepayment in the prior year. During the year the asset has come into use and been transferred into property, plant and equipment and capitalised.

Notes to the Financial Statements

For the period ended 31 July 2023

15. Leases

Lessee

The Group leases various premises, items of plant and equipment and a fulfilment centre. The fulfilment centre has been designated as a lease during the current financial year following the transition to a permanent fulfilment service agreement whereby Gymshark has the right to receive substantially all of the asset.

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

Group	Land and buildings £000	Plant and machinery £000	Fulfilment centre £000	Total £000
Cost				
At 1 August 2021	17,835	1,137	-	18,972
Additions	10,048	-	-	10,048
Foreign exchange differences	504	-	-	504
31 July 2022	28,387	1,137	-	29,524
Additions	1,082	-	69,224	70,306
Lease modifications	173	-	-	173
Foreign exchange differences	(211)	-	-	(211)
At 31 July 2023	29,431	1,137	69,224	99,792
Depreciation and impairment				
At 1 August 2021	3,008	948	-	3,956
Depreciation charge	3,719	189	-	3,908
At 31 July 2022	6,727	1,137	-	7,864
Depreciation charge	3,255	-	8,641	11,896
Foreign exchange differences	(21)	-	(504)	(525)
At 31 July 2023	9,961	1,137	8,137	19,235
Net book value				
At 31 July 2023	19,470	-	61,087	80,557
At 31 July 2022	21,660	-	-	21,660
At 31 July 2021	14,827	189	-	15,016

Notes to the Financial Statements

For the period ended 31 July 2023

15. Leases (continued)

Lease liabilities

Lease liabilities recognised in the Statement of Financial Position:

	2023 £000	2022 £000
Total current lease liability	10,937	1,746
Total non-current lease liability	72,259	19,615

Group	**2023 £000**	**2022 £000**
At the start of the period	21,361	17,877
Additions	70,258	4,099
Lease modifications	(113)	-
Interest expense	4,492	602
Payments	(12,922)	(1,915)
Foreign exchange differences	120	698
Total lease liabilities	83,196	21,361

Maturity analysis of lease liabilities:

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

	2023 £000	2022 £000
Not later than a year	15,609	2,293
Later than one year and not later than five years	65,136	13,298
Later than 5 years	18,812	8,686
Total undiscounted lease payments	99,557	24,277
Less: future finance charges	(16,361)	(2,916)
	83,196	21,361

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

	2023 £000	2022 £000
Depreciation of right of use assets:	11,896	3,908
Interest expense on lease liabilities	4,492	602

Notes to the Financial Statements

For the period ended 31 July 2023

16. Deferred tax provision

Group	Liability/(asset)
At 1 August 2021	(4,928)
Adjustments in respect of prior years	405
Deferred tax charge to Statement of Comprehensive Income	(2,006)
At 31 July 2022	(6,529)
Adjustments in respect of prior years	4
Deferred tax charge to Statement of Comprehensive Income	82
Effect of foreign exchange movements	279
At 31 July 2023	(6,164)

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% (2022: 25%). 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 2022.

Unremitted earnings

There are temporary differences relating to undistributed earnings in subsidiaries of £3,710k (2022: £3,697k) 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.

Notes to the Financial Statements

For the period ended 31 July 2023

17. Investments in subsidiaries

Company	**Total £000**
Cost and Net Book Value	
At 1 August 2021, 31 July 2022 and at 31 July 2023	100,501

The Company has investments in the following subsidiary undertakings:

Name and address of the registered offices	**Country of incorporation**	**Principal activities**	**Percentage of ownership %**
Gymshark Holdings Limited - GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB	UK	Holding company	100
Gymshark Nominees Limited - GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB	UK	Holding company	100
Gymshark HK Ltd[1] - Room 2901, 29/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong	Hong Kong	Provision of procurement services (ceased during the year)	100
Gymshark USA Inc[1] - 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[1] - Regus Business Centre, 34 Ebene Heights, Ebene Cybercity, Units 411/412, Ebene, Mauritius	Mauritius	Provision of procurement services (ceased during the year)	100
Gymshark Ltd[1] - GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB	UK	Direct to consumer e-commerce sales of sports and conditioning apparel	100
Gymshark DE GmbH[1] - Nonnenbrücke 12, 96047 Bamberg, Germany	Germany	Holding company	100

[1]Shares held indirectly through Gymshark Holdings Limited

Notes to the Financial Statements

For the period ended 31 July 2023

18. Inventories

Group	2023 £000	2022 £000
Finished goods	97,649	119,989
Consumables	1,046	775
	98,695	120,764

Inventories recognised as an expense during the period ended 31 July 2023 amounted to £216,825k (2022: £163,968k). These were included in cost of sales and administrative expenses relating to samples not sold during the year.

19. Trade and other receivables

Group	2023 £000	2022 £000
Amounts falling due within one year:		
Trade receivables	760	1,293
Prepayments and accrued income	5,383	8,821
Other taxation and social security	1,513	13,038
Other receivables	3,494	3,400
	11,150	26,552

Company	2023 £000	2022 £000
Amounts falling due within one year:		
Amounts due from group undertakings	-	741
	-	741

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

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

In applying the simplified approach, the methodology for determining credit risk is based on historic loss rates (e.g., bad debt write offs) which are applied as a default probability to receivables, based on the debtor age, and adjusted for factors that are specific to the debtors, general economic conditions and an assessment of forward-looking information at the reporting date. Where indicators of default risk are identified on specific exposures, the individually assessed assets will be provided in full or in accordance with the level of the cash flows expected to be recoverable. Default is defined as non-payment by a customer. The expected credit loss for the year is not material (2022: not material).

Notes to the Financial Statements

For the period ended 31 July 2023

20. Cash and cash equivalents

Group	2023 £000	2022 £000
Cash at bank and in hand	8,426	32,113
Short term investments	21,596	-
Other cash equivalents	4,944	14,058
	34,966	46,171

21. Trade and other payables

Group	2023 £000	2022 £000
Current		
Trade payables	52,551	53,485
Amounts due to related parties[1]	-	10,132
Other taxation and social security	9,573	6,164
Accruals and deferred income	42,376	27,153
Other payables	515	1,411
	105,015	98,345

Company	2023 £000	2022 £000
Current		
Amounts due to Group undertakings[2]	11,771	-
Amounts due to related parties[1]	-	10,132
Other taxation and social security	109	235
Accruals and deferred income	520	1,188
	12,400	11,555

[1]On 16 September 2020 the Francis Family Office Limited provided Gymshark Group Limited with an unsecured loan of £10 million. The loan attracted interest at 3% above the Sterling Overnight Index Average (SONIA) rate per annum. Interest accrued daily and is payable quarterly in arrears. The loan was fully settled on 23 November 2022. Ben Francis, a director and ultimate controlling party of the Company, is also a director and shareholder of the Francis Family Office Limited.

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

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

Notes to the Financial Statements

For the period ended 31 July 2023

22. Borrowings

Amounts falling due after more than one year

Group	2023 £000	2022 £000
Bank facility	-	50,000
	-	50,000

A three year, £50m RCF agreement was signed on 22 December 2022 that expires on 22 December 2024, with a mutual option to extend for two one-year periods. The new RCF is subject to interest payable at Margin plus SONIA which is payable every 6 months. During the year, this facility has been drawn fully down, partially repaid before being fully repaid as at year end.

In May 2022, a £30m accordion became a committed facility but remains undrawn at 31 July 2022 and 31 July 2023. This facility is subject to interest payable each quarter at Margin plus SONIA.

23. Provisions

Group	2023 £000	2022 £000
Dilapidation provision		
Current	2	93
Non-current	6,954	6,493
Legal claims provision		
Current	584	4,135
Non-current	-	635
	7,540	11,356
Total current provisions	586	4,228
Total non-current provisions	6,954	7,128

Notes to the Financial Statements

For the period ended 31 July 2023

23. Provisions (continued)

Information about individual provisions and significant estimates

When a known or likely claim is identified, management assesses the likelihood of the claim with our internal advisors and a provision is subsequently recognised where a settlement is probable. The legal provision also takes post period end knowledge and outcomes into consideration. Management expects the current provision to be utilised in August 2023.

The Group is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

Group	Dilapidation provision £000	Legal claims provision £000	Total £000
At 1 August 2021	372	10,000	10,372
Recognised as cost of right-of-use assets	6,124	-	6,124
Increase / (decrease) in provision recognised in administrative expenses	90	(2,127)	(2,037)
FX impact recognised in administrative expenses	-	1,000	1,000
Utilisation of provision	-	(4,103)	(4,103)
At 31 July 2022	6,586	4,770	11,356
Recognised as cost of right-of-use assets	331	-	331
Increase in provision recognised in administrative expenses	210	-	210
FX impact recognised in administrative expenses	11	(105)	(94)
Utilisation of provision	(182)	(4,081)	(4,263)
At 31 July 2023	6,956	584	7,540

Notes to the Financial Statements

For the period ended 31 July 2023

24. 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 £1,842k (2022: £1,928k)

Contributions totalling £236k (2022: £332k) were payable to the scheme at the end of the year and are included in other creditors.

The Company had a pension charge of £60k (2022: £86k) with £5k included in accruals at year end (2022: £4k).

25. Financial instruments

Overview

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

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

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

Fair value of financial instruments

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Borrowings

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

Notes to the Financial Statements

For the period ended 31 July 2023

25. 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 balance sheet exposure to foreign currency risk at the end of the reporting period, expressed in Pounds Sterling, was as follows:

			2023		
	USD	**EUR**	**CAD**	**AUD**	**Other**
	£000	**£000**	**£000**	**£000**	**£000**
Trade and other receivables	4,347	322	65	180	213
Cash and cash equivalents	19,334	4,406	806	4,298	1,911
Trade payables	(40,645)	(2,356)	(468)	(551)	(77)
Accruals	(15,042)	(4,248)	(1,222)	(772)	(390)
Other payables	(1,108)	(4,021)	(568)	(692)	(584)
	(33,114)	(5,897)	(1,387)	2,463	1,073

			2022		
	USD	EUR	CAD	AUD	Other
	£000	£000	£000	£000	£000
Trade and other receivables	15,683	258	109	151	217
Cash and cash equivalents	22,301	3,500	4,610	5,984	4,602
Trade payables	(46,550)	(822)	(547)	(426)	(10)
Accruals	(13,556)	(3,155)	(519)	(451)	(406)
Other payables	(416)	(2,607)	(256)	(337)	(1,042)
	(22,538)	(2,826)	3,397	4,921	3,361

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

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

	2023	**2022**
	£'000	**£'000**
USD/GBP exchange rate – 5% movement	1,656	1,127
USD/GBP exchange rate – 10% movement	3,311	2,254

Notes to the Financial Statements

For the period ended 31 July 2023

25. Financial instruments (continued)

Interest rate risk

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

	2023	2022
	£'000	£'000
2% increase in SONIA	875	900
3% increase in SONIA	1,313	1,350

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables. Management monitors the exposure to credit risk on an ongoing basis. The carrying amount of the Group's financial assets represents its maximum exposure to credit risk. As at 31 July 2023, there were no material invoiced receivables that were overdue (2022: no receivables overdue).

Liquidity risk

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

Undiscounted contractual maturities of financial liabilities at 31 July 2023

Group	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000
Trade and other payables	105,015	-	-	105,015
Borrowings	-	-	-	-
Lease liabilities	15,609	65,136	18,812	99,557
Provisions	586	331	6,623	7,540
	121,210	65,467	25,435	212,112

Undiscounted contractual maturities of financial liabilities at 31 July 2022

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

Notes to the Financial Statements

For the period ended 31 July 2023

25. Financial instruments (continued)

Capital management

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

26. Changes in liabilities arising from financing activities

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

Group

	Borrowings	Leases	Related parties loan	Accrued interest	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2021	3,521	17,877	10,000	26	31,424
Net cash inflow (outflow) from financing activities	46,479	(1,916)	-	(778)	43,785
Lease addition	-	4,099	-	-	4,099
Interest payable (note 10)	-	602	-	1,122	1,724
Effect of exchange rate fluctuations	-	699	-	-	699
At 31 July 2022	50,000	21,361	10,000	370	81,731
Net cash inflow (outflow) from financing activities	(50,000)	(12,921)	(10,000)	(2,859)	(75,780)
Lease addition (note 15)	-	70,258	-	-	70,258
Lease modification (note 15)	-	(113)	-	-	(113)
Interest payable (note 10)	-	4,492	-	2,754	7,246
Effect of exchange rate fluctuations	-	119	-	-	119
At 31 July 2023	-	83,196	-	265	83,461

Notes to the Financial Statements

For the period ended 31 July 2023

27. Share capital

As at 31 July 2022 and 31 July 2023:	**Number of shares**	**Nominal value (£)**	**Total £**
Authorised:			
A Preferred shares	363,673	0.0001	36
B Ordinary shares	1,180,537	0.0001	118
C Ordinary shares	118,444	0.0001	12
D Ordinary shares	6,000,600	0.000001	6
E Ordinary shares	14,520	0.000001	-
Allotted, called up and fully paid Ordinary shares at £1 each	7,677,774		172

Movements in shares:

	Number of shares	**Nominal value (£)**	**Share Premium £'000**
At 1 July 2021	7,672,754	172	80,000
Allotment of E Ordinary shares	5,020	-	-
At 31 July 2022	7,677,774	172	80,000
At 31 July 2023	7,677,774	172	80,000

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

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

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

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

Notes to the Financial Statements

For the period ended 31 July 2023

27. Share capital (continued)

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.

28. 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.

29. Share based payments

Over the past two financial years, 14,520 E shares were issued to various individuals at zero cost. 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. None of the E shares had vested as at 31 July 2023 (2022: none) however, a total of 7,820 shares have been forfeited with the legal and beneficial interest being held by Gymshark Nominees Limited (2022: 3,575 shares). The consideration for shares forfeited in the financial year was £347k (2022: £149k). Of the 7,820 shares held by Gymshark Nominees Limited, 1,050 were issued out to various individuals during the year to 31 July 2023. The reissue of shares from the own shares reserve resulted in a release of £66k (2022: £nil).

The fair value of the 1,050 shares re-issued in the year was determined using probability weighted expected returns model using the following inputs at the grant date:

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

The fair value of the E shares issued during the year, as at the valuation date, was estimated to be £72.07 per share.

The total credit arising from share-based payment transactions recognised during the period as part of employee benefit expense was £481k (2022: charge of £540k). The credit in the current financial year has arisen as a consequence of forfeitures.

30. Capital commitments

The Group and Company had capital commitments of £nil at 31 July 2023 (2022: £622k).

Notes to the Financial Statements

For the period ended 31 July 2023

31. Contingencies

The Company does not have any contingent arrangements at 31 July 2023 (2022: none). The Group has a Debenture as security for debt from the bank. This includes a fixed and floating charge over all assets.

32. Financial guarantees

Gymshark Group Limited has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under s.479A of the Companies Act 2006 in respect of the period ended 31 July 2023:

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

33. 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 £199k (2022: £177k) 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 £13.3k (2022: £11.1k).
The Directors consider that the transactions with The Members Agency LLP are on an arm's length basis.

Other

On 16 September 2020 the Francis Family Office Limited provided Gymshark Group Limited with an unsecured loan of £10 million. The loan attracted interest at 3% above the SONIA rate per annum. Interest accrued daily and is payable quarterly in arrears. The loan was fully settled on 23 November 2022. Ben Francis, a director and ultimate controlling party of the Company, is also a director and shareholder of the Francis Family Office Limited.

34. Subsequent events

No events after the reporting date noted.

35. Ultimate parent company and parent company of larger group

The ultimate controlling party is B Francis who is the majority shareholder. Gymshark Group Limited is the smallest and largest group of undertakings that the results are consolidated into as at 31 July 2023.