



the
gym
group



The Gym Group plc
**Annual Report
and Accounts 2022**



Founded in 2007, The Gym Group is the original provider of high quality, low cost gym facilities in the UK. We offer 24/7, no contract gym memberships delivering great value-for-money for all our members.

Strategic report
Overview

2022 highlights

Financial

Revenue

£172.9m

2021: £106.0m

Group Adjusted EBITDA Less Normalised Rent

£38.0m

2021: £5.7m

Statutory loss for the year

£19.3m

2021: loss of £35.4m

Non-property net debt

£76.1m

2021: £44.1m

See Financial review | Pages 16-23

Strategic and operational

- Membership ended the year at 821,000, an increase of 14.3% from the end of the previous year (Dec 2021: 718,000)
- Yield continued to strengthen with average price of a standard DO IT membership increasing to £21.49 at 31 December 2022 (Dec 2021: £19.27) and LIVE IT penetration growing to 29.6% of total membership (Dec 2021: 27.1%)
- 28¹ new site openings in 2022 – highest number in a single year
- Successful delivery of the new technology platform and brand relaunch
- Our high margin, low cost model has demonstrated its ability to drive strong financial returns
- Visit frequency and satisfaction scores remain materially higher than pre Covid-19 scores
- Focus on sustainability continues with £3.3m of social value² per gym created in 2022; UK's first carbon neutral gym chain

See Strategy in action | Pages 28-35

¹ 25 organic openings in the year plus three sites acquired from Fitness First and one closure (31 Dec 2021: 202).
² See page 3 for definition of social value. £756m total social value created in 2022 divided by 229 sites open at year end.

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Strategic report
Introduction to our business

Our purpose

Breaking down barriers to fitness for all



What we deliver

- Accessible fitness for all**
32%
 of gyms located in 20% most deprived areas of the UK
- Social value for communities**
£2.85bn
 of social value¹ created through member exercise over the last five years
- Sustainable long term growth**
22%
 membership growth per year for the last ten years with an average of 20 new sites opened per year
- Strong return on capital**
20%
 delivered in 2022, impacted by Covid-19 and macroeconomics

¹ Social value is a measure of the value we are creating through regular exercise in the communities in which we operate. It is derived using a model created by Sheffield Hallam University and used extensively by Sport England, local authorities and the UK Government.



Our business model



Our strategy

High quality estate

See Strategy in action
Pages 28-29

Compelling member experience

See Strategy in action
Pages 30-31

Innovative technology and marketing

See Strategy in action
Pages 32-33

Unique team and culture

See Strategy in action
Pages 34-35

Growing sustainably

See Sustainability report
Pages 38-53

Our key stakeholders

See Stakeholder engagement | Pages 66-69

A successful working relationship with our stakeholders is key to our operating model.

Stakeholders	Why they matter
Shareholders	Our investors provide capital for growth, whilst providing challenge and feedback on our business model and plans for the future.
Employees	Our employees are the driving force behind our purpose and growth. We run a people-first business and consider our unique team and culture to be a vital part of our strategy.
Members	Satisfied members are what make our gyms successful and they inspire us every day with their achievements. They are the best indicator that we are delivering on our purpose of breaking down barriers to fitness for all.
Suppliers	Our partnerships with our suppliers ensure we source the best value goods and services for the benefit of our members. High standards of ethics and business conduct is an important part of being a responsible business.
Communities	Being a valuable part of the communities in which we operate is hugely important to us. Providing safe and affordable facilities to exercise creates social value for the communities we operate in.
Environment	We continually seek out opportunities to improve our environmental performance, including reducing our carbon emissions. Sustainability is at the core of our business.
Lending banks	Our lending banks provide funds for growth and day-to-day working capital to enable us to operate and grow our business to its full potential.

Strategic report
At a glance

Strong proposition

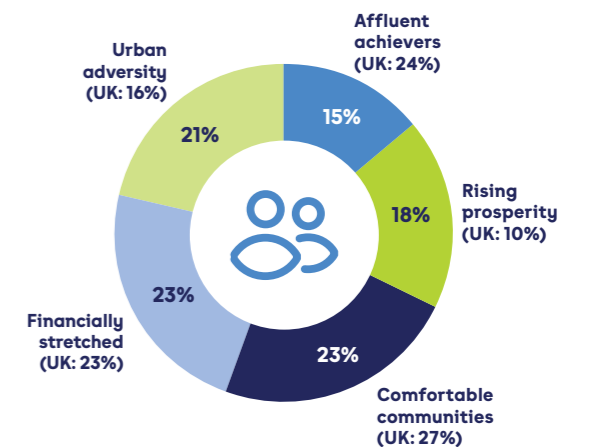
As at 31 December 2022 we operated 229 sites in the UK. We are consistently rated 'excellent' on Trustpilot, score highly on member satisfaction and have over 53 million gym visits per annum.



Strong gym network

We focus on operating high quality, low cost gyms that have widespread appeal, breaking down barriers to fitness for all. In 2022, we delivered record organic growth, opening a total of 28 new gyms. We also exercised a landlord break on one property and closed the site. The economies of scale in our business model enable us to offer a great service at a low cost for our members whilst also delivering a strong financial performance.

Member demographic



Strategic report



Governance report

Financial statements

Member proposition

- Market-leading** low price membership
- High quality** gym equipment and exercise facilities
- Friendly, helpful staff** and access to personal trainers
- 24/7** access and unlimited training
- Convenient locations** 52.5% of UK population live within 15 minutes drive of at least one of our gyms
- LIVE IT¹** multi-gym access, fitness tracking, bring a friend and Fiit premium
- No** contract
- Free** group exercise classes
- Free Fiit** on-demand fitness classes in our app



229

Number of gyms

821,000

Number of members

£21.49

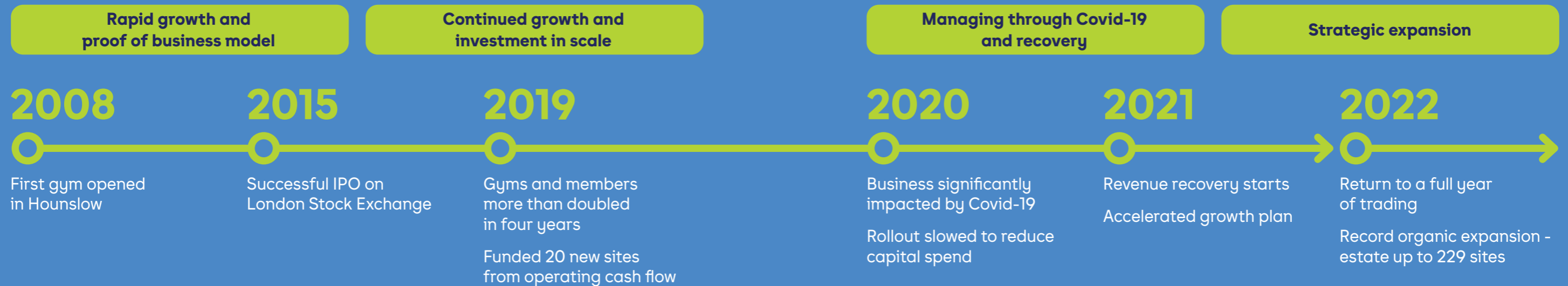
Average monthly membership cost

Note: All figures stated as at 31 December 2022. Average monthly membership cost relates to 'DO IT' rate. DO IT membership is a membership for one specified gym.

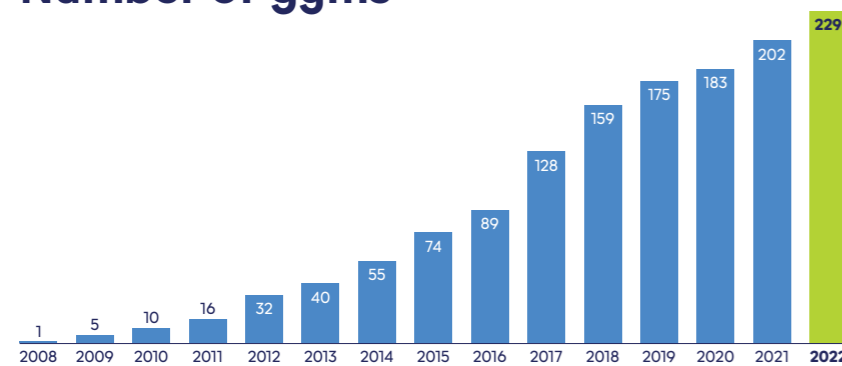
¹ LIVE IT is our premium membership plan which offers additional benefits.

Strategic report

The story so far...

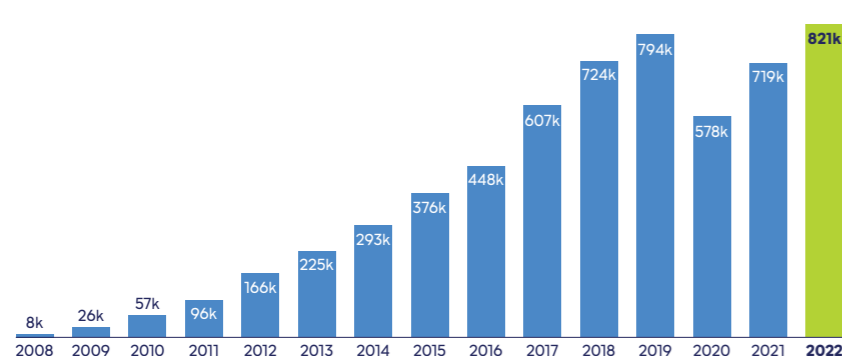


Number of gyms



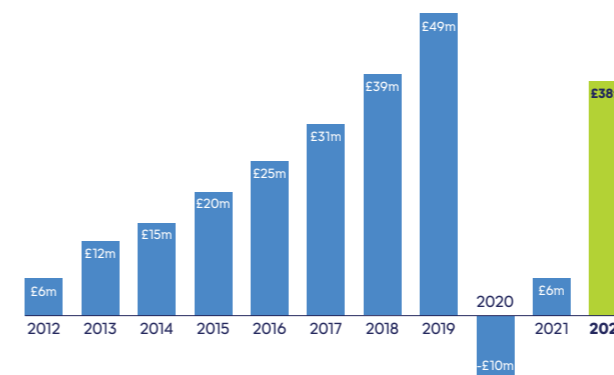
229
Total number of sites

Number of members



821k
Total number of members

Adjusted EBITDA £38m¹



£38m
Adjusted EBITDA Less Normalised Rent

¹ Adjusted EBITDA refers to Group Adjusted EBITDA Less Normalised Rent - a reconciliation to Operating profit is provided on page 121. For 2012 and 2013, the number is presented on an aggregated basis as the Group did not constitute a single legal group until 13 June 2013. Group Adjusted EBITDA Less Normalised Rent for 2012-2014 has not been restated for IFRS 16.



Strategic report

Chair of the Board's statement

Well placed for the future

2022 was the first year in three that we have been fully open, as we moved into the post-pandemic trading environment, and we are proud to have delivered on several major projects, including opening our highest ever number of sites in a year.

2022 brought its own challenges with the war in Ukraine and macroeconomic pressures on consumers. These pressures have encouraged us to focus on what we do best and play to our strengths as we move into 2023.

Despite cost-of-living pressures for UK consumers, we see that many still regard their gym membership as essential, whilst seeking value for money. We are well placed to provide this low cost, high value gym experience to customers, which is reflected in high member satisfaction scores and in maintaining our position as the lowest cost nationwide 24/7 gym.

As we saw in 2008-2009, we expect the low cost gym sector to be more resilient to a challenging macroeconomic environment as UK consumers prioritise value and seek lower cost alternatives for their gym memberships. At the end of 2022, we achieved like-for-like revenue at 90% of pre Covid-19 levels, with 821,000 members and 229 open gyms.

28

new sites opened in 2022, bringing total to 229 at 31 December 2022

“We are confident that we remain well placed to face the current macroeconomic challenges and take advantage of significant long term sector growth ahead.”

John Treharne | Chair of the Board

Industry and market trends

What seems evident from looking at the sector, both in the UK and across Europe, is that value remains a key purchase decision driver. The pandemic shone a light on the importance of health and wellbeing for people's physical and mental health, which is why fitness remains a protected category of spend. As energy costs put pressure on operators' facilities and opening times, providing 24/7 access and flexible, no contract, low cost memberships will be most appealing to consumers when considering changing their gym provider.

Strategic progress

As we emerged from the Covid-19 pandemic in 2022, we saw an opportunity to invest to support our strategic ambitions. We opened 28 new gyms in the year and implemented a number of yield optimisation initiatives. Our brand transformation launched in August 2022 and brand awareness metrics are encouraging, positioning us well across all channels. Our new consumer-facing website launched in April 2022, which is a step change in our technology investment, and ongoing technology improvements, mean we can support our inclusive product and great member experience.

We will continue to be sector leaders for sustainability, delivering on our founding mission to break down barriers to fitness with a welcoming, accessible experience. We will also continue to implement pioneering environmental, social and governance ('ESG') initiatives to support our people, our members and the environment. In 2022, we announced that we were the UK's first carbon neutral gym chain. The pandemic has heightened focus on the UK's health, and fitness facilities have an increasingly important role to play in the communities around them. ESG metrics now form part of our key performance indicators ('KPIs') so that all areas of the business are engaged in achieving our sustainability objectives.

Our work as a Board

Over 2022 and to date, there have been several changes to our Board. I am pleased to say that the values of the organisation continue to be reflected by every Board Director – realness, friendliness, taking the first step and challenging our limits – and I take this opportunity to thank those Directors who left us in the year, Mark George, Rio Ferdinand and Penny Hughes, for their service and contribution.

Executive changes

In April 2022, Ann-marie Murphy was promoted to the plc Board as Chief Operating Officer ('COO'), and in her first year as an Executive Director has focused on driving operational performance. Luke Tait joined us as Chief Financial Officer ('CFO') in October 2022, joining us from casual dining brand Nandos. Even though Luke has only been with us a short time, he has shown commitment and diligence through the budget and financial year end process.

I wish to express my thanks to Richard Darwin for more than seven years of leadership of The Gym Group, both as Chief Executive Officer ('CEO') since 2018 and formerly CFO since our IPO in 2015. Richard has overseen our growth from 63 to 230 sites today, navigating the challenges of the Covid-19 pandemic. He continues to support the transition and will leave The Gym Group in due course. We are making good progress in the search for our new CEO and we will update the market at the appropriate time.

We have strengthened our Executive Committee with two new members, Emily Kortlang and Nick Shelmerdine, adding marketing and strategy leadership to the discussions. I have taken the role of Executive Chair to support with the transition to a new CEO.

Board changes

In July 2022, Penny Hughes stepped down after six years as The Gym Group Chair, and I thank Penny for her extraordinary leadership. Penny was integral to helping The Gym Group scale successfully and develop the capabilities we rely on today; and I was delighted to take the helm as Chair.

In August 2022, we welcomed two new Non-Executive Directors ('NEDs'), Elaine O'Donnell and Richard Stables, to our Board. Elaine is a chartered accountant and an experienced Audit Committee and Board Chair who draws on her expertise at a broad range of businesses, and as a former partner at EY, to strengthen our Committees' and Board's debates. Richard is an expert corporate financier with over 30 years' experience in the City and brings his market insight and knowledge to our Board strategy and planning. Rio Ferdinand stepped down in August owing to his increasing external commitments and I also want to thank Rio for his significant contribution and wish him well.

On 6 February 2023, we appointed a new NED – Simon Jones, Managing Director for Premier Inn and Restaurants, UK and Global Commercial Director at Whitbread – who will be a valuable addition to our first class Board team, bringing his vast experience from such a leading UK hospitality brand, which similarly delivers great value with high quality for their customers.

Looking forward

This time last year, we reflected on emerging from the pandemic and indicated that we hoped 2022 would see a return to a more normal trading environment. As the trading environment has normalised, it is now clear that it will take longer to return to pre Covid-19 levels as a result of both the changes to consumers' everyday lives and lifestyles and the macroeconomic headwinds that we are facing. As we look to the future, we will continue to identify opportunities to attract new members, optimise yield and maximise operational efficiency as has always been fundamental to our low cost model, to mitigate the economic pressures going into 2023. We are confident that we remain well placed to face these challenges and take advantage of the significant long term sector growth ahead.

John Treharne
Chair of the Board
15 March 2023

Strategic report

Chief Executive's review

Strong and strategic expansion



“The Gym Group is in a strong position going into 2023 despite the difficult economic environment which has caused challenges for all consumer businesses.”

Richard Darwin | Chief Executive Officer

821,000

Number of members at 31 December 2022

£172.9m

Revenue in 2022
2021: £106.0m



Looking back to the start of 2021, we were commencing the third of the Covid-19 lockdowns and our recovery trajectory was uncertain. However, by the end of 2022, we were operating from 229 sites across the UK and generated revenue in the year that was 13% higher than in 2019. Our business also returned to generating free cash flow in the year.

Our operating environment has changed post Covid-19, but through this period of transition, The Gym Group is one of the leading operators in our sector.

Membership grew during the year from 718,000 at the end of December 2021 to 821,000 at the end of December 2022, assisted by some further post Covid-19 membership recovery, yield optimisation and the strongest site opening programme in our history. Also in the year, we delivered on two transformational initiatives – the relaunch of the

brand and the new technology infrastructure. Both initiatives will enable the business to trade more effectively over the coming years. The relaunch of the brand under The Gym Group name means we have a distinctive and memorable brand and visual identity that will build brand awareness in a crowded consumer market. The launch of our new technology infrastructure means that we have a modern, sophisticated website and app that will enable us to deliver highly effective levels of member acquisition.

It is now apparent that some members have not come back to in-gym workouts post Covid-19; therefore our work to recover pre Covid-19 levels of profitability is continuing. For sites open in 2018, the like-for-like revenue recovery (vs 2019) is 90%, reflecting membership volume recovery of c.81% of 2019 levels, with yield at c.110%. Some of the members have been displaced because they have not fully returned to office working – just 16 sites out of our 154 sites that were open pre Covid-19 are significantly workforce-dependent and the rest are located in residential areas or have a strong student membership. We believe that there is further membership recovery to come in the medium term but this has been slowed

in the short term by the cost-of-living pressures which are having an impact on underlying demand.

Despite these trends, the market dynamics for our business are very strong and we are growing our share within the market. The Gym Group's share of the low cost gym market by number of sites is currently 29.3%, up from 16.7% in 2016. The demand for health and fitness is expected to continue to increase because of the health shock that the pandemic has given so many people; and within health and fitness, low cost gyms were the part of the market that grew most rapidly pre Covid-19. We also continue to see a good supply of sites in the locations that are most suitable for us.

As a result of our year of recovery, the business has resumed generating free cash flow to invest into our site expansion. 2022 has been a year of significant investment with 28 new sites and the additional spend on the technology infrastructure and brand relaunch. At the end of 2022, our Non-Property Net Debt was £76.1m including £11.5m of finance leases. In 2022, because of the timing of recovery, part of this growth was funded from our debt facilities. However, as we move into 2023, we plan to revert to self-financing our growth from free cash flow generation.

Strategic report

Chief Executive's review continued

“We have a clear set of strategic priorities and have made significant progress against them in 2022.”

Richard Darwin | Chief Executive Officer

£38.0m

Group Adjusted EBITDA Less Normalised Rent in 2022

2021: £5.7m

£19.3m

Statutory Loss in 2022

2021: loss of £35.4m



Our confidence about the future growth potential of this business comes from having a high quality offer for members at an affordable price. This means that, with high levels of satisfaction, members will rejoin a number of times throughout their lifetime. Rejoinder rates are currently around 42% of new member acquisition, reflecting our success in driving multiple join events. Our member satisfaction (“OSAT”) scores are at an all-time high post Covid-19 and our members are visiting the gyms on average 12% more often than they were in 2019. All this ensures we are in a strong position to trade through the current economic difficulties and expand into the future. At this time, our low price model is more relevant than ever.

Strategic priorities

Our business has a clear set of strategic priorities that were articulated at the Capital Markets Day in May 2022. Significant progress has been made against these strategic priorities with the successful delivery of two transformational initiatives in the year, yield optimisation and the scale of the organic rollout. Whilst the short term economic situation is expected to remain challenging through 2023, the longer term market opportunity will only be enhanced by the current economic conditions and its impact on weaker competitors; we expect to continue to grow market share as a result.

i) Market opportunity and organic rollout

Our positioning in the market as a high quality, affordable gym priced at an average headline price of £21.49 per month is compelling and puts us in a strong position to continue to grow rapidly over the coming years. At the end of December 2022, our market share was 29.3% of the low cost market by number of sites (total market estimated at 781 sites across the UK). We believe that the UK low cost gym market has the potential to continue to grow strongly over the coming years and, as one of the few

operators expanding, we expect our market share to also grow.

Our ability to expand rapidly and take advantage of the market opportunity is partly driven by our ability to identify the right locations and build the appropriate format for that location and open sites ranging from 7,000 to 21,000 sq. ft. This means that we can expand in smaller locations, as we have done in 2022 in towns such as Leyland, Lancashire and Glenrothes, Scotland (each around 8,000 sq. ft), as well as in larger sites such as the conversion of an existing gym in Paddington (21,000 sq. ft). This flexibility of gym format enables us to access more catchments across the country and increases our addressable market. Given the economic environment, we intend to be selective in terms of the sites that we open in the next year and continue to choose sites that will trade well at affordable rents. Our disciplined approach to rents continues the approach we have adopted successfully throughout our history and is reflected in a favourable rent profile in our estate.

We are pleased with the quality of our site rollout in 2022, and the 28 sites that we have opened in the year are performing according to

our expectations. Five of the 28 sites are in residential areas of London and include the three sites that we acquired from Fitness First in March 2022 – these sites in Romford, Leyton and Harringay have already doubled their number of members compared to the member numbers pre-acquisition and will be strong sites over the coming years for our business.

ii) Optimising yield and profitability through a new price product architecture

Having the formats, the brand and the technology platform in place gives us opportunity to concentrate our next set of technology developments on more member-facing initiatives that will drive our yield and hence our profitability. These developments are being made on the back of extensive research with members and non-members, as well as detailed analysis in partnership with a well known industry consultant. The research we undertook confirmed what we already knew - that the value of the offering that we deliver and the quality of our proposition are very strong. As a result, we are implementing a well thought out strategy on yield to improve our profitability.

The first step taken during 2022 was to increase average headline price by approximately £2 per month on average for new members, and also to implement some repricing of the existing membership. Despite these increases, we remain the lowest priced 24/7 nationwide gym operator, ensuring that we provide excellent value for money at a time of squeezed discretionary incomes. Secondly, we recently introduced a new pay up front product on the back of this research – this is a very cost-effective product that will demonstrate the value of our offering versus the higher price competitors, whilst also giving us the benefit of increased tenure from those that take it up. Thirdly, in the Summer of 2023, we are planning to introduce a three tier price architecture that will give more choice to members and will include a lower entry price as well as an upper end premium product. This premium product will build on the already successful LIVE IT product that is currently taken up by around 30% of our membership base but with more product elements within it. This new price product architecture will require trialling and so is not expected to have initial yield uplift, but we expect it to increase the commercial flexibility of our trading and further increase our yields in the coming years.



Strategic report

Chief Executive's review continued

“Our business is as well positioned as any in our sector to flourish as the economy emerges from the dual impact of the cost-of-living crisis and the pandemic.”

Richard Darwin | Chief Executive Officer

iii) Developing the technology platform

The first of our transformational initiatives in 2022 was the launch of our new technology infrastructure. This project delivered an enhanced technology platform with mobile-centric developments for the website and the members area and further enhancements to the app. The rationale for this significant piece of development was to ensure improvements in site speed, gain search engine optimisation ('SEO') benefits and increase conversion rates. This project was implemented successfully and has already given us the ability to identify and make material improvements to our member acquisition journey.

I am also pleased with the progress that we have made with our app. Our app score rating is 4.7 on Apple and 4.6 on Android, among the highest in the industry and with well-used features such as site capacity, workout recording and class booking. We have also incorporated over 200 new Fiit videos into the app for our members to use and the technology platform has also enabled the integration of the Fiit offer into our LIVE IT product.

iv) Rolling out the new brand

The brand transformation was the second transformational project of the year with a successful relaunch in August 2022. The rationale for this initiative was to enhance our brand awareness and marketing effectiveness which had been held back by our previous generic brand. A unique brand name also gives us considerable SEO benefits by being able to drive more organic traffic to our site, particularly important as the cost of buying search terms through the big technology platforms continues to increase ahead of inflation. There were two significant parts to the project – designing and launching a new visual identity and then developing the new creative platform that was part of the first marketing campaign. I am confident that the new visual identity will serve this business well over the coming years – all sites have now been externally rebranded and other

assets in use throughout the business have been updated. The new 'Gym Face' advertising campaign, was rolled out in September and October. The same creative campaign was used for the important January and February peak trading period in 2023.

Our latest brand awareness metrics are encouraging with a 5.6 percentage points increase in prompted awareness in the 12 months since February 2022 - positioning us to trade very well across all channels and ultimately drive revenue growth.

Sustainability

We are very proud of our sustainability work centred around our purpose of breaking down barriers to fitness for all. The Gym Group is dedicated to increasing the social value it generates, while helping members to get great value from their gym memberships. One aim is to increase the percentage of members visiting our gyms at least four times per month and we are delighted that, through our initiatives, we have seen a 12% increase in member usage of our gyms in 2022.

We are proud to be the first carbon neutral gym chain in the UK and during the year, our work on carbon reduction and the net zero commitment to the Science Based Target initiative ('SBTi') has intensified. We are now working on verification by SBTi, whilst at the same time implementing energy saving programmes like our recent '20 is Plenty' campaign which has seen us increasing the temperature in our gyms during the summer months from 19°C to 20°C. Our commitment to net zero is now for us to reach this target by 2045 but we plan to have decarbonised our own business by 2035.

One of the key strengths of The Gym Group is our unique team and culture, and we were delighted to have retained high levels of engagement in our annual employee survey and to be recognised by Glassdoor in 2022 as number 25 in their list of the Best Places to Work in the UK (the only leisure business placed in the top 50). We also retained our Investors in People Gold award during the year.

Summary

The tough trading environment and economic circumstances over the past few months have made 2022 a challenging year for all, and I am grateful for the support of our teams across our whole business. The commitment of our teams to ensuring great member service is also enabling us to achieve record OSAT scores and is another reason for our confidence about how we expect to trade well through the difficult economy.

Our business is as well positioned as any in our sector to flourish as the economy emerges from the dual impact of the cost-of-living crisis and the pandemic. We have a clear set of strategic priorities to improve this business and continue to add greater capability to trade effectively. This is my last report as CEO after nearly eight years with the business,

but my confidence about the quality of the estate we have built and the foundations we have put in place is stronger than ever. The January and February 2023 trading period has demonstrated our ability to drive revenue growth to offset energy and other cost pressures that we are having to absorb. With increases in both membership and yield despite the economic headwinds, we are taking advantage of the strong market position that we have built within the wider health and fitness sector. I have confidence that the business will continue to grow strongly in future years.

Richard Darwin | Chief Executive Officer
15 March 2023



Strategic report
Financial review

A year of significant recovery and investment

“£16.6m of free cash flow generated in the year to partially fund the site rollout programme and the investment in technology and brand.”

Luke Tait | Chief Financial Officer

£65.4m

Net cash inflow from operating activities
2021: £38.9m

£76.1m

Non-Property Net Debt
2021: £44.1m

Presentation of results

This Financial review uses a combination of statutory and non-statutory measures to discuss performance in the year. The definitions of the non-statutory key performance indicators can be found in the 'Definition of non-statutory measures' on page 167. To assist stakeholders in understanding the financial performance of the Group, aid comparability between years and provide a clearer link between the Financial review and the consolidated

financial statements, we have also adopted a three-column format to presenting the Group income statement in which we separately disclose underlying trading and non-underlying items. Non-underlying items are income or expenses that are material by their size and/or nature and that are not considered to be incurred in the normal course of business. These are classified as non-underlying items on the face of the Group income statement within their relevant category.

Non-underlying items include restructuring and reorganisation costs (including site closure costs), costs of major strategic projects and investments, impairment of assets, amortisation and impairment of business combination intangibles, remeasurement gains or losses on borrowings, and refinancing costs. Further details on non-underlying items are provided later in this report.

Summary

	Year ended 31 December 2022	Year ended 31 December 2021	Movement %/£m
Total number of gyms at year end	229	202	+27
Total number of members at year end ('000)	821	718	+14%
Revenue (£m)	172.9	106.0	+63%
Group Adjusted EBITDA (£m)	71.3	35.4	+101%
Group Adjusted EBITDA Less Normalised Rent (£m)	38.0	5.7	+32.3
Adjusted Loss before tax (£m)	(5.5)	(36.8)	+31.3
Adjusted Loss for the year (£m)	(6.9)	(28.5)	+21.6
Statutory Loss before tax (£m)	(19.4)	(44.2)	+24.8
Statutory Loss for the year (£m)	(19.3)	(35.4)	+16.1
Net cash inflow from operating activities (£m)	65.4	38.9	+26.5
Free cash flow (£m)	16.6	2.0	+14.6
Non-Property Net Debt (£m)	(76.1)	(44.1)	-32.0

Results for the year

	Year ended 31 December 2022			Year ended 31 December 2021		
	Underlying result £m	Non- underlying items £m	Total £m	Underlying result £m	Non- underlying items £m	Total £m
Revenue	172.9	-	172.9	106.0	-	106.0
Cost of sales	(2.0)	-	(2.0)	(1.7)	-	(1.7)
Gross profit	170.9	-	170.9	104.3	-	104.3
Other income	0.8	-	0.8	7.3	-	7.3
Operating expenses before depreciation, amortisation and impairment	(101.8)	(4.4)	(106.2)	(79.1)	(2.3)	(81.4)
Depreciation, amortisation and impairment	(59.3)	(8.5)	(67.8)	(52.7)	(4.2)	(56.9)
Operating profit/(loss)	10.6	(12.9)	(2.3)	(20.2)	(6.5)	(26.7)
Finance costs	(16.1)	(1.0)	(17.1)	(16.6)	(0.9)	(17.5)
Loss before tax	(5.5)	(13.9)	(19.4)	(36.8)	(7.4)	(44.2)
Tax (charge)/credit	(1.4)	1.5	0.1	8.3	0.5	8.8
Loss for the year attributable to shareholders	(6.9)	(12.4)	(19.3)	(28.5)	(6.9)	(35.4)
Loss per share						
Basic and diluted (p)	(3.9)		(10.9)	(16.7)		(20.7)

Strategic report

Financial review continued

Revenue

Revenue in the year increased to £172.9m (2021: £106.0m), reflecting a full year of open trading days compared with 72% in the prior year and a return to more normal seasonal trading patterns. However, changes in customer behaviour as a result of the structural shift in working patterns and the difficult macroeconomic environment, meant that like-for-like revenue in the gyms that were open up to the end of 2018 only reached 90% of 2019 revenue.

Average membership numbers in the 12 months to 31 December 2022 were 808,000 compared with 681,000 in 2021; and we closed the year with 821,000 members, up 14% on 31 December 2021.

The average headline price of a standard DO IT membership increased to £21.49 per month in December 2022 compared with £19.27 in December 2021, reflecting the yield optimisation initiatives we put in place during the year to increase the price for new members by approximately £2 per month across the majority of our sites and to reprice some of the existing membership base. As a result of these increases, Average Revenue Per Member Per Month ('ARPM') in the second half of the year was £18.30 compared with £17.60 in the second half of 2021¹. Despite the increases implemented, we remain the lowest priced low cost gym operator in the UK.

Demand for our premium membership product continued to grow during the year such that in December 2022, the proportion of members taking our LIVE IT membership was 29.6% compared with 27.1% in December 2021.

Cost of sales

Cost of sales, which includes the costs associated with the generation of ancillary income as well as call centre costs and payment processing costs, were £2.0m (2021: £1.7m) reflecting the revenue recovery and increased trading days. However, the year on year increase was lower than expected as a result of improved stock management.

Other income

Other income in the year amounted to £0.8m (2021: £7.3m). The prior year income consisted largely of income received under the various Covid-19 related Government grant schemes. As all gyms were open throughout the current year, no grants have been received in 2022.

Underlying operating expenses before depreciation, amortisation and impairment

Underlying operating expenses before depreciation, amortisation and impairment are made up as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Site costs before Normalised Rent	85.0	60.2
Site Normalised Rent	32.9	29.3
Site costs including Normalised Rent	117.9	89.5
Central support office costs	15.4	16.0
Central support office Normalised Rent	0.4	0.4
Central support office costs including Normalised Rent	15.8	16.4
Share based payments	1.4	2.9
	135.1	108.8
Less: Normalised Rent	(33.3)	(29.7)
Underlying operating expenses before depreciation, amortisation and impairment	101.8	79.1

Site costs including Normalised Rent

Site costs including Normalised Rent in 2022 increased to £117.9m (2021: £89.5m) as we returned to more normal operating conditions, with sites open for the whole year. Utilities costs were £2.8m higher year on year, reflecting not only the increased number of trading days but also the significant increases in wholesale gas and electricity prices as a result of geopolitical events. As a result of the Group's utilities hedging, the impact of the price increases was contained to Q4 2022. However, as previously indicated, we expect utility costs to increase by a further £10m in 2023. Business rates also increased year on year as Covid-19 related Government support was removed. Staff and cleaning cost increases reflected the rise in the National Living Wage as well as the return to normal trading and removal of the furlough scheme. New openings in 2021 and 2022 also contributed to site cost increases year on year.

Site Normalised Rent costs, which are defined as the contractual rents that would have been paid in normal circumstances without any agreed deferrals, recognised in the monthly period to which they relate, amounted to £32.9m in the year (2021: £29.3m). The increase year on year largely reflects the growing gym portfolio.

Central support office costs including Normalised Rent

Central support office costs in the year were broadly in line with the prior year at £15.8m (2021: £16.4m).

Share based payments

Share based payment costs in the year amounted to £1.4m (2021: £2.9m). The reduction year on year reflects the impact of leavers in the year as well as share price movements.

Underlying depreciation and amortisation

Underlying depreciation and amortisation charges in the year amounted to £59.3m (2021: £52.7m). The increase year on year reflects the increased gym portfolio, as well as accelerated depreciation and amortisation on a number of assets that have been replaced following the launch of the new consumer website and brand.

Group Adjusted EBITDA Less Normalised Rent

The Group's key profit metric is Group Adjusted EBITDA Less Normalised Rent as the Directors believe that this measure best reflects the underlying profitability of the business. Group Adjusted EBITDA Less Normalised Rent is reconciled to statutory operating loss as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Operating loss	(2.3)	(26.7)
Non-underlying operating items	12.9	6.5
Share based payments	1.4	2.9
Underlying depreciation and amortisation	59.3	52.7
Group Adjusted EBITDA	71.3	35.4
Normalised Rent	(33.3)	(29.7)
Group Adjusted EBITDA Less Normalised Rent	38.0	5.7

Group Adjusted EBITDA Less Normalised Rent was £38.0m (2021: £5.7m) and reflects the increased site profitability as a result of revenue recovery and the higher proportion of open trading days.

Underlying finance costs

Underlying finance costs amounted to £16.1m (2021: £16.6m). The implied interest relating to our property and capital leases was £13.3m (2021: £14.0m). Finance costs associated with our bank borrowing facilities were £2.8m (2021: £2.6m) comprising interest costs and fee amortisation.

In May 2022, the Group made certain changes to its revolving credit facility ('RCF'). These included a one-year extension of Facility A (£70m) to October 2024; the cancellation in full of the temporary Facility B (£30m) and replacement with a new £10m facility to October 2024; and further relaxation of finance lease restrictions. Funds borrowed under the RCF now bear interest at a minimum rate of 2.85% (previously 2.60% whilst Facility B was in place).

Strategic report

Financial review continued

Non-underlying items

Non-underlying items are costs or income which the Directors believe, due to their size or nature, are not the result of normal operating performance. They are therefore separately disclosed on the face of the income statement to allow a more comparable view of underlying trading performance.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Affecting operating expenses before depreciation, amortisation and impairment		
Costs of major strategic projects and investments	4.6	1.8
Restructuring and reorganisation (income)/costs (including site closures)	(0.2)	0.5
	4.4	2.3
Affecting depreciation, amortisation and impairment		
Impairment of property, plant and equipment, right-of-use assets and intangible assets	8.3	4.0
Amortisation of business combination intangible assets	0.2	0.2
	8.5	4.2
Affecting finance costs		
Remeasurement of borrowings	0.9	0.8
Refinancing costs	0.1	0.1
	1.0	0.9
Total all non-underlying items before tax	13.9	7.4
Tax credit on non-underlying items	(1.5)	(0.5)
Total all non-underlying items	12.4	6.9

Non-underlying items affecting operating expenses before depreciation, amortisation and impairment in the year amounted to £4.4m (2021: £2.3m).

The costs of major strategic projects and investments of £4.6m (2021: £1.8m) includes £4.0m (2021: £0.5m) in relation to the Group's brand transformation. The total costs incurred in the year in respect of this project were £6.5m of which £4.0m is reflected in the income statement and relates to the relaunch of the brand and creation of the Group's visual identity and marketing assets, and £2.5m is included in property, plant and equipment and relates predominantly to new site signage. The remainder of the costs included in other strategic initiatives in the year largely relate to the integration of the three sites acquired from Fitness First in March 2022.

The credit in restructuring and reorganisation costs in the year reflects lease surrender income and costs associated with the closure of a small number of gyms, together with the profit on remeasurement of one of the Group's leases. Also included here are the costs associated with the various Board changes that occurred during the year.

Non-underlying costs affecting depreciation, amortisation and impairment in the year amounted to £8.5m (2021: £4.2m), of which £8.2m (2021: £4.0m) relates to the impairment of 13 sites where slower recovery from Covid-19 and changes in hybrid working patterns have impacted on performance. Also included here is the amortisation of business combination intangibles acquired as part of the Lifestyle, easyGym and Fitness First acquisitions.

Non-underlying items affecting finance costs amounted to £1.0m (2021: £0.9m) and largely reflect the remeasurement of the Group's RCF following the changes agreed with the lenders.

Taxation

The tax credit for the year was £0.1m (2021: credit of £8.8m), representing an effective tax rate of 0.5% (2021: 19.9%). The trading losses incurred as a result of the Covid-19 pandemic, together with the introduction in March 2021 of the temporary enhanced capital allowances regime ('super-deduction tax break'), have resulted in significant tax losses to carry forward which are not anticipated to be fully utilised during the three years covered by the Group's financial plan. Losses for which no deferred tax asset is recognised equate to £20.2m, resulting in an unrecognised deferred tax asset of £5.1m using a 25% tax rate. There is no time limit for utilising trade losses in the UK.

Earnings

As a result of the factors discussed above, the statutory loss before tax was £19.4m (2021: loss of £44.2m) and the statutory loss after tax was £19.3m (2021: loss of £35.4m).

Adjusted loss before tax is calculated by taking the statutory loss before tax and adding back the non-underlying items. Adjusted loss before tax was £5.5m (2021: loss of £36.8m). Adjusted loss after tax was £6.9m (2021: loss of £28.5m).

The basic and diluted loss per share was 10.9p (2021: loss of 20.7p), and the basic and diluted adjusted loss per share was 3.9p (2021: loss of 16.7p).

Dividend

It is a condition of the new £10m additional facility under the RCF that the Company shall not declare or pay a dividend. Although this facility is currently undrawn, the Directors would like to continue to have access to it as necessary and, as a result, the Directors are not proposing a final dividend in respect of 2022.

Acquisition of sites operating under the Fitness First brand

On 22 March 2022, the Group acquired three sites operating under the Fitness First brand for cash consideration of £5.4m. The sites are located in residential areas of East London where we have traditionally been very successful. The gyms were converted to The Gym Group format in late 2022. A transitional service agreement ('TSA') was in place during the period between acquisition and conversion.

A valuation has been performed on the tangible and intangible assets acquired in the transaction resulting in goodwill of £4.1m. Further information is included in note 13 to the consolidated financial statements.

Cash flow

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Group Adjusted EBITDA Less Normalised Rent	38.0	5.7
Rent working capital	(2.1)	(2.9)
Movement in other working capital	(3.2)	7.4
Maintenance capital expenditure	(8.7)	(3.9)
Group operating cash flow	24.0	6.3
Non-underlying items	(5.3)	(2.2)
Interest paid	(2.9)	(2.0)
Taxation	0.8	(0.1)
Free cash flow	16.6	2.0
Expansionary capital expenditure funded by leases	(8.0)	(7.2)
Expansionary capital expenditure funded by other sources	(35.0)	(21.8)
Refinancing fees	(0.7)	(0.1)
Proceeds from disposal of equipment	0.4	-
Net consideration paid on acquisition	(5.4)	-
Net proceeds from issue of Ordinary shares	0.1	30.3
Cash flow before movement in debt	(32.0)	3.2
Net increase in finance lease indebtedness	5.1	6.4
Net drawdown of borrowings	25.0	(6.0)
Net cash flow	(1.9)	3.6

The Group operating cash inflow in the year was £24.0m (2021: inflow of £6.3m) as the improved EBITDA Less Normalised Rent was partially offset by working capital outflows and higher maintenance capital expenditure.

The outflow on rent working capital of £2.1m in the year (2021: outflow of £2.9m), reflects the continued unwind of deferred rents from 2020 and 2021. As at 31 December 2022, only £0.1m of rent deferrals remained outstanding (31 December 2021: £2.1m). The net outflow on working capital (excluding rent) in the year was £3.2m (2021: inflow of £7.4m) and reflects a return to more normal trading patterns.

Strategic report

Financial review continued

Fixed asset additions in respect of maintenance capital expenditure in the year amounted to £11.9m (2021: £4.7m) as we returned to more typical levels of maintenance to mirror the return to regular operations. Adjusting for the movement in capital creditors, the cash flow from maintenance capital expenditure was £8.7m (2021: £3.9m).

Fixed asset additions in respect of expansionary capital expenditure in the year amounted to £46.5m (2021: £29.4m) and relate to the Group's investment in the fit-out of new gyms and investment in our technology and brand transformation projects. The fit-out costs are stated net of landlord contributions towards building costs. During the year, we opened 28 new gyms and substantially completed work on a further two sites which were opened in January 2023, spending a total of £35.2m, of which £8.0m was funded by finance leases (2021: £7.2m). The investment in technology in the year of £8.8m relates largely to enhancements made to the member experience, including improvements to the Group's website and new functionality in the app. £2.5m was spent on the brand transformation, largely in respect of new site signage. Adjusting for the movement in capital creditors, the cash flow from expansionary capital expenditure was £43.0m (2021: £29.0m), including the amount funded by finance leases.

The net consideration paid on acquisition of £5.4m relates to the acquisition of three sites from Fitness First in March 2022. Included within the expansionary capital expenditure above was £2.1m of conversion costs.

Balance sheet

	As at 31 December 2022 £m	As at 31 December 2021 £m
Non-current assets	580.4	549.9
Current assets	15.2	14.8
Current liabilities	(64.7)	(57.4)
Non-current liabilities	(396.9)	(355.2)
Net assets	134.0	152.1

Non-current assets increased in the year by £30.5m to £580.4m. £9.5m of the increase relates to the fair value accounting in relation to the acquisition of the three sites from Fitness First and a further £2.1m relates to the conversion of those sites to The Gym Group format and brand. Full details of the fair values of all assets acquired as part of the Fitness First transaction are set out in note 13 to the consolidated financial statements. Right-of-use assets and Property, plant and equipment also increased as a result of opening 25 organic sites in the year, but this increase was partially offset by the impairment charge discussed under Non-underlying items earlier in this report. As noted in the Taxation section, the Group has an unrecognised deferred tax asset of £5.1m at 31 December 2022.

Non-current liabilities increased by £41.7m in the year, to £396.9m partly reflecting the increased lease liabilities from the new and acquired sites. Drawings under the RCF also increased by £25.0m in the year to fund both the acquisition of the sites from Fitness First and part of the organic site rollout.

As at 31 December 2022, the Group had Non-Property Net Debt of £76.1m (31 December 2021: £44.1m) comprising drawn facilities of £70.0m and finance leases of £11.5m, less cash of £5.4m.

Going concern

The Board has reviewed the financial plan and downside scenarios of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2024. As a result, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Group's current and forecast liquidity position and the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios. Further detail is provided in note 2 of the consolidated financial statements.

Trading update and outlook

The business has had an uneven start to the new financial year when compared with Board expectations, with membership at the end of February 2023 of 890,000, up 8.4% versus the end of 2022 (2022: 14.9%). Revenue after two months has grown 18.7% year on year, reflecting membership growth of 8% and yield growth (ARPM) of 10%. Like-for-like revenue for the two months reached 97% of the pre Covid-19 level, driven by increases in ARPM whilst remaining the lowest cost nationwide gym chain.

We continue to expect energy costs to be c.£10m higher in 2023 compared to 2022 and are now 96% hedged for FY23. We also expect that the current difficult macroeconomic environment and its impact on consumer demand will continue throughout the year. Therefore, we now anticipate the full year revenue increases from yield improvements and new site openings to be broadly offset by cost increases.

We intend to take a more measured approach to our new site openings in 2023 and anticipate opening up to 12 new sites, with all openings being self-financed. As a result, leverage (calculated as Non-Property Net Debt : Group Adjusted EBITDA Less Normalised Rent) is expected to remain within the range of 1.5 to 2.0x.

Luke Tait

Chief Financial Officer
15 March 2023



Strategic report

Market review

Strengthen our position

The low cost sector has proven to be the most resilient segment of the health and fitness industry in the UK in 2022. In times of a difficult economic climate, our significant experience, benefit of economies of scale and a highly cost efficient operating model enable us to further strengthen our position as a market leader.

Consumer demand

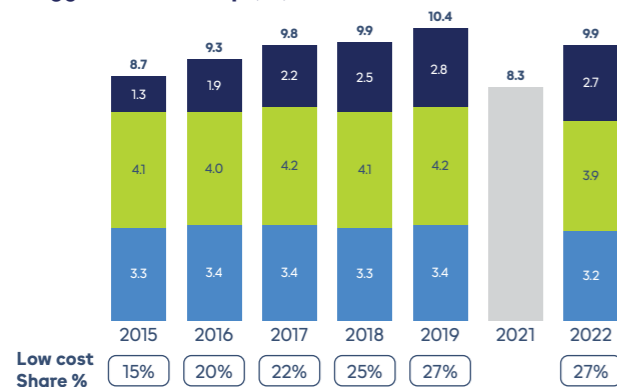
Covid-19 has driven an increase in the importance of health and wellbeing, with a focus on exercise, resulting in strong initial recovery in gym demand in the first half of 2022, as Covid-19 restrictions and concerns eased. By March 2022, the total UK gym membership was back to 2018 levels and the low cost sector close to 2019 membership numbers.

Whilst demand for gym memberships remained positive, the recovery stalled in the second half of the year as cost-of-living concerns and pressure on consumer spending increased.

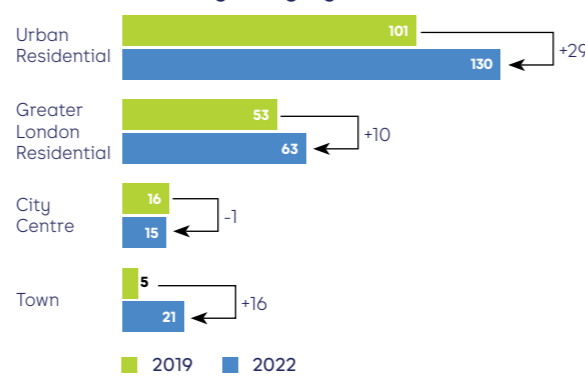
Within this macroeconomic environment, Covid-19 has left a lasting change on patterns of work and exercise with more people working from home more regularly. Most of our estate is in residential areas and well positioned to benefit from this trend.

The remaining 7% of our estate is highly workforce-dependent and, whilst still important to our nationwide network and LIVE IT membership, slower in its recovery. All our new openings since 2019 have been in predominantly residential areas.

UK gym membership (m)^{1,2}



Number of sites by category 2019-2022



1 LDC State of the Industry Report 2022 (as at March 2022).
 2 There is no data available for 2020 due to Covid-19 disruption. Data for 2021 has been taken from the Deloitte Touche European Health and Fitness Report.

Industry supply

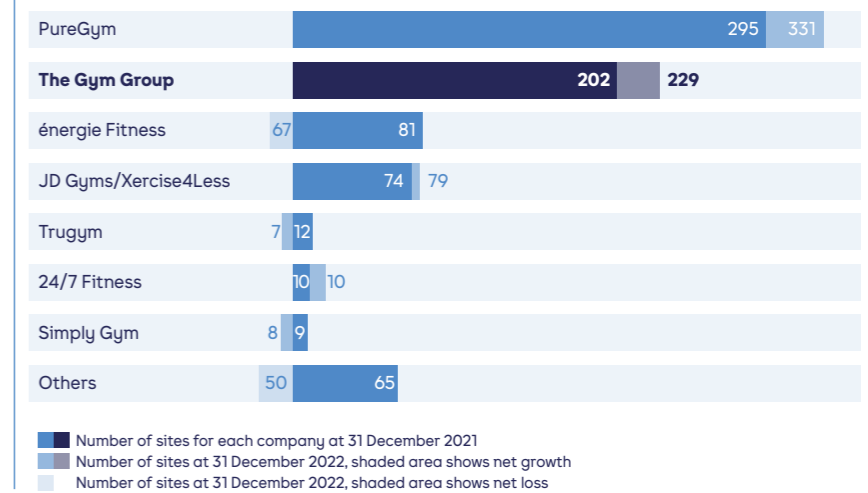
The impact of two years of disruption caused by the pandemic, followed by rising costs and removal of Government support, has put pressure on many operators in the sector. This resulted in over 600 closures of health and fitness clubs to March 2022. A survey of public sector operators conducted by ukactive, showed that leisure services are expected to be reduced or lost entirely in 40% of council areas before the end of 2023¹ due to the increase in energy costs.

The low cost gym sector is once again proving its resilience to recession and whilst the total number of fitness clubs in the UK as of March 2022 decreased for the first time in over ten years, net supply of low cost gyms increased by 33 sites in 2022, predominantly driven by the two largest low cost operators.

¹ ukactive news 03/11/2022.

In this trading environment, the benefit of economies of scale, competitive pricing and a highly cost-efficient operating model, enabled us to open 28 new sites and further strengthen our position as a market leader with a low cost market share of 29.3% (up from 26.7% in Dec 2021).

UK low cost gyms
781
 as at 31 December 2022
Market share
29.3%
 up from 26.7% in December 2021



Growth potential

Whilst the current difficult macroeconomic environment puts pressure on consumers to prioritise their spending, exercise proves to be no longer a discretionary item for many. A recent PwC consumer study asked which categories people would potentially cut back on. Only 36% of those surveyed said that they would cut back on 'paid health and wellbeing' in comparison to 70% planning to cut back on take-aways and deliveries and 66% on restaurant meals and pub visits.

As the lowest cost, nationwide, 24/7 gym operator in the UK, we are well placed to attract the portion of the market that is ready to switch from premium and mid-market fitness clubs in search for better value for money and retain the members that have already chosen us as their preferred health and fitness provider.

A PwC market study published in February 2019 into the total market potential for low cost gyms assesses the overall opportunity for

the sector to be between 1,200 and 1,400 gyms. As at December 2022, we estimate the total number of low cost gyms to be 781, resulting in additional growth potential in the market of 400-600 gyms.

Our covenant and reputation, alongside a highly experienced property acquisition team and sophisticated location appraisal process, enabled our rapid growth to date and are key to our successful expansion programme.

The Gym Group average DO IT headline rate per month

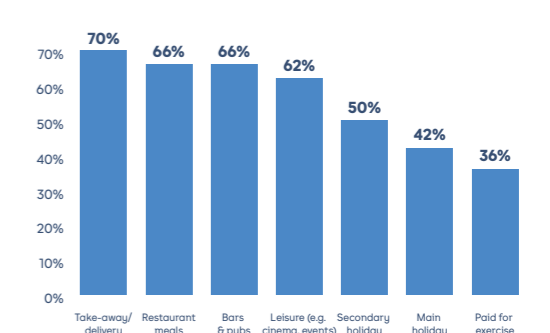
£21.49

Average competitor headline rate variance where we compete



Which of the following spending categories will you cut back on in the next 3 months

PwC Consumer Research November 2022



Strategic report
Strategic framework

Fit for the future



Innovative technology and great people enable us to operate a high quality estate, providing a compelling member proposition and sustainable and impactful growth.

High quality estate

See Strategy in action | Pages 28-29

Progress in 2022

- We delivered record site growth in 2022 with 25 organic openings and the acquisition and conversion of three sites from Fitness First, making a total of 28 new gyms.
- With sizes ranging from 7,000 to 21,000 square feet, our adaptable model and flexible format has allowed us to deliver exceptional gym facilities in a wide range of locations and building types.
- Our strong relationships with landlords and financial covenant continue to enable us to secure prime locations.

Risks

- Operational gearing
- Member experience
- Structural change in the industry
- Relationships with key suppliers

Performance measure

229

Total number of gyms as at 31 December 2022 (vs 202 at 31 Dec 2021)

Compelling member experience

See Strategy in action | Pages 30-31

Progress in 2022

- We further strengthened the flexibility for our members to workout whenever and wherever suits them by adding the highly rated Fiit on-demand fitness app to our premium LIVE IT membership for no extra cost.
- LIVE IT, which provides access to all our 229 sites, was chosen by 29.6% of our members (compared to 27.1% as at 31 December 2022). The 2022 take-up is the highest proportion ever.
- A friendly, inclusive atmosphere comes across positively in the scores, with 66% of members surveyed rating our service outstanding (5 out of 5).

Risks

- Significant business interruption
- Member experience
- Trading environment
- Structural change in the industry
- IT dependency
- Reputation, brand and trust

Performance measure

66%

of members rated us outstanding (5 out of 5) for staff friendliness

Innovative technology and marketing

See Strategy in action | Pages 32-33

Progress in 2022

- A significant investment has been made into digital this year. We launched our new customer-facing website designed to work brilliantly on mobile devices, which is where we see most of our web traffic.
- We continued to invest in technology infrastructure throughout 2022, benefiting members and staff. A new cloud hosted digital platform launched in April uses the latest technologies to maximise performance and deliver the best online experience to members across web and app.
- We also rolled out our new brand successfully, deploying a new visual presence across 229 external signs, and rebranding key digital touch points across our website and member app.

Risks

- Structural change in the industry
- IT dependency
- Cyber and data security
- Reputation, brand and trust
- Relationships with key suppliers

Performance measure

27%

more digital users in July - Dec 2022 (versus the same period in 2021, across website and app combined, compared to 14% estate growth)

Unique team and culture

See Strategy in action | Pages 34-35

Progress in 2022

- We launched our 'people promise' to focus on our commitment to provide development opportunities and career pathways, support employee wellbeing and nurture a friendly and inclusive culture.
- We launched our Emerging Talent and Apprenticeship programmes providing development opportunities for our operational and support teams.
- We were awarded the 'We Invest in Wellbeing Silver' accreditation in recognition for our ongoing focus on employee wellness and maintained our 'Investors in People Gold' accreditation.

Risks

- Our people
- Reputation, brand and trust

Performance measure

65%

promotion rate of Fitness Trainer Emerging Talent programme

Growing sustainably

See Strategy in action | Pages 38-53

Progress in 2022

- In 2022, we delivered £756 million of social value in communities across the UK through workouts in our gyms, contributing to the improved health, wellbeing and educational development of our members. We also increased the percentage of our members working out regularly in our gyms (more than four times per month) by 7%.
- Our commitment to net zero has taken a significant step forward with a detailed preparation of a full submission to SBTi.
- We are working towards our targets of 50/50 gender balance by 2030, and 40% female leaders by 2025. In 2022, we increased the percentage of female senior leaders by 6.3 percentage points to 35.1% (up from 28.8% in 2021).

Risks

- Significant business interruption
- Operational gearing
- Reputation, brand and trust
- Relationships with key suppliers

Performance measure

£756m

of social value created in 2022

Strategic report
Strategy in action

High quality estate

We delivered record site growth in 2022 with 25 organic openings and the acquisition and conversion of three sites from Fitness First, making a total of 28 new gyms. With sizes ranging from 7,000 to 21,000 square feet, our adaptable model and flexible format has allowed us to deliver exceptional gym facilities in a wide range of locations and building types. Through our rigorous standards and maintenance regimes, we provide a safe environment, deliver an exceptional member experience, and ensure our gyms are highly energy efficient and up to date.

See Strategic framework | Pages 26-27



Targeted locations

Retail parks have proved highly attractive and successful locations and 57% of our 2022 cohort has been located within existing parks, with a further 21% in high footfall locations. Easily accessible gyms in highly residential areas have proven the quickest to recover since reopening and with our sophisticated approach to site selection, we have ensured that all sites opened since 2019 have been in predominantly residential areas.

Our strong relationships with landlords and financial covenant continue to enable us to secure prime locations.



28 new gyms in 2022



Birmingham Selly Oak
City Residential
Opened August 2022
Size: 15,145 sq. ft



Romford Greater London
Commuter town centre
Opened November 2022
Size: 20,839 sq. ft



Glenrothes Town
Retail Park
Opened August 2022
Size: 9,074 sq. ft



Member centric

Our flexible gym format and design continues to evolve providing facilities closely matched to the member usage patterns, demographics and demands. We continue to work on eliminating 'gymtimidation' and providing comfortable, safe and accessible facilities, delivering on our purpose of breaking down barriers to fitness for all.

We constantly monitor the market trends and member demand to ensure we reflect the latest expectations of our members. We continue to upgrade equipment and adapt our offer to remain current and relevant to all audiences.



Grimsby



Sustainable development

We remain focused on the cost of delivery of new sites as well as the long term operating cost and sustainability of our gyms. Our ongoing investment in energy efficient design, something that has been ongoing for many years, will deliver significant benefits given the recent increases in utility costs. We continue to evolve and improve the energy and sustainability performance in our gyms, as detailed in the Sustainability report on pages 38-53.



Corstorphine



Strategic report
Strategy in action continued

Compelling member experience



“In 2022, we continued to strengthen our member proposition, investing in our gyms and digital experience, as well as creating an ever more flexible, friendly and effective training environment for our members. Our commitment to providing a friendly, positive and inclusive environment comes through strongly in our member satisfaction scores.”

Ann-marie Murphy | Chief Operating Officer

See Strategic framework | Pages 26-27

High quality, low cost

Our high quality gym equipment is at the heart of our value proposition for members. In 2022, we invested £5.5m in new kit to ensure all our existing gyms remain relevant and up to date, whilst remaining the UK's lowest cost 24/7 nationwide gym operator. 22 sites received a major overhaul and replacement of kit, including Guildford, which was extended by 5,200 sq. ft. A further 45 sites received significant investment, as part of our plate loaded rollout and kit enhancements.



£5.5m

invested in new kit

Ultimate flexibility

24/7 opening hours, no contracts and online classes are a key part of our flexible member offer. With members settling into new working and exercise patterns post Covid-19, we further strengthened the flexibility for our members to workout whenever and wherever suits them by adding the highly rated Fiit on-demand fitness app to our premium LIVE IT membership for no extra cost. Those members automatically get Fiit premium worth £20 per month which includes access to over one thousand classes from expert trainers that can be used on-demand in the gym, at home or on the move. LIVE IT, which provides access to all our 229 sites, was last year chosen by a higher proportion of our members than ever.



29.6%

of members signed up to LIVE IT at 31 December 2022 (vs 27.1% as at 31 December 2021)

Member satisfaction

On the whole, member engagement remained strong in 2022, supported by our four visits a month metric which was above pre Covid-19 levels. We measure how satisfied our members are by gaining regular online feedback and measuring against OSAT scores. 57% of members surveyed told us that they were highly satisfied (5 out of 5) with our service. Our teams are central to this and with a friendliness score of 66%, we are always aiming to deliver a friendly, inclusive and social environment.



66%

friendliness score

One of UK's top gym member app

We have continued to improve the digital experience in our member app with many new features. Highlights include the introduction of online workouts, refreshing the user experience around our new brand identity and providing a personal training booking service. As at December 2022, we had over 650k monthly users and one of the best rated apps in the sector.



4.7

out of 5 rating on Apple App Store

4.6

out of 5 rating on Android App Store



Strategic report
Strategy in action continued

Innovative technology and marketing



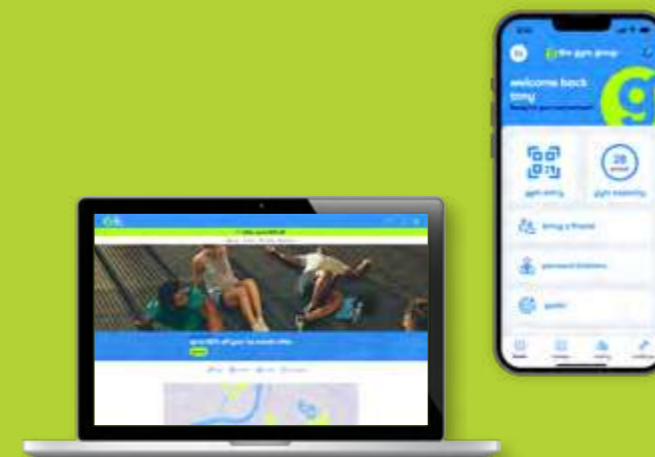
“We made significant investments in our technical capabilities and have redeveloped our online digital platforms. In addition, we launched a new brand identity, which represents our purpose of breaking down barriers to fitness for all.”

Emily Kortlang | Chief Marketing Officer

See Strategic framework | Pages 26-27

New digital platform

A significant investment has been made into digital this year. In April 2022, we launched our new customer facing website. The site is where The Gym Group experience begins for every member and is key to every joining process. It is designed to work brilliantly on mobile devices, which is where we see most of our web traffic. The new platform is also highly scalable and resilient, looks fantastic, has state of the art analytics capabilities, and can be easily optimised to maximise the number of visitors that make a purchase.



Technology infrastructure

We continued to invest in our technology infrastructure throughout 2022, benefiting members and staff. A new cloud hosted digital platform, launched in the first half of the year, uses the latest technologies to maximise performance and deliver the best online experience to members across web and app. New security tools delivered to members in May 2022, gives them a seamless experience however they choose to connect with us, while new automation tools make life easier and more secure for our staff, helping us to run the business more efficiently, as we grow the estate.



Price optimisation

2022 also presented a significant opportunity to optimise pricing across a range of products. New price optimisation tools were developed to enable price to be managed more dynamically than ever before, and data science models now allow us to predict price elasticity and likelihood to churn for different cohorts of members. New products and features were launched in the second half of the year, and a new enterprise data warehousing and analytics platform developed in 2022, will allow us to deliver even more advanced data models and insight in 2023.



Rolling out the new brand

Having identified that brand awareness for our previous trading brand 'The Gym' was low, our task was to create a new identity system to meaningfully express our brand. In the Summer of 2022, we designed and created our new visual identity. This involved successfully deploying our new visual identify across 229 external signs, and rebranding key digital touch points of our website and member app.

New creative platform

Alongside the brand transformation project, we also launched a new advertising campaign called 'Gym Face' which targeted the gym intimidated audience. Our new visual identity and Gym Face allowed us to begin to drive brand distinction, bolster awareness and grow our market share by attracting new audiences. The most recent brand awareness metrics are encouraging, with a 5.6 percentage point increase in prompted awareness in the 12 months since February 2022.



Strategic report
Strategy in action continued

Unique team and culture

Our friendly, inclusive, and people centred culture, continues to be a key part of our success. Throughout 2022, we continued to put our unique set of values at the centre of decision making and encapsulated this with the launch of our 'people promise' focused on our commitment to providing development opportunities and career pathways, supporting employee wellbeing and nurturing a friendly and inclusive culture. Our people first approach contributed to our high engagement scores, successful retention of our Investors in People accreditation and external recognition for our Equality, Diversity and Inclusion strategy and progress.

See Strategic framework | Pages 26-27



Investors in People

We are thrilled to have maintained our Investors in People 'We invest in people' Gold accreditation demonstrating our ongoing commitment to our people. In addition, we were awarded the 'We invest in wellbeing' Silver accreditation in recognition for our ongoing focus on employee wellness.



Wellbeing in 2022

We have continued to embed our holistic approach to wellbeing and the support available to employees: relaunching our wellbeing strategic pillars and principles to the business, enhancing and promoting our employee wellbeing resource hub, and launching our Mental Health Ambassadors programme to improve awareness of the support and resources available to employees. Following the success of our 2021 LeadWell programme in partnership with Outliers Wellbeing, we extended this into 2022, providing employees with further training on psychological safety, tackling burnout and leadership behaviour.



Career adventures

Our participation in the UK Government Kickstart Scheme concluded and we were thrilled with the overall success of the programme which gave 234 young people the opportunity to gain work experience and a qualification in fitness, with 66% of our Fitness Trainer Kickstarters, and 38% of our Business Support Kickstarters converting to permanent roles at The Gym Group.

We created further development opportunities with the launch of our Emerging Talent Programmes providing Assistant General Managers the competencies and knowledge to develop into General Managers and Fitness Trainers with the skills required to transition into operational management roles. In addition, we introduced apprenticeship development opportunities across our Gym Support teams enabling employees to undertake a professional qualification relevant to their role.

We have continued to embed Coaching for Performance, providing a framework for managers to assess the performance and potential of their teams, facilitate effective development discussions and ensure alignment to the Group's objectives to drive engagement and delivery.

Diversity and inclusion

This year, we were pleased to make progress towards our Equality, Diversity and Inclusion ('EDI') pledge targets, through focusing on the attraction, progression and retention of diverse talent. We have continued to embed our EDI employee work groups who have championed inclusion throughout the year celebrating key events such as Pride and Black History Month and implementing initiatives such as our Inclusive Traineeship. Further details on all our EDI initiatives can be found in the Sustainability report on pages 44-45.



Employee engagement

We are proud to have achieved high employee engagement scores throughout 2022, increasing our level of employee engagement across the business by 6% to 67%. We attribute this to our focus on learning and development, recognition and reward, while creating a positive environment for people to work.

13
 employees enrolled in
 Apprenticeships



42%
 of Emerging Talent Assistant
 General Managers promoted
 to General Manager

65%
 of Emerging Talent Fitness
 Trainers promoted to
 Assistant General Manager

Strategic report

Key performance indicators ('KPIs')

Growing and recovering

We use a number of financial and non-financial KPIs to measure our performance over time. We select KPIs that demonstrate the financial and operational performance underpinning our strategic drivers. During the year, we streamlined our KPIs to ensure they remain closely aligned with our strategic goals, and how the Directors

view and manage the business. As a result, the number of mature gyms and the mature gym site EBITDA are no longer shown as separate KPIs. Non-Property Net Debt is also no longer shown as a separate KPI but remains a key component of Non-Property Net Debt to Group Adjusted EBITDA.

Non financial

Total number of gyms
+13.4%



Definition
Number of gyms open at the end of the year.

2022 performance
The total number of gyms grew by 13.4% during 2022, as the Group opened 25 new organic sites and acquired three sites that previously operated under the Fitness First brand. One gym was closed during 2022.

Link to strategic goals
High quality estate

Total number of members '000
+14.3%



Definition
Total gym memberships at the end of the year.

2022 performance
The total number of members has increased year on year reflecting post Covid-19 recovery and new site openings. City centre workforce-dependent sites are recovering at a slower pace than the rest of the estate.

Link to strategic goals
Compelling member experience
Growing sustainably

Average Revenue per Member per Month ('ARPM') £¹
+1.3%

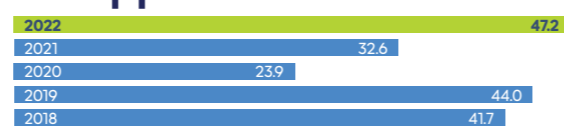


Definition
Revenue divided by the average number of members divided by the number of months in the period.

2022 performance
ARPM increased by 1.3% in 2022, driven by an increase in the average headline price of around £2 and an increase in the take-up of our premium product, LIVE IT (from 27.1% of total members in 2021 to 29.6% in 2022). ARPM for the second half of the year was £18.30, up 4.0% on 2021.

Link to strategic goals
High quality estate
Compelling member experience
Innovative technology and marketing

Members that visit 4+ times in a month %
+14.6ppts



Definition
The percentage of total members that have visited the gym four or more times in a month, calculated as a rolling 12 month average.

2022 performance
The percentage of members visiting the gym four or more times per month has increased significantly in 2022, and is now exceeding levels achieved pre Covid-19. Research shows that people who visit the gym four or more times per month are more likely to continue their membership and gain significant health benefits from it, which drives increased social value.

Link to strategic goals
Compelling member experience
Growing sustainably

Employee engagement score %
+6ppts



Definition
The proportion of employees that responded 'Strongly Agree' to the engagement survey questions.

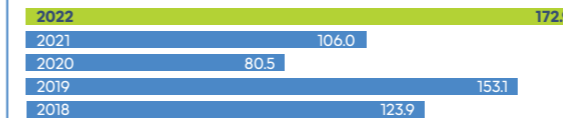
2022 performance
Our employee engagement continues to strengthen, increasing a further 6 ppts in 2022. This reflects our continued focus on building an inclusive work environment that has strong relationships within teams who recognise each other for their commitment to The Gym Group.

Link to strategic goals
Unique team and culture

¹ In order to provide better year on year comparability for yield, the figures presented for 2021 and 2020 have been adjusted to exclude the impact of UK Government-enforced closure periods as a result of the Covid-19 pandemic. The 2021 figure is calculated for the period from July 2021 to December 2021 when all gyms were fully open and trading had returned to normal. The 2020 figure is calculated on a site-by-site basis and excludes days when the sites were required to be closed due to Government restrictions.

Financial

Revenue £m
+63.1%

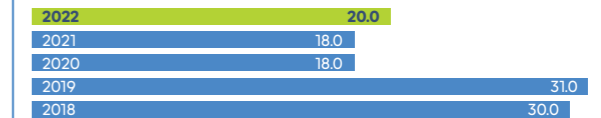


Definition
Revenue is generated from membership fees and ancillary services, such as rental income from personal trainers and vending income.

2022 performance
Revenue in the year increased by 63.1% reflecting a full year of open trading days (compared with 72% in the prior year), as well as increased prices and LIVE IT take-up. See the Financial review on pages 16-23 for further details.

Link to strategic goals
High quality estate
Compelling member experience
Innovative technology and marketing

Return on Invested Capital ('ROIC') %²
20%

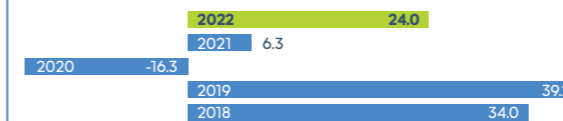


Definition
Group Adjusted EBITDA Less Normalised Rent contributed by mature sites divided by total capital initially invested in the mature sites.

2022 performance
ROIC increased to 20% in 2022, reflecting the continued revenue recovery. However, as like-for-like revenue in the mature gyms only reached 90% of 2019 levels and the macroeconomic and geopolitical environment led to increases in the cost base (especially in utilities and staff costs), ROIC has not returned to pre Covid-19 levels.

Link to strategic goals
High quality estate
Compelling member experience
Innovative technology and marketing

Group operating cash flow £m
+£17.7m



Definition
Group Adjusted EBITDA Less Normalised Rent plus the movement in working capital less maintenance capital expenditure. Maintenance capital expenditure comprises the replacement of gym equipment and premises refurbishment.

2022 performance
Group operating cash flow increased by £17.7m as the improved EBITDA Less Normalised Rent was partially offset by working capital outflows and higher maintenance capex spend. See the Financial review on pages 16-23 for further details.

Link to strategic goals
High quality estate
Compelling member experience
Innovative technology and marketing

Group Adjusted EBITDA Less Normalised Rent £m
+£32.3m

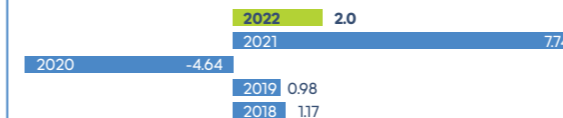


Definition
Operating profit before depreciation, amortisation, long term employee incentive costs and non-underlying items and after deducting Normalised Rent. Normalised Rent is the contractual rent that would have been paid in normal circumstances without any agreed deferrals, recognised in the monthly period to which it relates.

Link to strategic goals
High quality estate
Compelling member experience
Innovative technology and marketing

2022 performance
Group Adjusted EBITDA Less Normalised Rent increased by £32.3m in the year, reflecting increased site profitability as a result of revenue recovery and the higher proportion of open trading days. See the Financial review on pages 16-23 for further details.

Non-Property Net Debt to Group Adjusted EBITDA
2.0x



Definition
Non-Property Net Debt as a proportion of Group Adjusted EBITDA Less Normalised Rent. Non-Property Net Debt comprises bank and non-property lease debt less cash and cash equivalents.

2022 performance
Non-Property Net Debt to Group Adjusted EBITDA has improved significantly in the year as a result of the improved trading performance and now lies within the Group's target range for leverage of 1.5x-2.0x.

Link to strategic goals
High quality estate
Compelling member experience
Innovative technology and marketing

² ROIC is calculated for mature sites only (open 24 months or more at the period end) and excludes acquisition sites. In order to provide better year on year comparability for ROIC, the figures presented for 2021 and 2020 have been adjusted to exclude the impact of UK Government-enforced closure periods as a result of the Covid-19 pandemic. The 2021 figure is calculated for the period from July 2021 to December 2021 when all gyms were fully open and trading had returned to normal. The 2020 figure is calculated to exclude those months when sites were required to be closed due to Government restrictions.

Strategic report
Sustainability report

Sustainability at The Gym Group



CarbonNeutral.com

Strategic report



Governance report

Financial statements



At The Gym Group, we remain committed to breaking down barriers to fitness, enabling everyone to live healthier and more rewarding lives, within the natural balance of the planet. The cost-of- living crisis, driven by high inflation and compounded by the soaring cost of energy, has presented a range of challenges for UK society, including The Gym Group and our members. Our low cost and accessible gym model, which is delivered in a resilient and sustainable way, is therefore more compelling than ever.

Our sustainability strategy was created to help deliver our purpose and consists of five key pillars, as defined by our 'sustainability wheel'. Our 2022 report highlights our performance and activities during the year, in line with our strategy.

We continue to report with reference to Global Reporting Initiative 2021 Universal Standards and against Sustainability Accounting Standards Board Leisure Facilities Standards. Full reporting can be found on our website along with our sustainability strategy, materiality matrix, and sustainability governance structures.

We were the first carbon neutral gym chain in the UK and have again offset our remaining carbon emissions for 2022 through investment in carefully chosen and Gold Standard certified carbon offset projects in support of our journey to net zero.

Social impact

Research into the benefits of exercise clearly shows that when our members visit our gyms at least four times a month, improvements in their physical health, mental wellbeing and social development (social value) are achieved. We therefore introduced a new performance metric in 2022, to help us track our positive social impact. In 2022, the Covid-19 pandemic continued to impact our ability to deliver this societal benefit, with further disruption from the pandemic in January and February. This report sets out how we have achieved our target and delivered an increase of 8% in social value compared to 2019 by enabling over 53 million gym visits.

The environment

The UK saw a record temperature of 40.3°C in July 2022, 1.6 °C higher than the previous record. Across the globe, 2022 has been a year of extreme climate events claiming hundreds of thousands of lives and displacing millions of people. We are in a period of 'climate changed' as well as climate change, and we are evaluating both risks and opportunities to ensure our business is resilient to this change.

We have expanded our assessment of climate-related impacts within our Task Force on Climate-Related

Financial Disclosures ("TCFD") reporting and explored further water management measures.

At COP27, UN Secretary General António Guterres made some of his strongest comments yet on global warming, saying, "our planet is fast approaching tipping points that will make climate chaos irreversible". The UN's environment agency ("UNEP") reported that there is "no credible pathway to 1.5°C in place", and the only way to limit the worst impacts of the climate change crisis is a "rapid transformation of societies". The report highlights that, if current pledges of action were delivered in full by 2030, then we would experience a rise in global temperature of about 2.5°C, with catastrophic effects.

Our commitment to net zero has taken a significant step forward this year, with a full submission to the Science Based Targets initiative ("SBTi"); this includes the recalculation of our 2019 carbon footprint – our baseline year.

Our Green House Gas ("GHG") emissions are therefore restated in this report and we have removed data for 2020 and 2021; this is due to the lack of comparability owing to the significant impact of Covid-19 on our operations. Our 2022 emissions are stated in line with this revised calculation for direct comparison.

Diversity and equal opportunity

The Gym Group is a place where we want everyone to feel included and accepted, with equal opportunities to succeed, and we continue to make progress towards our goals. We were also delighted to be recognised by Reward Gateway in their Engagement Excellence Awards.

Good jobs and quality education

This year was our first time assessment for the We Invest In Wellbeing accreditation where we achieved silver. We also received the Best Places To Work award by Glassdoor and maintained our Investors In People Gold accreditation.

Human rights, anti-bribery and anti-corruption

We conduct our business honestly and ethically wherever we operate. Our Human Rights Policy Statement and Anti-Bribery and Corruption Policy Statement can be found on our website. We also have a detailed Anti-Bribery and Corruption policy, which is available to all employees via our intranet along with training.

David Melhuish

Chief Development and Sustainability Officer

Strategic report

Sustainability report continued

Good jobs and quality education



Engagement survey

83%

Participation rate
(decrease of 2 percentage points from 2021)

Overall engagement score

67%

(increase of 6 percentage points from 2021)



INVESTORS IN PEOPLE
We invest in people Gold

INVESTORS IN PEOPLE
We invest in wellbeing Silver

Our people first culture is vital to our success and remains a business focus at The Gym Group. Through our ‘people promise’ we are committed to supporting our employees in their career adventures, providing new opportunities and a culture where people can achieve their goals.

The impact of the increase in the cost-of-living brought us new challenges in 2022 and looking after our people’s wellbeing and talent development has remained a business priority. To deliver this, we have implemented development programmes across a variety of roles and continued to provide wellbeing support through the delivery of our LeadWell programme in partnership with Outliers Wellbeing, covering topics such as psychological safety and tackling burnout.

Employee engagement

We have continued to utilise our annual engagement surveys to listen to our teams’ experiences, and we have used the findings to shape our people strategy. Feedback from

our 2021 engagement survey results indicated that our people were looking for additional opportunities to learn and develop. In response to initiatives launched in 2022, we have seen key drivers of employee engagement, such as job satisfaction and opportunities to learn and develop, increase by 8 and 10 percentage points respectively.

Employee learning and development

We relaunched our ‘Emerging Talent’ management development programme in May 2022, providing high potential Assistant General Managers with development pathways into General Manager roles. This achieved huge success, with a 95% retention rate and 42% promotion rate in this first cohort. In June we expanded the ‘Emerging Talent’ framework by launching a bespoke Fitness Trainer programme, which serves to provide the skills required to progress. This resulted in an 83% retention rate, with 65% of participants securing promotions to Assistant General Manager positions. By providing opportunities to develop into management roles, we hope to grow and retain our internal talent pipelines and will continue to deliver our Emerging Talent programmes in 2023.

We also introduced new apprenticeship development opportunities across our Gym Support function, which enables existing employees to undertake a professional qualification relevant to their role, such as accountancy, marketing and leadership. In 2023, we will expand apprenticeship opportunities to support our Gym Operations teams.

13
employees enrolled on apprenticeships

42%
promotion rate – Emerging Talent management development programme

65%
promotion rate – Fitness Trainer Emerging Talent programme

As we move into 2023, we will remain focused on delivering internal development programmes and aim to introduce targets to measure the effectiveness of these programmes. Development in 2023 will be focusing on female leadership, conscious leadership and building a future leader’s pipeline for gym operations.

In our communities

The UK Government’s Kickstart Scheme — designed to provide job placement opportunities for young adults at risk of long term unemployment — concluded this year. Since joining the scheme in December 2020, we have given 234 young people the opportunity to gain work experience and a qualification in fitness.



Fitness Trainee Kickstart programme

66%

of participants converted to a Fitness Trainer role at The Gym Group

Kickstart Business Support programme

38%

of participants converted to permanent roles within our Gym Support function

Due to the success of the Kickstart programme, we have decided to create a Grow Your Own talent development scheme in 2023. Within this scheme we will launch The Gym Group Academy to provide a framework for multiple pathways into a career in fitness. The scheme will deliver further education, experience and the personal training certifications required to become a Fitness Trainer. The Gym Group Academy will focus on those currently on universal credit, hard to reach demographics and women. Programmes will run throughout the year and range from five day work experience placements to 16 week Grow Your Own Fitness Trainer programmes.

Whilst our partnership with the Rio Ferdinand Foundation pilot ‘Find Your Future’ programme did not generate the participant engagement anticipated, we were active in delivering engagement visits to supported community projects.



Miranda Jeffery, General Manager at our Northampton gym, shares her career and development adventure at The Gym Group.

I joined The Gym Group in 2019 as a Fitness Instructor but was always really interested in the operational side of the business. With the ongoing support and encouragement of my manager, I applied for the Assistant General Manager role and in 2021, achieved my first step into management. I instantly knew this was the right path for me and loved leading, educating and motivating my own team of Fitness Trainers, as part of my new role.

In 2022, I was selected to take part in the Emerging Talent leadership development programme. This programme was a huge support in fast tracking my career at The Gym Group, and I was soon promoted to General Manager. The modules within the programme helped build my understanding of the role and the skills and knowledge required to deliver in this position.

“Completing the Emerging Talent programme has not only fuelled my knowledge but also my passion for working at The Gym Group.”



Strategic report

Sustainability report continued

Good health and wellbeing

3

GOOD HEALTH AND WELLBEING

Social value generated in 2022

£756m

(vs £700m in 2019)

70%

Of social value comes from direct NHS cost savings and mental wellbeing benefits to our members



The World Health Organisation ('WHO') has long recognised that regular physical activity is proven to help prevent and manage diseases, such as heart disease, stroke, diabetes and several cancers. Exercise can also improve mental health, quality of life and wellbeing.

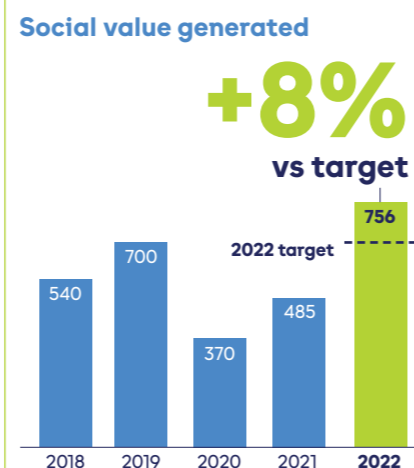
2022 saw a dramatic increase in the cost-of-living, with the crisis disproportionately impacting lower income demographics. Offering affordable facilities to exercise is therefore increasingly important.

With 28 new gym openings in 2022, we continue to locate 32% of our growing estate in the 20% most deprived areas of the UK, reinforcing our commitment to tackling inactivity in disadvantaged communities.

At The Gym Group, we have made it our purpose to break down barriers to fitness, and not only provide access to low cost, safe and high quality fitness facilities to our members, but also to motivate our members to use our gyms regularly.

Our network of 229 gyms affords access to 52.5% of the UK population

The social impact of The Gym Group
Growing the positive impact our business has on our members and the communities we serve is central to our purpose. We are proud to have increased the social value generated in 2022, beyond our target by 8% to £756 million.

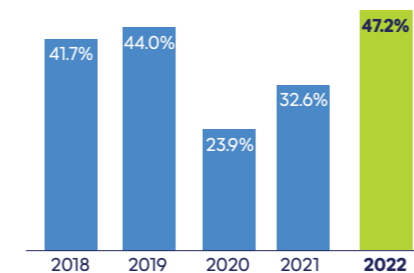


This incredible result was not only driven by higher membership numbers (up 14.3% on 2021) but was also the result of our focus on motivating our members to exercise in our gyms regularly.

As a business dedicated to generating social value, we created a new KPI for the Executive Committee to drive social value. Performance is measured on the percentage of members who visit our gyms at least four times a month. Our target for 2022 was to return to 2019 levels; we exceeded this target and achieved a 71% increase on 2019 to 47.2% by launching a range of initiatives including celebrating member visits, creating member challenges and welcome videos for new members to increase the accessibility of our gyms.

Information on how the social value is calculated and the Social Value Model can be found on our website.

% of members visiting at least 4x per month¹



¹ Calculated as a rolling 12-month average.

Safety at our gyms

The safety and security of our people remains a priority focus, and we have improved processes for both our members and employees. This is supported by a more sophisticated approach to reviewing risk, as well as robust strategic crisis management plans and emergency action plans.

Our main focus throughout 2022 was to conform our health and safety management system to ISO 45001:2018. We are now working on certification to the ISO standard in 2023.

Our Primary Authority partner, Wakefield Council, provides valuable insight from a regulatory perspective into our management system and processes and supports us in responding to regulatory queries from other Local Authorities. We have begun seeking a secondary partnership with a Fire Authority.

2022 was the first year of delivering an unannounced health and safety audit schedule across the business; as a result, we observed a marginal reduction in our Group audit results, in which we obtained an audit score of 96%.

Our overall headline accident rate hasn't seen a material change. We have developed additional rates for more serious accident types which demonstrate whilst our overall rate remains static, we have seen positive reductions in our more serious accident and incident types.



Average Audit Score

96%

(2021: 97%)



Positive impact of exercise on mental wellbeing

Interview with Fraser, member at The Gym Group Greenwich

Why did you join The Gym Group Greenwich?

I joined The Gym Group because I felt that I needed to do a bit more for my fitness and find an outlet from university stress.

What do you like about The Gym Group?

The community that is led by Jason at The Gym Group Greenwich is incredible. When I go to the gym, I know I am seeing people that genuinely care about me. The staff and members are incredibly friendly. Importantly, I don't feel judged - it is a social space as well as a place to exercise, and whilst I go to the gym mostly on my own, there are always people around for me to talk to and workout with.

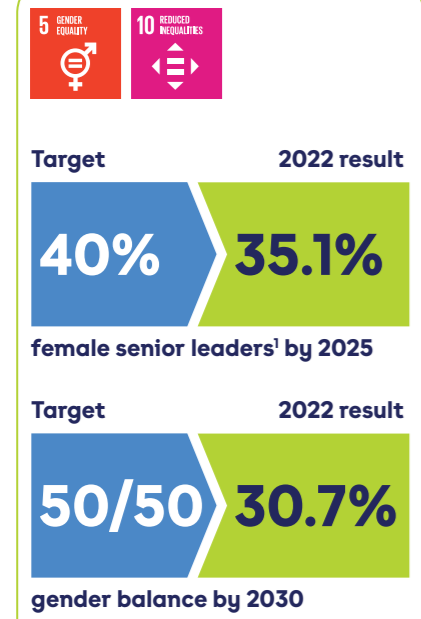
What role does The Gym Group play in your general wellbeing?

I was diagnosed with depression and anxiety and was prescribed anti-depressants to cope with day-to-day living. I also had some therapy sessions with the NHS and my university. However, it felt like I had to find my own path to improve my mental wellbeing. When gyms opened again post pandemic, I went regularly. I always look forward to going to the gym and feel so much better afterwards. That positive feeling doesn't leave me, it stays with me for the rest of the day.

Strategic report

Sustainability report continued

Diversity and equal opportunity



Breaking down barriers to fitness and ensuring The Gym Group is a place where everyone feels included and accepted, with equal opportunities to succeed, remained a core focus in 2022.

Last year, with the impact of the cost-of-living crisis, we prioritised reviewing our diverse and inclusive recruitment practices and representation. To support our Equality, Diversity and Inclusion ('EDI') pledges launched in March 2022, we developed recruitment and retention KPIs and targets and report progress quarterly to the Sustainability Committee. Our Chief Development and Sustainability Officer, David Melhuish, remains the sponsor of the EDI group, playing a crucial role in raising the agenda and positive action on diversity. Overall, we are pleased to have reported positive progress against our EDI targets, however, we recognise that more work is required.

Inclusion at The Gym Group Approach to recruitment
To reduce bias and ensure an inclusive hiring approach, we introduced standardised competency based

interviews for all operational positions. We also revised job adverts to reflect gender neutral language and tone, and provided alternative application routes for those who require adjustments. Additionally, we promote flexible working practices within our recruitment adverts. To further attract diverse talent, we released our series of inclusive brand videos to showcase the diversity of our people and their experiences working at The Gym Group.

We launched our Inclusive Traineeship in October 2022, the first of which was in partnership with the Down's Syndrome Association, and welcomed five amazing trainees. The programme has delivered valuable work experience within our gyms, whilst supporting our trainees with their Active IQ Level 1 Award in Fitness and Physical Activity. The Traineeship has been a success and we intend to continue the programme under our Gym Academy framework, with further cohorts planned for 2023.

Employee inclusion and retention

We have continued to embed our employee led EDI working groups throughout 2022, which are focused on age, cultural diversity, disability, gender and LGBTQI+ to drive inclusion in the business.

In May 2022, we relaunched our wellbeing strategy to the business. In response to the cost-of-living crisis, we focused on providing financial and emotional wellbeing support, highlighting available resources and bringing forward pay reviews. We launched the first cohort of our new Mental Health Ambassadors programme in October, a six-month programme providing refresher training and upskilling to 24 (existing and new) mental health champions to further support our colleagues.

To improve the retention of female talent, we investigated the key factors impacting our female employees' experiences and drivers to leave the business. In 2023, we will use these insights to inform our EDI strategy and support our gender pledges.

This year, we also joined ukactive's Everyone Can disability taskforce, contributing to thought leadership and influencing change within our sector.

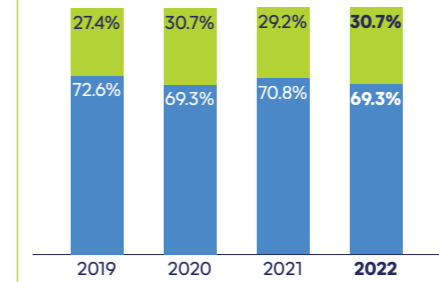
EDI pledges 2022-2030 Gender

Throughout the year, we have taken positive action to support movement towards our gender pledges.

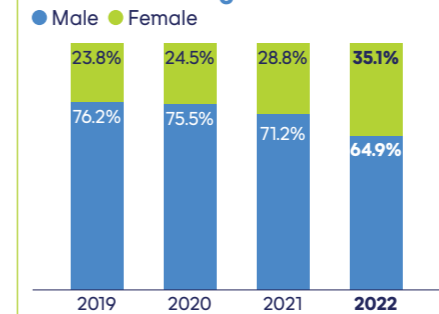
In 2022, female representation among our senior leaders' increased by 6.3 percentage points to 35.1% and across the business by 1.5 percentage points to 30.7%. Whilst some progress has been made, a focus on female retention and development will be key to achieving our targets.

¹ Senior leaders includes senior managers, heads of department, directors and members of the Executive Committee.

The Gym Group gender balance



Senior leaders gender balance



Ethnicity

We continued to collect and monitor our employee ethnicity data in 2022. Using ethnicity data collected from communities within a five-minute catchment area of our gyms, we established how reflective our workforce is of the communities we serve. Within Gym Support, those identifying as Black, African and Caribbean increased by 2.3 percentage points compared with 2021. Across Gym Operations, whilst those identifying as ethnically white increased by 1.8% percentage points from 2021, overall ethnic diversity remains broadly above census data and in line with catchment data. However, we are aware that Asian employees are currently under represented; more work is required to understand reasons for this trend.

Gender pay gap

In January 2022, we introduced a new director level to the business. This resulted in an initial increase in males at a senior level, creating a rise in our mean gender pay gap to 3.3% (versus 1.6% in 2021). Our median pay gap remained consistent with 2021 reporting as most of our employees undertake the same role and are therefore on the same pay rate, regardless of whether they are male or female.

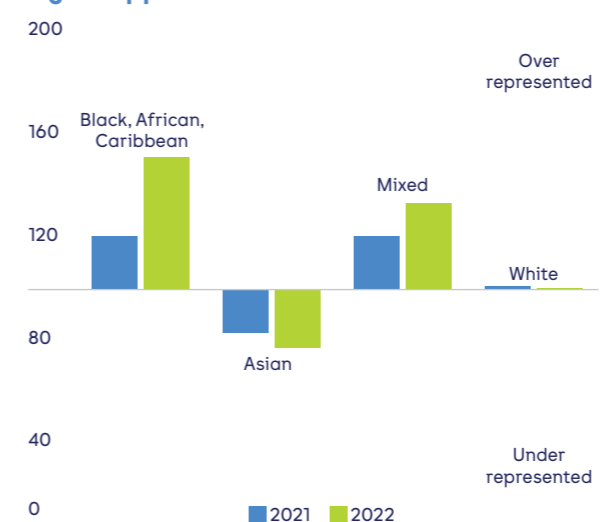
Ethnicity pay gap

We collected ethnicity data from 98% of our employees enabling greater accuracy in our pay gap reporting in 2022. We are pleased to report our mean ethnicity pay gap as of April 2022 has improved, falling to 14.8% (versus 16% in 2021). Our median ethnicity pay gap remains at 0% as most employees did not change roles or pay during the year. We recognise that more work is required to reduce our mean ethnicity pay gap.

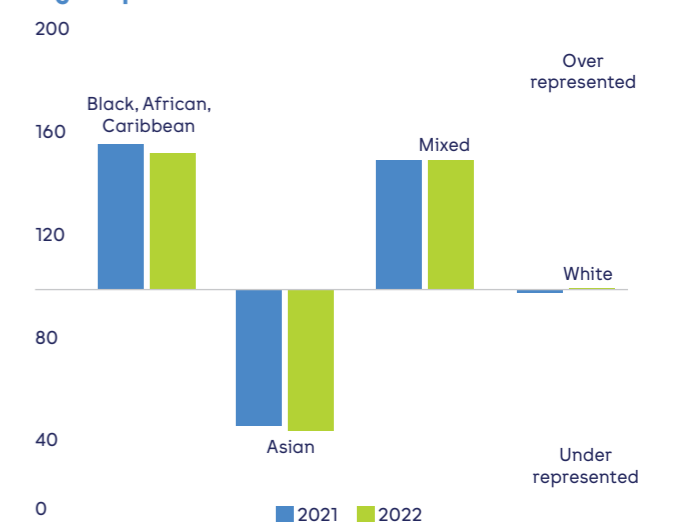
Our full ethnicity and gender pay gap reports, which provide further detail on our figures and the actions we are taking to address these gaps, will be available on our website by the end of March 2023.



Gym Support: Index vs communities we serve




Gym Operations: Index vs communities we serve




Strategic report

Sustainability report continued


Responsibility to the environment



7 AFFORDABLE AND CLEAN ENERGY



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION

Purchasing

100%

Renewable energy¹


Carbon neutral since

2021

Scope 1 and 2 emissions

-11%

compared to 2019



SCIENCE BASED TARGETS

¹ For all sites where The Gym Group controls the purchase of energy.

We are committed to reducing our carbon emissions at The Gym Group, and we recognise the importance of the Paris Agreement to limit global warming to 1.5°C. Our sustainability strategy acknowledges this and sets out our responsibility to the environment.

Our road to net zero
Our stated commitment to net zero was accepted by Science Based Targets initiative (SBTi) in March 2022, and we have now made our full submission; this defines our pathway to net zero in compliance with the latest science based standards and guidelines. As part of this process, we have extended our Scope 3 emissions boundary to include all materially relevant activities, as well as restating and aligning our baseline year of 2019.

Our level of ambition has not changed, and we remain committed to decarbonising our estate of Scope 1 and 2 emissions by 2035. However, alignment with our Scope 3 emissions trajectory determines a SBTi net zero target of 2045. We recognise emission reductions are only a part of achieving net zero.

Our carbon reduction target^{1,2,3}

We are committed to achieving our near term target of a 50% reduction in Scope 1 and 2 emissions by

2030

And decarbonising these emissions by

2035

We have committed to a science based target to achieve net zero by

2045

Our carbon reduction commitments
Our wider climate-related targets are outlined below and we will review these over time as we continue to develop our net zero plan.

Suppliers

We commit to engaging with all our key suppliers to set their own emission reduction targets, aligned with climate science, by 2028

Members

We commit to developing a member engagement plan by 2025 to drive forwards our net zero ambition

Renewable energy

We commit to increasing and maintaining our annual sourcing of renewable electricity to 100% by 2025

Abatement

We will develop our plan to remove and store carbon from the atmosphere. This will serve to offset the impact of our unabated emissions, which remain once we have achieved our 2045 net zero target

Our GHG emissions reporting in 2020 and 2021 was significantly impacted by Covid-19 restrictions and was therefore not representative of our typical performance. As published in our Annual Report 2021 on page 45, our Scope 1 emissions in that year were 1,282 tCO₂e and Scope 2 6,420 tCO₂e. Owing to materially lower levels of activity than usual, we have chosen not to restate these years, and we will report against our 2019 baseline going forward to demonstrate progress towards our net zero commitment. Our 2022 emissions are stated in line with this revised operational boundary for direct comparison.

Energy management and reduction
A volatile energy market has been a feature of 2022, and there have been significant increases in utility costs that remain into 2023, and beyond. The increasing cost of energy, combined with the need for net zero, makes energy reduction and management more important than ever.
Across the UK, we have a team of specialist Facilities Managers ('FMs') who maintain a consistently high standard across our gyms.

In 2022, we undertook detailed energy measurement, monitoring and reporting at several sites. Our energy reporting is now being built into a centralised system to allow full visibility, both centrally and locally, of all sites. We also introduced a standardised energy audit that FMs now complete each year at every site. The energy audit seeks to identify any issues that may be driving excessive energy consumption. Examples of when we successfully reduced our energy use are found in the below table:

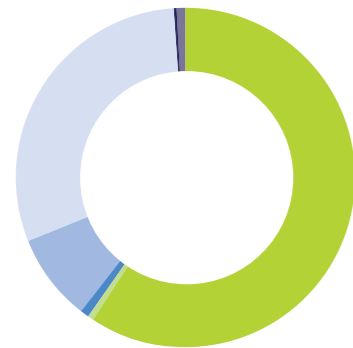
The issue	The solution	The outcome
Air handling unit controls An anomaly with the control system on our air handling units resulted in the unit running at high speed overnight.	Corrected so that the units are run at approximately 50% capacity at periods of low occupation. We produced a training video on the correct configuration for all engineers to prevent any reoccurrence.	Applied to 100 sites, this initiative would deliver a carbon reduction of approximately 46 tCO ₂ per year.
Lighting upgrade Prior to 2016, all our sites were fitted with T5 fluorescent lamps, with LED lighting introduced in May 2016.	Completion of our lighting replacement programme in 2022, with all gyms now operating LED lighting. Reduction of power consumption on a like-for-like basis and fewer lamps needed due to the improved output.	Reduced energy and power consumption on a continuous basis. Replacing 20,000 T5 lamps with LED will deliver a carbon reduction of approximately 2,000 tCO ₂ per year.
Air conditioning systems and temperature control With record breaking high temperatures this summer, the demand on our air conditioning was significant.	On World Environment Day we launched our '20 is Plenty' campaign to ensure gyms were operating at no lower than 20°C. We also continued to rollout and develop our remote monitoring and control systems for air conditioning.	Published studies vary, but it is generally reported that increasing the air conditioning temperature by 1°C can save 5-10% of running costs. Data logging and remote access enhance our understanding and lead to optimisation of energy consuming systems.

1 From a 2019 baseline.
2 Aligned with the UK governments commitment for grid decarbonisation as published in 2021.
3 Reduction in Scope 3 emissions by 54% per gym by 2030 and 97% per gym by 2045 to achieve the absolute long term target of 90% reduction for Scope 1, 2, and 3.

Strategic report

Sustainability report continued

Scope 3 emissions



Scope 3 Category	Emissions (tCO ₂ e)			
	2019	2022	Var	Contr.
Capital goods	17,544	21,856	25%	59.3%
Business travel	272	205	-25%	0.6%
Employee commuting and homeworking	402	385	-4%	1.0%
Fuel and energy related	2,343	3,031	29%	8.2%
Purchased goods and services	4,488	11,064	147%	30.1%
Upstream transport	375	80	-79%	0.2%
Waste	236	216	-15%	0.6%
Total	25,660	36,837		100%

Low carbon technology

We have continued to rollout our hot water systems using air source heat pump (‘ASHP’) technology. Last year, working in partnership with our key suppliers, we developed a highly efficient system that incorporates carbon dioxide (‘CO₂’) as the refrigerant with a global warming potential of just 1.0. We are now able to successfully generate hot water using this method at all new sites and currently operate 30 sites using ASHP, removing the need for gas fired boilers. We will actively replace old gas fired systems with ASHP as they reach their end of life, supporting our pathway to net zero.

To further support our net zero roadmap, we are installing photovoltaic solar panels to generate local onsite power. Typically, up to

30% of our gym’s power requirements can be met by onsite solar panels, and we are able to consume up to 100% of the power generated, avoiding emissions of over 35 tCO₂e per year for a typical gym. We have already completed detailed site appraisals at several sites and are in discussion with landlords to agree the installation.

We will continue to make capital investments to reduce energy consumption in 2023. Due to the increased energy costs, capital investments will have a reduced payback period and improved return on investment. We will explore further opportunities as they arise, including investment in low carbon technologies and energy-saving initiatives.

2022 carbon emissions

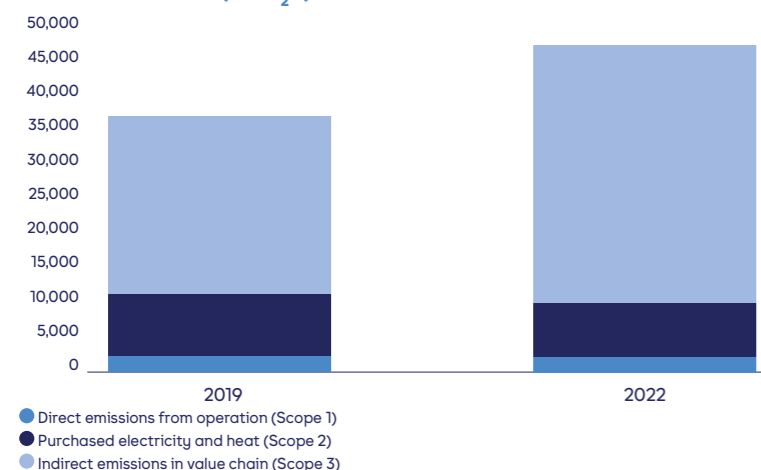
Our Scope 1 direct emissions for this year are 2,138 tCO₂e, resulting from the direct combustion of 10,960,970 kWh of natural gas. Both 2019 and 2022 now include emissions resulting from loss of refrigerants. This represents a carbon decrease of 1% from 2019.

Scope 2 indirect emissions for this year are 7,633 tCO₂e, resulting from the consumption of 39,435,614 kWh of electricity and 38,880 kWh of direct heat, purchased and consumed in day-to-day business operations. This represents a carbon decrease of 13% from 2019.

Our operations have an intensity metric of 203 tCO₂e per gym and 871 tCO₂e per million visits for this reporting year. This represents a reduction in operational carbon intensity by 1.5% and an increase of 11% respectively from our base year.

Our emissions have been calculated utilising location based emission factors, as published by the Department for Business, Energy and Industrial Strategy. Due to the renewable electricity procurement contract that we have had in place since 2019, should we utilise market-based emissions factors to calculate carbon emissions, our Scope 2 would reduce by 6,002 tCO₂e.

Total emissions (tCO₂e)



Emissions year ended 31 December

	2019	2022
Total emissions (tCO₂e)		
Direct Emissions from Operation (Scope 1)	2,157	2,138
Purchased Electricity and Heat (Scope 2)	8,797	7,633
Indirect Emissions in Value Chain (Scope 3)	25,660	36,837
Total emissions (tCO₂e)	36,614	46,608
%Change from base year Scope 1 and 2		-11%
% Change from base year Scope 1, 2 and 3		27%
Intensity Metric (tCO ₂ e per gym)	206	203
% Change from base year		-1.5%
Intensity Metric (tCO ₂ e per million member visit)	785	871
% Change from base year		11%
Total consumption (kwh)		
Scope 1 (Gas)	11,071,196	10,960,970
Scope 2 (Electricity)	34,409,373	39,435,614
Scope 2 (Heat)	10,907	38,880
Total (kWh)	45,491,476	50,435,464

Waste management

2022 marked the start of our initiative to extend the lifespan of our gym equipment. We kicked off a programme to remanufacture and overhaul kit within our aged estate to extend the lifespan of our core product offering. Machines have been taken from existing gyms to create a baseline stock holding, which can then be repurposed elsewhere within the estate, shifting the balance from ‘remove and replace’ to ‘remanufacture and recycle’. Any kit that cannot be remanufactured is responsibly recycled through our buy back programme.

Throughout 2022, we gradually reduced the volume of blue roll cleaning tissue used by members in our gyms as the intense Covid-19 cleaning regimes relaxed. By modifying member communications and reducing the number of cleaning stations in each site, we observed a lower volume of waste without any

negative response from members or impact on the cleanliness of equipment.

As well as reducing the amount of waste generated, we have reduced the number of waste collections, which has subsequently eliminated transport and handling emissions.

This has resulted in a reduction of 32% in our overall waste (by weight) in the second half of 2022. Landfill diversion has remained consistent with 2021, seeing 95% of our waste being recycled or sent to waste to energy plants.

2022 has seen a full year of waste generation compared with the nine months of operation in 2021, with new gyms also adding to the total amount generated. Against this background, the amount of waste generated per gym has remained the same, and after adjusting for the closure period in 2021, we witnessed a gross reduction in total waste by 19%.

Water management

We concluded our estate-wide water audit in 2022. Only eight sites were identified as having issues, all of which were quickly remedied. We have also installed data loggers with remote monitoring to capture water consumption data at several sites. We will evaluate the findings in the first half of 2023 to gain greater insight into our water consumption and establish an ongoing monitoring and targeting system.

As we do not operate any pools, sauna, steam rooms or similar wet facilities, toilet and wash facilities are the main water use. Most of our gyms are equipped with low water volume shower heads to reduce consumption, and we have identified up to 80 locations where replacing the original showers can reduce water consumption by over 30%. This work is ongoing and will be completed in 2023, with the potential to save over half a million litres of water a week.

Landfill diversion	2019	2020	2021	2022
Total weight (in tonnes)	750	443	942	1,066
Average tonnes/gym	4.3	3.5	6	6
Diverted from landfill	90%	90%	95%	95%

Strategic report

Task Force on Climate-Related Financial Disclosures (‘TCFD’)

In meeting the requirements of Listing Rule 9.8.6 R, we have concluded that for FY22:

- we fully comply with recommended disclosures 2, 3, 6, 7, 8 and 10; and
- we partially comply with recommended disclosures 1, 4, 5, 9 and 11.

TCFD pillar	TCFD recommended disclosures	Cross-reference and compliance status	Next steps and further comments
Governance	1) Describe the Board’s oversight of climate-related risks and opportunities.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Governance – Report of the Sustainability Committee (pages 90-91). <p>Partially compliant – climate-related risks and opportunities are discussed as part of the Board Committees, however further work could be done to delve deeper into the financial and business strategy implications of such impacts.</p>	We will conduct a training needs analysis of key climate skills required at the Board level and review the provision of climate-related remuneration.
	2) Describe management’s role in assessing and managing climate-related risks and opportunities.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Governance – Report of the Sustainability Committee (pages 90-91). <p>Compliant</p>	We will continue to ensure our senior management plays a key role in climate-related management and assessment, including reviewing our organisational strategy against climate impacts.
Strategy	3) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). <p>Compliant</p>	We recognise that we need to undertake further work to review the relevance of our selected time horizons for climate scenario analysis.
	4) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Sustainability report – Responsibility to the environment (pages 46-49). • Strategic report – Strategy in action (pages 28-35). <p>Partially compliant – work has commenced in this area, however further work is to be conducted on how our commercial strategy will be impacted by our identified climate-related risks and opportunities, including the financial impact.</p>	Using both identified climate scenarios (RCP 4.5 and RCP 8.5), we plan to undertake a financial quantification assessment of climate-related impacts on our business.
	5) Describe the resilience of the organisation’s strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). <p>Partially compliant – we have begun climate scenario modelling for two distinct futures, however further work is to be conducted on the resilience impacts for our business.</p>	We will review and disclose the resilience of our strategy against identified climate scenarios, focusing on mitigation measures for those most significant.

TCFD pillar	TCFD recommended disclosures	Cross-reference and compliance status	Next steps and further comments
Risk management	6) Describe the organisation’s processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Strategic report – Principal risks and uncertainties (pages 54-63). <p>Compliant</p>	We will assess and disclose the current and future regulatory drivers of our approach to climate change.
	7) Describe the organisation’s processes for managing climate-related risks.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Strategic report – Principal risks and uncertainties (pages 54-63). <p>Compliant</p>	We will continue to manage and monitor climate-related risks and opportunities for our business.
	8) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Strategic report – Principal risks and uncertainties (pages 54-63). <p>Compliant</p>	We will continue to review the status of climate change as an emerging risk and monitor any changes in its immediacy of impact.
Metrics and targets	9) Disclose the metrics used by the organisation to assess climate-related risks and opportunities.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Climate and Carbon (pages 46-49). • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). <p>Partially compliant – whilst we have developed ESG remuneration for Executives, we have not yet considered the integration of climate into remuneration policies.</p>	We will explore additional climate-related performance metrics, such as climate-related remuneration for our employees and metrics to monitor physical climate risks to our business and on our organisational strategy.
	10) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Climate and Carbon: Carbon emissions (pages 46-49). <p>Compliant</p>	We are committed to continually reducing our greenhouse gas emissions in line with SBTi.
	11) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Climate and Carbon (pages 46-49). <p>Partially compliant – we have made great progress in setting climate-related targets for our business.</p>	We will review relevant metrics and targets, such as capital deployment towards responding to and preparing for climate-related risks and opportunities, as well as water and waste metrics for our business.

Our progress on TCFD

At The Gym Group, we are committed to tackling both the immediate and long term impacts of climate change on our business and the communities we serve. This year marks our second year of reporting against TCFD. We are proud to have made progress against the disclosures over the past year: comprehensively reviewing our climate-related risks and opportunities; evaluating qualitative financial impacts on the business; and completing our first

submission to Carbon Disclosure Project (‘CDP’). In 2023, we will continue to work towards meeting the recommendations in full in order to meet the legal requirements of The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Governance

Our Board and Executive Committee remain fully committed to identifying and addressing the immediate and longer term climate-related impacts

on our business. Our Board has overall accountability for managing the business risks and opportunities posed by climate change.

Our Sustainability Committee (‘Committee’), chaired by Non-Executive Director Wais Shaiffta, meets at least three times per year and reports directly to the Board. Members of the Committee further report climate-related issues to the Senior Management Team (‘SMT’), as key topics arise.

Strategic report

Task Force on Climate-Related Financial Disclosures (TCFD) continued

Our Chief Development and Sustainability Officer, David Melhuish, continues to lead the management and oversight of The Gym Group's sustainability strategy and is responsible for monitoring and overseeing our climate-related progress. As outlined within the Committee's terms of reference, this includes, but is not limited to, reviewing progress against our goals and targets to achieve net zero (see pages 90-91) and managing physical and transition risks through our identified control measures (see Principal risks and uncertainties, pages 54-63). Last year, through the Committee and our focused ESG workstream, we added an ESG-related metric to the annual Executive bonus.

Strategy

Our process for managing climate-related impacts is embedded in the responsibility to the environment pillar

of our sustainability strategy and we strive to be at the forefront of best practice within the health and fitness industry. As a business, we have pledged to decarbonise our Scope 1 and 2 emissions by 2035, and become net zero by 2045, against a 2019 base year. We have successfully submitted our net zero trajectory to the SBTi.

Last year, we worked with an independent sustainability consultancy to assess the resilience of our strategy against climate change. We undertook climate scenario modelling and identified two distinct transition and physical scenarios to assess our UK business operations. The selected scenarios present a sharp contrast between potential futures, which allows us to plan for a range of possible manifesting climate impacts, such as the likelihood of flood risk at future site selection.

To identify climate impacts, we adopted three time horizons: short term (2030), medium term (2050) and long term (2080). The time horizons use the Met Office's UKCP18 Projections as the basis for the physical risk identification. To ensure a consistent approach, the same timeframes were selected for the transition risk identification. In the short term, alignment with the current business strategy presents the milestone for risk and opportunity materialisation. The UK Government's net zero target date and the typical lifespan of our assets (including our buildings) presents the milestone for the medium term; whilst the long term time horizons directly mirrors the physical scenario.

The two physical climate scenarios chosen, as defined by the Intergovernmental Panel on Climate Change, are outlined below.

Physical climate scenarios	Representative Concentration Pathway 4.5	Representative Concentration Pathway 8.5
	A cautious scenario with a predicted global temperature increase between 1.7°C and 3.2°C. This is in line with current trends, climate change policies, pledges and commitments.	A worst case scenario with a predicted global temperature increase between 3.2°C and 5.4°C, where carbon emissions continue growing unmitigated.

Consistent with TCFD, climate-related physical risks were then categorised as follows:

- Acute physical risks: event-driven risks, including increased severity of extreme weather events, such as hurricanes, floods and heat waves.
- Chronic physical risks: longer term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level rise or chronic heat waves.

The selected transition climate scenarios, as defined by The Energy Transition Risks & Opportunities (ET Risk) research consortium, are outlined on page 53.

Transition climate scenarios	Ambitious climate transition	Limited climate transition
	An optimistic scenario in line with a 2°C temperature increase where technological solutions drive the low carbon economy forwards.	A conservative scenario in line with a 3-4°C temperature increase where policy interventions continue as usual and global climate targets and commitments are not reached.

Consistent with TCFD, climate-related transition risks were then categorised as Policy and legal, Market, Technology and Reputation.

The most significant risks are summarised on page 53. Through the scenario analysis, RCP8.5 is recognised as the scenario in which the identified physical risks are the most significant. By contrast, the identified transition risk and climate opportunity are most significant under the RCP4.5 scenario.

TCFD risk category	Identified climate risks	Business impact	Financial impact	Control measures	Time horizon for materialisation
Physical: acute	Heat wave	<ul style="list-style-type: none"> • Potential reputational damage with employees, members and the public owing to heightened health risks (such as asthma, fatigue and heat stroke). 	<ul style="list-style-type: none"> • Revenues: Decreased revenues due to reduced demand for products and services. 	We are reviewing our business plan to select new sites with passive design elements, energy efficient technology and ventilation systems, and temperature monitoring systems.	Short term (2030)
Physical: chronic	Changing climatic temperature	<ul style="list-style-type: none"> • Sustained temperature rise leading to overheating at indoor facilities, resulting in health risks to staff and members. 	<ul style="list-style-type: none"> • Expenditures: Increased operating costs associated with additional air conditioning to regulate indoor temperature. 		Medium term (2050)
Transition: reputation	A lack of supplier engagement in the transition to net zero	<ul style="list-style-type: none"> • Inability to realise The Gym Group's net zero commitments due to a lack of value chain engagement on Scope 3 emissions. 	<ul style="list-style-type: none"> • Expenditures: Increased operating costs associated with higher carbon taxes. 	We are currently establishing supplier engagement targets in line with SBTi requirements and, in 2022, we began calculating our material Scope 3 emissions.	Short term (2030)

The most significant opportunities are summarised below:

TCFD opportunity category	Identified climate opportunity	Business impact	Financial impact	Control measures	Time horizon for materialisation
Markets	Setting a science based target to deliver a decarbonisation roadmap ahead of current UK policy.	<ul style="list-style-type: none"> • A reduced dependency on fossil fuels and a resultant reduced sensitivity to the changing cost of carbon. 	<ul style="list-style-type: none"> • Expenditures: Operational savings as a result of reduced greenhouse gas emissions. 	We are currently modelling our net zero pathway for our Scope 1, 2 and 3 emissions in line with SBTi, as well as establishing wider climate targets (including renewable energy procurement and beyond value chain mitigation).	Short term (2030)

Risk management

We assess climate impacts through our TCFD risk and opportunity register and communicate the findings to our management team, Executive Committee and the Board. Our TCFD register assesses both the impact and likelihood of each climate-related financial impact, and outlines current and future control measures. We have identified a significance threshold for escalating climate risks and opportunities, and have introduced this into our group-wide risk register as an emerging risk.

As set out in the Principal risks and uncertainties section on pages 54-63, the Group's principal risk register is made up of those strategic risks and functional risks that are believed would have the greatest impact on operations. The risk register is reviewed twice yearly by the SMT and discussed with the Audit and Risk Committee. This process ensures that actual and potential climate-related impacts are controlled, mitigated or transferred as appropriate, and integrated into business decision making.

Metrics and targets

As a business, we are committed to significantly reducing our Scope 1, 2 and 3 greenhouse gas emissions in accordance with the Greenhouse Gas Protocol Standard. Our 2022 carbon footprint and metrics relating to energy, water and waste can be found on pages 48-49.

We have now submitted our net zero commitment for validation to SBTi. In line with the SBTi requirements, we are developing our pathway with a near term target of 50% reduction by 2030, and a long term target of net zero by 2045 against a base year of 2019.

Strategic report

Principal risks and uncertainties

Managing our risk

Our risk management framework is designed to effectively identify, assess and mitigate risks whilst enabling us to deliver the Group's strategic and operational objectives.

Approach to risk management

The Board and Senior Management Team ('SMT') take very seriously their responsibility for operating a robust risk management and internal controls process, and for reviewing their effectiveness at least annually. The Board has overall responsibility for ensuring there is an effective risk management process in place which is designed to identify the principal risks that the business faces and to provide reasonable assurance that they are fully understood and managed. The Audit and Risk Committee provides oversight and challenge on the effectiveness of risk management and mitigating controls.

Risk appetite

The UK Corporate Governance Code requires companies to determine their risk appetite. This is an expression of the amount and types of risk that the Group is willing to take in order to achieve its strategic and operational objectives. A risk that can seriously affect the performance, prospects or reputation of a company is deemed to be a principal risk. The Group's risk management process aims to strike a balance between identifying, monitoring and mitigating risks whilst maximising potential opportunities and returns to ensure we deliver against our strategy. Our commitment to delivering a compelling member experience means that we have no appetite to lose our price competitiveness or our commitment to operational excellence. We are willing to accept the risk of partnering with third

parties to deliver our core business activities. However, contracts and relationships with critical suppliers must be well monitored, value for money and regularly reviewed. In addition, third parties must comply with appropriate regulatory and ethical standards.

We seek to provide a great place to work, and balance costs and risks to ensure our colleagues are engaged and have the capability to deliver our strategy. We have no tolerance for harm (physical or mental) to individuals and actively promote diversity and inclusion. We also have no appetite for the loss of, or otherwise unauthorised or accidental disclosure of, member or other sensitive data and no appetite to knowingly breach the spirit or letter of the laws that apply to us. In areas of uncertainty, we will have a robust justification and clear rationale for the choices we make. Where possible, high priority projects must be delivered on time, to budget, to expected quality and in a way that safeguards the wellbeing of our colleagues working on the project. However, cost overruns and delays will sometimes be tolerated to achieve the desired outcome.

Risk management process

The Group's risk management process is designed to measure, evaluate, document and monitor risks within all areas of the business.

Each functional area of the business maintains an operational risk

register in which functional heads and business area leaders identify and document the risks that their business area faces. A review of the functional risk registers is performed twice yearly by the SMT, made up of the Executive Committee and other senior management, and the output of that review is discussed with the Audit and Risk Committee (on behalf of the Board).

In addition, the Board and SMT also consider and identify strategic risks at least annually – i.e. those risks that they believe would have a significant impact on our ability to achieve our strategic goals.

The Group's principal risk register is made up of those strategic risks (top down) and functional risks (bottom up) that are believed would have the greatest impact on our operations.

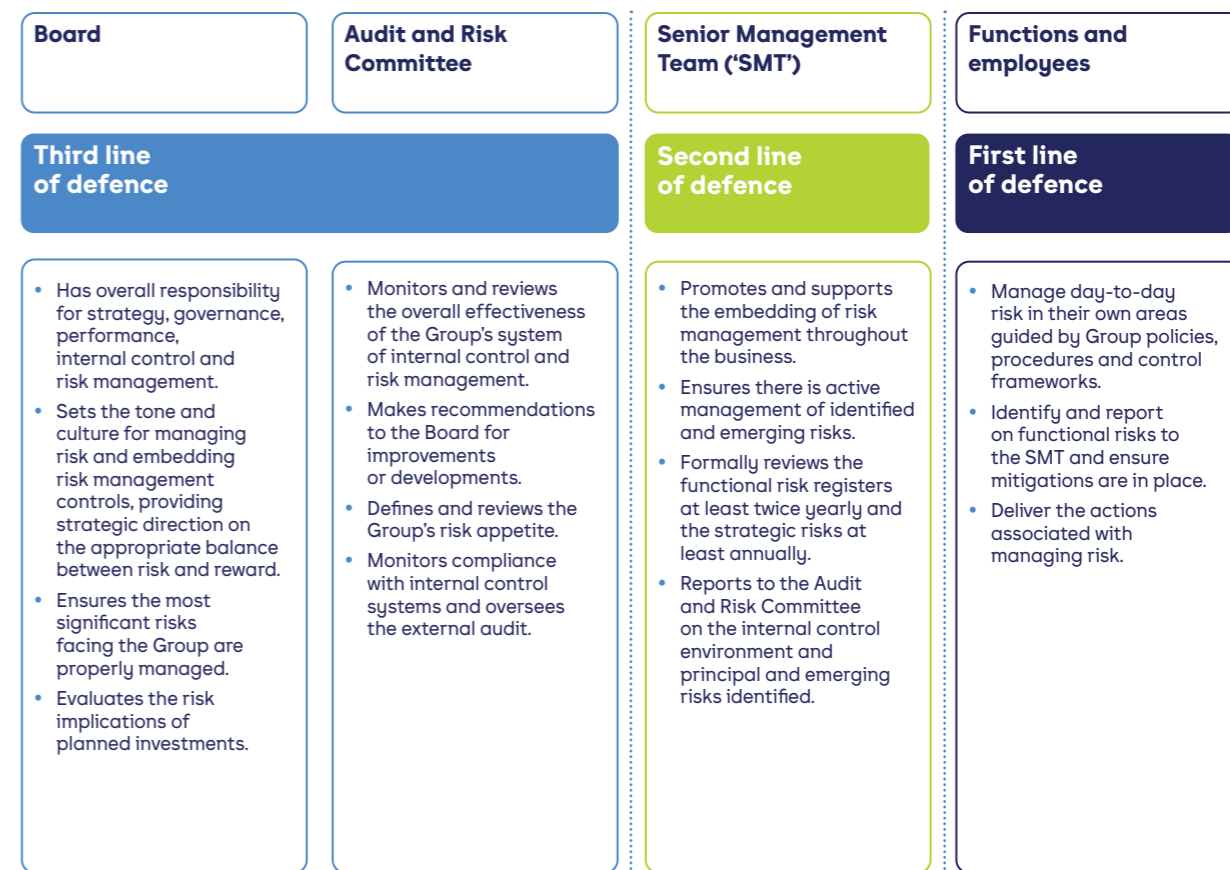
Each risk is evaluated against three criteria with equal weighting to arrive at an overall score:

- Likelihood – the likelihood of occurrence.
- Financial impact – the financial implications.
- Control environment – the strength of controls mitigating the risk.

In assessing the risks, consideration is given to 'what can go wrong', i.e. what could make the risk become realised. For each risk identified, current and future mitigations are developed and documented.

Key roles and responsibilities

The roles and responsibilities for designing, monitoring and operating the system of risk management are set out below.

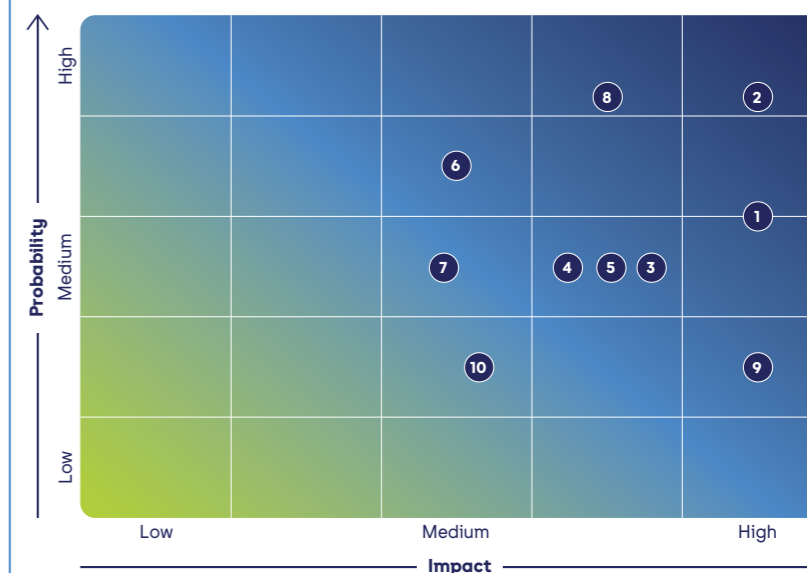


Principal risks

The Board and SMT have identified ten principal risks which are set out on the following pages. These are the risks which we believe to be the most material to our business model, which could adversely affect the operations, revenue, profit, cash flow or assets of the Group and which may prevent us from achieving our strategic objectives. Additional risks and uncertainties currently unknown to us, or which we currently believe are immaterial, may also have an adverse effect on the Group.

For each of the principal risks, we have included a link to the Group's strategic priorities, movement in risk trend and examples of relevant controls or mitigating factors. Those principal risks which have been included in the assessment of the Group's long term viability have also been highlighted.

Risk heat map



Key

- | | |
|----------------------------------------------------|----------------------------------------------------|
| 1 Significant business interruption | 6 Our people |
| 2 Operational gearing | 7 IT dependency |
| 3 Member experience | 8 Cyber and data security |
| 4 Trading environment | 9 Reputation, brand and trust |
| 5 Structural change in the industry (New for FY22) | 10 Relationships with key suppliers (New for FY22) |

Strategic report

Principal risks and uncertainties continued

Key
 Risk movement in 2022: Risk increase (up arrow), No change (right arrow), Risk decrease (down arrow), Included in Viability assessment, see page 63 (V)

Principal risk	Description and impact	Mitigations and controls	Strategic link
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<p>1</p> <p>Significant business interruption</p> <p>→</p>	<p>There are a number of factors that could cause widespread disruption or the closure of a significant proportion of our estate, including:</p> <ul style="list-style-type: none"> a resurgence of Covid-19 or another pandemic of similar scale and impact; a major health scare in relation to gym usage; the failure of a key supplier or IT system, impacting our ability to operate a substantial proportion of our gyms; and climate change resulting in an increase in the likelihood and severity of environmental disasters such as storms or droughts. <p>This could lead to sub-optimal membership levels, an increase in the number of under-performing sites and substantially lower revenue and profitability.</p>	<ul style="list-style-type: none"> Business continuity procedures and risks are monitored and refreshed regularly Measures identified to preserve cash and reduce discretionary spend during periods where all, or a large proportion of, the Group's sites are closed; ability to re-open quickly to minimise revenue loss as shown during the Covid-19 lockdowns Critical suppliers identified and contingency plans in place in the event of supplier failure Reviewed the risks of climate change on our business and identified adaptation action required as part of response to the TCFD recommendations. Further information can be found in the Sustainability report on pages 50-53 	<p>Compelling member experience</p> <p>Growing sustainably</p>
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<p>2</p> <p>Operational gearing</p> <p>→</p> <p>V</p>	<p>The high operational gearing of the business, as a result of the largely fixed cost base, limits the number of corrective actions that could be made to mitigate any under-performance in membership numbers, which could adversely impact profitability.</p> <p>In addition, the current macroeconomic and geopolitical environment has led to significant increases in utilities costs and wage inflation.</p> <p>The Group may be unable to attract sufficient members and/or increase prices to sufficiently cover the cost increases, leading to reduced margins.</p>	<ul style="list-style-type: none"> Monthly monitoring of business performance at site level Active yield management on a gym-by-gym basis Regular financial management by the Executive Committee and the Board Measures identified to reduce operating costs, preserve cash and reduce discretionary spend where necessary Option to slow down expansion to preserve cash Active retention management undertaken and cancellations closely monitored Energy-efficient investment into our sites 96% hedged on energy costs for FY23 and partially hedged for FY24 	<p>High quality estate</p> <p>Growing sustainably</p>
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Key
 Risk movement in 2022: Risk increase (up arrow), No change (right arrow), Risk decrease (down arrow), Included in Viability assessment, see page 63 (V)

Principal risk	Description and impact	Mitigations and controls	Strategic link
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<p>3</p> <p>Member experience</p> <p>→</p>	<p>Failure to provide members with a high quality product and service could result in a loss of membership and reputational damage.</p> <p>A decrease in membership numbers, as a result of a fall in actual or perceived customer service or confidence, would adversely impact revenue and profitability.</p>	<ul style="list-style-type: none"> Tracking of gym utilisation and member satisfaction scores through enhanced monitoring and feedback processes Ongoing review of equipment usage and appropriate investment in repairs and maintenance to ensure we meet member requirements Continuous review of further innovations to improve the member experience Gym 'busyness' tracker helps nervous members to visit at quieter times Strong member communication plan in place which focuses on our commitment to the community, overcoming anxiety to exercise, and tackling the reasons for increased gym intimidation Free Fiit membership added to the LIVE IT product in 2022, further enhancing the offering and value 	<p>High quality estate</p> <p>Compelling member experience</p>
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<p>4</p> <p>Trading environment</p> <p>→</p> <p>V</p>	<p>The UK is currently experiencing a cost-of-living crisis and there is significant economic uncertainty. We need to respond appropriately to external market conditions while maintaining focus on delivering on our strategic objectives.</p> <p>Members may choose to cancel their membership due to financial hardship.</p> <p>In addition, the continued economic uncertainty could impact the Group's ability to access the level of funding it requires to deliver on its strategic objectives.</p> <p>There is also a risk that new competitors enter the fitness market offering an alternative to the low cost gym model.</p> <p>This could lead to sub-optimal membership levels, an increase in the number of under-performing sites and substantially lower revenue and profitability.</p>	<ul style="list-style-type: none"> Well placed to operate successfully in a challenging economic environment as we are one of the lowest price gym operators in the UK market with an average monthly subscription which is about £2 per month lower than most competitors in the low cost gym sector, and significantly lower than rates charged by mid-market and premium operators Benefit from others trading down from the mid-market or premium gyms Highly experienced management team in place, with significant industry-wide knowledge and intelligence Specialist advisors retained to assist the Group in ensuring it has access to appropriate financing to deliver its strategic objectives Current bank facility agreement in place until October 2024, and strong underlying operating cash generation before investment in growth 	<p>Compelling member experience</p>
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Strategic report

Principal risks and uncertainties continued

Key
Risk movement in 2022: Risk increase No change Risk decrease Included in Viability assessment, see page 63

Principal risk	Description and impact	Mitigations and controls	Strategic link
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<p>5</p> <p>Structural change in the industry</p> <p>NEW</p> <p></p> <p></p>	<p>The normalisation of hybrid working and the emergence of alternative out-of-home and flexible fitness offerings, means that there is a potential long term shift in the behaviour of traditional and prospective members and their appetite for low cost gyms in the locations where we have presence.</p> <p>There is also a risk that new competitors enter the fitness market offering an alternative to the low cost gym model.</p> <p>This could lead to sub-optimal membership levels, an increase in the number of under-performing sites and substantially lower revenue and profitability.</p>	<ul style="list-style-type: none"> Continue to combine our low cost operating model with innovative technology and scalable infrastructure, to ensure we remain relevant and good value for money Highly experienced management team in place, with significant industry-wide knowledge and intelligence Continue to invest in the member proposition with customer insight and segmentation analysis regularly undertaken to understand emerging trends and changes in member behaviour Continue to focus on choosing the best sites in a geographical area; increasingly opening sites on retail parks rather than in city centres 	<p>High quality estate</p> <p>Compelling member experience</p> <p>Innovative technology and marketing</p>
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<p>6</p> <p>Our people</p> <p></p> <p></p>	<p>The success of the business is dependent on talent attraction, development and retention, as well as culture and wellbeing.</p> <p>A lack of experienced and motivated staff could have a detrimental impact in all areas of the business, from Operations to Gym Support.</p> <p>Increased demand and competition for staff could impact on our ability to support the gyms, deliver a good member experience and execute on our strategy. Stretched resources could see staff distracted from performing their core roles or failing to deliver on key projects.</p> <p>Lack of adequate succession planning and dependency on a small number of key staff could also result in loss of knowledge and weakening of supplier relationships, which in turn could impact operational performance.</p>	<ul style="list-style-type: none"> Use a variety of tools to attract, retain and motivate staff at all levels of the business, including: <ul style="list-style-type: none"> Competitive remuneration and benefits packages Opportunity to own shares in the Company Opportunities for training and progression Short, clear reporting lines Succession planning Engagement surveys providing staff with the opportunity to provide feedback and ideas e-learning platform and internal communication and recognition platform, CORE Kickstart and 'Grow your Own' PT programmes Employee forums Wellbeing Programme and Wellbeing Hub in place Employee Assistance Programme providing 24/7 telephone counselling service 	<p>Unique team and culture</p>
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Key
Risk movement in 2022: Risk increase No change Risk decrease Included in Viability assessment, see page 63

Principal risk	Description and impact	Mitigations and controls	Strategic link
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<p>6</p> <p>Our people continued</p> <p></p> <p></p>	<p>Economic pressures and the cost-of-living crisis mean this risk is trending up, as costs increase and personnel seek higher salaries.</p>	<ul style="list-style-type: none"> Employee Diversity and Inclusion Group Growth of Gym Support and changes to the way we run the business, reducing dependencies on key individuals by spreading knowledge more widely Improved brand recognition will over time make The Gym Group more attractive to potential recruits 	
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<p>7</p> <p>IT dependency</p> <p></p>	<p>Our ability to enrol members, carry out online marketing activity, process payments and control gym access is dependent on the performance of our IT systems.</p> <p>In addition, innovation introduced as part of our reopening plan post Covid-19 (including the gym 'busyness' tracker and contactless entry), has fundamentally changed the digital relationship with members and the volume of digital interactions.</p> <p>Whilst this is a long term opportunity, it has introduced additional load and complexity to our member-facing technology platforms.</p> <p>Disruption to our critical IT systems could negatively impact member experience and/or our ability to collect revenue.</p>	<ul style="list-style-type: none"> Primary data systems hosted by specialist hosting providers in suitable data centres Primary IT infrastructure fully managed by specialist IT companies which provide best-practice architecture and support All membership and business information backed up regularly using third party locations Robust disaster recovery and business continuity plans in place Additional capacity added to our infrastructure to cope with large spikes in usage Regular programme of load testing on critical member-facing platforms 	<p>Innovative technology and marketing</p> <p>Compelling member experience</p>
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Strategic report

Principal risks and uncertainties continued

Key
Risk movement in 2022: Risk increase No change Risk decrease Included in Viability assessment, see page 63

Principal risk	Description and impact	Mitigations and controls	Strategic link
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<p>8</p> <p>Cyber and data security</p>	<p>The Group holds business critical and confidential information electronically. A breach of security or data protection regulations as a result of unauthorised access, loss or disclosure of this information could lead to legal claims, regulatory penalties, disruption of operations and/or reputational damage.</p> <p>Cyber attacks are generally increasing due to the current geopolitical instability; and over time, we believe our increased brand recognition will increase our vulnerability to such attacks.</p> <p>Data protection legislation brings potentially wide-reaching effects and consequences for all businesses, with penalties for breaches attracting fines of up to 4% of annual turnover, or €20m – whichever is the higher.</p>	<ul style="list-style-type: none"> • Networks and systems protected by firewalls, industry-leading authentication management and security software and secure passwords • All sensitive data is captured and presented using SSL encryption • Access to central member data systems requires 2-Factor authentication • All customer payment data is stored externally on systems that are PCI-DSS and/or BACS certified • Quarterly penetration testing performed on all key systems • Ongoing programme of assessments and accreditations testing the information security environment; transactional website scanned quarterly to ensure PCI compliance • Mandatory annual cyber security and data protection training for all employees. Employees with access to larger volumes of personal data required to complete a more advanced course for data protection each year • Additional security measures being implemented to further strengthen PCI compliance • Data Protection Manager in place to oversee and optimise our control environment in this area • Senior leadership briefs the Board on information security matters at least annually when the CIO presents the Group's IT strategy • Cyber security insurance in place 	<p>Innovative technology and marketing</p>
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Key
Risk movement in 2022: Risk increase No change Risk decrease Included in Viability assessment, see page 63

Principal risk	Description and impact	Mitigations and controls	Strategic link
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<p>9</p> <p>Reputation, brand and trust</p>	<p>The Gym Group brand is built on trust, inclusion and strong sustainability credentials. The relaunch of the brand in FY22 and its growth and promotion in FY23 brings increased attention from media coverage of The Gym Group as brand recognition increases.</p> <p>A health and safety or other serious incident in any of our gyms could result in reputational damage, particularly if misinformation is spread on social media.</p> <p>There is also a risk that an inappropriate social media post by a member of staff is interpreted as the view of The Gym Group, which could have a widespread impact on our brand and reputation, leading to loss of membership. This increases as the estate and workforce grows and brand recognition increases.</p>	<ul style="list-style-type: none"> • Group policies and procedures set out the expectations and behaviours that enable all colleagues to make the right decisions and communicate appropriately • Communication and engagement programmes in place to listen to our members and stakeholders and ensure we reflect their needs in our plans, which include health, community, climate and sustainability initiatives • Promotion of our values and high standards of doing business should ensure we become a trusted brand which boosts our reputation • Clear, documented procedures in place for managing health and safety incidents; staff regularly trained to ensure all incidents are effectively managed • Robust business response plan in place to deal with brand and reputational issues, including the retention of a specialist PR agency and media training for key Executives • Central control of social media posts 	<p>Innovative technology and marketing</p> <p>Compelling member experience</p> <p>Unique team and culture</p> <p>Growing sustainably</p>
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<p>10</p> <p>Relationships with key suppliers</p> <p>NEW</p>	<p>The Gym Group maintains good relationships with its key suppliers and seeks to treat all suppliers ethically and professionally.</p> <p>Where possible, we employ a policy of using multiple suppliers to minimise business interruption should one supplier fail. However, we have key dependencies in areas such as equipment provision, gym access and payment processing.</p> <p>With the continuing macroeconomic challenges in the UK economy and the wider geopolitical conflicts, there is an increased risk of critical supplier failure caused by financial exposure and/or cyber attacks.</p> <p>There is also a risk of supply chain disruption due to lack of availability and increased cost of labour and materials.</p> <p>In addition, as our business grows, there is a risk that key suppliers' processes and procedures do not keep pace with our requirements.</p>	<ul style="list-style-type: none"> • Business continuity plans for critical suppliers in place and reviewed regularly • Close relationships maintained with our principal supply partners and contractors to provide as much visibility of future requirements as possible • Stock holding levels in place with main suppliers and advance purchasing of materials undertaken as appropriate • Constant focus on costs through regular meetings of senior executives, providing early sight of price increases, potential shortages and delays • Competitive tendering undertaken where appropriate to ensure price increases are minimised 	<p>High quality estate</p> <p>Innovative technology and marketing</p> <p>Growing sustainably</p>
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Strategic report

Principal risks and uncertainties continued

Changes in principal risks in 2022

In the 2021 Annual Report and Accounts, 'Scale of change' was included as a Group principal risk. Given the successful delivery of a number of significant projects in FY22 in relation to technology and brand, as well as the reduction in the number of new sites expected to be opened in FY23, the Board believes that the execution risk in relation to the delivery of major strategic projects has significantly reduced and, as such, that 'Scale of change' is no longer a Group principal risk. We do, however, continue to monitor the risk and ensure appropriate mitigations are in place as part of our ongoing risk management process. In addition, there remains significant demand on resources to optimise the brand and technology. The impact of this is captured in the risk entitled 'Our people'.

Emerging risks

In addition to the principal risks set out on the previous pages, the SMT and Board also consider emerging risks as part of their review. These are risks that, whilst not currently believed to be principal risks to the Group, are clearly important to us and could have a significant impact on the ability of the business to fulfil its strategic objectives in the future.

Climate change continues to be included in our emerging risks register. The full potential impact of this risk cannot yet be quantified with any certainty; however, we have included a range of scenarios, and mitigating actions within the TCFD disclosures on pages 50-53.

Going concern

In assessing the going concern position of the Group for the year ended 31 December 2022, the Directors have considered the following:

- the Group's trading performance in FY22 and throughout the traditional January and February 2023 peak period;
- future expected trading performance to June 2024 (the going concern period), including membership levels and behaviours in light of the current difficult macroeconomic environment; and
- the Group's financing arrangements and relationship with its lenders and shareholders.

2022 was a year of significant recovery and growth for The Gym Group, with membership at the end of December 2022 reaching 821,000, an increase of 14.3% from the end of December 2021. Average revenue per member per month for the year ('ARPM') was £17.82 and for the second half of the year was £18.30, up 4.5% on the second half of the prior year. LIVE IT, the premium price product, ended the year at 29.6% of total membership compared with 27.1% in December 2021. As a result, revenue and Group Adjusted EBITDA both increased significantly. The Group also reported strong cash generation, with free cash flow of £16.6m being generated and used to part-fund the 25 organic site openings as well as our investment in the new technology and brand. The remaining organic site openings and the acquisition of the three sites previously trading under the Fitness First brand were funded through an increase in the Group's borrowings. All sites opened in the year are performing in line with our expectations.

In May 2022, the Group agreed with its lenders certain changes to the Group's Revolving Credit Facility ('RCF'). As a result, the Group now has access to a combined £80m facility which matures in October 2024. The Group also currently has

access to £13m of finance lease facilities (£15m permitted under the RCF). As at 31 December 2022, the Group had Non-Property Net Debt (including finance leases) of £76.1m, with £15.4m of headroom (calculated off bank debt less cash) under the RCF. The RCF is subject to quarterly financial covenant tests on leverage (Net Debt to Group Adjusted EBITDA Less Normalised Rent), fixed charge cover (Adjusted EBITDAR to Net Finance Charges and Normalised Rent) and minimum liquidity. Whilst the going concern assessment covers the period to the end of June 2024, the Directors have considered the fact that the Group's RCF facility is currently expected to expire in October 2024 and concluded that there is a realistic prospect that this will be extended or refinanced before that time.

Following the January and February 2023 peak trading period, closing membership at 28 February 2023 was 890,000 members, an increase of 8.4% on the position at 31 December 2022. However, demand has been impacted by the cost-of-living pressures felt by many; and the Directors expect the current difficult macroeconomic environment and consumer behaviour to continue. As a result, we have taken a cautious approach to preparing the three year financial plan that underpins the going concern review.

The base case forecast for the period to 30 June 2024 anticipates continued growth in yields across the whole estate as a result of pricing actions that have already been taken. However, modest increases in membership levels are driven largely by the sites opened in 2022 and not by growth in the mature estate. In addition, the Directors have taken a more measured approach to new site openings throughout the plan period, with all new sites assumed to be self-financed. Under this scenario, all financial covenants are passed with a reasonable level of headroom and the Group can operate within its financing facilities.

The Directors have considered a downside scenario which anticipates a more significant cost-of-living downturn throughout the period under review. Under this scenario, membership numbers in the mature estate start to deviate from the base case from March 2023 such that they are approximately 10% lower by the end of 2023. Yields do continue to increase but at a much lower level than under the base case. Under this scenario, the number of new site openings is reduced and discretionary performance-related bonuses removed to ensure that all financial covenants continue to be passed and the Group continues to operate within its financing facilities.

The Directors have also considered a reverse stress test scenario to ascertain the extent of the downturn in trading that would be required to breach the Group's banking covenants or liquidity requirements. Mitigating actions assumed in this scenario include moving to a minimum level of maintenance and IT capital expenditure; reducing controllable operating costs and marketing expenditure; and pausing the new site opening programme in order to preserve cash. In this scenario, the number of new members each month would have to decline by 16.5% compared to the base case (the equivalent of membership reducing to 73% of the February 2023 closing membership number) before the leverage covenant would be breached in June 2024. However, the Group would remain within its liquidity limits.

In the event of a reverse stress test scenario, the Directors would introduce additional measures to mitigate the impact on the Group's liquidity, covenants and cash flow, including: (i) further reductions in controllable operating costs, marketing and capital expenditure; (ii) discussions with lenders to secure additional debt facilities and/or covenant waivers; (iii) deferral of, or reductions in, rent payments to landlords; and (iv) the potential to raise additional funds from third parties. The Directors consider the reverse stress test scenario to be highly unlikely.

Conclusion

The Board has reviewed the financial plan and downside scenarios of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2024. As a result, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Group's current and forecast liquidity position and the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios.

Viability

As stated in the going concern assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2024. However, in accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have also assessed the longer term viability of the Group, taking into account the Group's current position and the potential impact of the principal and emerging risks documented earlier in this report (including climate change risk) that would threaten its business model, future performance, solvency or liquidity.

The Directors have determined that the three year period to 31 December 2025 is an appropriate period over which to assess the Group's viability as:

- the Directors review a three year financial plan with management each year as part of an annual strategy review and the viability analysis is based primarily on this plan; and
- the period is sufficient to reflect the return to stable mature membership numbers and see the maturation of new sites opened in 2021 and 2022.

Whilst the viability review has considered all the principal risks identified by the Group, the Directors have concluded that the risks that would most materially threaten the Group's growth drivers, future performance, solvency or liquidity were operational gearing, the trading environment, a structural change in the industry and our people. Severe but plausible downside scenarios based on these risks were therefore created against which liquidity and debt covenant headroom analysis was performed. The Directors considered the fact that the Group's RCF facility of £80m is currently expected to expire in October 2024 and concluded that there is a realistic prospect that this will be extended to cover the whole of the viability assessment period.

The downside scenarios included modelling a severe but plausible decline in membership numbers compared with the base case plan and a significant increase in costs (in particular employee and utilities costs) over and above that included in the base case plan. The Directors have also considered a reverse stress test scenario to ascertain the extent of the downturn in trading that would be required to breach the Group's banking covenants or liquidity requirements. In both the downside scenarios and the reverse stress test scenario, mitigating actions assumed include moving to a minimum level of maintenance and IT capital expenditure; reducing controllable operating costs and marketing expenditure; and pausing the new site opening programme in order to preserve cash.

Having concluded the above viability assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2025.

Strategic report
Stakeholder Information

Non-financial information

The table opposite sets out where stakeholders can find information in our Strategic report that relates to non-financial matters detailed under section 414CB of the Companies Act 2006.



Reporting requirement	Where to find further information	Page	Summary of relevant policies if applicable
Environmental matters	Sustainability report	38-53	Our environmental strategy is set out on page 50.
Employees	Sustainability report	38-53	The Group has relevant training for all employees which is served via a training portal. Our employee-related policies and procedures which include our privacy notice, family-friendly and inclusivity policies and all work-related policies, are available to all employees on the intranet.
	Chief Executive's review	10-15	
	Principal risks and uncertainties – Our people	58-59	
Human rights	Sustainability report	38-53	It is prohibited for any employee or person working on our behalf to offer, give, request or accept any bribe. The Group has an Anti-Bribery and Corruption policy which sets out the relevant procedures, as described on page 39. The Company also has a Whistleblowing policy.
	Modern Slavery statement		
Social matters	Sustainability report	38-53	Our approach to diversity and equal opportunity and promoting wellbeing are set out on pages 40-45. Our Diversity and Inclusion manifesto can be found on our website at www.tggplc.com .
Business model	Business model	02	An explanation of the Group's business model can be found on page 2.
Principal risks	Principal risks and uncertainties	54-63	The Board has a process for considering the principal risks as set out on page 54.
Non-financial KPIs	Key performance indicators ('KPIs')	36-37	The Board approves relevant KPIs for use in the Strategic report, as on page 36-37.
Relationships with suppliers, members and others	Stakeholder information	66-69	The Group has a number of policies and procedures underpinning its commitment to high standards of business conduct, which are available to all staff on the intranet.



Strategic report

Stakeholder information

Engaging with our stakeholders

Section 172 ('s172') of the Companies Act 2006 imposes on company directors a duty to act in the interests of a broad range of stakeholders including shareholders, employees, suppliers and local communities. A statement in respect of compliance with s172 is on pages 108-111.

Who they are and why they matter	How we engaged during 2022	Outcomes of that engagement	How the Board considers the interests of our stakeholders
<p>Shareholders</p> <p>Our investors provide capital for growth, whilst providing challenge and feedback on our business model and plans for the future.</p>	<ul style="list-style-type: none"> Meetings with our current and prospective shareholders. Held dialogue with shareholder groups. Presentations given to shareholders upon the release of annual or interim results. Feedback from our joint brokers following investor engagement and reports from brokers on market trends. Reporting to the Board as a whole on investor matters. Preparation of investor materials and organising a Capital Markets Day. 	<p>The Board did not recommend any dividends in respect of the financial year 2021 and does not recommend any in respect of financial year 2022 either.</p> <p>The Chair of the Board held a number of one-on-one shareholder meetings to discuss queries on governance or strategic matters. This type of engagement helps our investors and shareholders to be better informed about our business.</p> <p>Shareholders were also keen to understand our remuneration decisions. The Board and Remuneration Committee Chair continued to consult with shareholders, to understand their views on key decisions, and we will continue this dialogue in future years. For more information, see the Report of the Remuneration Committee on pages 92-107.</p>	<p>The Board is kept informed of all responses received as part of shareholder consultations by management and the brokers.</p> <p>The Board's 2022 dividend position can be found on page 21.</p> <p>The Board welcomes questions from our shareholders at our Annual General Meeting ('AGM'). The arrangements for our 2023 AGM will be confirmed in the 2023 Notice of Meeting. In addition, John Treharne, the Chair of the Board, is also available to shareholders.</p> <p>The Board has committed to ongoing improvements in sustainability reporting and our Sustainability report can be found on pages 38-53 and on our website.</p>

Who they are and why they matter	How we engaged during 2022	Outcomes of that engagement	How the Board considers the interests of our stakeholders
<p>Employees</p> <p>Our employees define our culture and values. Fostering an engaged workforce is central to our strategy, enabling us to deliver the exceptional service that keeps us at the forefront of our sector. Our friendly, inclusive and people-centred culture continues to be a key part of our success.</p>	<ul style="list-style-type: none"> We launched our 'people promise' focused on our commitment to providing development opportunities and career pathways, supporting employees and nurturing a friendly and inclusive culture. Since our participation in the Kickstart Scheme in December 2020, we have welcomed 234 young people between the ages of 16-24 to gain work experience and a qualification in fitness. The newly established Emerging Talent Programmes give Assistant General Managers and Fitness Trainers the necessary competencies to progress within operational management roles. 	<p>Our people first approach contributed to our high engagement scores, successful retention of our Investors in People Gold accreditation and external recognition for our Equality, Diversity and Inclusion strategy and progress.</p> <p>66% of our Fitness Trainer Kickstarters and 38% of our Business Support Kickstarters converting to permanent roles at The Gym Group.</p> <p>We have seen great success with the first cohorts of our Emerging Talent programmes, with a 42% promotion rate within the Emerging Talent management development programme and 48% promotion rate within the Fitness Trainer Emerging Talent programme.</p>	<p>The Board has met regularly to consider, oversee and review progress on people-related actions.</p> <p>All Directors visit several of our sites each year to support our teams.</p> <p>In December 2022, we held two 'We're With You' events, bringing together colleagues from across the business to celebrate the launch of our new visual identity and enable our leaders to engage, energise and recognise our teams.</p>
<p>Members</p> <p>Being high quality, we represent for our members the lowest cost 24/7 nationwide gym operator in the market. We continue to work on eliminating gym intimidation and providing comfortable, safe and accessible facilities, delivering on our purpose of breaking down barriers to fitness for all.</p>	<ul style="list-style-type: none"> A key part of our strategy and business model is to ensure we achieve high levels of member satisfaction in our gyms. We measure this through OSAT scores. A primary focus in 2022 was the redevelopment of our online digital platform and website which launched in Spring 2022. More detail on our digital offering can be found on pages 32-33. In the Summer of 2022, we rolled out our new brand identity across all gyms and rebranded key digital touch points of our website and member app. 	<p>We constantly monitor market trends and member demand: our flexible gym format and design continues to evolve providing facilities closely matched to the member usage patterns, demographics and demands.</p> <p>The new website is very mobile device friendly, which is where we see most of our web traffic. In addition, the new platform is highly scalable and resilient, with state of the art analytics capabilities.</p> <p>A new cloud hosted digital platform, launched in April 2022, uses the latest technologies to maximise performance and deliver the best online experience to members across web and app.</p>	<p>We regularly review our member satisfaction scores at Board meetings.</p> <p>Directors use member feedback to identify ways in which our member journey can be improved or enhanced.</p> <p>The Board has overseen the technology developments, receiving reports on progress of initiatives. It considers technology to be a strategic priority alongside driving membership recovery, developing our member value proposition and securing a high quality pipeline of great sites for our members.</p>

Strategic report

Stakeholder information continued

Who they are and why they matter	How we engaged during 2022	Outcomes of that engagement	How the Board considers the interests of our stakeholders
<p>Suppliers</p> <p>Our partnerships with our suppliers ensure we source the best value goods and services for the benefit of our members.</p> <p>High standards of ethics and business conduct is an important part of being a responsible member of the communities in which we operate.</p>	<ul style="list-style-type: none"> Our strong, listed company covenant continues to be highly attractive to landlords. The Group has whistleblowing arrangements in place, which enable employees to raise concerns should they suspect wrongdoing or unethical conduct. We publish our Payment Practices Report twice a year and it is available to download from Companies House. 	<p>We maintained helpful and positive relationships with our suppliers.</p> <p>We maintain our properties to a high standard, maintaining good relationships with property management companies and acting as responsible tenants.</p>	<p>The Board is committed to high standards of ethical business conduct.</p> <p>The policies and procedures relevant to business conduct are available to all employees.</p> <p>Executive Directors, on behalf of the Board, have worked with key suppliers to develop plans in accordance with business needs.</p> <p>The Board takes a zero-tolerance approach to bribery and corruption. It also reviews the Group's Modern Slavery Act Statement annually.</p>
<p>Communities</p> <p>Being a valuable part of the communities in which we operate is hugely important to us. Providing safe and affordable facilities for exercise creates social value for the communities in which we operate.</p>	<ul style="list-style-type: none"> Our low price model enables fitness to be affordable for all and supports those accessing a gym for the first time. We have launched The Gym Group community project aimed at fundraising in the gym's local community. We have worked closely with local authorities to support the safe inspection of our gyms. We tried to ensure that our workforce was reflective of the communities in which we operate. 	<p>We aspire to achieve a gender balanced workforce by 2030 and for our senior leaders to be 40% female by 2025 driving greater female representation across our gyms.</p>	<p>The Board recognises the importance of contributing to wider society and considers it a vital part of achieving our purpose.</p> <p>The Board considers the long term impact of its operations as part of its sustainability strategy.</p> <p>The Board's position on diversity is set out on page 83. The Board considers diversity to be a focus for succession planning.</p>

Who they are and why they matter	How we engaged during 2022	Outcomes of that engagement	How the Board considers the interests of our stakeholders
<p>Environment</p> <p>A good quality environment is essential to provide basic human needs, for society to develop and for our business to grow. The health of the population is adversely affected by climate change and the resilience of our business is essential to meet the challenges it presents.</p>	<ul style="list-style-type: none"> Our commitment to net zero took a significant step forward this year, with detailed preparation of a full submission to SBTi which we have submitted for validation. Our Sustainability report details our environmental strategy, activity and initiatives. This can be found on pages 38-53. 	<p>As part of our net zero commitment to SBTi we have also committed to:</p> <ul style="list-style-type: none"> engaging with all our key suppliers to set their own emissions reduction targets, aligned with climate science, by 2028; and developing a member engagement plan by 2025 to drive forwards our net zero ambition. <p>For more information please refer to the governance TCFD pillar on pages 50-51.</p>	<p>Our Board and Executive Committee remain fully committed to identifying and addressing the immediate and longer term climate-related impacts on our business. Our Board has overall accountability for managing the business risks and opportunities posed by climate change.</p> <p>The Sustainability Committee meets at least three times per year and reports directly to the Board.</p> <p>Responsibility for monitoring and overseeing the Group's climate-related progress is delegated to the Chief Development and Sustainability Officer.</p>
<p>Lending banks</p> <p>Our lending banks provide funds for growth and day-to-day working capital to enable us to operate and grow our business to its full potential.</p>	<ul style="list-style-type: none"> During the year, we provided regular updates on the Group's financial performance, including performance against agreed debt covenants. In the first half of 2022, management met with the lending banks to discuss the Group's strategic plan and the acquisition of the three sites from Fitness First. 	<p>Following discussions with the lending banks on the acquisition of the three sites from Fitness First, we agreed, in May 2022, certain changes to our RCF facility, including a one-year extension of Facility A (£70m) to October 2024; the cancellation in full of the temporary Facility B (£30m) and replacement with a new £10m facility to October 2024; and further relaxation of finance lease restrictions.</p>	<p>Management holds regular meetings/calls with lending banks during the year to enable them to be updated on the progress and performance of the business.</p> <p>Representatives from the lending banks are invited to our half year and full year results presentations.</p> <p>In financial plans discussed by the Board, analysis is presented on how these plans would impact debt covenants in order to ensure that the interests of the lending banks are protected.</p> <p>The Board's annual going concern and viability assessment is performed with specific reference to the level of borrowings required under different scenarios and the impact of such scenarios on debt covenants.</p>



Governance report

Introduction from the Chair of the Board



Dear Shareholder
I am pleased to introduce the 2022 Governance report on behalf of the Board. The Governance report forms part of the Directors' report.

“As Chair of the Board, it is my role to ensure that we have the right balance of skills, experience, knowledge and perspectives around the table to ensure robust debate, constructive challenge and positive engagement on strategy.”

John Treharne | Chair of the Board

Purpose and culture

The Gym Group's purpose is to break down barriers to fitness for all, and the Board fully supports and promotes this by conducting its business according to the values – taking the first step, realness, friendliness and challenging your limits – and considering the interests of stakeholders in our decision making. In a year dominated by geopolitical and macroeconomic disruptions, the Board and management have worked to ensure that the Group remains focused on its strengths and protects its people and stakeholders. The Board's activities during 2022 are described on page 79.

Board composition

As Chair of the Board, it is my role to ensure that we have the right balance of skills, experience, knowledge and perspectives around the table to ensure robust debate, constructive challenge and positive engagement on strategy. It is also important that all Board members receive a full, formal and tailored induction and receive the information and access to resources they need to carry out their responsibilities. During 2022 and into 2023, our new Board members completed, or are in the process of completing, their inductions, details of which are in the Report of the Nomination Committee on pages 81-83.

During 2022, Ann-marie Murphy, Elaine O'Donnell, Richard Stables and Luke Tait joined the Board, and Rio Ferdinand, Penny Hughes and Mark George left the Board. I took on the role of Chair from July 2022.

In February 2023, we also welcomed Simon Jones to the Board as a Non-Executive Director ('NED') and member of our four Committees. As we announced in January 2023, Richard Darwin will step down from the Board in due course and, for an interim period, I have taken on the role of Executive Chair to assist in the transition.

Independence and responsibilities

The independence status of the Directors is set out on page 78. To preserve Board balance, all of our Non-Executive Directors have the same responsibilities, which are further explained in this report on page 77, and include engaging in Board discussions, making sufficient time available to carry out their roles and acting in accordance with their duties.

Talent, diversity and succession

In 2022, we have increased our focus on succession and talent management for the Board and Executive Committee and throughout the business. This has been conducted through the work of the Nomination Committee and the Board as a whole. In 2022 and 2023, we reviewed the talent and succession pipeline for senior management to ensure that we have the right resources within our business.

Sustainability

We continue to improve and enhance our sustainability reporting, as is set out in the Sustainability report from pages 38-53. Our Sustainability Committee supports and promotes our sustainability strategy, ensuring that sustainability matters are supported by robust governance streams and sustainability matters remain central to Board discussions and considerations. In 2022, we continued to make further progress on measuring the social value generated by our members exercising in our gyms.

AGM

Our AGM is planned for 11 May 2023, and I look forward to meeting shareholders there.

John Treharne

Chair of the Board
 15 March 2023

UK Corporate Governance Code compliance statement

The UK Corporate Governance Code 2018 (the 'Code') is the key governance measure to which we referred during the financial year to 31 December 2022. The Code can be found at www.frc.org.uk.

We always intend to comply with the prevailing principles of good governance and the code of best practice honestly, simply, transparently, and with clarity and integrity.

Provision 5

Rio Ferdinand was the appointed NED for workforce engagement until he stepped down from the Board in August 2022. Since that time we have made use of alternative arrangements as permitted by the Code and set out on page 83. The Committee intends to review the effectiveness of this arrangement in 2023 as part of the Board's annual review of effectiveness.

Provision 9

John Treharne, Executive Chair of the Board since January 2023, was not considered independent on appointment as Chair in July 2022. John was the founder of The Gym Group and formerly held the positions of CEO of the Group until September 2018, and Founder Director until July 2022. The Board believes it is in the best interests of the Group for John to hold the role of Executive Chair for a limited period of time to support the transition to a new CEO. The Board believes this exceptional arrangement is appropriate at this time, as John's unrivalled knowledge of The Gym Group and Board tenure will offer stability and consistency for the Board and support for the Executive Directors in a period of change. The Group will announce plans for John's succession in due course, once Richard Darwin's successor is appointed.

2022 Governance report

Our governance reporting follows the order set out in the Code:

Compliance with the Code Board leadership and Company purpose

More information can be found on page 76.

Division of responsibilities

More information can be found on page 77.

Composition, succession and evaluation

More information can be found on pages 81-83.

Audit, risk and internal control

More information can be found on pages 84-89.

Remuneration

More information can be found on pages 92-107.

Governance report
Board of Directors

Committees

Career

Board skills and experience

Other appointments



John Treharne
Chair of the Board



John founded The Gym Group in 2007 and has over 20 years' experience in the health and fitness industry.

John launched Dragons Health Club plc in 1991, before its flotation on AIM in 1997 and sale to Crown Sports plc in 2000.

John was appointed Chair of the Board and the Nomination Committee in July 2022, and took on the role of Executive Chair in January 2023, with a focus on supporting the transition to a new CEO.

John's wealth of operational and leadership experience and knowledge of industry trends offers the Board valuable context to develop its strategy and inform its decisions. As founder of The Gym Group, John has an unmatched network of industry connections and corporate knowledge used to support our business and the Board's evolution, and as Chair John provides stability and continuity in leadership.

- ukactive
- Board member Europe Active
 - Board member



Emma Woods
Senior Independent Non-Executive Director



Emma has wide-ranging marketing experience within the FMCG and leisure sector, and has built a diverse portfolio as a Chair and Non-Executive Director over recent years.

Emma was the former CEO of Wagamama and previously held Marketing Director roles at Merlin Entertainments plc, Pizza Express and Unilever. Emma is a customer and marketing champion.

Emma brings the Board valuable commercial and operational insights into multi-site leisure businesses, which is key to the Board's development of the Group's strategy. As a former executive leader, she offers perspectives on the challenges facing hospitality and leisure businesses. Emma brings relevant challenge and support to the Executive team with particular focus on meeting customer expectations.

- Tortilla Mexican Grill plc
- Chair of Board of Directors
- Great Portland Estates plc
- Chair of the Remuneration Committee
- Huel Limited
- Non-Executive Director



Elaine O'Donnell
Non-Executive Director



Elaine is a highly experienced financial professional and Audit Chair. She is Senior Independent Director and Chair of the Audit Committee of On the Beach Group plc, and Chair of the Audit & Risk Committee and Non-Executive Director of SThree plc. She was formerly Chair of Games Workshop plc until 31 December 2022, having served in various roles on that Board since 2013. Elaine was previously a Partner at EY and is a chartered accountant.

Elaine brings to the Board extensive experience as a Non-Executive Director and plc Chair and Committee member of a diverse range of businesses. Elaine's financial knowledge and expertise, in addition to her online retail industry experience, supports the Board in its oversight of the Group's financial reporting and controls.

- On the Beach plc
- Senior Independent Director and Chair of the Audit Committee
- SThree plc
- Chair of the Audit & Risk Committee

Committees

- Nomination Committee
- Remuneration Committee
- Chair
- Audit and Risk Committee
- Sustainability Committee



Wais Shaifta
Non-Executive Director



Wais has gathered substantial e-commerce expertise from a number of leading online businesses. As the former CEO at Push Doctor, one of the leading digital healthcare companies in Europe, Wais worked in partnership with the NHS to connect thousands of patients each week with clinicians. Before joining Push Doctor, Wais was Director of Global Operations at Treatwell, and prior to that was International Operations Director at Just Eat.

Wais' background in leading technology businesses gives him a strong understanding of the vital role technology plays in our drive to be ever more relevant to members. Wais's experience of healthcare businesses means he is well aligned with our purpose to provide access to affordable fitness for all.

- Reach plc
- Non-Executive Director
- Voi Technology
- Regional General Manager
- Samaipata
- Operating Partner
- The Grange Academy
- Governor



David Kelly
Non-Executive Director



David is an experienced digital operating executive and Board Director.

David was previously the Operations Director at Amazon in the UK from 1998 to 2000, the Chief Operating Officer at Lastminute.com from 2000 to 2003, the Vice President, Operations/Chief Operating Officer at eBay from 2003 to 2007, and Senior Vice President of International at Rackspace from 2010 to 2012.

David draws on his extensive plc experience from a wide range of technology and product businesses. His understanding of technology development is particularly valuable to our development. David brings his thorough understanding of listed plc matters to all his committee memberships and Board responsibilities.

- On the Beach plc
- Chair of Remuneration Committee
- Simply Business (Xbridge Limited)
- Non-Executive Chair and Chair of Audit, Remuneration, and Social Impact Committees
- Parcel2Go
- Non-Executive Chair
- Irish Lottery
- Non-Executive Director



Richard Stables
Non-Executive Director



Richard is an experienced corporate financier, having spent 32 years at Lazard. Currently, Richard is a Partner at Fulcrum Advisory Partners LLP, an independent advisory firm, and a Senior Advisor to Blantyre Capital. Richard is a qualified chartered accountant.

Richard brings his strong experience of corporate finance and understanding of the UK financial markets to support the Board in its strategic direction and decision making, deepening the Board's skillset for the future.

- Fulcrum Advisory Partners LLP
- Partner
- Blantyre Capital
- Senior Advisor



Simon Jones
Non-Executive Director






Simon is Managing Director for Premier Inn and Restaurants, UK and Global Commercial Director at Whitbread, and has led the UK business for Premier Inn and Whitbread's portfolio of restaurant brands since 2016. Prior to his current role, Simon was Marketing and Strategy Director for Premier Inn. Before joining Whitbread in 2012, Simon had over 15 years' experience as a strategy consultant, working with a variety of clients across the retail and hospitality industry, latterly as a partner at OC&C Strategy Consultants.

Simon has extensive commercial and operational experience in building UK-wide businesses whose customer proposition is based on value and quality, which supports the Board's discussions and future growth.





- Premier Inn and Restaurants UK
- Managing Director
- Whitbread
- UK & Global Commercial Director

Governance report

Board of Directors continued

<p>Committees</p> <p>Career</p> <p>Board skills and experience</p> <p>Other appointments</p>	 <p>Richard Darwin Chief Executive Officer</p> <p>● ●</p> <p>Richard possesses extensive experience working for leisure and FMCG companies in the UK and internationally, including The Rank Group, Hard Rock Café International and Diageo. He qualified as a chartered accountant with Coopers & Lybrand and was The Gym Group's Chief Financial Officer ('CFO') from 2015 to 2018.</p> <p>He has previously held the positions of CFO of Essenden plc (now Ten Entertainment Group plc) from 2009 to 2015, and CFO of Paramount Restaurants from 2003 to 2008.</p> <p>Richard agreed with the Board in January 2023 that he would step down from the business.</p> <p>Richard led the business strongly through the disruption of the pandemic, including continuing to develop a talented and stable team of executives.</p> <p>Richard's detailed knowledge of The Gym Group and background in leisure businesses supports his development of the business's strategy and financial delivery.</p> <p>None</p>	 <p>Luke Tait Chief Financial Officer</p> <p>Luke is the Chief Financial Officer ('CFO') and joined us in October 2022. Luke was formerly Group CFO of Nando's Group Holdings Limited, the global restaurant business, which he joined in 2017. Prior to this, he held various finance roles at SSP plc, including CFO of the UK and US businesses and Group Corporate Finance Director, culminating as Group Financial Controller. Luke is a qualified accountant.</p> <p>Luke joined the Board in October 2022, and has brought his broad experience across global leisure businesses to lead the finance function. In his first year as CFO, Luke is working with the leadership and stakeholders to ensure the Group is well placed to capitalise on the significant market opportunities ahead.</p> <p>None</p>	 <p>Ann-marie Murphy Chief Operating Officer</p> <p>Ann-marie joined the Group in April 2018 as Director of People and Development and was appointed as Chief People Officer in January 2021. Ann-marie was subsequently appointed as Chief Operating Officer in February 2022, and joined the Board in April 2022.</p> <p>Ann-marie has over 15 years experience across a variety of senior Human Resources roles, particularly in the travel and retail industries. Prior to joining The Gym Group, Ann-marie was Group Human Resources Director at New Look Retailers.</p> <p>Ann-marie brings her strong leadership and talent management experience to the Board and Executive Committee. Ann-marie provides essential insight to the operational aspects of the business and keeps people at the heart of the Board's strategy.</p> <p>None</p>
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Executive Committee

 <p>David Melhuish Chief Development and Sustainability Officer</p> <p>David joined The Gym Group in April 2013 and has been critical to the rapid growth of the estate and on-going strategic expansion. In 2021, David was promoted to Chief Development and Sustainability Officer and is responsible for delivery and support of our high quality gyms, as well as developing, implementing and leading our sustainability strategy. David acts as an ambassador for all sustainability related matters at The Gym Group, both internally and externally. He ensures the business is well positioned to meet its designated sustainability reporting and disclosure obligations, as well as wider corporate targets.</p> <p>David was previously the Head of Development at Central England Co-operative.</p>	 <p>Jasper McIntosh Chief Information Officer</p> <p>Jasper is The Gym Group's Chief Information Officer ('CIO') and has headed The Gym Group's technology operation since 2011. An experienced technology director, Jasper has previously delivered high profile projects for GlaxoSmithKline, Global Fund, the NHS and the French Presidential Palace.</p> <p>Whilst at The Gym Group, Jasper has overseen a major programme of digital transformation, introducing significant new digital experiences and data and analytics capabilities to drive change across the business. In 2022, Jasper was awarded a top three place in the CIO 100 list that recognises the most transformational and disruptive CIOs in the UK.</p>	 <p>Emily Kortlang Chief Marketing Officer</p> <p>Emily is The Gym Group's Chief Marketing Officer ('CMO'). Emily joined The Gym Group as Group Brand and Marketing Director in October 2021, and was promoted to CMO in November 2022. Emily was formerly Brand Director for Beats by Dr. Dre, at Apple, and prior to that held marketing roles at Red Bull and Fallon, responsible for brand, social media, creative, campaign and retail marketing.</p> <p>Emily led The Gym Group's brand transformation project in 2022, and was fundamental in the launch of the new brand identity, as well as developing the new creative 'Gym Face' multi-channel campaign. Our new visual identity and Gym Face are significant steps forward for the business to raise brand awareness and drive consistency in the Group's marketing strategy.</p>	 <p>Nick Shelmerdine Director of Strategy and Corporate Development</p> <p>Nick is The Gym Group's Director of Strategy and Corporate Development. Nick joined The Gym Group in November 2021 and was formerly Associate Partner at OC&C Strategy Consultants and MD Delivery at The Restaurant Group plc, focused on building a food delivery business and major transformation projects. Nick brings his expertise in growth strategy, M&A, business development and change in the consumer and leisure space to the Executive Committee.</p> <p>During his time at The Gym Group, Nick has been crucial in the development of the strategic direction of the business. Nick delivers a more forward-looking approach to decision-making to evaluate and seize new growth opportunities.</p>
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How the Board and Executive Committee work together

The Board and Executive Committee work closely together to ensure the robust governance of the business and successful execution of our strategy. Over the year, the Board and Executive Committee worked closely on delivering transformational change projects in brand and technology with a focus on ensuring that the Group is well resourced, motivated and driven by our purpose to break down barriers to fitness for all.

Richard Darwin, CEO, Luke Tait, CFO, and Ann-marie Murphy, COO are also members of our Executive Committee, and their biographies are on page 74.

Governance report

Corporate Governance report

Board leadership and business purpose

Governance

Role of the Board

The Board is the principal decision-making body in the Group. It is collectively responsible for promoting the long term success of the business for the benefit of its members, achieving this through the creation and delivery of sustainable shareholder value. The Board also carefully considers its wider

stakeholders, including colleagues, customers and suppliers, when making decisions and more information can be found on pages 66-69.

In addition to setting the strategy of the business and overseeing its implementation by management, the Board provides leadership to the business on purpose, culture, values and ethics, sustainability, monitoring overall financial performance of the business, and ensuring effective corporate governance, succession

planning and stakeholder engagement. The Board is also responsible for ensuring that effective internal control and risk management systems are in place. The Matters Reserved for the Board can be found on our website.

Board Committees

The Board has formally delegated certain governance responsibilities to its Board Committees to assist with fulfilling its responsibilities, as outlined in the table below.

Governance structures as at 31 December 2022



Division of Board responsibilities

The Board and its Committees have a scheduled forward programme of meetings, aligned to the updated strategy, to ensure that sufficient time is allocated to each key area and the Board's time is used effectively. As at 31 December 2022, our Board comprised four Independent Non-Executive Directors, of which one acts as Senior Independent Director, one non-independent Non-Executive Director, three Executive Directors and the Chair. Each of their responsibilities is listed on page 77

and more information on their specific contributions to the business can be found in their biographies on pages 72-74.

The Chair of the Board and the Non-Executive Directors also met without the Executive Directors being present, and the Senior Independent Director held discussions with the Non-Executive Directors without the Executive Directors or the Chair of the Board being present.

Directors were made aware of the key discussions and decisions made at each of the four principal Committees.

The Chair of each Committee provided a detailed summary at the Board meeting following the relevant Committee meeting. On the occasion that a Director is unavoidably unable to attend a meeting, they receive a briefing from the Chair of the Board before the meeting, so that their comments and input can be taken into account at the meeting, and the Chair provides an update to them after the meeting.

There is sufficient flexibility for items to be added to the agenda, which enables the Board to focus on key matters relating to the business at the right time.

Roles and key responsibilities

<p>Chair of the Board</p>	<p>John Treharne was appointed Chair of the Board in July 2022, and Executive Chair in January 2023, for a limited period to support the transition to a new CEO. John's responsibilities include:</p> <ul style="list-style-type: none"> The leadership, effectiveness and governance of the Board. Setting the agenda, style and tone of Board discussions with a particular focus on strategic matters. Ensuring each Non-Executive Director makes an effective contribution to the Board. Ensuring that the Directors receive accurate, timely and clear information. Chairing the Nomination Committee. Promoting a culture of openness and debate. Facilitating constructive Board relations.
<p>Chief Executive Officer ('CEO')</p>	<p>Richard Darwin's responsibilities as Chief Executive Officer include:</p> <ul style="list-style-type: none"> Proposing the strategic objectives of the Group for approval by the Board and delivering the strategic and financial objectives in line with the agreed purpose and strategy. Leading the Executive Committee and senior management in managing the operational requirements of the business. Providing clear and visible leadership of our shared values. Responsible for the effective and ongoing communication with colleagues and shareholders.
<p>Chief Financial Officer ('CFO')</p>	<p>Luke Tait's responsibilities as Chief Financial Officer include:</p> <ul style="list-style-type: none"> Working with the Executive Directors and Executive Committee to develop and implement the Group's purpose and strategic objectives. The financial delivery and performance of the Group. Ensuring that the Group remains appropriately funded to pursue the strategic objectives. Investor relations activities, and communications with shareholders. Financial reporting including the preparation of the Annual Report and Accounts.
<p>Chief Operating Officer ('COO')</p>	<p>Ann-marie Murphy was appointed to the Board in April 2022. Ann-marie's responsibilities as Chief Operating Officer include:</p> <ul style="list-style-type: none"> Working with the Executive Directors and Executive Committee to develop and implement the Group's purpose and strategic objectives and commercial and trading plans. Leading the Operations function and senior management teams in driving operational excellence. Ensuring that People and Operations remain central to Board discussions and deliberations, and promoting the conscious culture of the business. Reporting to the Board on workforce related matters including engagement, culture, talent and succession planning.
<p>Senior Independent Director ('SID')</p>	<p>Emma Woods has been the SID since May 2021. Emma's responsibilities include:</p> <ul style="list-style-type: none"> Acting as a sounding board for the Chair of the Board and serving as an intermediary for the other Directors as necessary. Acting as lead independent Non-Executive Director. Leading the Non-Executive Directors in the performance evaluation of the Chair of the Board, with input from the Executive Directors. Being available to meet with shareholders in the event that the Chair of the Board or the Executive Directors are unavailable.
<p>Non-Executive Directors</p>	<p>Responsibilities of the Non-Executive Directors include:</p> <ul style="list-style-type: none"> Constructively challenging management proposals and providing advice in line with their respective skills and experience. Helping develop proposals on strategy. Having a prime role in appointing and, where necessary, removing Executive Directors. Having an integral role in succession planning.
<p>Company Secretary</p>	<p>The Company Secretariat function carries out the following responsibilities:</p> <ul style="list-style-type: none"> Supporting the Chair of the Board and the Non-Executive Directors with their responsibilities. Advising on regulatory compliance and corporate governance matters. Facilitating individual induction programmes for Directors and assisting with their development as required. Communications with shareholders and organisation of the AGM.

Governance report

Corporate Governance report continued

Board meetings

The Board's programme of meetings allows key areas of focus to be established and reviewed on a regular basis. Scheduled Board meetings are predominantly held in person, with additional virtual and hybrid meetings facilitated where required.

Management teams and colleagues attend to support the Board's assessment of performance, discuss progress and agree key priorities.

The below table shows the attendance of Directors at scheduled Board meetings. When unable to attend a

meeting, a Director receives papers and has the opportunity to feed back comments in advance to John Treharne, the Chair of the Board, or the respective Committee Chair.

	Board	Nomination Committee	Audit and Risk Committee	Remuneration Committee	Sustainability Committee
John Treharne ¹	8/8	3/3			3/3
Richard Darwin	8/8	3/3			3/3
David Kelly	7/8	3/3	4/4	3/4	3/3
Wais Shaifta	8/8	3/3	4/4		3/3
Emma Woods	8/8	3/3	4/4	4/4	
Ann-marie Murphy ²	6/6				
Elaine O'Donnell ³	3/3	1/1	1/1	1/1	
Richard Stables ³	3/3	1/1			
Luke Tait ⁴	2/2				
Penny Hughes ¹	4/4	2/2		2/2	2/2
Mark George ⁵	4/4				
Rio Ferdinand ⁶	2/5	0/2		1/3	

1 Penny Hughes stepped down as Chair of the Board on 25 July 2022, and John Treharne took over as Chair on the same date.
 2 Ann-marie Murphy was appointed to the Board as Chief Operating Officer on 11 April 2022.
 3 Elaine O'Donnell and Richard Stables were appointed to the Board on 30 August 2022.
 4 Luke Tait joined the Board as Chief Financial Officer on 17 October 2022.
 5 Mark George left the Board on 1 July 2022.
 6 Rio Ferdinand stepped down from the Board on 30 August 2022.

Director independence

John Treharne, Chair of the Board, is not deemed independent on appointment. Non-Executive Directors Penny Hughes, Wais Shaifta, Emma Woods, David Kelly, Rio Ferdinand and Elaine O'Donnell, who served during the year, were determined to be independent on and during their appointments. Richard Stables was not considered independent on appointment to the Board. Simon Jones, appointed February 2023, was deemed independent on appointment. The independence of the Non-Executive Directors is closely monitored by the Board on an ongoing basis. The Corporate Governance Code statement which includes information on the Board's decisions on independence is set out on page 71.

Cross directorships

Elaine O'Donnell and David Kelly both serve as Non-Executive Directors on the Board of On The Beach plc. During the year, David Kelly and Wais Shaifta both served as Non-Executive Directors on the Board of Reach plc, until David Kelly stepped down in December 2022. Taking into account the size of The Gym Group's Board and the non-executive nature of these roles and the different sector of the companies, and considering that all Directors maintain independence of judgement and follow Group policies on actual or potential conflicts of interest, Wais, Elaine and David continue to be considered independent.

How the Board spent its time

The Board measures the time spent on strategy, governance and operational performance at each meeting. The biggest part of the Board's time was spent on strategy, followed by governance and operational performance, which the Board considers to be appropriate. Minutes of all Board and Committee meetings are taken by the Company Secretary and circulated for comments and approval. Any unresolved concerns raised by a Director are recorded in the minutes.

The following sets out the key areas of focus for the Board during the year:

Strategy	<ul style="list-style-type: none"> • Strategy refresh and approval • Site approvals and pipeline reviews • Consideration of sustainability matters • Performance management and talent review of executive management • Functional reports including People and Operations • Trading environment reviews, consideration of market conditions and investor feedback • Stakeholder engagement
Financial	<ul style="list-style-type: none"> • Business performance, including trading updates and the market's response to announcements • Preparation of the Annual Report and Accounts, full and half year announcements • Engagement with the Group's Banks • Capital Markets Day presentation • Budget and financial planning
Technology	<ul style="list-style-type: none"> • Improved app and mobile web experience • New website launch • Technology investment and improvements
Brand	<ul style="list-style-type: none"> • Brand transformation project
Governance	<ul style="list-style-type: none"> • Approval of the Annual Report and Accounts • Annual AGM • Succession planning and Board composition, independence, roles and responsibilities • Diversity and inclusion matters • Onboarding and development of new Directors • Board training and development • Approval of new Remuneration policy

Board skills and composition Information and support

An agenda and accompanying pack of detailed papers are circulated to the Board prior to the meeting, usually a week in advance, via a secure digital app. Given the fast-paced nature of the business, certain relevant information, such as latest trading data up to the prior day, is shared with Directors at Board meetings. These include reports

from Executive Directors, other members of senior management and external advisers. Members of senior management are often invited to present relevant matters to the Board. All Directors have direct access to senior management should they require additional information on any of the items to be discussed, and the Company Secretary, if they should wish to discuss procedural or administrative matters. The Board

and the Audit and Risk Committee also receive regular and specific reports to allow the monitoring of the adequacy of the Group's system of internal controls.

The information supplied to the Board and its Committees is kept under review and is formally assessed on an annual basis as part of the Board evaluation exercise to ensure it is fit and proper for purpose and that it enables sound decision making.

Training and development

The Group has developed an induction programme to provide new Directors with a formal and tailored induction that includes visiting several operational locations. The Board and Committees' standing agenda items include the briefing of Directors on a wide range of topics, which include corporate governance and regulatory requirements. Additionally, Directors have access to the advice and services of the Company Secretary and independent and professional advice at the Group's expense should they determine that this is necessary to discharge their duties.

During the year, the Board held a Diversity and Inclusion workshop, which was an action following from the Board's external evaluation in early 2022.

Re-election of Directors

The Board considers all Directors to be effective, committed to their roles and to have sufficient time to perform their duties. In accordance with the Articles of Association, all Directors will offer themselves for election or re-election at the Company's AGM each year.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out in the Report of the Remuneration Committee. The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours.

Governance report

Corporate Governance report continued

Directors' conflicts of interest

No Directors took on additional significant commitments during the year which impacted on their ability to carry out their duties. All Directors act in line with the Group's Conflicts Policy.

No contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested existed at the end of the financial year.

Relationship with shareholders

Ensuring a satisfactory dialogue with shareholders and receiving reports on the views of shareholders is a matter reserved for the Board.

The Board is committed to maintaining good communications with existing and potential shareholders based on the mutual understanding of objectives. The Group has regular dialogue with institutional shareholders in order to develop an understanding of their views which is communicated back to, and discussed with, the Board. Management also conducts meetings with institutions that focus on private clients, as a way of extending the Company shareholder base. The Chair of the Board is also available to shareholders and has met several of the Company's larger shareholders during the year. The Chair of the Remuneration Committee consulted with shareholders during the year on remuneration matters.

The Board receives regular investor feedback through our joint brokers, Numis Securities Limited and Peel Hunt LLP, both at Board meetings and through written updates, as well as via our remuneration consultants, who provide updates to the Board on institutional shareholder views.

Presentations given to analysts and investors covering the annual and interim results, along with results and further information for investors, are included in the investors section of the Group's website at www.tggplc.com. The CEO and CFO hold presentations at the time of the half year and full year results, with such presentations being made available as audio recordings on the investor website, and other members of management such as the COO attending where appropriate.

Shareholders can also keep up to date with Group matters in the media. The Group also maintains a holistic timetable of press engagement on commercial and corporate matters, which is managed by Tulchan Communications.

Governance report

Report of the Nomination Committee



"We have seen a number of changes this year and believe we are building a strong, diverse Board, well placed to continue the significant growth we have made, focus on our unique capabilities, and strengthen us for the future."

John Treharne | Chair of the Nomination Committee

Committee members

Chair of the Committee	John Treharne
Committee members during the year	Richard Darwin David Kelly Emma Woods Wais Shaifta Elaine O'Donnell Richard Stables Penny Hughes* Rio Ferdinand* Simon Jones*

Number of meetings held in 2022 3

* Until the Director left the Board. Simon joined in February 2023.

Objectives

- To ensure the Board has an appropriate balance of skills, diversity, experience, knowledge and independence.
- To ensure that the most suitable candidates for Executive and Non-Executive positions are identified and nominated to fill vacancies as and when they arise.
- To ensure that appropriate succession plans are in place for Directors and senior executives of the Group.
- To undertake a Board evaluation process to identify developmental processes that can enhance Board practices and Director performance.

Committee areas of focus in 2022 and to date

- Oversaw the search for and appointment of two new Non-Executive Directors ('NEDs') during the year, and oversaw their full, formal and tailored induction programme.
- Oversaw the search for and appointment of a NED in 2023, Simon Jones.
- Oversaw the search for a new Chief Financial Officer ('CFO').
- Oversaw the appointment of the Chief Operating Officer ('COO') to the Board.
- Reviewed the composition of the Board and its Committees and continued with the ongoing review process of Board rotation and succession.
- Oversaw progress on diversity and inclusion initiatives. The Committee receives regular updates on the progress of diversity and inclusion workstreams and the Board attended a Diversity and Inclusion workshop.
- Ensured there was appropriate representation for workforce engagement to the Board, to ensure the views and concerns of the wider workforce are brought to the Board and taken into account.

- Supported the expansion of Executive Committee with two new members, and the development of the Senior Management Team.
- Prepared a plan for the Board's next evaluation.
- Reviewed and considered the future model, talent, and succession planning for key roles within the wider business.
- Considered the change of Chair and the Chair's role and responsibilities.
- Commenced the search for a new CEO; and
- Considered relevant corporate governance matters relating to composition of the Board on an ongoing basis.

Roles and responsibilities

The role of the Committee is to develop and maintain a formal, rigorous and transparent procedure for making recommendations on appointments and reappointments to the Board. In addition, it is responsible for reviewing the succession plans for Executive Directors and Non-Executive Directors. This involves:

- Keeping under review the leadership needs of the Group, both Executive and Non-Executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace;
- Regularly reviewing the structure, size and composition of the Board to ensure it has an appropriate balance of skills, diversity, experience, knowledge and independence, and reporting and making recommendations to the Board with regard to any changes; and
- Regularly assessing the knowledge, skills and experience of individual members of the Board and reporting the results to the Board.

Governance report

Report of the Nomination Committee continued

Succession planning: Board level

The Committee has put in place an orderly succession plan for the Non-Executive Directors, taking into account governance requirements and the balance of Directors' skills and experience. The Committee will keep this process under regular review.

In August 2022, Rio Ferdinand left the Board and Elaine O'Donnell and Richard Stables joined the Board as Non-Executive Directors. Elaine and Richard bring complementary skills and experiences as senior financiers in their respective careers, broadening and deepening the Board's skillset.

During the year, the Committee supported the appointment of Ann-marie Murphy, Chief Operating Officer, to the Board, and the recruitment and appointment of Luke Tait as Chief Financial Officer. Ann-marie was promoted from the Executive Committee and Luke Tait joined the Board and Executive Committee with responsibility for all aspects of the finance function.

In February 2023, Simon Jones was appointed to the Board as a Non-Executive Director and member of all the Board's Committees. Simon brings extensive commercial and operational experience as a current executive of a leading UK consumer business.

Search for a new CEO

In January 2023, we announced that Richard would step down as CEO following more than seven years leading the Company as CEO and as CFO. The Board has initiated the process to find a new CEO. Richard will step down from the Board in due course and he will remain available to support the Group until July 2023.

Succession planning: beyond the Board

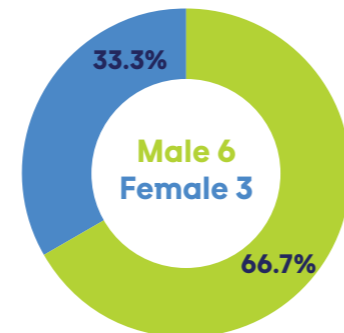
The Committee regularly reviews the composition and succession plans in place for members of the Executive Committee and their direct reports. The Committee received a report on the future model, capability and succession planning for key roles within the wider business, focusing on the Executive Committee and Senior Management Team and ongoing resource requirements.

During the year, the Committee supported the strengthening of the Executive Committee with two new members, promoted from internal positions: Emily Kortlang as Chief Marketing Officer, and Nick Shelmerdine as Director of Strategy and Corporate Development.

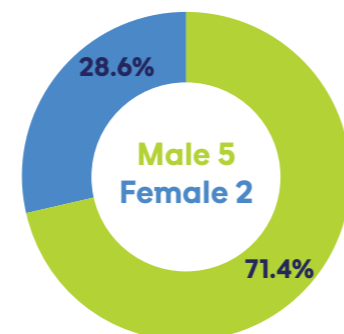
In addition, the CEO regularly briefs the Board about the performance of individual Executive Committee members and any changes that he proposes to make to this team. Whilst this activity does not take place formally within the meetings of the Nominations Committee, it does form part of its work in overseeing Executive Committee development and succession process, and the pipeline of talent available for succession to the Board. The Board members have regular contact with members of the Executive Committee and the wider Senior Management Team, through formal Board presentations, attendance at annual strategy days, and in regular visits to the head office and other Group sites, when Non-Executive Directors meet members of the Executive Committee and Senior Management Team on a less formal basis. Non-Executive Directors also mentor and provide guidance to Executive Committee members as well as members of the Senior Management Team, subject to the specific requirements of the mentee.

Gender breakdown at 31 December 2022

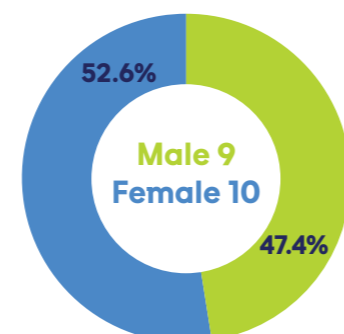
Board



Executive Committee



Executive Committee's Direct Reports (19 people)



Workforce representation

Rio Ferdinand, our NED for workforce engagement, left the Board in August 2022. We have long standing and effective structures for workforce engagement developed over several years. Ann-marie Murphy, COO, ensures that the views of the wider workforce are regularly represented by reporting on People & Operations, which is a standing agenda item at each Board meeting, and that these views are fed into the Board's decision making process. In addition, the Sustainability Committee receives reports and information on workforce matters including equality, diversity and inclusion and team development initiatives. The Committee intends to review the effectiveness of this alternative arrangement in 2023 as part of the Board's annual review of effectiveness, and will report updates in 2023's Annual Report and Accounts.

Diversity and inclusion

Our Diversity and Inclusion policy is that no individual should be discriminated against on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic or national origins), religion or belief, sex or sexual orientation. Our policy is reflected in our approach to recruitment at all levels, including Board level, and is stated in our employee handbook which forms part of our employees' service contracts.

As at 31 December 2022, the Board comprised 33.3% (three) female and 66.7% (six) male Board members. The gender balance within our Executive Committee, as at 31 December 2022, was 28.6% (two) female and 71.4% (five) male members, including the three Executive Directors. The Executive Committee's direct reports, comprising our Senior Management Team and certain heads of departments, have 52.6% (ten) female and 47.4% (nine) male members.

We believe we are making progress towards a more diverse leadership in all areas, including gender and cultural diversity, and are working towards a more representative, diverse Board to reflect our workforce. We continue our commitment to Diversity and Inclusion through reviewing progress against our Equality, Diversity and Inclusion pledges and projects focused on our purpose of breaking down barriers. Details of relevant initiatives can be found on pages 44-45.

We will be publishing our annual Gender Pay Gap report on our website. As described in the Sustainability report on page 45, in January 2022, we introduced a new director level to the business. This resulted in an initial increase in males at a senior level, which created a rise in our mean gender pay gap to 3.3% (versus 1.6% in 2021). Our median pay gap remains consistent with 2021 reporting as most of our employees undertake the same role and are therefore on the same pay rate, regardless of whether they are male or female. Our full published gender pay gap report, together with our ethnicity pay gap report, will provide further details on our figures and the actions we are taking to address these gaps.

Governance processes

The Committee meets at least twice a year and at such other times as the Chair of the Committee or any member of the Committee may request. In 2022, the Committee met three times and attendance at the meetings is shown in the table on page 78.

The Committee has formal terms of reference which can be viewed on the Group's website www.tggplc.com.

In 2022, Elaine and Richard worked through their full, formal and tailored induction programme, which included site visits and gym tours, in-person and virtual Board meetings, a Board offsite, and meetings with senior management and Group advisers. Luke Tait is working through his induction while carrying out his executive duties and Simon Jones has begun his, which follows a similar format to Elaine and Richard's. In their first year as Directors, all of our new colleagues have demonstrated great engagement and willingness to learn and share the benefit of their extensive combined experience.

Board effectiveness review

We held an external Board effectiveness review in early 2022, in which a series of actions were identified and reported on in our previous Committee report (available on www.tggplc.com). These actions were successfully implemented in 2022, including holding a diversity workshop.

With the agreement of the Committee, I intend to hold an internal Board effectiveness review during 2023, later than the usual timing of Q1. The Committee has taken the decision, mindful of the requirement and benefits of an annual evaluation, to delay the evaluation from its usual timing in Q1 to later in the year. The Committee agreed that as we have had several changes to the composition of our Board and the Committee is seeking a new CEO, a short delay from the usual cycle of evaluation will enable our newer Board colleagues to complete their inductions, deepen their understanding and engage fully with the process once it is launched.

I look forward to meeting shareholders at the AGM on 11 May 2023.

John Treharne

Chair of the Nomination Committee
15 March 2023

Governance report

Report of the Audit and Risk Committee



“I am pleased to continue the Committee’s work to ensure the soundness and effectiveness of the Group’s systems and controls, supporting the Company in its next phase of strategic ambition and growth.”

Elaine O'Donnell | Chair of the Audit and Risk Committee

Committee members

Chair of the Committee	Elaine O'Donnell
Committee members	Emma Woods Wais Shaifta David Kelly Simon Jones*

Number of meetings held in 2022 4

* Simon Jones joined the Committee in February 2023.

Dear Shareholder

As Chair of the Audit and Risk Committee (the ‘Committee’), I am pleased to present this report for the year ended 31 December 2022. This report is intended to provide shareholders with an insight into how key topics were considered during the year, the work of the Committee and how it has discharged its responsibilities.

The Committee fulfils a vital role in the Group’s governance framework, providing valuable independent challenge and oversight across the Group’s financial reporting, risk management and internal control procedures.

As our business continued to recover from the impacts of the Covid-19 pandemic, 2022 saw further disruption from economic and geopolitical instability. As with many UK consumer businesses, the Group faced a significantly increased cost base from utilities, supply chain and our workforce at a time when our customers are facing financial hardship due to the cost-of-living crisis. Despite this challenging economic backdrop, the Group has shown good financial recovery, successfully executed its ambitious gym opening programme and continued to improve its internal controls and risk management processes throughout the year. I am also pleased to report that the full year audit process has been conducted according to plan and on time, and I would like to thank the Finance team and EY for the planning and commitment that contributed to this, particularly in a year with several new individuals involved in the process.

We were delighted to welcome our new Chief Financial Officer, Luke Tait, to the business in October 2022. As Chief Financial Officer, Luke has responsibility for all aspects of financial reporting and control as well as data protection and risk management. Since joining the business, Luke has attended all Committee meetings and updated the Committee on key matters

as appropriate. I look forward to continuing to work with Luke on ensuring we maintain and further enhance our robust financial controls and quality reporting environment. The Committee is grateful for the support of the Finance Director, Michelle Valentine, in the period between Mark George leaving and Luke joining the business, and I would also like to thank Michelle and the Finance team for their diligence and support for both Luke and I through our induction into the business.

In this financial year, we have also welcomed a new external lead Audit Partner from EY, Ian Venner, who offers a fresh perspective and further enhances the independence of our external auditors. I look forward to building on our constructive early interactions with Ian and the rest of his team going forwards.

I am pleased to continue the Committee’s work to ensure the soundness and effectiveness of the Group’s financial reporting systems and internal controls, supporting the Group in its next phase of strategic ambition and growth.

Composition and Governance of the Committee

I joined the Board and was appointed Chair of the Committee in August 2022. I would like to thank David Kelly for his contribution as Chair of the Committee up until August 2022, including the recommendation of the 2022 half year results and investor presentation. I am grateful for David’s ongoing Committee membership and the role that he has played in supporting me and in ensuring a smooth handover and transition.

The Committee currently comprises five independent Non-Executive Directors, listed opposite with their appointment dates, who bring a wide range of financial and commercial expertise relevant to our market and necessary to fulfil our duties. Summary biographies of each Committee member are included on pages 72-73.

Committee Member	Appointment to the Committee
Elaine O'Donnell (Chair)	30 August 2022
Wais Shaifta	11 May 2021
David Kelly	5 July 2016
Emma Woods	14 November 2016
Simon Jones	6 February 2023

The Board is satisfied that as Chair, I have extensive recent and relevant financial experience and that the Committee as a whole has a wide range of experience and competence relevant to the sector in which the Group operates through current and previous roles.

Whilst the management team and Chair of the Board are not members of the Committee, a positive working relationship is critical to the Committee’s proper function. Only members of the Committee are entitled to attend meetings, however standing invitations are extended to the Chief Financial Officer, Chief Executive Officer, Chief Operating Officer, Chair of the Board, the external auditors and other Non-Executive Directors. In addition, the Committee also invites other senior finance and business managers to attend certain meetings,

The Company Secretary is secretary to the Committee.

In 2022, the Committee met four times. Attendance at the meetings is shown in the table on page 78. In March 2023, the Committee held a private session with the external auditor without members of management being present.

The Committee has formal terms of reference which can be viewed on the Company’s website: www.tggplc.com. During the year the Committee reviewed these terms of reference and made updates in line with best practice recommendations from the Corporate Governance Institute (‘CGI’).

Role and responsibilities of the Committee

The Committee’s role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, risk management and control.

This includes:

- Reviewing the Group’s annual and half year financial statements and accounting policies.
- Monitoring the integrity of the Group’s financial statements and related announcements, including reviewing and challenging any significant financial reporting judgements contained therein.
- As requested by the Board, assessing whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy.
- Reviewing the Group’s risk management framework, including principles, policies, methodologies, systems, processes, procedures and people; and advising on the Group’s risk appetite.
- Monitoring compliance with internal control systems; reviewing the overall effectiveness of the Group’s system of internal control and risk management and making recommendations to the Board for improvements or developments.
- Regularly reviewing the need for an internal audit function to help in evaluating the robustness of current internal control systems.

- Agreeing the external auditor’s engagement terms, scope and fees; monitoring and reviewing the effectiveness and independence of the external auditors; and ensuring appropriate policies are in place to protect independence.
- Advising on the appointment of the external auditor and the extent and fees for any non-audit services provided.
- Reviewing the effectiveness of the Group’s whistleblowing, anti-bribery and fraud prevention processes.

Summary of principal activities and focus in 2022

The principal activities since the last report were as follows:

- Transition of the leadership of the Committee to a new Chair in August 2022.
- Review and recommendation for approval to the Board the 2022 full and half year results including the investor presentation.
- Consideration of significant accounting matters and judgements in relation to the financial statements. This included consideration of management’s approach and the related comments of the external auditor.
- Consideration and recommendation of the Group’s going concern and viability statements.
- Evaluation of the reporting requirements of the TCFD framework and agreeing the scope and review of the new reporting for climate based financial disclosures.
- Consideration of the Code requirements concerning fair balanced and understandable reporting.
- Consideration of the Group’s risk management annual review, including risk appetite statement, and approval of the Principal risks and uncertainties report.

Governance report

Report of the Audit and Risk Committee continued

- Assessment of the principal risks and the effectiveness of risk management and internal control systems.
- Review of compliance with, and continuing suitability of, the Committee's terms of reference, approving minor updates.
- Oversight of the operation of the Group's Whistleblowing and Anti-Bribery policies, including rollout of training to all staff.
- Verification of the independence of the external auditor and approving the scope of the audit plan and the audit fees.
- Monitoring the transition to a new Audit Partner and reviewing the performance, effectiveness and independence of the external auditor.
- Discussions with the external auditors without management present.

Significant issues and judgements relating to the financial statements

The Committee has the responsibility to monitor the integrity of the annual and interim reports, including a review of the significant financial reporting matters and judgements contained in them.

At its meeting in July 2022, the Committee reviewed a comprehensive paper prepared by the Finance Director, which analysed the Group's results for the half year and highlighted any significant issues and judgements arising in the preparation of the Group's half year financial statements. In early 2023, an updated paper was prepared and reviewed, which supported the preparation of the Group's Annual Report and Accounts 2022. It also provided information to support the Directors' viability and going concern statements. The Committee also considered a paper prepared by the external auditor, which included their findings in respect of the audit of the full year financial statements and significant reporting and accounting matters therein.

The most significant issues and judgements considered by the Committee were as follows:

Annual impairment testing

Consistent with prior years, as part of the year end procedures, management has carried out an assessment to determine whether there are any indicators of impairment in relation to goodwill, tangible assets, right-of-use assets and other intangible assets. The cash flow forecasts used in the assessment were based on the Group's three year financial plan, together with assumed growth rates thereafter. A number of significant judgements have been made by management in relation to the impairment review process, the most judgemental of which are considered to be the determination of cash generating units ('CGUs') and the determination of the discount rates to apply to the future cash flows generated by each CGU.

Under IAS 36, goodwill is allocated to CGUs on the basis of which CGUs are expected to benefit from the business combination in which the goodwill arose. Management has determined that the Group's goodwill cannot be allocated to CGUs on a non-arbitrary basis as adding to our network of gyms is beneficial to all gyms in the Group (both the newly acquired ones and the existing network) via economies of scale, geographic coverage and brand penetration. Management has also determined that the Group has just one operating segment and no monitoring on a lower level of goodwill occurs. As a result, goodwill impairment has been tested at the operating segment level, being the entire business.

With regards impairment testing for tangible assets, right-of-use assets and other intangible assets, in many cases, individual gyms have been identified as a CGU. However, there are some instances in which a cluster of gyms has been considered by management to constitute a CGU.

This is the case where gyms in a geographic location have a higher proportion of LIVE IT members who frequently visit other gyms in the same geographic location and there is significant trading interdependency such that the cash inflows from each individual gym are not generated largely independent of each other. In these instances, management has grouped together and considered a number of gyms as a cluster for impairment testing purposes.

The discount rate to apply to the CGU cash flows was calculated by management using internal and external data points, and assumptions. As part of their audit of the impairment testing, the auditor challenged management's calculation of the discount rate and, following discussion, a revised discount rate was calculated and used.

The impairment testing methodology and key assumptions, including CGU determination and discount rates, were reviewed and considered by the Audit and Risk Committee and the Committee is satisfied that the impairment loss of £8.3m that has been recognised in the Group's financial statements for 2022 is appropriate. Please refer to notes 3, 14, 15 and 16 to the financial statements for further information.

Going concern and viability

The Committee reviewed and considered the paper prepared by management to support the going concern assumption and longer term viability statement in the financial statements. Consideration was given to the assumptions made in both the base case and reasonable downside case, as well as additional risk-based scenarios and reverse stress tests. The assessment included a review of the principal risks facing the Group, their financial impact and how they are managed. This included the adequacy and timing of renewal of the Group's bank facilities, as well as access to alternative forms of financing, which were also considered. Following a detailed review and discussion, the Committee concluded that the Group should be considered a going concern and that its longer term viability is secure.

As well as the key judgements noted above, the Committee also reviewed and considered other accounting matters including the presentation of the non-underlying items identified by management and the accounting for the acquisition of the three sites from Fitness First. The Committee is satisfied that the non-underlying items and acquisition are appropriately classified and disclosed in the financial statements. Please refer to notes 9 and 13 to the financial statements for further information.

There were no material matters requiring the Committee to make amendments to the reports.

Fair, balanced and understandable

The Board recognises its duty to ensure that the Annual Report and Accounts 2022, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Group.

The Board has placed reliance on the following to form this opinion:

- The process by which the Annual Report and Accounts 2022 was prepared, including detailed project planning and a comprehensive review process.
- The review of the Annual Report and Accounts 2022 by the Committee, placing reliance on the experience of the Committee members.
- Reports prepared by senior management regarding critical accounting judgements and significant accounting policies.
- Discussions with, and reports prepared by, the external auditor.
- Regular financial information received throughout the year, including monthly KPIs reports.

As detailed in the Directors' responsibility statement on page 111, each of the Directors has confirmed that, to the best of each person's knowledge and belief, the Annual Report and Accounts 2022, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

External auditor effectiveness

The appointment of Ernst & Young LLP in 2015 was made having considered their capabilities and experience. As part of the annual reporting process, the Committee reviewed the effectiveness of the auditor through:

- Reviewing the 2022 audit plan.
- Discussing the results of the audit, including their views on material accounting issues and key judgements and estimates.
- Meeting the auditor without management present and understanding the extent to which the auditor challenged management.
- Considering the robustness of the audit process.
- Meeting without auditors present to consider the performance of the auditor.
- Confirming their independence and objectivity through a review of formal reports presented to the Committee and considering any other conflicts of interest exist which might impact independence.
- Confirmation that no non-audit work was undertaken.

The Committee is satisfied with the performance and independence of Ernst & Young LLP and therefore recommends their reappointment at the May 2023 AGM.

External auditor fees

During 2022, management agreed an increase in the audit fees for the Group and subsidiary companies to £300,000 for the year ended 31 December 2022 (2021: £200,000). The increase partly reflected the additional audit work required around the implementation of the new lease management system and the acquisition of the three sites operating under the Fitness First brand.

Governance report

Report of the Audit and Risk Committee continued

Non-audit services

In 2022, EY did not provide any non-audit services to the Company or its subsidiaries.

In line with UK Independence Rules, the Committee is responsible for approving all non-audit services provided by the auditor. The Committee has a formal policy on the supply of non-audit services by the Company's auditor, which is aligned with the requirements of the UK Financial Reporting Council's Ethical Standards (2016 and 2019). This policy is available on the Group's website. All non-audit services carried out by the Company's auditor are pre-approved by the Committee.

External auditor rotation

The external auditor, Ernst & Young LLP, was appointed on 28 July 2015. It is intended that the external audit will be put to tender at least every ten years. As a result, the Company expects to conduct a tender process no later than 2025. In addition, as required by the UK Financial Reporting Council's Ethical Standards (2016 and 2019), Ernst & Young LLP's policy is to rotate key audit partners every five years. In line with this policy, a rotation was required ahead of our year ending 31 December 2022 and, therefore, during the year, Ian Venner took over as Audit Partner from Michael Kidd.

I can confirm that the Company has complied with 'The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014' during the financial year.

Engagement with regulators

During FY 2022, the FRC's Audit Quality Review ('AQR') team conducted a review of the audit of the Annual Report and Accounts 2021, as part of their routine processes. The findings and recommendations of this review were reported and considered by the Committee and were discussed with the auditors as part of the 2022 audit planning work and final audit meeting.

Risk management

Our risk management process and the risks which are considered to be the principal risks of the Group are detailed in the Principal risks and uncertainties section on pages 54-63.

During the year, the Committee reviewed the Group's risk management process and methodology and considered the principal and emerging risks identified by management, together with the adequacy of any mitigating actions put in place to reduce each risk. In addition, the Committee reviewed and approved the risk appetite statement included in the Annual Report and Accounts 2022, which is linked to our corporate purpose and strategic ambitions and embedded into the Group's risk management process.

The Committee discussed the inclusion of the two new risks that have been identified by management: 'Structural change in the industry' and 'Relationships with suppliers' and agreed on balance with their inclusion in the Group's principal risks in light of the current economic climate and continuation of hybrid working patterns.

The Committee also discussed the increasing propensity for cyber attacks in light of recent geopolitical events and the increased risk in relation to our people given the current economic conditions. The Committee was satisfied with the mitigations in place to manage cyber risk, which include: the Chief Information Officer ('CIO') briefing the Board on information security matters at least annually; all employees being required to complete online training courses for data protection and cyber security at least once a year; and an ongoing programme of assessments and accreditations testing the information security environment. There have been no material information security breaches in the last three years. The Committee was also satisfied that the Group continues to have in place a variety of tools to attract, retain, motivate and support its employees.

In 2023, we expect to evolve and develop further our risk management framework and appetite statements and expect to report progress in next year's Annual Report and Accounts.

Internal control

The Group's system of internal control is underpinned by the following:

- Regular review meetings of various groups, including business functions, senior management, sub-committees and the Board to discuss key issues.
- A detailed business planning process, combining top down and bottom up approaches, with outputs reviewed by the Board.
- A robust system of financial controls, including preventative controls and detective controls including a thorough review process.
- Circulation of monthly reports to the Board containing detailed information regarding financial performance, rolling forecasts, actual and forecast covenant compliance, and financial and non-financial KPIs. During the year, the Committee discussed developments in the Group's internal control environment with management and the auditors, including the implementation of a lease and property project management system which has improved control in these key areas.

Internal audit

The Committee reviewed the requirement for an internal audit function during the year, as it does annually, and has concluded that, given the relatively straightforward nature of the Group's operations and the low levels of portable assets such as cash in hand and inventory, an internal audit function is not necessary at this time. This will be kept under review as the Group continues to grow.

Whistleblowing

The Group encourages staff to report any concerns which they believe need to be brought to management's attention concerning any financial or other impropriety. All employees receive a copy of the employee handbook, which includes whistleblowing arrangements and sets out the procedures to follow should a member of staff wish to raise concerns in confidence in respect of suspicions of wrongdoing or unethical conduct, including anonymously if preferred. The policy confirms that bullying, harassment or other detrimental treatment afforded to a colleague who has made a qualifying disclosure is unacceptable. The Committee approved an updated policy in November 2021, pursuant to which a new whistleblowing reporting function accessible to all staff was launched in 2022 to supplement the whistleblowing notification email address which is available on the corporate website. The Committee receives regular reports relating to any whistleblowing-related matters raised under the relevant channels, and can consider responses where appropriate. No instances of whistleblowing were reported in 2022.

Elaine O'Donnell

Chair of the Audit and Risk Committee
15 March 2023

Governance report

Report of the Sustainability Committee



“The Committee supports the Board in developing understanding of the sustainability risks and opportunities for the Group.”

Wais Shaifta | Chair of the Sustainability Committee

Committee members

Chair of the Committee	Wais Shaifta
Committee members	John Treharne David Kelly Richard Darwin David Melhuish Penny Hughes* Simon Jones*

Number of meetings held in 2022 **3**

* Penny left in July 2022 and Simon joined in February 2023.

Dear Shareholder

I am pleased to present the Report of the Sustainability Committee (the ‘Committee’), and to report on the developments since last year.

The challenges created by the cost-of-living crisis in the UK, the impact on public and economic health of the Covid-19 pandemic, racial unrest, geopolitical instability, and climate-related disasters around the globe have accelerated focus on Environmental, Social and Governance (‘ESG’) matters, with significant risks and opportunities for our business and our members. During the year, Penny Hughes left the Board and Committee and I thank her for her engagement with and support for the Committee. In February 2023, Simon Jones joined the Committee.

Key responsibilities

- Assisting the Board in its oversight of corporate responsibility, climate, sustainability and reputational matters taking into account the Group’s purpose, strategy and culture.
- Reviewing and monitoring progress relating to objectives, targets and metrics in sustainability and ESG matters including social value, health and safety, equality, diversity and inclusion objectives.
- Assessing the Group’s current sustainability footprint, reviewing sustainability targets and commitments and materiality.
- Reviewing and recommending for approval the external statements and disclosures made by the Group in relation to sustainability and ESG matters.
- Developing, upholding and promoting the Group’s sustainability strategy, and making recommendations to the Board on sustainability and ESG matters.
- Reviewing progress against aims to continue to reduce carbon emissions and the Group’s environmental impact.
- Understanding the sustainability and climate risks and opportunities for the Group.

Strategy

Sustainability has always been at the core of The Gym Group’s business. One of the Committee’s responsibilities is to assist the Board in articulating and developing The Gym Group’s sustainability strategy, which you can find explained in more detail on our website, www.tggplc.com/sustainability. In the Sustainability report on pages 38-53, we explain our progress and performance against our sustainability strategy in the areas identified in our materiality assessment.

Risks and opportunities

The Committee supports the Board in developing its understanding of the climate and sustainability risks and opportunities for the Group. You can read more about our assessment of these risks in the Principal risks and Uncertainties section on pages 54-63. Our approach to sustainability recognises both the immediate and long term impacts of climate change on our business and the people we serve. Within the Sustainability report on pages 50-53, we have responded to evolving climate risks through our support for the Taskforce on Climate-Related Financial Disclosures (‘TCFD’).

Sustainability governance

The Committee supports the Group in continually improving its sustainability performance and reporting. ESG related matters are regularly discussed and reviewed at the Board and its Committees, with the Group always striving to meet and exceed the expectations of our stakeholders, as well as ensuring we are managing our risks and taking advantage of the opportunities. The Committee holds a dedicated meeting at least three times a year, escalating relevant matters to the Board directly after each of these meetings, and in between meetings of the Committee, the Board receives reports on key ESG related matters, such as health and safety, directly.



Activities in the year

- Completing an in-depth review of sustainability workstreams and the Group’s sustainability assessment.
- Implementing a governance framework as set out in the above table.
- Monitoring gender and cultural diversity across the Group at different levels of the workforce, understanding how reflective these populations are of our member population.

- Considering reports from the sustainability workstreams: Health and Safety, Governance, Equality, Diversity and Inclusion (‘EDI’), Environment and climate action and social impact.
- Supporting management’s engagement strategy on sustainability, including reviewing the Committee’s external reporting as required.
- Monitoring sustainability KPIs to measure delivery against the Group’s strategy and targets.

Looking forward to 2023

The Committee will continue to support the sustainability governance streams to uphold the Group’s sustainability strategy and ensure that sustainability remains at the heart of the Board’s agenda.

Wais Shaifta
Chair of the Sustainability Committee
15 March 2023

Governance report

Report of the Remuneration Committee



“In 2022 and into 2023, we have done a lot of thinking about our continuing remuneration structures relative to the market and their effectiveness for The Gym Group.”

Emma Woods | Chair of the Remuneration Committee

Committee members

Chair of the Committee	Emma Woods
Committee members	David Kelly Elaine O'Donnell Penny Hughes* Rio Ferdinand* Simon Jones*

Number of meetings held in 2022 4

* Until the relevant Director stepped down from the Board. Simon joined in February 2023.

Dear Shareholder

I am pleased to present the Report of the Remuneration Committee (the 'Committee') for The Gym Group.

Much has changed both within The Gym Group and across the wider business environment since I wrote my first Remuneration Committee Chair statement for our shareholders around a year ago.

After a number of years of very stable leadership at Board and Executive Committee level within The Gym Group, 2022/23 has seen a degree of leadership change in the business and this has impacted the structure and work of the Remuneration Committee. First let me cover Board changes: Penny Hughes, who chaired the business so effectively from IPO and contributed her extensive experience in remuneration, retired last summer and was replaced by Founder Director, John Treharne. John was not considered independent on appointment as Chair, which means that whilst he can support me and attend meetings, he is not a formal member of the Committee as the Committee is composed entirely of independent Non-Executive Directors in accordance with the Corporate Governance Code. Also, Rio Ferdinand, who had contributed to the Remuneration Committee through the last 18 months with highly relevant insights on team engagement and team pay structures, stepped off the Board due to other increasing commitments. I am therefore especially grateful that Elaine O'Donnell, a highly experienced Non Executive who has sat on a number of remuneration committees, joined the Committee in August 2022, and the Committee was further strengthened with the appointment of Simon Jones in February 2023.

As well as these Board changes, at Executive Director level we have hired a new CFO (Luke Tait) who was able to join us in October 2022 (as disclosed last year, our prior CFO Mark George had resigned to join Wickes Group plc).

Our shareholders will also be aware that our Board agreed with Richard Darwin in January 2023 that after seven years in the business (first as CFO and then as CEO) it is the right time for him to pass the baton on to a new CEO, and we are in the process of recruiting a new talented leader for our business, using the experienced headhunting firm of Odgers. Below Board, we have strengthened our Executive Committee with the appointment of a new Chief Marketing Officer and Director of Strategy and Corporate Development. Plus, after eleven years with the business, our Chief Information Officer has also decided it is time for a new challenge, and a search is under way for new technology leadership.

Within this high level of senior leadership change throughout the year, we were very pleased that our Chief Operating Officer, Ann-marie Murphy, agreed to accept a promotion in April 2022, with Ann-marie joining the Board from that time.

This process of leadership change has meant that we have done a lot of thinking about our continuing remuneration structures relative to the market and their effectiveness for The Gym Group. We have particularly noted during this year that with widespread depression of share prices in the market (often driven by macro events) there are continuing challenges for growth-based equity plans, where actual vesting outcomes can often reflect the challenge of predicting the pace of recovery. We also note that a growing number of leisure peers have chosen to seek simpler and straightforward (and potentially fairer) alignment with shareholder experiences by moving to Restricted Share Plans with appropriate underpins, particularly where three-year share plan performance cycles may be misaligned to a longer-term development trajectory.

Throughout the year, I was encouraged that a number of our leading shareholders got in touch directly with me, both in my role as Remuneration Committee Chair, and also as Senior Independent

Director, to recognise this challenge around current remuneration incentives and provide helpful suggestions on directions which we may wish to explore in the future to ensure management were sufficiently incentivised to drive share price recovery.

Whilst I want to reassure shareholders that we are not proposing any changes to our Directors' Remuneration Policy at this year's AGM, I also want to flag that it is likely that, given the importance of having the right remuneration structures in place for our new CEO to support their vision for the next phase of growth, I currently anticipate re-engaging on the design of our remuneration policy before the end of the normal three-year policy-period.

Performance and remuneration in 2022

Team engagement is something the business worked very hard to protect during Covid-19, and in 2022 the management team were very vigilant around the potential challenges to this valuable asset to our business from the negative impacts on our staff from inflationary pressures and the cost of living.

- As a business we took decisive action and, reflecting the feedback from our management teams below the senior leadership team and the Executive Committee, we supported a 5% pay award in September 2022, bringing forward the 2023 pay review and implementing this early. This pay award to our colleagues was higher than budgeted, as like most businesses no one had anticipated the inflationary spike when setting 2022's plan. To fund this action, the senior team of Executive Committee and Senior Management Team all opted to delay any pay award for them during 2022, choosing to prioritise lower earners.

- We continued to provide a range of support and resources available to all colleagues, such as SAYE option scheme, pension contributions, CORE perks and financial wellbeing hub, Royal London financial wellbeing support, flexible working, cycle to work schemes, travel loans, gym membership discount, eye care and flu jab vouchers, and EAP (employee assistance programme). We also provided 'Wellbeing Wednesday' communications to our team, focusing on financial wellbeing, promoting the above benefits, and signposting our team to the resources and support available to them.
- Additionally, we have partnered with financial wellbeing partners via Reward Gateway to run bespoke cost of living support webinars for individuals in our team requiring more specific assistance.
- We were delighted to be recognised by Glassdoor in 2022 as number 25 in their list of the Best Places to Work in the UK.

You will have seen in the Strategic report that profitability has not yet returned to pre Covid-19 levels. Against this background, the financial metrics (Group Adjusted EBITDA) for our 2022 annual bonus plan (50% weighting of the total) were not achieved. However, as a Remuneration Committee, we were impressed with how the Executive Committee and the Senior Management Team worked to mitigate some of the cost and business pressures in this period to achieve the results that we did. Critically, these pressures did not prevent them from overachieving on two of the non-financial annual bonus metrics which were attained, both site openings (20% weighting of total bonus) where we managed to secure and open the most sites we have ever done in a year, and our social value metric (10% weighting of total bonus) of percentage of members visiting 4+ times per month.

As we explained in last year's Report of the Remuneration Committee, the inclusion of a social value metric within our bonus plan was seen as very important to underpin the work being done on the inclusivity of our wider business proposition. When we consulted with our shareholders before the 2022 AGM, they expressed strong feedback in favour of the use of Social Value as a metric for incentive pay at The Gym Group.

The non-financial objectives achieved within 2022's annual bonus are all matters which are important to The Gym Group's long term development. These non-financial objectives were cascaded through the business. Accordingly, paying some element of annual bonus for attainment of these is, in the Remuneration Committee's view, important to reinforce the integrity of having such measures within our annual bonus plan. Critically we want to ensure we maintain the commitment of the senior team (including our CFO and COO as continuing Executive Directors) through this period of change, which, we believe, is strongly in shareholders' best interests. However, to ensure affordability and to preserve cash, we will be delivering 2022 annual bonuses solely in the form of deferred shares (equivalent to 30% of maximum bonuses) under our Deferred Share Bonus Plan which will vest after two years, but given the importance of retention will be subject to continuous employment. In the case of Luke Tait, who joined in October, these awards will be prorated for the period worked in 2022.

Application of discretion for 2022

The Committee did not apply discretion (positive or negative) during the year ended 31 December 2022.

Implementation of our Remuneration Policy in 2023

Our intention is to continue to operate our Directors' Remuneration Policy in 2023 in a way that is closely aligned with how our Policy was applied in 2022, but with certain changes (all of which are within the scope of our Directors' Remuneration Policy) which we feel are appropriate and targeted

Governance report

Report of the Remuneration Committee continued

to best address the challenges which the business is likely to face in 2023 in a period of leadership transition.

- Firstly, as is normal in cases where other Executive Directors assume the responsibilities of the Group CEO on an interim basis, our CFO and COO have been offered additional responsibility allowances which may be paid from when Richard Darwin leaves the business until a new CEO comes into post, reflecting their additional responsibilities for business leadership in this period. Details of these amounts are set out in the Implementation report. Our CFO has, however, waived the responsibility allowance and will not receive this.
- Having made no inflationary award for our senior leaders since September 2021, we have implemented the delayed 5% salary award described above in January 2023. This effectively covers 2022 and 2023.
- We are proposing a revised balance within our annual bonus metrics for 2023, with 60% on financial performance (up from 50% in 2022) and 40% on non-financial performance. Within the non-financial performance element, part will be on personal performance, but the majority will be on strategic deliverables. Within the strategic deliverables, we will focus on matters which demonstrate effective leadership of our business through the leadership transition period and which demonstrate continued business momentum (including social value contribution) and team morale.
- Our 2023 PSP metrics are matters which are important for the business and for shareholders. We are introducing a Social Value metric for PSP (20% weighting) based on our established methodology (which is externally verified by 4Global) and which reflects the wider contribution made by our gyms and which is important to our members, the business and

ultimately to our shareholders. We have retained TSR for the remaining 80% of the award: 40% of the award will measure relative TSR performance, and 40% of the award (reflecting comments from some of our leading shareholders last year) will again be on absolute TSR growth. We believe that having part of our PSP subject to a direct growth measure (absolute TSR) which should be driven by our all-round performance (both financially and strategically) remains appropriate: in a macroeconomic environment with continuing challenges, we see this measure as protecting shareholders' interests better than the use of financial measures for growth which may not remain relevant over a three-year PSP period due to external factors (such as assumptions for input costs made when setting targets).

Closing remarks: Format of the report and matters to be approved at our AGM

Although in the introduction to this report I mentioned briefly the changes made at Executive Director level within The Gym Group in 2022, full details regarding Luke's and Ann-marie's remuneration arrangements as new Executive Directors (which are fully consistent with our Directors' Remuneration Policy) are set out in the Implementation report.

The remuneration-related arrangements for Richard Darwin's leaving The Gym Group are set out in the Implementation report, and these reflect our Directors' Remuneration Policy and our contractual commitments under Richard's service agreement. As noted in the Strategic report, our whole Board remains very grateful to Richard for his work as an Executive Director, and particularly the strong leadership and commitment he showed during the unprecedented challenges of operating our business during the Covid-19 period, where businesses like ours were subject to rapidly imposed and long-lasting mandatory closures in line with UK Government requirements. I can only

echo this thanks, and as Chair of the Committee I would also like to thank Richard for the contributions he has made to the work of the Committee in the past seven years since our IPO in November 2015.

We are also grateful for the strong shareholder support shown for our forward-looking Directors' Remuneration Policy ('Policy') which was passed at the 2022 AGM with support of 96.61%. A copy of the Policy can be found within our 2021 Annual Report and Accounts which are available on our website at: www.tggplc.com/investors. For completeness, I want to flag that the resolution to approve the previous (2021) Remuneration statement and Implementation report was passed by a majority (72.87%), but a number of shareholders were unhappy with certain aspects of our 2021 remuneration. We understand that their dissatisfaction was uniquely linked to furlough monies not being repaid, and we very much expect these extraordinary events never to re-occur.

At this year's 2023 AGM shareholders will be asked to approve the Report of the Remuneration Committee (excluding the remuneration policy). The Report of the Remuneration Committee comprises this introductory statement and the Implementation report which follows on pages 96-107. The vote on the Report of the Remuneration Committee at our 2023 AGM is our normal annual advisory vote on such matters. We are happy to receive feedback from shareholders at any time in relation to our remuneration policies and hope to receive your support for the resolution referred to above at our forthcoming AGM.

I will be available at the AGM to answer any questions you may have.

Emma Woods

Chair of the Remuneration Committee
15 March 2023

At a glance

Remuneration policy and implementation

	Overview of policy	Remuneration in 2022	Implementation for 2023
Base salary	Reviewed annually. Consideration given to performance of the Group and the individual, responsibilities or scope of the role, as well as pay practices in relevant comparator companies.	Richard Darwin: £337,000 Luke Tait: £300,000 (from appointment) Ann-marie Murphy: £220,000 (from appointment)	Richard Darwin: £337,000 Luke Tait: £300,000 Ann-marie Murphy: £231,000 Ann-marie will be paid a responsibility allowance equivalent to £5,000 per month for the period from Richard leaving the business until the new CEO starts work.
Pension and benefits	Pension – maximum contribution of 10% of salary but aligned with majority of the workforce from start of 2023. Benefits consist of car allowance, life insurance, private medical cover, a car parking space and additional mobile telephone contracts (in the case of the Founder Director).	In line with policy. Executive Directors received pension contributions as follows: • Richard Darwin – 10% of salary • Luke Tait – 4% of salary • Ann-marie Murphy – 4% of salary	With effect from 1 January 2023, Executive Director pension levels will be aligned to the majority of the workforce (currently 4%).
Annual bonus	Maximum of 100% of salary. Paid in cash up to 75% of base salary and outcomes above this level deferred into shares for two years. Subject to achievement of relevant performance conditions. Subject to malus and clawback provisions.	Full attainment of site openings and members visiting 4+ times per month gives 30% attainment. 2022 outcomes awarded as shares (no cash): Ann-marie Murphy's award and Luke Tait's award (pro-rata for the part year) vest after two years subject to continued employment.	No changes in maximum. In 2023, metrics will be balanced between 60% on financial performance and 40% on non-financial performance. Within the non-financial element, part will be based on personal measures and a majority on strategic measures.
Long term incentives	Performance share award, subject to service and performance over a three-year period, as well as two year post-vesting holding period. Maximum award of 200% of salary (300% in exceptional circumstances). Subject to malus and clawback provisions.	The PSP awards granted in September 2020 are due to vest in September 2023. It is too early to accurately assess whether the awards are likely to vest. Awards granted in 2022: Richard Darwin: 175% of salary Luke Tait: 175% of salary Performance conditions for 2022 awards: Absolute TSR (50%); Cumulative Adjusted Group Operating Cash Flow (25%); ROIC in the mature estate (25%). The numbers of awards made in April 2022 were calculated using a three-month average share price (£2.22) as against April 2022 prices of c. £1.90 resulting in a 14% reduction in number of awards; this step was made to reflect shareholder experience. After joining, Luke Tait received a PSP award of 175% of salary and also a buy-out award in respect of awards from a previous employer that were forfeited on his joining the Group.	Awards for 2023: Quantum: 175% of salary Performance conditions: Absolute TSR (40%); Relative TSR (40%); Social value (20%). Relative TSR is measured against constituents of the FTSE SmallCap (ex IT and REITs).
Share ownership guidelines	300% for Richard Darwin. 200% for Luke Tait and Ann-marie Murphy and any new Executive Directors. A two year post-employment shareholding guideline of 200% of salary (or actual shareholding at leaving, if lower) applies from leaving.	Luke Tait and Ann-marie Murphy will build a shareholding to the required levels.	No changes.

Governance report

Report of the Remuneration Committee continued

2022 single total figure

	Salary	Taxable benefits	Bonus ¹	Long term incentives	Other	Pension	Total remuneration
Richard Darwin	337,000	13,680	-	-	-	31,225	381,905
Luke Tait	62,097	1,656	18,629	-	340,000	2,484	424,866
Ann-marie Murphy	158,889	8,529	47,737	-	-	5,538	220,693

¹ Bonuses will be delivered in deferred shares, vesting after two years, subject to continued employment.

Introduction

This report contains the material required to be set out as the Directors' Remuneration Report for the purposes of Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which amended The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('the DRR Regulations').

Directors' remuneration policy

The current Directors' remuneration policy for Executive and Non-Executive Directors was approved by shareholders at the 2022 AGM (the 'Directors' Remuneration Policy') and can be found within our 2021 Annual Report and Accounts which are available on our website at: www.tggplc.com/investors.

Implementation report

The following pages set out the implementation sections of the Report of the Remuneration Committee ('the Implementation report'). The auditors have reported on certain parts of the Implementation report and stated whether, in their opinion, those parts have been properly prepared in accordance with the Companies Act 2006. Those parts of the Implementation report which have been subject to audit are clearly indicated.

Implementation of policy for 2023 (unaudited information)

Base salary

The base salary of the Executive Directors for 2023 will be as follows:

- Chief Executive Officer: £337,000
- Chief Financial Officer: £300,000
- Chief Operating Officer: £231,000

In addition, for the period from Richard leaving the business until a new CEO starts work, Ann-marie will be paid a responsibility allowance of £5,000 per month in respect of the additional leadership obligations taken on by the continuing Executive Directors. Luke was offered the same allowance but has chosen to waive the responsibility allowance and will not receive it.

Pension

With effect from 1 January 2023, contributions rates for all Executive Directors will be aligned to that of all employees, at 4% of salary. Contributions may be made as cash supplements in full or in part.

Benefits

Details of the benefits received by Executive Directors are set out in note 1 to the single figure table on page 98.

Annual bonus

The overall bonus plan maximum for each of the Executive Directors will be 100% of base salary for 2023.

The 2023 bonus will be based 60% on financial measures (Group Adjusted EBITDA) and 40% on non-financial measures. Within non-financial measures, part will be based on personal objectives and the majority will be based on strategic deliverables which will include objectives linked to

matters which demonstrate effective leadership of the business until a new CEO comes into post and other matters demonstrating continued business momentum, including social value (to be measured using the same 4+ visits per month by members as applied for 2022 bonus) and team morale.

Due to issues of commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Committee is committed to adhering to principles of transparency in terms of retrospective annual bonus target disclosure and will, therefore, provide appropriate and relevant levels of disclosure for the bonus targets applied to the 2023 bonus (and performance against these targets) in next year's Report of the Remuneration Committee.

Bonuses are payable in cash for outcomes up to 75% of base salary, with any outcomes above this level made as awards of deferred shares under the Deferred Share Bonus Plan. Deferred shares are capable of vesting two years after these are awarded.

Long term incentives

An award will be made in 2023 under the PSP to each of the Chief Financial Officer and Chief Operating Officer over shares worth 175% of salary. As for 2022 awards, the number of shares will be calculated using the three month average share price. The metrics are summarised below. The comparator group for Relative TSR is the constituents of the FTSE SmallCap (ex IT and REITs).

Absolute TSR (40% of total award)

Compound annual growth in adjusted Gym Group share price	% of that part of the award that vests
Below 7.5%	0%
7.5%	20%
15% or above	100%
7.5% to 15%	Pro rata straight-line between 20% and 100%

Relative TSR (40% of total award)

Relative TSR ranking	% of that part of the award that vests
Below median	0%
Median	20%
Upper quintile	100%
Between median and upper quintile	Pro rata straight-line between 20% and 100%

Social value for 2025 (20% of total award)

Social value generated during financial year 2025	% of that part of the award that vests
Below £700m	0%
£700m	20%
£900m or above	100%
Between £700m and £900m	Pro rata straight-line between 20% and 100%

Chair of the Board and Founder Director

With effect from 25 July 2022, John Treharne is paid a base salary of £138,000 recognising his role as Chair. He will continue to receive benefits in accordance with the Policy. John will not receive any pension contributions, nor will he participate in the annual bonus plan or receive any PSP awards in 2023.

Non-Executive Directors' fees

David Kelly, Emma Woods, Wais Shaifta, Elaine O'Donnell, Richard Stables and Simon Jones will each receive a base fee of £55,000 per annum. It was decided during 2022, given the significant increase in workload that Committee Chairs and the SID role had experienced in recent years, that these roles would receive a market comparable additional fee for the roles fulfilled. Accordingly, from 1 July 2022 Emma Woods received an additional fee of £13,000 per annum in respect of her role as Senior Independent Director and Chair of the Remuneration Committee. From 30 August 2022, Elaine O'Donnell received an additional fee of £8,000 per annum in respect of her role as Chair of the Audit and Risk Committee.

As disclosed in the Group's announcement made on 30 August 2022, Richard Stables is currently a Partner at Fulcrum Advisory Partners LLP ("Fulcrum Partners"), an independent advisory firm, and a Senior Advisor to Blantyre Capital ("Blantyre"), a c. 11.8% shareholder in the Company. While Richard has not been appointed as a representative of Blantyre or any other shareholder and Fulcrum Partners has ceased to provide advisory services to Blantyre in relation to the Company, Fulcrum Partners is party to an incentive arrangement with Blantyre pursuant to which Fulcrum Partners is entitled to certain cash payments contingent on the share price of the Company achieving various price levels up to 600p per share, with a maximum cash value at those price levels equivalent to 305,641 shares in the Company.

Governance report

Report of the Remuneration Committee continued

Single total figure table (audited)

The remuneration for the Executive Directors, Non-Executive Directors and Chair and Founder Director of the Company who performed qualifying services during the year is detailed below.

For the year ended 31 December 2022:

£	Salary/fees	Taxable benefits ¹	Bonus ²	Long term incentives ³	Pension ⁴	Other ⁵	Total remuneration	Total fixed remuneration ⁶	Total variable remuneration ⁶
Executive Directors									
Richard Darwin	337,000	13,680	-	-	31,225	-	381,905	381,905	-
Luke Tait ⁷	62,097	1,656	18,629	-	2,484	340,000	424,866	66,237	358,629
Ann-marie Murphy ⁷	158,889	8,529	47,737	-	5,538	-	220,693	172,956	47,737
Mark George ⁸	148,589	6,644	-	-	12,981	-	168,214	168,214	-
Chair and Founder Director									
John Treharne	116,548	9,875	-	-	-	-	126,424	126,424	-
Non-Executive Directors									
Penny Hughes ⁸	78,274	-	-	-	-	1,679	79,953	79,953	-
David Kelly	55,000	-	-	-	-	-	55,000	55,000	-
Emma Woods ⁹	61,500	-	-	-	-	-	61,500	61,500	-
Wais Shafta	55,000	-	-	-	-	-	55,000	55,000	-
Rio Ferdinand ⁸	36,667	-	-	-	-	-	36,667	36,667	-
Elaine O'Donnell ^{9,10}	21,339	-	-	-	-	-	21,339	21,339	-
Richard Stables ¹⁰	18,629	-	-	-	-	-	18,629	18,629	-

¹ Taxable benefits comprise car allowance (£8,000 for Richard Darwin, £4,323 for Mark George, £1,656 for Luke Tait and £5,778 for Ann-marie Murphy), private medical cover, a car parking space and additional mobile telephone contracts (in the case of John Treharne).

² Further details of the bonus outturn for 2022 can be found on page 99. The bonus total for Ann-marie Murphy and Luke Tait represents 30% of base salary (pro-rata for the period from appointment to the Board). Bonuses will be delivered in deferred shares, vesting after two years subject to continued employment to help support retention during the period of CEO transition.

³ The 2020 PSP awards are not due to vest until September 2023. It is too early to accurately assess whether the awards are likely to vest. Details of the final vesting outcome for the 2020 PSP awards will be included in the 2023 DRR.

⁴ Pensions are provided via a defined contribution and/or cash supplement.

⁵ Luke Tait was granted a buy-out award over 228,050 shares in respect of awards from a previous employer that were forfeited on his joining the Group. The buy-out award is in the form of a 'restricted stock award' and will vest after three years, subject to continued employment. The value in 'other' for Penny Hughes is the annual value of family gym membership for ten years which was provided to Penny as a retirement gift.

⁶ Total fixed remuneration is the aggregate of the base salary, pensions and benefits elements, and total variable remuneration is the aggregate of the bonus and long term incentive elements.

⁷ Ann-marie Murphy and Luke Tait joined the Board on 11 April 2022 and 17 October 2022 respectively.

⁸ Mark George, Penny Hughes and Rio Ferdinand stepped down from the Board on 1 July 2022, 25 July 2022, and 30 August 2022 respectively.

⁹ From 1 July, Emma Woods received an additional fee of £13,000 per annum in respect of her role as Senior Independent Director and Chair of the Remuneration Committee. From 30 August 2022, Elaine O'Donnell received an additional fee of £8,000 per annum in respect of her role as Chair of the Audit & Risk Committee.

¹⁰ Elaine O'Donnell and Richard Stables joined the Board on 30 August 2022.

For the year ended 31 December 2021:

£	Salary/fees	Taxable benefits	Bonus	Long term incentives	Pension ¹	Other	Total remuneration	Total fixed remuneration	Total variable remuneration
Executive Directors									
Richard Darwin	306,000	12,772	136,782	-	28,279	-	483,833	347,051	136,782
Mark George	241,267	10,738	-	-	21,201	-	273,206	273,206	-
Founder Director									
John Treharne	195,000	8,036	-	-	-	-	203,036	203,036	-
Non-Executive Directors									
Paul Gilbert ²	19,960	1,524	-	-	-	1,128	22,612	22,612	-
Penny Hughes	138,000	-	-	-	-	-	138,000	138,000	-
David Kelly	55,000	-	-	-	-	-	55,000	55,000	-
Emma Woods	55,000	-	-	-	-	-	55,000	55,000	-
Wais Shafta	50,417	-	-	-	-	-	50,417	50,417	-
Rio Ferdinand	50,417	-	-	-	-	-	50,417	50,417	-

¹ The pension values for the Executive Directors have been restated to reflect that pension paid as a cash supplement are reduced for an amount equivalent to the employer National Insurance contributions.

² The value in 'other' for Paul Gilbert is the annual value of family gym membership for ten years which was provided to Paul as a retirement gift.

³ The aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all Directors for 2022 was £1,650,190 (2021: £1,331,521).

Further information on the 2022 annual bonus (audited)

For 2022, the overall bonus plan maximum for the Executive Directors was 100% of base salary. Performance was based on four metrics with equal weightings 50% based on financial targets (Group Adjusted EBITDA Less Normalised Rent), and the remaining 50% based on strategic targets (site openings and membership number), and number of member visits per month).

Measure (weighting)	Threshold (20%)	Maximum (100%)	Actual	Vesting outcome
EBITDA targets (50%)	£42.4m	£47.4m	£38.0m	0%
Site openings (20%)	22	25 + strong pipeline	28	100%
Membership numbers (20%) ¹	882,000	922,000	831,000	0%
% of members visiting 4+ times per month (10%)	43.0%	45.0%	47.2%	100%
Overall				30%

¹ Membership numbers averaged over last three months in 2022.

As explained in the Committee Chair's letter, the Remuneration Committee has decided that the 2022 annual bonus will be delivered purely as awards of deferred shares under the Deferred Share Bonus Plan. Deferred shares awarded for 2022 bonuses will be subject to continued employment and will be capable of vesting two years after these are awarded.

Governance report

Report of the Remuneration Committee continued

Performance Share Plan awards

Vesting outcomes for 2019 PSP awards

The TSR element of 2019 PSP awards was not determined in time for inclusion in the Annual Report and Accounts 2021.

The final outcome was subsequently confirmed as resulting in nil vesting for that part of the award and the overall vesting outcome for the 2019 awards was therefore nil, as confirmed in the table below.

Performance measure and weighting	Target range	Performance achieved	Vesting outcome	% of total award vesting
Earnings per share growth (25%)	Target range between 14.2p (20% vests) and 19.6p (100% vests) for financial year 2021.	(20.7)p	0%	0%
TSR (50%)	Target range between median performance (20% vests) and upper quintile performance (100% vests) against the constituents of the FTSE SmallCap (excluding investment trusts) measured over three-year period to 27 March 2022.	Below median	0%	0%
ROIC (25%)	Target range between 29.7% and 31.7%. Vesting above 60% for this part of the award subject to an additional underpin of average ROIC of 20% for legacy Lifestyle and easyGym sites across 2020 and 2021.	18%	0%	0%
Total				0%

Vesting outcomes for 2020 PSP awards

The PSP awards granted in September 2020 are due to vest in September 2023. It is too early to accurately assess whether these awards are likely to vest. The final vesting outcome will be disclosed in the Annual Report and Accounts 2023.

Details of outstanding PSP awards

Executive	Awards held at 1 Jan 2022	Awards granted during the year ¹	Awards exercised during the year	Awards lapsed during the year ²	Interests held at 31 Dec 2022 ³
Richard Darwin ⁴	816,421	265,414	–	236,913	844,922
Luke Tait ⁵	–	580,186	–	–	580,186
Ann-marie Murphy ⁶	404,433	153,464	93,888	58,686	405,323
Mark George ⁷	598,708	–	–	598,708	–
John Treharne	170,553	–	–	–	170,553

¹ The exercise price of awards granted during the year is 0.01p.

² 2019 PSP awards (representing 236,913 shares for Richard Darwin and 58,686 shares for Ann-marie Murphy) lapsed as the performance conditions for these awards were not achieved.

³ The minimum share price in 2022 was 94.0p and the maximum share price was 265.5p. The closing share price on 31 December 2022 was 109.0p.

⁴ PSP awards were granted to Richard Darwin at the three-month average market price of 222.2p to the last trading day prior to grant on 6 April 2022, thus representing an award over shares worth 175% of basic salary.

⁵ Awards granted to Luke Tait during 2022 include: (i) an award over 352,136 shares, worth 175% of basic salary, and subject to the same performance conditions as awards made to the other Executive Directors; (ii) a buy-out award over 228,050 shares in respect of awards from a previous employer that were forfeited on his joining the Group. The awards granted to Luke Tait were each granted at the three-month average market price of 149.09p to the last trading day prior to grant on 17 October 2022.

⁶ Awards were granted to Ann-marie Murphy prior to her promotion to the Board. The awards were calculated using the three-month average market price of 222.2p to the last trading day prior to grant on 6 April 2022 and thus represent shares worth 155% of basic salary, and reflect her previous role as Chief People Officer (before she was promoted to the Board).

⁷ Mark George resigned during 2022 and all of his unvested PSP share awards lapsed when he left the business.

The PSP awards subject to performance conditions will normally vest based on performance against the following targets:

Performance measure	2020 award (66.7% relative TSR and 33.3% absolute TSR)	2021 award (66.7% relative TSR and 33.3% absolute TSR)	2022 award (50% absolute TSR, 25% ROIC in mature estate, 25% cumulative adjusted cash flow)
Relative TSR 20% of this part vests at threshold performance rising on a pro rata basis until 100% vests.	Target range between median performance against the constituents of the FTSE SmallCap (excluding Investment Trusts) rising on a pro rata basis until full vesting for upper quintile performance.	Target range as for 2020 award.	Not applicable.
ROIC in mature estate 20% of this part vests at threshold performance rising on a pro rata basis until 100% vests. Measured over three financial years commencing with the year of award (average across three years).	Not applicable.	Not applicable.	Target range between 25% and 30%.
Absolute TSR 20% of this part vests at threshold performance rising on a pro rata basis until 100% vests at maximum performance.	Target range between 210p (threshold) and 300p (maximum).	Target range between 285p (threshold) and 335p (maximum).	Target range between 300p (threshold) and 375p (maximum).
Cumulative Adjusted Group Operating Cash Flow 20% of this part vests at threshold performance rising on a pro rata basis until 100% vests. Measured over three financial years commencing with the year of award.	Not applicable.	Not applicable.	Target range between £135m (threshold) and £150m (maximum).

Detail:

- The TSR conditions will (other than in exceptional circumstances) use a three-month averaging period at the start and end of each performance period to calculate the TSR of the Company and, where relevant, the TSR of the constituents of the comparator group. TSR is measured on the basis of performance over a three year period beginning with the grant date (where awards are made later in the year, TSR may be measured from the main award date for that year). The absolute TSR measure will also credit any dividends paid in the performance period.
- ROIC in the mature estate reflects ROIC in those sites which have been developed organically by the Group and have been open more than two years.
- The cash flow performance condition is measured by reference to cumulative adjusted operating cash flow generated by the Group during the three year performance period. Please note that the Annual Report and Accounts 2021 incorrectly referred to performance measured over a single financial year. For the avoidance of doubt, the condition is a cumulative measure of adjusted operating cash flow across a three year performance period.
- The Committee also has a standard power to apply its judgement to adjust the formulaic outcome of all performance measures to take account of any circumstances (including the performance of the Company, any individual or business) should it consider that to be appropriate.

Governance report

Report of the Remuneration Committee continued

Participation in the Share Incentive Plan ('SIP')

The Executive Directors participate in the SIP on the same terms as all other employees. Details of the Executive Directors' participation in the SIP are as follows:

Executive	Total SIP shares at 1 Jan 2022	Partnership shares purchased in 2022	Matching shares awarded in 2022	Free shares awarded in 2022	Shares forfeited or withdrawn in 2022 ¹	Total SIP shares at 31 Dec 2022
Richard Darwin	10,169	955	955	-	-	12,079
Ann-marie Murphy	1,736	365	365	-	-	2,466
Luke Tait	-	-	-	-	-	-
Mark George	6,848	1	1	-	6,850	-

¹ 2,287 matching shares were forfeited when Mark George left employment with the Group. The remaining partnership shares were transferred to Mr George, in accordance with the rules of the SIP.

Participation in the Sharesave Plan

The Executive Directors participate in the Sharesave Plan on the same terms as all other employees. Details of the Executive Directors' participation in the Sharesave Plan are as follows:

Executive Director	Total Sharesave awards at 1 Jan 2022	Awards granted (number)	Exercise price of awards granted (pence)	Awards vested (number)	Awards exercised (number)	Awards lapsed (number)	Total Sharesave awards at 31 Dec 2022	Earliest exercise date
Richard Darwin	16,666	-	108.0	-	-	-	16,666	1 December 2023
Ann-marie Murphy	1,000	-	108.0	-	-	-	1,000	1 December 2023

Statement of Directors' shareholding and share interests (audited)

The table below details, for each Director who served during the year, the total number of Directors' interests in shares at 31 December 2022 or the date the departing Director left the Board:

Director ^{1,2}	John Treharne ³	Richard Darwin ⁴	Luke Tait	Ann-marie Murphy	David Kelly	Emma Woods ⁵	Wais Shafiq	Elaine O'Donnell	Richard Stables	Mark George ²	Penny Hughes ²	Rio Ferdinand ²
Ordinary shares	1,591,908	721,760	64,210	-	10,000	13,930	-	-	100,000	13,642	65,201	-
Shares awarded under SIP	3,909	12,079	-	2,466	-	-	-	-	-	4,563	-	-
Maximum shares receivable under PSP awards	170,553	844,922	580,186	405,323	-	-	-	-	-	-	-	-
Maximum shares receivable under Sharesave awards	-	16,666	-	1,000	-	-	-	-	-	-	-	-
Total shareholding and share interests	1,766,370	1,595,427	644,396	408,789	10,000	13,930	-	-	100,000	18,205	65,201	-

¹ The shareholdings and awards set out above include those held by Directors and their respective connected persons.

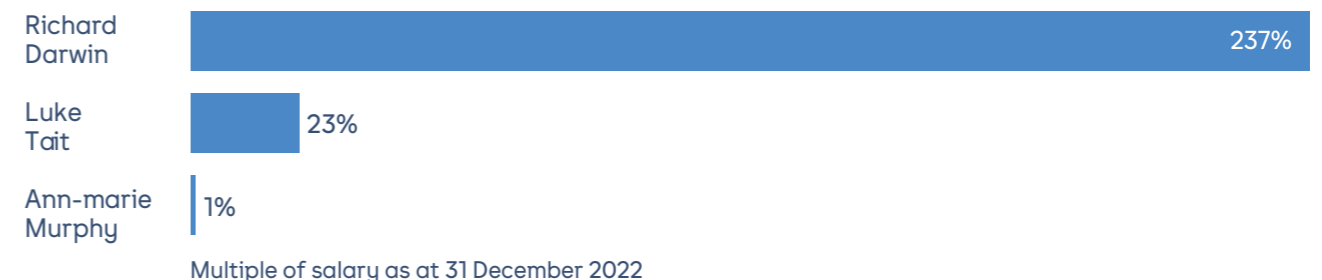
² Penny Hughes, Mark George and Rio Ferdinand stepped down from the Board during the year (their interests above are shown at the date they left the Group). The total number of Ordinary shares in which Penny Hughes or persons connected with her was interested in included 5,201 Ordinary shares owned by Robbie Hughes on the date Penny left the Board. All PSP and Sharesave awards for Mark George lapsed when he left the Company.

³ There is a charge over 1,150,000 Ordinary shares held in John Treharne's name in an account with Investec Wealth & Investment Limited.

⁴ The total number of Ordinary shares in which Richard Darwin or persons connected with him is or are interested in includes 100,000 Ordinary shares owned by Charlotte Darwin.

⁵ The total number of Ordinary shares in which Emma Woods or persons connected with her is interested in includes 8,930 Ordinary shares owned by Lorcan Woods.

Progress towards share ownership guidelines



Multiple of salary as at 31 December 2022

Percentages at the end of the bars show the total beneficial shareholding as a % of salary

Under share ownership guidelines implemented by the Remuneration Committee, any Executive Director at Admission is required to build and then maintain a shareholding equivalent to 300% of base salary, and any Executive Director appointed after Admission has a share ownership guideline of 200% of base salary. Additionally, John Treharne previously committed to (and continues to comply with) maintaining a holding of at least 0.5% of issued share capital whilst in the role of Founder Director. Richard Darwin's shareholding has increased slightly during 2022, but his share ownership as a proportion of salary has fallen below the guideline level due to share price movements. Luke Tait and Ann-marie Murphy will build a shareholding to the required levels.

Departure of our CEO

As was announced on 12 January 2023, Richard Darwin is stepping down as our CEO and will leave the Board in due course. The remuneration related arrangements for Richard leaving the Group are fully in line with our Directors' Remuneration Policy whereby:

- Fixed pay reflects contractual entitlements for the notice period only.
- Richard is permitted to retain his unvested PSP share plan awards, although the vesting of these remains subject to full application of the performance conditions over the original performance periods, and any vested shares will be reduced on an appropriate time pro-rated basis and remain subject to holding periods.
- Holdings under the SIP and SAYE schemes will be treated in accordance with the relevant plan rules.
- Richard is not entitled to a bonus in respect of 2022 as these are being given in shares and given importance of retention will be subject to continuous employment, which Richard will not qualify for. Richard is entitled to participate in the 2023 bonus scheme which will be prorated for the period for which he works only, to reflect his role in leading and setting up the business for the change of CEO.

Appointment of our new CFO

The remuneration package for our new CFO, Luke Tait on appointment is summarised in the 'At-a-glance' summary on page 95. In addition, on resigning from his former employer, Nandos, Luke forfeited certain share plan awards. To secure Luke's appointment it was necessary to 'buy out' these awards on a 'like-for-like' basis as permitted by the Directors' Remuneration Policy. As the forfeited awards were in relation to an unquoted company, the buy-out was negotiated to provide equivalent 'expected value', delivered in 'restricted stock' awards over The Gym Group shares and which will vest dependent on continued employment. In summary, the buy-out awards have the following terms:

- 228,050 shares
- date of award – 17 October 2022
- vesting date – 17 October 2025

Payments to past Directors (audited)

Payments were made to Mark George during the year, consistent with the disclosed payments set out in the 2021 report and otherwise disclosed in this report.

Governance report

Report of the Remuneration Committee continued

Performance graph and CEO remuneration table (unaudited)

The graph below shows the total shareholder return ('TSR') performance of an investment of £100 in The Gym Group plc's shares from its listing in November 2015 to the end of the period, compared with a £100 investment in the FTSE SmallCap Index over the same period. The FTSE SmallCap Index was chosen as a comparator because it represents a broad equity market index of which the Company is a constituent. The TSR was calculated in accordance with the DRR Regulations.

Total Shareholder Return (TSR)



The table below details certain elements of the CEO's remuneration over the same period as presented in the TSR graph:

Year	CEO	Single figure of total remuneration	Annual bonus pay-out against maximum %	Long term incentive vesting rates against maximum opportunity %
2015	John Treharne	£287,793	£60,000 ³	n/a
2016	John Treharne	£313,628	27.2% ⁴	n/a
2017	John Treharne	£431,302	74.3% ⁴	n/a
2018 ¹	John Treharne	£272,721	16.0%	41.7%
2018 ¹	Richard Darwin	£97,326	16.0%	41.7%
2019	Richard Darwin	£536,613	35.1%	72.5%
2020	Richard Darwin	£335,624	0%	0%
2021 ²	Richard Darwin	£483,833	44.7%	0% ⁵
2022	Richard Darwin	£381,905	0% ⁶	n/a ⁷

1 The 2018 figures represent the single figure of total remuneration for John Treharne for the period to 17 September 2018, and for Richard Darwin from that date.
 2 The single figure of total remuneration has been updated to reflect the amended value for Richard Darwin for 2021 as a result of the restated pension value. Please see page 99 for further details.
 3 The actual bonus paid has been inserted for 2015 as this related to the year of Admission when an uncapped discretionary bonus plan was in operation. No long term incentive awards vested in 2015, 2016 or 2017.
 4 The maximum bonus for 2016 was 47.5% of base salary and so the outcome of 27.2% of maximum bonus was 12.9% of base salary. The maximum bonus for 2017 was 75% of base salary and so the outcome of 74.3% of maximum bonus was 55.7% of base salary.
 5 The TSR element of 2019 PSP awards was not determined in time for inclusion in the 2021 Annual Report. The final outcome was subsequently confirmed as nil vesting for the 2019 award.
 6 Richard Darwin was not eligible for a bonus as he has given notice that he will step down from the Board.
 7 The PSP awards granted in September 2020 are due to vest in September 2023. It is too early to accurately assess whether these awards are likely to vest. The final vesting outcome will be included in the 2023 report.

Annual percentage change in remuneration of Directors and employees

During 2020 and 2021, there was significant volatility in remuneration at The Gym Group, as a result of the impact of Covid-19 and the actions taken by the Board to ensure that executive remuneration aligned with the broader experience of our stakeholders. During 2022, the business started to return to a more stable position, albeit subject to significant inflationary pressures as a result of the Ukraine war and resulting energy crisis. Those inflationary pressures are reflected in the increases in general employee remuneration, resulting in material increases in salaries, benefits and bonuses. The percentage movements between 2021 and 2022, shown in the table below, therefore reflect the impact of these pressures on remuneration of employees and, to a lesser extent, the Directors.

The percentage change in remuneration of the Directors and employees of the business between the 2019, 2020, 2021 and 2022 financial years were as follows:

	% change from 2019 to 2020			% change from 2020 to 2021			% change from 2021 to 2022		
	Salary or fees	Benefits	Bonus	Salary or fees	Benefits	Bonus	Salary or fees	Benefits	Bonus
Employees ^{1,2}	5%	(11)%	(100)%	6%	29%	100%	11%	4%	720%
Executive Directors:									
Richard Darwin	(6)%	3%	(100)%	8%	8%	100%	10%	7%	(100)%
Luke Tait ³	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ann-marie Murphy ³	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mark George ⁴	(3)%	20%	(100)%	13%	100%	0%	(38)%	(38)%	0%
Chair and Founder Director:									
John Treharne	(27)%	(48)%	N/A	36%	42%	N/A	(40)%	23%	N/A
Non-Executive Directors:									
Penny Hughes ⁴	(27)%	N/A	N/A	36%	N/A	N/A	0%	N/A	N/A
David Kelly	(27)%	N/A	N/A	36%	N/A	N/A	0%	N/A	N/A
Emma Woods	(27)%	N/A	N/A	36%	N/A	N/A	24%	N/A	N/A
Wais Shafta ⁵	N/A	N/A	N/A	N/A	N/A	N/A	0%	N/A	N/A
Rio Ferdinand ⁶	N/A	N/A	N/A	N/A	N/A	N/A	0%	N/A	N/A
Elaine O'Donnell ⁷	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Richard Stables ⁷	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 The strict legal requirement is to only provide details of employees of The Gym Group plc. As the listed entity has very few employees, we have decided to voluntarily disclose in respect of all The Gym Group employees.
 2 The average percentage change in employee remuneration was calculated using the movement in mean values (in respect of each element of remuneration) between the relevant years. The relevant mean values were calculated by dividing the aggregate total of each element of remuneration for all Group employees during the year (calculated on an FTE basis) by the total number of Group employees.
 3 Ann-marie Murphy and Luke Tait joined the Board on 11 April 2022 and 17 October 2022 respectively.
 4 Mark George and Penny Hughes stepped down from the Board on 1 July 2022 and 25 July 2022 respectively.
 5 Wais Shafta joined the Board on 1 February 2021.
 6 Rio Ferdinand joined the Board on 1 February 2021 and stepped down on 30 August 2022.
 7 Elaine O'Donnell and Richard Stables joined the Board on 30 August 2022.

Governance report

Report of the Remuneration Committee continued

CEO to employee pay ratio (unaudited)

The table below shows how the CEO's single figure remuneration (as taken from the single figure remuneration table on page 98) compares to equivalent single figure remuneration for full-time equivalent UK employees, ranked at the 25th, 50th and 75th percentile.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2018	Option B	19.2 : 1	12.8 : 1	10.4 : 1
2019	Option B	30.4 : 1	26.6 : 1	13.5 : 1
2020	Option B	19.0 : 1	18.8 : 1	13.2 : 1
2021	Option B	26.3 : 1	25.0 : 1	23.8 : 1
2022	Option B	19.6 : 1	19.1 : 1	15.5 : 1

Notes to the CEO to employee pay ratio:

- Option B (based on the gender pay gap reporting disclosures) was preferred as this data was already prepared on a Group basis.
- In line with the gender pay gap reporting regulations, pay for the 25th percentile, median and 75th percentile employees was calculated with reference to 5 April for each financial year. As the employees at the 25th, 50th and 75th percentile all have the same hourly rate (for gender pay gap reporting purposes), the relevant individuals were identified using the full pay and benefits of employees for the financial year.
- The ratios shown are representative of the FTE 25th percentile, median and 75th percentile pay for employees within the Group at the gender pay gap reference date.
- FTE equivalent pay has been calculated using the gender pay gap reporting methodology.
- The Committee believes the median pay ratios for the periods reported above to be consistent with the pay, reward and progression policies for the Group's UK employees taken as a whole as at the reference date.

The total pay and benefits and the salary component of total pay and benefits for the 2022 pay and benefits of the employees at each of the 25th percentile, the median, and the 75th percentile are shown below:

	Salary			Total pay and benefits		
	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
	£19,527.60	£20,026.27	£20,849.65	£19,527.60	£20,026.27	£24,671.37

The change in each of the pay ratios for 2022 (relative to prior year) reflects the relative reduction in total remuneration for the Chief Executive Officer (which has reduced by over 20% compared to the prior year). This partly obscures the underlying changes in employee remuneration which is made up of increased salaries (c. 3-5%) and higher bonus for the representative employee at the 75th percentile.

Relative importance of spend on pay (unaudited)

The table below details the change in total staff pay between 2021 and 2022 compared with distributions to shareholders by way of dividend, share buy backs or any other significant distributions or payments:

	2022 £'000	2021 £'000	% change
Total gross staff pay ¹	35,403	29,738	19%
Dividends/share buyback(s)	-	-	0%

¹ The increase in gross staff pay from 2021 reflects the combined impact of higher employee wages and bonuses, as well as the increase in employee numbers due to new gym openings.

Summary of shareholder voting

The following table shows the results of the advisory vote on the 2021 Directors' Remuneration Report (at the 2022 AGM) and the binding vote on the Directors' Remuneration Policy at the 2022 AGM:

	Approval of the 2021 Directors' Remuneration Report (2022 AGM)		Approval of the Directors' Remuneration Policy (2022 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	102,619,408	72.9%	137,871,527	96.6%
Against	38,206,463	27.1%	4,841,266	3.4%
Votes withheld	3,174,635	-	1,287,713	-

The advisory vote on the 2021 Report of the Remuneration Committee was passed with approximately 72.9% support. Please see the Committee Chair's letter on page 94 for further context.

Remuneration Committee in 2022 (unaudited)

The Committee's principal responsibilities are to recommend the Group's policy on executive remuneration, determine the levels of remuneration for Executive Directors and the Chair of the Board and prepare an annual remuneration report for approval by the shareholders at the AGM.

The Chief Executive Officer and other Executive Directors as necessary are invited to attend meetings of the Committee, except when their own remuneration is being directly discussed. Our Chair, John Treharne, takes no part in any discussions relating to his own remuneration. The Committee met four times during the year and the table on page 78 details attendance of members at these meetings.

The Committee has formal terms of reference which can be viewed on the Group's website.

The Committee does not currently consult with employees specifically on the effectiveness and appropriateness of the Executive Remuneration Policy and framework. However, the Group seeks to promote and maintain good relationships with employees as part of its employee engagement strategy. The whole Board, especially the Chair of the Board and the Chair of the Remuneration Committee, regularly visit our gyms, which facilitates engagement and keeps the Board up to date with gym operations. It is our intention to continue this dialogue in 2023 and to explain to the wider workforce how the pay of Executive Directors and employees is aligned.

During the year, the Committee considered its obligations under the UK Corporate Governance Code and concluded that:

- the Directors' Remuneration Policy supports the Group's strategy (including in the performance measures chosen); and
- remuneration for our Directors remains appropriate.

In addition, the Committee has ensured that the Directors' Remuneration Policy and practices are consistent with the six factors set out in Provision 40 of the Corporate Governance Code:

Clarity – Our Directors' Remuneration Policy is well understood by our senior Executive team and has been clearly articulated to our shareholders and representative bodies (both on an ongoing basis and during consultation when changes are being made).

Simplicity – The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our Directors' Remuneration Policy and practices are straightforward to communicate and operate.

Risk – Our Directors' Remuneration Policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via (i) the balanced use of both annual incentives and long term incentives which employ a blend of financial, non-financial and shareholder return targets, (ii) the significant role played by shares in our incentive plans (together with bonus deferral and in employment shareholding guidelines), and (iii) malus/clawback provisions within all our incentive plans.

Predictability – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. The weighting towards use of shares within our incentive plans means that actual pay outcomes are highly aligned to the experience of our shareholders.

Proportionality – There is a clear link between individual awards, delivery of strategy and our long term performance. In addition, the significant role played by incentive/'at-risk' pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded.

Alignment to culture – Our Executive pay policies are fully aligned to The Gym Group's culture through the use of metrics in both the annual bonus and PSP that measure how we perform against key aspects of our strategy, which has the objective of delivering sustainable growth.

FIT Remuneration Consultants LLP ('FIT'), signatories to the Remuneration Consultants Group's Code of Conduct, were appointed by the Committee and provide advice to the Committee on all matters relating to remuneration, including best practice. FIT provided no other services to the Group and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of 2022 were £63,356 plus VAT. FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

On behalf of the Board

Emma Woods
Chair of the Remuneration Committee
15 March 2023

Governance report
Directors' report

The Directors present their report together with the audited financial statements for the period ended 31 December 2022.

Where reference is made to other sections of the Annual Report and Accounts 2022, these sections are incorporated into this report by reference.

A summary statement of non-financial information and where this can be found in the report is on page 65.

Corporate structure

The Gym Group plc is a public company limited by shares, incorporated in England and Wales, and its shares are traded on the Main Market of the London Stock Exchange. The Company number is 08528493.

The Board

The Directors who served during the year were:

Penny Hughes (resigned with effect from 25 July 2022)

John Treharne

Richard Darwin

David Kelly

Emma Woods

Wais Shaifta

Ann-marie Murphy (appointed with effect from 11 April 2022)

Mark George (resigned with effect from 1 July 2022)

Rio Ferdinand (resigned with effect from 30 August 2022)

Elaine O'Donnell (appointed with effect from 30 August 2022)

Richard Stables (appointed with effect from 30 August 2022)

Luke Tait (appointed with effect from 17 October 2022)

On 12 January 2023, it was announced that Richard Darwin would step down as Chief Executive Officer and Executive Director in due course. Simon Jones joined the Board on 6 February 2023.

The roles and biographies of the Directors as at the date of this report are on pages 72-74. The general powers of the Directors are set out in Articles 64 to 68 of the Company's Articles of Association ('the Articles'). These provide that the Board may exercise all the powers of the Company, subject to applicable legislation, the Articles and any special resolution of the Company, applicable on the date that any power is exercised.

Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Company's Articles. These state that the number of Directors shall not be less than two nor exceed 12 and that:

- The shareholders may, by ordinary resolution, elect any person willing to act as a Director.
- The Board may, by ordinary resolution, elect any person willing to be a Director.
- Every Director shall retire at each AGM and be eligible for re-election.
- The Company may, by special resolution, or ordinary resolution of which special notice has been given according to applicable legislation, remove any Director before the expiration of his or her period of office.
- There are a number of other grounds on which a Director's office may cease, namely: voluntary resignation, if they are absent without special leave of absence for a period of more than six months, they are physically or mentally incapable of acting as a Director, they become bankrupt or prohibited by law from being a Director.

Directors' indemnity insurance

The Company has granted an indemnity by way of deed poll to its Directors against any liability which attaches to them in defending proceedings brought against them, to the extent permitted by English law. In addition, Directors and Officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance.

Compensation for loss of office

The Company does not have arrangements with any Director which would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

Dividend

As noted on page 21, the Directors are not proposing a final dividend for the year 2022. It is a condition of the Company's Bank Facilities that the Company shall not declare or pay a dividend while the new £10m additional RCF Facility is in place.

Going concern

As noted on pages 62-63, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2024. As a result, they continue to adopt the going concern basis in preparing these consolidated financial statements.

Future developments in the business

The likely future developments in respect of the business can be found in the Strategic report on pages 8-69 and forms part of this report by reference.

Corporate governance

A report on corporate governance and compliance with the UK Corporate Governance Code is set out on pages 70-80, and forms part of this report by reference.

Health and safety

An overview of health and safety is provided in the Sustainability report on page 43 and forms part of this report by reference.

Greenhouse gas emissions

Information on the Group's greenhouse gas emissions is set out in the Sustainability report on pages 46-49 and forms part of this report by reference.

Human rights, anti-bribery and anti-corruption

Information on the Group's human rights and anti-bribery and corruption policies is set out in the Sustainability report on page 39 and forms part of this report by reference.

We comply with the Modern Slavery Act and our statement, including further information on our activity to mitigate risks related to modern

slavery, can be found on our website: www.tggplc.com/modern-slavery.

Political donations

The Company made no political donations in 2022 (2021: £nil).

Employee involvement and policy regarding disabled persons

The Group operates an equal opportunities policy which aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or on any other basis. The Group's policy and procedures are designed to provide for full and fair consideration and selection of disabled applicants, to ensure they are properly trained to perform safely and effectively and to provide career opportunities which allow them to fulfil their potential. Where an employee becomes disabled in the course of their employment,

the Group will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

Directors' interests

The beneficial interests of the Directors of the Company at 31 December 2022, and their connected persons, in the issued Ordinary shares are provided on page 102 within the Report of the Remuneration Committee.

Major interests in shares

As at 31 December 2022, the Company was aware of the following interests representing 3% or more of the issued share capital of the Company. It should be noted that these holdings may have changed since notified to the Company; however, notification of any change is not required until the next applicable threshold is crossed.

Institution	Number of shares	Percentage
Blantyre Capital	21,059,643	11.81
Liontrust Sustainable Investments	18,184,078	10.20
Invesco	9,138,239	5.12
Farringdon Capital Management	8,665,574	4.86
Legal & General Investment Management	8,628,833	4.84
Goldman Sachs collateral account	7,537,073	4.23
Columbia Threadneedle Investments	7,203,990	4.04
Fidelity International	7,142,451	4.00
GVQ Investment Management	6,824,346	3.83
Blackmoor Investment Partners	5,360,000	3.01

Since 31 December 2022 until 14 March 2023, the Company has been notified of the following interests representing over 3% of the issued share capital:

Institution	Number of shares	Percentage	Date of notification
Liontrust Investment Partners LLP	19,831,403	11.12	17 January 2023
Invesco ¹	9,138,239	5.12	18 January 2023

¹ Notification of shares on loan.

Share capital

As at 31 December 2022, the Company's issued share capital comprised 178,351,482 Ordinary shares with a nominal value of £0.01 each with one vote per share.

Ordinary shares

The Ordinary shares rank pari passu in all respects with the other Ordinary shares in issue, including for voting purposes, and will rank in full for all

dividends and other distributions thereafter declared, made or paid on the Ordinary share capital of the Company. Each Ordinary share ranks equally in the right to receive a relative proportion of shares in case of a capitalisation of reserves.

Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company.

The Ordinary shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary shares on or off market, subject to the Act and the requirements of the Listing Rules.

Governance report

Directors' report continued

There are no restrictions on transfers of Ordinary shares other than:

- certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing;
- some of the Company's employee share plans include restrictions on transfer of shares while the shares are held within the plan;
- pursuant to the Group's Share Dealing Code whereby the Directors and designated employees require approval to deal in the Company's shares; and
- where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

The Company is not aware of any arrangements between shareholders which may result in restrictions on the transfer of securities or voting rights.

Amendment to the Company's Articles of Association

The Company may alter its Articles of Association by special resolution passed at a general meeting of shareholders.

Authority for the Company to purchase its own shares

At the 2022 AGM, shareholders approved an authority for the Company to make market purchases of its own shares up to a maximum of 17,776,956 shares (being approximately 10% of the issued share capital at that time) at prices not less than the nominal value of each share (being £0.01 each). No use was made of this authority during the period. The Company intends to renew this authority at its 2023 AGM.

Authority to allot shares

At the 2022 AGM, authority was given to the Directors to allot new Ordinary shares up to a nominal value of £5,925.06, equivalent to 33.33% of the issued share capital of the Company. In addition, authority was given to the

Directors to allot further new Ordinary shares up to a nominal value of £11,851.90, equivalent to 66.67% of the authorised share capital of the Group. The Company intends to renew this authority at its 2023 AGM.

Significant agreements

The Company is not a party to any significant agreements which would take effect, alter or terminate upon a change of control of the Company.

Financial risk management

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in note 24 to the consolidated financial statements.

Information presented in other sections

Certain information is required to be included in the Annual Financial Report by Listing Rule 9.8.4. The following table provides references to where this information can be found in this Annual Report and Accounts 2022. If a requirement is not shown, it is not applicable to the Company.

Section	Listing Rule requirement	Location
1	A statement of the amount of interest capitalised by the Group during the period under review with an indication of the amount and treatment of any related tax relief	Note 10 Finance costs (page 142)
4	Details of long term incentive schemes	Report of the Remuneration Committee (pages 92-107)
10	Details of contracts of significance	Corporate Governance report (page 80 Directors' conflicts of interest)

Section 172 and engagement with suppliers, customers and others

In its decision making, the Board has regard to each Director's duty to promote the success of the Company on behalf of the Company's stakeholders, to foster the Company's relationships with employees, suppliers, members, and others, and considers the effect of the principal decisions taken by the Company during the financial year on the Company's stakeholders. This is set out in our s172 statement on pages 66-69.

Auditor

Each of the persons who is a Director at the date of approval of the Annual Report and Accounts 2022 confirms that: a) so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and b) the Director has taken all the steps which he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information. Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM.

AGM

The Notice convening the 2023 AGM will be circulated to shareholders separately with details of the meeting. We will ensure that shareholders are kept informed using the Notice of Meeting, our website, and relevant regulatory announcements in due course.

On behalf of the Board

Katy Tucker

Company Secretary
15 March 2023

Governance report

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Accounts 2022 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 UK-adopted international accounting standards ('IFRS'), 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 101 Reduced Disclosure Framework ('FRS 101'). Under company law, the Directors must not approve the Group 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 the 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (or in respect of the Parent Company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and performance;

- in respect of the Group financial statements, state whether applicable UK-adopted IFRSs 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 applicable UK accounting standards including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is appropriate to presume that the Company and/or Group will not continue in business.

The Directors confirm that the financial statements comply with the above requirements.

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 Group financial statements comply with the relevant financial reporting framework. They are also responsible for safeguarding the assets of the 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, Directors' report, Directors' remuneration report and Corporate Governance statement 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 Group's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Responsibility statement

The Directors confirm, to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with UK-adopted IFRSs, give a true and fair view of the assets, liabilities, financial position and results of the Parent Company and subsidiary undertakings included in the consolidation taken as a whole;
- That the Annual Report and Accounts 2022, including the Strategic report, includes a fair review of the development and performance of the business and the position of the Company and subsidiary undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- That they consider the Annual Report and Accounts 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position, performance, business model and strategy of the Company and subsidiary undertakings included in the consolidation taken as a whole.

On behalf of the Board

Richard Darwin

Chief Executive Officer
15 March 2023

Financial statements

Independent auditor's report

to the members of The Gym Group plc

In our opinion:

- The Gym Group plc's Group financial statements and Parent Company financial statements ('the financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Gym Group plc ('the Parent Company') and its subsidiaries ('the Group') for the year ended 31 December 2022 which comprise:

Group	Parent Company
Consolidated statement of financial position as at 31 December 2022	Company statement of financial position as at 31 December 2022
Consolidated statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 8 to the financial statements including a summary of significant accounting policies
Consolidated cash flow statement for the year then ended	
Related notes 1 to 29 to the financial statements, 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 section 408 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

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. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's forecast cash flows and covenant calculations covering the period from the date of signing to 30 June 2024 and we agreed these to the Group's three year financial plan.
- We challenged the appropriateness of the going concern assessment period, taking into consideration events after the going concern period which may have an impact.
- We tested the mathematical accuracy of the cash flows, as well as the calculation of the forecast covenants.
- We assessed, against historic and current membership levels and independent sector forecasts, the plausibility of the reduction in membership numbers that would lead to a covenant breach under the reverse stress test scenario, and the impact this would have on liquidity.

- We corroborated lease costs with agreements; rate forecasts to published rate increases; and benchmarked costs against external industry forecasts.
- We further corroborated the membership impact of the timing / number of new gym openings with management's expansion plans.
- We understood and challenged the Board's controllable mitigation plans, including reduced gym openings, lower marketing spend, deferral of projects and the forecast impact on the ability of the business to operate within its financial covenants.
- We obtained supporting documentation to evaluate the plausibility of management's mitigation plans considering actions delivered to date.
- We compared forecast future cash flows to historical data, ensuring variations are in line with our expectations and understanding of the business to consider the reliability of past forecasts.
- We considered the results of other audit procedures and other knowledge obtained in the audit and whether it was consistent with or contradicted management's assumptions.
- We performed our own sensitivity analysis on managements forecast cash flows.
- We obtained evidence of the banks' agreement to the extension of the Group's Revolving Credit Facility to October 2024.
- We agreed available facilities to underlying agreements and the extent of drawings thereunder to external confirmations at 31 December 2022.
- We enquired with management in respect of events beyond the going concern period, taking into consideration refinancing in October 2024, and inspected minutes of meetings held, made inquiries of our Restructuring team and considered the company's experience of support from their banks.
- We assessed the adequacy of disclosures within the Annual Report and Accounts 2022.

Our key observations

We observed that since gyms re-opened in April 2021, membership numbers have increased from 718,000 in December 2021 to 821,000 in December 2022 and 890,000 in February 2023.

Under the reverse stress test, it required an assumed reduction in new members each month against the base case, resulting in a closing membership number at 30 June 2024 of 647,000 (being 27% lower than the closing membership at 28 February 2023) to create a breach of financial covenants (breach occurring in June 2024 after available controllable mitigations had been applied) with no liquidity issues under this scenario during the going concern period.

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 30 June 2024.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of two components and audit procedures on specific balances for a further one component. • The components where we performed full or specific audit procedures accounted for 100% of Loss before tax, 100% of Revenue and 100% of Total assets.
Key audit matters	<ul style="list-style-type: none"> • Deferral of membership income. • Property, plant and equipment and Right-of-use assets impairment testing including cash flow and discount rate assumptions.
Materiality	<ul style="list-style-type: none"> • Overall Group materiality of £1,400,000 which represents 2% of Group EBITDA.

Financial statements

Independent auditor's report continued

to the members of The Gym Group plc

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the seven reporting components of the Group, we selected three components, which represent the principal business units within the Group. The remaining four components are non-trading.

Of the three components selected, we performed an audit of the complete financial information of two components ('full scope components') which were selected based on their size or risk characteristics. For the remaining component ('specific scope component'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% (2021: 100%) of the Group's Revenue, Loss before tax and Group's Total assets.

	2022			2021		
	Full scope	Specific scope	Remaining components	Full scope	Specific scope	Remaining components
Number of components	2	1	4	2	1	4
Revenue	100%	0%	-	100%	0%	-
Loss before tax	99.95%	0.05%	-	100%	0%	-
Total assets	99.98%	0.02%	-	99.9%	0.1%	-

Changes from the prior year

There are no changes from the prior year.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on their operations will be from reputational risk of not meeting net zero targets and physical risks regarding heatwaves and temperature increases. These are explained on pages 50-53 in the required Task Force for Climate related Financial Disclosures and on pages 54-63 in the Principal risks and uncertainties. They have also explained their climate commitments on pages 46-49. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in its Sustainability report how climate change has been reflected in the financial statements under summary of significant accounting policies how they have reflected the impact of climate change in their financial statements including how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2035 for Scope 1 and 2 emissions and 2045 for Scope 3 emissions. There are no significant judgements and estimates relating to climate change impacting the financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on page 53. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern to 30 June 2024 and viability of the Group over the next three years. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Deferral of membership income – total revenue for the year ended 31 December 2022: £172.9m (31 December 2021: £106.0m), of which £11.0m was deferred at 31 December 2022 (31 December 2020: £8.4m) and presented in the Consolidated Statement of Financial Position as contract liabilities.</p> <p><i>Refer to the Report of the Audit and Risk Committee (pages 84-89); Accounting policies (page 128); and note 5 of the Consolidated financial statements (page 138).</i></p>	<p>We obtained an understanding of the Group's revenue recognition process, in particular in respect of the membership subscription income recognition process. This included making enquiries of the outsourced membership management service provider to obtain an understanding of the outsourced elements of the membership income process.</p> <p>We also obtained an understanding of the deferred membership fee income calculation process and related controls.</p>	<p>Based on our procedures, deferral of membership income in the year ended 31 December 2022 is appropriately recognised and presented as contract liabilities as at that date.</p>
<p>In preparing the consolidated financial statements, management need to calculate the amount of joining and subscription payments collected, which relate to membership after the year end date and for which the related revenue should be deferred and presented as a contract liability under IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15").</p>	<p>We tested the completeness of revenue recorded during the year through obtaining the full revenue listing directly from the management service provider and agreed them to the accounting records. We tested a sample to ensure validity of the information and re-performed management's deferred membership fee income calculation for all material balances in order to ensure the accuracy of the calculation of income deferred.</p>	
<p>Although the calculation of deferred membership fees does not involve significant judgement or estimation, there are a number of inputs including large numbers of members, varying subscription rates and the reliance on outsourced processes which could be open to manipulation. The deferred revenue calculation is automated, driven by manually input reports. There is an increased risk of material error and management override in the inputs to this calculation. Further, consistent with Auditing Standards, the recognition of revenue is assessed as a material fraud risk on every audit engagement with only rare exceptions.</p>	<p>The Group audit team performed full scope audit procedures over this risk area in all locations, which covered 100% of the risk amount.</p>	



Financial statements

Independent auditor's report continued

to the members of The Gym Group plc

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Property, plant and equipment ('PPE') impairment testing – 31 December 2022: £181.0m (31 December 2021: £165.6m); Right-of-use ('ROU') assets 31 December 2022: £289.4m (31 December 2021: £281.2m)</p> <p><i>Refer to the Report of the Audit and Risk Committee (pages 84-89); Accounting policies (page 132); and notes 15 and 16 of the Consolidated financial statements (pages 147-150).</i></p> <p>As disclosed in notes 15 and 16 to the Consolidated financial statements, PPE including ROU of £470.4m is recognised.</p> <p>Management has undertaken an annual impairment review in respect of PPE and ROU assets and has recognised an impairment of £8.3m in the current year.</p> <p>We focused on this area due to both the significance of the carrying value of PPE and ROU assets; and the inherent uncertainty involved in an impairment review, which requires management to make significant judgements and estimations as to future outcomes and assumptions of cash flows (for example customer acquisition and retention, changes in subscription rates, operating costs etc), along with the discount rate to be applied to those cash flows and the determination of CGUs. In addition, such judgements and estimates could be influenced by management bias.</p> <p>The significant assumptions are disclosed in note 15 for PPE and note 16 for ROU assets.</p>	<p>We performed a walkthrough of the process and controls to gain an understanding of the Group's impairment process.</p> <p>We considered the appropriateness of the determination of cash generating units, challenging management on this allocation and obtaining supporting evidence.</p> <p>We obtained management's three-year plan for 2023 to 2025 and assessed assumptions within this. We also assessed the historical accuracy of management's forecasting by comparing actual financial performance for the year ended 31 December 2022 to management's previous budget.</p> <p>We challenged the reasonableness of these assumptions by reference to historical data, external benchmarks and the risk of management bias.</p> <p>For the impairment test, we assessed whether the assumptions disclosed in notes 15 and 16 to the Consolidated financial statements were the appropriate key assumptions to be used in the impairment model, being the discount rate, revenue growth and cost inflation, taking into consideration the cost-of-living crisis over the next three years and the long term growth from 2024 onwards.</p> <p>We considered management's sensitivity analysis showing the impact of a reasonably possible change in key impairment assumptions to determine whether an impairment charge would be required. This consideration included performing our own sensitivity analysis by reference to the results of our assessment of assumptions referred to above.</p> <p>As part of our work, we utilised internal valuations specialists to assist in assessing the appropriateness of the methodology applied in management's impairments models and to assist in our assessment of the discount rate and long-term growth rate assumptions used in the impairment models.</p> <p>We assessed the financial statements disclosures, particularly those in note 15 for PPE and 16 for ROU Assets to the Consolidated financial statements, against the requirements of IAS 36 and IAS 1 "Presentation of Financial Statements" (IAS 1), particularly those related to judgements, estimation uncertainty and sensitivities.</p> <p>The Group audit team performed the full scope audit procedures on the impairment models prepared for The Gym Group plc, which covered 100% of the risk amount.</p>	<p>Based on our procedures, we consider management's assessment and the impairment charges which have been recorded in the current year are reasonable.</p> <p>The financial statements disclosures, particularly those in notes 15 and 16 to the Consolidated financial statements, materially comply with the applicable requirements of IAS 36 and IAS 1.</p>

In the prior year, our Auditor's report included a key audit matter in relation to annual goodwill impairment testing. In the current year, we downgraded the risk due to sufficient headroom.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1,400,000 (2021: £689,000), which is 2% of Group EBITDA (2021: 0.65% Revenue). We believe that Group EBITDA would be the most appropriate basis given the focus on Group EBITDA as the Group's results continue to normalise (as compared to prior year where gym sites were closed half of the year due to Covid-19 restrictions).

We determined materiality for the Parent Company to be £3,148,000 (2020: £2,923,000), which is 1% (2021: 1%) of assets.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £1,050,000 (2021: £517,000). We have set performance materiality at this percentage due to experience with the Group demonstrating an effective control environment and low incidence of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £315,000 to £1,050,000 (2021: £187,500 to £517,000).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £70,000 (2021: £34,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report and Accounts 2022 set out on pages 1-107, other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts 2022.

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 Annual Report and Accounts 2022 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.



Financial statements

Independent auditor's report continued

to the members of The Gym Group plc

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with 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 those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority ('the FCA Rules'), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

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 the Directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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 and the part of the Report of the Remuneration Committee to be audited 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; or
- a Corporate Governance statement has not been prepared by the Company.

Corporate Governance statement

We have reviewed the Directors' statement in relation to going concern, longer term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 62-63;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 62-63;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on pages 62-63;
- Directors' statement on fair, balanced and understandable set out on page 111;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 54-63;
- The section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on pages 54-61; and
- The section describing the work of the Audit and Risk Committee set out on pages 84-89.

Responsibilities of Directors

As explained more fully in the Directors' responsibility statement set out on page 111, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and 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 Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are most significant are Companies Act 2006; UK Listing Rules; UK Listing Authority – Disclosure and Transparency Rules; The Companies (Miscellaneous Reporting Regulation) 2018; The Large and Medium-sized Companies and Group's (Accounts and Reports (Amendment)) Regulations 2013 in particular in respect of the Report of the Remuneration Committee; UK Tax Legislation; and UK Corporate Governance Code 2018.
- We understood how The Gym Group plc is complying with those frameworks by making enquiries of senior management and those charged with governance; attendance at Audit and Risk Committees; obtaining an understanding of entity-level controls and considering the influence of the control environment; obtaining an understanding of policies and procedures in place regarding compliance with laws and regulations, including how compliance with such policies is monitored and enforced; obtaining an understanding of management's process for identifying and responding to fraud risks, including programmes and controls established to address risks identified, or otherwise prevent, deter and detect fraud, as well as reviewing the risk register and how senior management monitors those programmes and controls; and reviewing correspondence with relevant regulatory authorities.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by discussing within the audit team; performing client continuance procedures; reviewing interim financial information; identifying related parties; and considering the nature of the account and our assessment of inherent risk for relevant assertions of significant accounts.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved testing of journal entries, with focus on manual journals, large or unusual transactions, or journals meeting our defined risk criteria based on our understanding of the business; enquiring of members of senior management and those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements; reviewing board meeting minutes in the period and up to date of signing; enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, and whether such policies are formalised in a code of conduct, conflict-of-interests statement or similar standard; enquiring about the entity's methods of enforcing and monitoring compliance with such policies, if any; and inspecting correspondence, if any, with regulatory authorities.

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.



Financial statements

Independent auditor's report continued

to the members of The Gym Group plc

Other matters we are required to address

Following the recommendation from the Audit and Risk Committee, we were appointed by the Company on 29 July 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 8 years, covering the years ending 31 December 2015 to 31 December 2022.

The audit opinion is consistent with the additional report to the Audit and Risk Committee.

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.

Ian Venner (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
15 March 2023

Financial statements

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	31 December 2022 £m			31 December 2021 £m		
		Underlying	Non-Underlying (note 9)	Total	Underlying	Non-Underlying (note 9)	Total
Revenue	5	172.9	–	172.9	106.0	–	106.0
Cost of sales		(2.0)	–	(2.0)	(1.7)	–	(1.7)
Gross profit		170.9	–	170.9	104.3	–	104.3
Other income	6	0.8	–	0.8	7.3	–	7.3
Operating expenses (before depreciation, amortisation and impairment)	7	(101.8)	(4.4)	(106.2)	(79.1)	(2.3)	(81.4)
Depreciation, amortisation and impairment	14,15,16	(59.3)	(8.5)	(67.8)	(52.7)	(4.2)	(56.9)
Operating profit/(loss)		10.6	(12.9)	(2.3)	(20.2)	(6.5)	(26.7)
Finance costs	10	(16.1)	(1.0)	(17.1)	(16.6)	(0.9)	(17.5)
Loss before tax		(5.5)	(13.9)	(19.4)	(36.8)	(7.4)	(44.2)
Tax (charge)/credit	11	(1.4)	1.5	0.1	8.3	0.5	8.8
Loss for the year attributable to equity shareholders		(6.9)	(12.4)	(19.3)	(28.5)	(6.9)	(35.4)
Other comprehensive income for the year							
<i>Items that may be reclassified to profit or loss</i>							
Changes in the fair value of derivative financial instruments		(0.1)	–	(0.1)	0.1	–	0.1
Total comprehensive expense attributable to equity shareholders		(7.0)	(12.4)	(19.4)	(28.4)	(6.9)	(35.3)
Loss per share (p)							
Basic and diluted	12	(3.9)		(10.9)	(16.7)		(20.7)

Reconciliation of Operating profit/(loss) to Group Adjusted EBITDA Less Normalised Rent¹

	Note	31 December 2022 £m	31 December 2021 £m
Operating loss		(2.3)	(26.7)
Add back:			
Non-underlying operating items	9	12.9	6.5
Share based payments			
(included in Operating expenses)	8,26	1.4	2.9
Underlying depreciation and amortisation	14,15,16	59.3	52.7
Group Adjusted EBITDA		71.3	35.4
Less: Normalised Rent ²		(33.3)	(29.7)
Group Adjusted EBITDA Less Normalised Rent¹		38.0	5.7

¹ Group Adjusted EBITDA less Normalised Rent is a non-statutory metric used internally by management and externally by investors. It is calculated as operating profit before depreciation, amortisation, share based payments and non-underlying items, and after deducting Normalised Rent. Refer to the KPIs on pages 36-37 for further information.

² Normalised Rent is the contractual rent that would have been paid in normal circumstances without any agreed deferrals, recognised in the monthly period to which it relates.

The notes on pages 125-158 form an integral part of the financial statements.



Consolidated statement of financial position

as at 31 December 2022

	Note	31 December 2022 £m	31 December 2021 £m
Non-current assets			
Intangible assets	14	92.7	86.0
Property, plant and equipment	15	181.0	165.6
Right-of-use assets	16	289.4	281.2
Investments in financial assets	17	1.0	1.0
Deferred tax assets	11	16.3	16.1
Total non-current assets		580.4	549.9
Current assets			
Inventories		0.9	0.3
Trade and other receivables	18	8.9	6.3
Income taxes receivable		-	0.9
Cash and cash equivalents	19	5.4	7.3
Total current assets		15.2	14.8
Total assets		595.6	564.7
Current liabilities			
Trade and other payables	20	38.8	30.4
Lease liabilities	16	25.3	27.0
Provisions	23	0.6	-
Total current liabilities		64.7	57.4
Non-current liabilities			
Borrowings	21	70.0	44.3
Lease liabilities	16	325.1	309.3
Provisions	23	1.8	1.6
Total non-current liabilities		396.9	355.2
Total liabilities		461.6	412.6
Net assets		134.0	152.1
Capital and reserves			
Own shares held	25	0.1	0.1
Share premium	25	189.8	189.7
Hedging reserve	25	-	(0.1)
Merger reserve	25	39.9	39.9
Retained deficit	25	(95.8)	(77.5)
Total equity shareholders' funds		134.0	152.1

The notes on pages 125-158 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 15 March 2023.

Signed on behalf of the Board of Directors

Richard Darwin
Chief Executive Officer

Luke Tait
Chief Financial Officer

Company Registration Number 08528493

Financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Note	Own shares held £m	Share premium £m	Hedging reserve £m	Merger reserve £m	Retained deficit £m	Total £m
At 1 January 2021		0.1	159.5	(0.2)	39.9	(44.9)	154.4
Loss for the year		-	-	-	-	(35.3)	(35.3)
Other comprehensive income for the year		-	-	0.1	-	-	0.1
Loss for the year and total comprehensive expense		-	-	0.1	-	(35.3)	(35.2)
Issue of Ordinary share capital	25	-	30.2	-	-	-	30.2
Share based payments	26	-	-	-	-	2.4	2.4
Deferred tax on share based payments	11	-	-	-	-	0.3	0.3
At 31 December 2021		0.1	189.7	(0.1)	39.9	(77.5)	152.1
Loss for the year		-	-	-	-	(19.4)	(19.4)
Other comprehensive income for the year		-	-	0.1	-	-	0.1
Loss for the year and total comprehensive expense		-	-	0.1	-	(19.4)	(19.3)
Issue of Ordinary share capital		-	0.1	-	-	-	0.1
Share based payments	26	-	-	-	-	1.7	1.7
Deferred tax on share based payments	11	-	-	-	-	(0.6)	(0.6)
At 31 December 2022		0.1	189.8	-	39.9	(95.8)	134.0

The notes on pages 125-158 form an integral part of the financial statements.



Financial statements

Consolidated cash flow statement

for the year ended 31 December 2022

	Note	31 December 2022 £m	31 December 2021 £m
Cash flows from operating activities			
Loss before tax		(19.4)	(44.2)
<i>Adjustments for:</i>			
Finance costs	10	17.1	17.5
Non-underlying operating items	9	12.9	6.5
Underlying depreciation of property, plant and equipment	15	26.4	23.6
Underlying depreciation of right-of-use assets	16	28.1	23.5
Underlying amortisation of intangible assets	14	4.8	5.4
Share based payments	26	1.4	2.9
Rent concessions	16	(0.5)	(1.6)
(Profit)/Loss on disposal of property, plant and equipment	7	(0.4)	0.4
Increase in inventories		(0.6)	-
Increase in trade and other receivables		(3.1)	(0.3)
Increase in trade and other payables		3.2	10.1
Payment of deferred consideration		-	(2.6)
Cash generated from operations		69.9	41.2
Tax received/(paid)		0.8	(0.1)
Net cash inflow from operating activities before non-underlying items		70.7	41.1
Non-underlying items	9	(5.3)	(2.2)
Net cash inflow from operating activities		65.4	38.9
Cash flows from investing activities			
Business combinations	13	(5.4)	-
Purchase of property, plant and equipment		(36.5)	(20.5)
Purchase of intangible assets		(7.2)	(5.2)
Proceeds from disposal of property, plant and equipment		0.4	-
Net cash outflow used in investing activities		(48.7)	(25.7)
Cash flows from financing activities			
Repayment of lease liability principal	22	(27.4)	(17.7)
Lease interest paid	22	(13.3)	(14.2)
Bank interest paid		(2.3)	(1.8)
Payment of financing fees		(0.7)	(0.2)
Drawdown of bank loans	22	30.5	30.0
Repayments of bank loans	22	(5.5)	(36.0)
Proceeds of issue of Ordinary shares	25	0.1	31.2
Costs associated with share issue	25	-	(0.9)
Net cash outflow from financing activities		(18.6)	(9.6)
Net (decrease)/increase in cash and cash equivalents		(1.9)	3.6
Cash and cash equivalents at the start of the year		7.3	3.7
Cash and cash equivalents at the end of the year	19	5.4	7.3

The notes on pages 125-158 form an integral part of the financial statements.

Financial statements

Notes to the consolidated financial statements

for the year ended 31 December 2022

1. General information

The Gym Group plc ('the Company') and its subsidiaries ('the Group') operate low cost, high quality, 24/7, no contract gyms.

The Company is a public limited company whose shares are publicly traded on the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

The registered address of the Company is 5th Floor, OneCroydon, 12-16 Addiscombe Road, Croydon, CR0 0XT, United Kingdom.

2. Summary of significant accounting policies

A summary of the significant accounting policies is set out below. These have been applied consistently in the financial statements.

Statement of compliance

The financial statements have been prepared in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority (where applicable) and United Kingdom adopted international accounting standards. The accounting policies applied are consistent with those described in the Annual Report and Accounts of the Group for the year ended 31 December 2021. The functional currency of each entity in the Group is pounds sterling. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds, except where otherwise indicated.

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention as modified by the recognition of derivative financial instruments, financial assets and other financial liabilities at fair value through the profit and loss and the recognition of financial assets at fair value through other comprehensive income.

The consolidated financial statements provide comparative information in respect of the previous period.

Going concern

In assessing the going concern position of the Group for the year ended 31 December 2022, the Directors have considered the following:

- the Group's trading performance in FY22 and throughout the traditional January and February 2023 peak period;
- future expected trading performance to June 2024 (the going concern period), including membership levels and behaviours in light of the current difficult macroeconomic environment; and
- the Group's financing arrangements and relationship with its lenders and shareholders.

2022 was a year of significant recovery and growth for The Gym Group, with membership at the end of December 2022 reaching 821,000, an increase of 14.3% from the end of December 2021. Average revenue per member per month for the year ('ARPM') was £17.82 and for the second half of the year was £18.30, up 4.5% on the second half of the prior year. LIVE IT, the premium price product, ended the year at 29.6% of total membership compared with 27.1% in December 2021. As a result, revenue and Group Adjusted EBITDA both increased significantly. The Group also reported strong cash generation, with free cash flow of £16.6m being generated and used to part-fund the 25 organic site openings as well as our investment in the new technology and brand. The remaining organic site openings and the acquisition of the three sites previously trading under the Fitness First brand were funded through an increase in the Group's borrowings. All sites opened in the year are performing in line with our expectations.



Financial statements

Notes to the consolidated financial statements continued

for the year ended 31 December 2022

2. Summary of significant accounting policies continued**Going concern** continued

In May 2022, the Group agreed with its lenders certain changes to the Group's Revolving Credit Facility ('RCF'). As a result, the Group now has access to a combined £80m facility which matures in October 2024. The Group also currently has access to £13m of finance lease facilities (£15m permitted under the RCF). As at 31 December 2022, the Group had Non-Property Net Debt (including finance leases) of £76.1m, with £15.4m of headroom (calculated off bank debt less cash) under the RCF. The RCF is subject to quarterly financial covenant tests on leverage (net debt to Group Adjusted EBITDA Less Normalised Rent), fixed charge cover (Adjusted EBITDAR to Net Finance Charges and Normalised Rent) and minimum liquidity. Whilst the going concern assessment covers the period to the end of June 2024, the Directors have considered the fact that the Group's RCF facility is currently expected to expire in October 2024, and concluded that there is a realistic prospect that this will be extended or refinanced before that time.

Following the January and February 2023 peak trading period, closing membership at 28 February 2023 was 890,000 members, an increase of 8.4% on the position at 31 December 2022. However, demand has been impacted by the cost-of-living pressures felt by many; and the Directors expect the current difficult macroeconomic environment and consumer behaviour to continue. As a result, we have taken a cautious approach to preparing the three-year financial plan that underpins the going concern review.

The base case forecast for the period to 30 June 2024 anticipates continued growth in yields across the whole estate as a result of pricing actions that have already been taken. However, modest increases in membership levels are driven largely by the sites opened in 2022 and not by growth in the mature estate. In addition, the Directors have taken a more measured approach to new site openings throughout the plan period, with all new sites assumed to be self-financed. Under this scenario, all financial covenants are passed with a reasonable level of headroom and the Group can operate within its financing facilities.

The Directors have considered a downside scenario which anticipates a more significant cost-of-living downturn throughout the period under review. Under this scenario, membership numbers in the mature estate start to deviate from the base case from March 2023 such that they are approximately 10% lower by the end of 2023. Yields do continue to increase but at a much lower level than under the base case. Under this scenario, the number of new site openings is reduced and discretionary performance-related bonuses removed to ensure that all financial covenants continue to be passed and the Group continues to operate within its financing facilities.

The Directors have also considered a reverse stress test scenario to ascertain the extent of the downturn in trading that would be required to breach the Group's banking covenants or liquidity requirements. Mitigating actions assumed in this scenario include moving to a minimum level of maintenance and IT capital expenditure; reducing controllable operating costs and marketing expenditure; and pausing the new site opening programme in order to preserve cash. In this scenario, the number of new members each month would have to decline by 16.5% compared to the base case (the equivalent of membership reducing to 73% of the February 2023 closing membership number) before the leverage covenant would be breached in June 2024. However, the Group would remain within its liquidity limits.

In the event of a reverse stress test scenario, the Directors would introduce additional measures to mitigate the impact on the Group's liquidity, covenants and cash flow, including: (i) further reductions in controllable operating costs, marketing and capital expenditure; (ii) discussions with lenders to secure additional debt facilities and/or covenant waivers; (iii) deferral of, or reductions in, rent payments to landlords; and (iv) the potential to raise additional funds from third parties. The Directors consider the reverse stress test scenario to be highly unlikely.

Conclusion

The Board has reviewed the financial plan and downside scenarios of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2024. As a result, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Group's current and forecast liquidity position and the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios.

Climate change

In preparing the consolidated financial statements, management has considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report and the stated net zero targets. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to 30 June 2024 nor the viability of the Group over the next three years.

2. Summary of significant accounting policies continued

The following specific points were considered:

- we procure 100% renewable energy for all of our sites where we directly control the purchase of energy.
- the Group continues to reduce its carbon emissions and environmental impact by investing in the energy-efficient design of our new sites, as well as in our existing estate.
- all of our gyms now have full LED lighting.
- our carbon emissions through electrical power consumption will reduce with the decarbonisation of the National Grid and natural gas will eventually become our principal source of direct carbon emission. We now have 32 sites operating successfully without gas for water heating and are continuing to roll out electric heat pumps to obviate the requirement for gas.
- in all cases, the expected costs and investment required during the Group's strategic planning horizon have been considered within the future cash flows included within the Group's three-year Plan which forms the basis of our going concern and viability assessment, the goodwill and site impairment testing, and the assessment of the recoverability of deferred tax assets.

Consolidation**Subsidiaries**

A subsidiary is an entity controlled, either directly or indirectly, by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

All subsidiaries are wholly owned.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the income statement from the date the Group gains control and until the date the Group ceases to control the subsidiary.

All subsidiaries apply consistent accounting policies and all intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The acquisition method of accounting is used to account for the acquisition of subsidiaries or business combinations where trade and assets are acquired by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Subsequent changes to the fair value during the measurement period are treated as fair value adjustments against the acquired net assets.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors. The Group's activities consist solely of the provision of low cost, high quality, 24/7, no contract gyms within the United Kingdom, traded through 229 sites at 31 December 2022. It is managed as one entity and management has consequently determined that there is only one operating segment.



Financial statements

Notes to the consolidated financial statements continued

for the year ended 31 December 2022

2. Summary of significant accounting policies continued

Segment results are measured using earnings before interest, tax, depreciation, amortisation, share based payments costs and non-underlying items. Segment assets are measured at cost less any recognised impairment. All revenue arises in and all non-current assets are located in the United Kingdom. The accounting policies used for segmental reporting reflect those used for the Group.

Revenue

Revenue, which is stated excluding value added tax and other sales-related taxes, is measured at the fair value of the consideration receivable for goods and services supplied.

Revenue from memberships comprises monthly membership fees, non-refundable joining fees and longer term membership fees. Longer term membership fees comprise student memberships which typically cover a nine-month period, pay up front memberships which typically cover a six- or nine-month period and corporate annual membership. All membership income (being the membership fee and the joining fee) is recognised straight-line over the period that the membership relates to, with any subscriptions in advance of the period in which the service is provided being recorded as a contract liability in the statement of financial position.

Rental income from personal trainers, which represents amounts paid by standalone personal trainers to operate their business from our gyms, is recognised on a straight-line basis over the term of the rental agreement.

Other income, which includes the sale of goods through vending machines, is recognised at the point in time when control of the goods transfers to the customer.

Contracts with customers are non-complex and do not require any significant accounting judgements or estimates.

Cost of sales and gross profit

Cost of sales comprises costs arising in connection with the generation of ancillary revenue as well as call centre costs and payment processing costs. Therefore gross profit is before costs associated with operating the gyms.

Other income and government grants

Other income comprises government grants receivable, research and development tax credits and other non-membership-related income.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

They are recognised in profit or loss on a systematic basis over the periods in which the Group recognises the related costs which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Where the income relates to a distinct identifiable expense, the income is offset against the relevant expense. Where an expense is not distinctly identifiable, or the income relates to multiple expenses, the income is recognised within Other income.

Non-underlying items

Non-underlying items are income or expenses that are material by their size and/or nature and are not considered to arise in the normal course of business. The Directors consider that these items should be disclosed separately on the face of the income statement (but within their relevant category) to allow a more comparable view of underlying trading performance.

Non-underlying items include restructuring and reorganisation costs (including site closure costs), costs of major strategic projects and investments, impairment of assets, amortisation and impairment of business combination intangibles, profit/loss on disposal of businesses, remeasurement gains or losses on borrowings, and refinancing costs.

Profit before non-underlying items is used to calculate adjusted earnings per share and is reconciled to profit before taxation on the face of the income statement. Non-underlying items are disclosed in note 9.

2. Summary of significant accounting policies continued**Intangible assets****Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or the Group's share of trade and assets acquired in a business combination at the date of acquisition. Goodwill on acquisitions is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Further information in relation to impairment testing is provided in the 'Impairment of non-financial assets' section of this note.

Customer lists

Customer lists acquired as part of a business combination are initially recorded at fair value. They have finite useful lives and are carried at cost less accumulated amortisation and any recognised impairment. Amortisation is calculated using the straight-line method to allocate the cost of customer lists over their estimated useful lives, which is the period the Group expected to get value/benefit. The carrying value of customer lists is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Computer software and licences

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Certain costs incurred in connection with the development of software to be used internally, or for providing services to customers, are capitalised once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated that the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalisation include both internal and external costs but are limited to those that are directly related to the specific project. Computer software costs are included at capitalised cost less accumulated amortisation and any recognised impairment loss.

Amortisation is calculated to write down the cost of the assets on a straight-line basis over their estimated useful lives, over three to five years. Useful lives are reviewed at the end of each reporting period and adjusted as appropriate. The carrying value of computer software is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.



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Notes to the consolidated financial statements continued

for the year ended 31 December 2022

2. Summary of significant accounting policies continued**Property, plant and equipment**

Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated to write down the cost of the assets on a straight-line basis over the estimated useful lives as follows:

- leasehold improvements over the shorter of the useful life and the term of the lease;
- fixtures, fittings and equipment between three and ten years;
- gym and other equipment between five and ten years; and
- computer equipment three years.

The estimated useful lives are reviewed at the end of each reporting period and adjusted if appropriate. The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Assets under construction represents the costs incurred in the construction of gyms and are included in Property, plant and equipment. No depreciation is provided on assets under construction until the asset is available for use.

Leases and Right-of-use assets

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

Lease liabilities are presented as a separate line in the Consolidated Statement of Financial Position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. There are no variable lease payments nor residual value guarantees.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by The Gym Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term and security.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. Summary of significant accounting policies continued

The Group remeasures the lease liability whenever:

- there is a change in the Group's assessment of whether it is reasonably certain to exercise a purchase, extension or termination option, in which case the lease liability is remeasured by discounting the minimum lease payments using a revised discount rate at the effective date of the change in assessment;
- the lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- the lease payments change due to a rent review, in which case the lease liability is remeasured by discounting the revised lease payments using the original discount rate at the effective date of the change in rent;
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset, except in the case of modifications resulting in a reduction in the scope of the lease, or in instances where doing so would reduce the carrying amount of the right-of-use asset below zero. For a modification that fully or partially decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect partial or full termination of the lease and any difference between that adjustment and the amount of the remeasurement of the lease liability is recognised in profit or loss at the effective date of the modification. In other cases, if the right-of-use asset is reduced to zero by a remeasurement, any remaining amount of the remeasurement is recognised in profit or loss.

Although the Group enjoys security of tenure as tenant in respect of certain of its lease arrangements, there are conditions associated with these rights such that no unconditional right to extend the lease term exists.

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. When it is reasonably certain that the Group will not exercise a termination option or will exercise an extension option, this assumption is included within the calculation of the lease liability.

Incremental borrowing rate

The calculation of lease liabilities requires the Group to determine an incremental borrowing rate ('IBR') to discount future minimum lease payments. Judgement has been applied to those leases entered into prior to November 2015 when the Group listed on the London Stock Exchange and entered into a Revolving Credit Facility ('RCF'), and which remain on the 31 December 2022 balance sheet as right-of-use assets and lease liabilities. Prior to this the Group was under private equity ownership, with its financing reflecting such ownership (including loan notes). As a consequence, there was less observable data on which to assess the IBR of the Group during this time, hence there was an increased level of judgement in assessing an appropriate IBR for use in applying IFRS to pre-2015 leases. Post listing and refinancing of the Group's bank facilities in October 2019, there was an increased level of observable data, including a market-based margin, to indicate the credit spread on which the Group could borrow. This margin was then added to observable Bank of England base or risk-free rates, such that the level of judgement on post-2015 leases, and in particular post-2019 leases, is considered to be low.

Right-of-use assets

Right-of-use assets predominantly relate to property leases and are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Right-of-use assets for non-property leases mainly relate to gym equipment purchased on hire purchase contracts and are depreciated over the asset's useful life.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes:

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

The carrying values of right-of-use assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.



Financial statements

Notes to the consolidated financial statements continued

for the year ended 31 December 2022

2. Summary of significant accounting policies continued**Impairment of non-financial assets**

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Under IAS 36, goodwill is allocated to the cash generating units ('CGUs') on the basis of which CGU or group of CGUs is expected to benefit from the business combination in which the goodwill arose identified according to operating segments. As management has determined that the Group's goodwill cannot be allocated to CGUs on a non-arbitrary basis and that the Group has just one operating segment and goodwill is not monitored at any lower level, then consistent with the requirements of IAS 36, testing for goodwill impairment is performed at the operating segment level, being the entire business.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. CGUs are identified based on the lowest level aggregation of asset from which largely independent cash inflows are generated. This can be a single gym or, in a number of instances, a group of gyms which are geographically closely located where the cash inflows from each individual gym are not generated largely independent of other gym sites within the surrounding geographical area. Any impairment charge is recognised in non-underlying items in the income statement in the period in which it occurs.

Impairment losses relating to goodwill cannot be reversed in future periods. At each reporting date, an assessment is made as to whether there is any indication that a previously recognised impairment loss for assets other than goodwill no longer exists or has decreased. If there is any such indication, the recoverable amount of the asset is recalculated and the impairment loss reversed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in non-underlying items in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase and recognised as a separate reserve within equity.

Further information on impairment testing is provided in notes 3, 14, 15 and 16.

Financial instruments**Fair value hierarchy**

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable market data)

There were no transfers between levels throughout the periods under review.

Financial assets (excluding derivative financial instruments)

The Group classifies its financial assets as those to be measured at amortised cost, those recognised at fair value through profit and loss and those recognised at fair value through other comprehensive income.

The Group measures its trade and other receivables and cash and cash equivalents at amortised cost. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in finance income in the income statement.

Due to the Group's upfront payment model, it has limited exposure to credit losses.

Investments in unquoted equity securities are designated as fair value through other comprehensive income if they are held as long term strategic investments that are not expected to be sold in the short to medium term. Any changes in fair value of those assets are recognised in other comprehensive income and are not recycled to profit or loss.

2. Summary of significant accounting policies continued

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- 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 amount outstanding.

All other financial assets are measured subsequently at fair value through profit or loss ('FVTPL').

Financial assets are presented as current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Financial liabilities (excluding derivative financial instruments)

The Group's financial liabilities comprise trade and other payables, other financial liabilities (including contingent consideration) and borrowings.

The Group initially recognises its financial liabilities at fair value net of transaction costs where applicable and, other than derivatives and contingent consideration, they are subsequently measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest method over the maturity of the loan. Contingent consideration is subsequently measured at its fair value, which is reassessed at each reporting period, and any fair value movement is recognised in non-underlying items in the income statement.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investments of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in finance costs in the income statement in the period in which they are incurred.

Derivative financial instruments and hedging activities

The Group's activities expose it to financial risks associated with movements in interest rates. The use of financial derivatives to hedge the exposure are approved by the Board and the Group does not use derivative financial instruments for speculative purposes. As at 31 December 2022, there were no derivatives or hedging arrangements remaining in place.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

At the inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedge reserve within equity. The amount is limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in finance costs in the income statement.



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Notes to the consolidated financial statements continued

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2. Summary of significant accounting policies continued

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, i.e. the gain or loss relating to the effective portion of the interest rate hedging contracts is recognised within finance cost in the income statement at the same time as the interest expense on the hedged borrowings. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some, or all, of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group also enters into structured wholesale energy market contracts for the procurement of electricity and natural gas. It does this by buying energy directly from the wholesale market to cover operational energy requirements. All contracts are entered into and continue to be held to receive or deliver the energy in accordance with the Group's expected usage requirements and all contracted quantities are actually physically supplied with no financial settlement prior to, or at, maturity. As such, the Group applies the own use exemption in IFRS 9 with regards energy market contracts and recognises the contracted cost of energy in the consolidated income statement when the energy is consumed.

Pensions

The Group operates defined contribution pension schemes and pays contributions to publicly or privately administered pension plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Share based payments

The Group operates a number of share based arrangements for employees. Equity-settled share based payments are measured at the fair value of the equity instruments at the grant date, which excludes the effect of non-market based vesting conditions. The fair value at the grant date is recognised as an expense on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date, at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Inventories

Inventories are carried at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables comprise rental income due from personal trainers, room rental income, advertising income and amounts due from landlords in respect of contributions towards building work. They are initially measured at transaction price. Subsequently, trade and other receivables are measured at amortised cost. The loss allowance for trade receivables and accrued income is measured using the simplified approach (lifetime expected credit losses).

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, short term deposits held on call with banks and other short term, highly liquid investments with original maturities of three months or less.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Taxation**Current taxation**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date. Income tax relating to items recognised in comprehensive income or directly in equity, is recognised in comprehensive income or equity and not in the income statement.

2. Summary of significant accounting policies continued**Deferred taxation**

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

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

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

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

A dilapidations provision is recognised when there is a present obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the cost of meeting this obligation.

Dividends

Dividends payable by the Company are recognised on declaration.

3. Significant accounting judgements, estimates and assumptions

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

Accounting estimates made by the Group's management are based on information available to management at the time each estimate is made. Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions. The significant judgements that management has made in applying its accounting policies and the estimates and assumptions for which there is a significant risk of a material adjustment to the financial statements within the next financial year are set out below.

Critical judgements**Determination of CGUs for goodwill impairment testing**

The Group's activities consist solely of the provision of low cost, high quality, 24/7, no contract gyms within the United Kingdom, traded through 229 sites as at 31 December 2022. All gyms operate under 'The Gym Group' brand including gyms acquired through business combinations. Under IAS 36, goodwill is allocated to the cash generating units ('CGUs') on the basis of which CGU or group of CGUs is expected to benefit from the business combination in which the goodwill arose. However, management has determined that the Group's goodwill cannot be allocated to CGUs on a non-arbitrary basis. Further, the Group has determined that it has a single operating segment and goodwill is not monitored at any lower level. Therefore, consistent with the requirements of IAS 36, testing for goodwill impairment is performed at the operating segment level, being the entire business.



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3. Significant accounting judgements, estimates and assumptions continued**Determination of CGUs for property, plant and equipment and right-of-use assets impairment testing**

Annually, management consider indicators of impairment to determine if an impairment assessment is required for property, plant and equipment, right-of-use assets and intangible assets other than goodwill. Where indicated, management identifies the CGU into which an asset belongs. Individual assets generally do not generate independent cash inflows, and therefore they must be tested at the level of the CGU. In many cases, individual gyms are considered to generate largely independent cash flows and therefore are considered to be a single CGU for impairment purposes. However, there are some instances where a number of sites may be interdependent in generating cash flows. This is the case where some gyms in a geographic location have a higher proportion of LIVE IT members who frequently visit other gyms in the same geographic location. In these instances, there is significant trading interdependency and the cash inflows from each individual gym are not generated largely independent of each other. In these instances, these gyms are grouped together and considered to be one CGU for impairment assessment purposes. There is judgement required to determine which sites are largely independent and which gyms are interdependent on each other. If no grouping of sites was assumed, the additional impairment recognised in the financial year ended 31 December 2022 would have been £8.8m in relation to six sites. Further information is provided in note 15.

Sources of estimation uncertainty**Impairment testing**

The recoverable amount of the Group's CGUs is typically based on value-in-use calculations. This method requires the estimation of future cash flows and the determination of a pre-tax discount rate in order to calculate the present value of the cash flows. Discount rates reflect the estimated return on capital employed required by an investor. This is also the benchmark used by management to assess operating performance and to evaluate future capital investment proposals. The pre-tax discount rate is derived from the Group's post tax weighted average cost of capital. Changes in the discount rate are calculated with reference to latest market assumptions for the risk-free rate, equity market risk premium and the cost of debt.

Where an impairment loss is identified, it is allocated to the assets of the CGU on a pro rata basis to their carrying amount, subject to the limitation that the carrying amount of an asset cannot be reduced below the highest of fair value less costs of disposal, value-in-use or zero. Due to the ability to sublease the right-of-use assets, these have a measurable fair value less costs of disposal and, as a result, this restriction results in the right-of-use asset being written down only to its recoverable amount based on fair value less costs of disposal. Any remaining amount of the impairment loss that would otherwise have been allocated to the right-of-use asset is allocated instead pro rata to the other assets of the unit. More information, including key assumptions and carrying values, is included in notes 14, 15 and 16.

Whilst the Directors have currently assessed that reasonably possible changes in key assumptions are unlikely to cause an impairment in the carrying value of goodwill, estimates of future cash flows and the determination of discount rates applied to those cash flows could change in the longer term such that an impairment arises. Further, the Directors have currently assessed that the carrying value of property, plant and equipment is sensitive to reasonably possible changes in key assumptions – see note 15 for further details. In addition, estimates of future cash flows and the determination of discount rates applied to those cash flows could change in the longer term such that an impairment arises in relation to other CGUs.

Provisions

Provisions are made for dilapidations in respect of leased premises. The recognition and measurement of these provisions require estimates to be made in respect of uncertain events and amounts, with the key sources of estimation uncertainty relating to whether a restoration obligation will arise, the amount and timing of future cash flows required to settle any restoration obligation assessed as arising, and, to a lesser extent, the discount rate applied to those estimated cash flows. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Management has determined that the likelihood of a liability arising is not probable in relation to 196 of the Group's 229 gym sites as at 31 December 2022 as the Group enjoys security of tenure as tenant and therefore is unlikely to give up a site where it is trading profitably. If circumstances indicate otherwise the Group will recognise an appropriate provision.

If the future cost of restoration for those sites where a provision is currently recognised was to increase by 10% across these sites, the provision at 31 December 2022 would increase by £0.2m. If a provision was required for a site where the Group does benefit from security of tenure, the provision at 31 December 2022 would increase by £0.1m. A ten basis points change in the discount rate would not have a material impact on the provision recognised at 31 December 2022.

Details of dilapidation provisions recognised are set out in note 23.

4. New and amended IFRS standards**New and amended IFRS standards that are effective for the current year**

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018, without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no material impact on the consolidated financial statements of the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

This amendment had no material impact on the consolidated financial statements of the Group.

There were no other standards and amendments that became effective in the period, that apply to the consolidated financial statements of the Group.

New and revised IFRS standards that are in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are effective for reporting periods beginning on or after 1 January 2023:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.



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for the year ended 31 December 2022

5. Revenue

The principal revenue streams for the Group are membership income, rental income from personal trainers and ancillary income.

Membership income comprises monthly membership fees, non-refundable joining fees and longer term membership fees in relation to student, pay up front and corporate memberships. Rental income from personal trainers represents amounts paid by standalone personal trainers to operate their business from our gyms. Ancillary income includes income from the sale of goods through vending machine, advertising income through the use of media screens and the sale of day memberships.

The majority of revenue is derived from contracts with members and all revenue arises in the United Kingdom.

Disaggregation of revenue

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition.

	31 December 2022 £m	31 December 2021 £m
Major products/service lines		
Membership income	162.5	100.8
Rental income from personal trainers	7.8	4.0
Ancillary income	2.6	1.2
	172.9	106.0
Timing of revenue recognition		
Products transferred at a point in time	3.1	1.8
Products and services transferred over time	169.8	104.2
	172.9	106.0
Liabilities relating to contracts with customers		
Contract liabilities (note 20)	(11.0)	(8.4)
Revenue recognised that was included in contract liabilities in the prior year		
Membership income	8.4	6.4

Contract liabilities relate to membership fees received at the start of a contract, where the Group has the obligation to provide a gym membership over a period of time and are included within trade and other payables (see note 20). The contract liability balance increases as the Group's membership numbers increase. The Group does not receive any consideration greater than 12 months in advance from members. Hence the total contract liability as at 31 December 2021 of £8.4m has been recognised as revenue during the year ended 31 December 2022.

6. Other income

	31 December 2022 £m	31 December 2021 £m
Research and development tax credits	0.4	–
Government grants receivable towards work placements (note 8)	0.1	0.2
Government grants receivable for the purpose of immediate financial support	–	7.1
Other	0.3	–
	0.8	7.3

During the prior year, the Group received £7.1m of direct local government grants as a result of the Covid-19 pandemic to provide immediate financial support for businesses that were forced to cease operations or close as a result of local restrictions. These grants were recognised in profit or loss in Other income at the same time as the related costs were recognised. The grants were received solely as compensation for costs incurred in the year and as such there are no future related costs in respect of them.

7. Operating expenses

Operating expenses comprise the following:

	31 December 2022 £m	31 December 2021 £m
Underlying employee costs (note 8)	37.6	31.6
Site costs (excluding employee costs) ¹	59.3	41.0
Central support office costs (excluding employee costs) ²	5.0	5.9
(Profit)/loss on disposal of property plant and equipment	(0.4)	0.4
Auditors' remuneration costs:		
Fees payable for the audit of the Group's annual accounts	0.2	0.1
Audit of the Group's subsidiaries pursuant to legislation	0.1	0.1
Underlying operating expenses before depreciation, amortisation and impairment	101.8	79.1
Non-underlying operating expenses before depreciation, amortisation and impairment (note 9)	4.4	2.3
Operating expenses before depreciation, amortisation and impairment	106.2	81.4

¹ Site costs include the fixed and variable costs of running the Group's gyms and include rates and services charges, cleaning costs, utilities, repairs and maintenance, site technology costs, marketing costs and insurance.

² Central support office costs largely comprise central technology costs and professional fees.

In 2022, the Group received government assistance in the form of a 66% discount on business rates (subject to a maximum of £2.0m per business) for businesses in the retail, hospitality and leisure sectors in England for the period 1 June 2021 to 31 March 2022. In the prior year, the Group benefitted from a business rates holiday for these sectors covering the period from 1 January 2021 to 30 June 2021. The value of business rates saved during the year ended 31 December 2022 was £1.1m (2021: £8.2m).



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8. Employee information

	31 December 2022 £m	31 December 2021 £m
Wages and salaries	33.4	30.4
Social security costs	2.9	2.1
Employers' pension costs	0.7	0.5
Share based payments (note 26)	1.4	2.9
Government grants	(0.5)	(4.0)
Underlying employee costs	37.9	31.9
Non-underlying employee costs	0.3	0.3
Employee costs	38.2	32.2

Included within employee costs in 2022 is £0.3m (2021: £0.3m) which has been included within cost of sales in the consolidated income statement.

The Group participated in the Kickstart scheme offered by the Government to combat youth unemployment. Under this scheme, the Group received financial support in order to offer six-month work placements for young people aged 16-24 who are claiming Universal Credit in the form of a one-off grant per person employed to cover setup costs. Government support income is recognised evenly over each six-month placement term. In 2022, £0.5m was received as a contribution towards salary costs and has been netted off against employee costs in the income statement (2021: £0.6m). A further £0.1m (2021: £0.2m) represents a grant towards training costs and has been recognised in Other income. There are no balances in deferred income related to this grant (2021: £0.1m) and there is no outstanding balance receivable related to this grant as of 31 December 2022 (2021: £nil).

In 2021, the Group received £3.4m as part of a government initiative to provide immediate financial support as a result of the Covid-19 pandemic in the form of the Coronavirus Job Retention Scheme ('CJRS'). This amount was netted off employee costs in the income statement.

The average number of employees, including Directors, during the year was:

	31 December 2022 Number	31 December 2021 Number
Operational	1,848	1,873
Administrative	187	132
	2,035	2,005

9. Non-underlying items

	31 December 2022 £m	31 December 2021 £m
Affecting operating expenses (before depreciation, amortisation and impairment)		
Costs of major strategic projects and investments	4.6	1.8
Restructuring and reorganisation (income)/costs (including site closures)	(0.2)	0.5
Total affecting operating expenses (before depreciation, amortisation and impairment)	4.4	2.3
Affecting depreciation, amortisation and impairment		
Impairment of property, plant and equipment, right-of-use assets and intangible assets	8.3	4.0
Amortisation of business combination intangible assets	0.2	0.2
Total affecting depreciation, amortisation and impairment	8.5	4.2
Total affecting operating expenses¹	12.9	6.5
Affecting finance costs		
Remeasurement of borrowings	0.9	0.8
Refinancing costs	0.1	0.1
Total affecting finance costs	1.0	0.9
Total all non-underlying items before tax	13.9	7.4
Tax on non-underlying items	(1.5)	(0.5)
Total non-underlying charge in income statement	12.4	6.9

¹ In addition to the £4.4m of non-underlying items affecting operating expenses before depreciation, amortisation and impairment, there was £0.9m of cash outflow in the year in relation to prior year creditors, bringing the total amount of cash flow on non-underlying operating items to £5.3m. Depreciation, amortisation and impairment and remeasurement of borrowings are non-cash items.

The costs of major strategic projects and investments of £4.6m (2021: £1.8m) includes £4.0m (2021: £0.5m) in relation to the Group's brand transformation. The total costs incurred in the year in respect of this project were £6.5m of which £4.0m is reflected in the income statement and relates to the relaunch of the brand and creation of the Group's visual identity and marketing assets, and £2.5m is included in property, plant and equipment and relates predominantly to new site signage. The remainder of the costs included in other strategic initiatives in the year largely relate to the integration costs of the three sites acquired from Fitness First in March 2022.

The credit in restructuring and reorganisation costs in the year reflects lease surrender income and costs associated with the closure of a small number of gyms, together with the profit on remeasurement of one of the Group's leases. Also included here are the costs associated with the various Board changes that occurred during the year.

Non-underlying costs affecting depreciation, amortisation and impairment in the year amounted to £8.5m (2021: £4.2m), of which £8.2m (2021: £4.0m) relates to the impairment of 13 sites where slower recovery from Covid-19 and changes in hybrid working patterns have impacted on performance (see note 15 for further details). Also included here is the amortisation of business combination intangibles acquired as part of the Lifestyle, easyGym and Fitness First acquisitions.

Non-underlying items affecting finance costs amounted to £1.0m (2021: £0.9m) and largely reflect the remeasurement of the Group's Revolving Credit Facility ('RCF') following the changes agreed with the lenders.

Tax on non-underlying items represents the tax charge or credit arising on the Group's non-underlying items calculated at the current tax rate.



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10. Finance costs

	31 December 2022 £m	31 December 2021 £m
Bank loans and overdraft interest including amortisation of financing fees	2.8	2.6
Lease interest	13.3	14.0
Movement in fair value of derivatives	0.2	-
	16.3	16.6
Capitalised interest	(0.2)	-
Underlying finance costs	16.1	16.6
Non-underlying finance costs	1.0	0.9
Finance costs	17.1	17.5

Capitalised interest is recognised within leasehold improvements. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during 2022 of 4.5%.

11. Taxation

Tax on loss

	31 December 2022 £m	31 December 2021 £m
Current income tax		
Current tax on losses in the year	(0.1)	0.3
Adjustments in respect of prior years	-	0.3
Total current income tax	(0.1)	0.6
Deferred tax		
Origination and reversal of temporary differences	(0.3)	7.7
Change in tax rates	0.5	3.0
Adjustments in respect of prior years	-	(2.5)
Total deferred tax	0.2	8.2
Tax credit	0.1	8.8

The standard rate of corporation tax applied to reported losses is 19% (2021: 19%).

Reconciliation of tax credit

	31 December 2022 £m	31 December 2021 £m
Loss before tax	(19.4)	(44.2)
Tax calculation at standard rate of corporation tax of 19.0%	3.7	8.4
Expenses not deductible for tax purposes	0.7	(0.7)
Change in tax rates	(0.4)	3.3
Unrecognised tax losses	(3.9)	-
Adjustments in respect of prior years	-	(2.2)
Tax credit	0.1	8.8

11. Taxation continued

Deferred tax

	Accelerated capital allowances £m	Losses £m	Intangible assets £m	Share schemes £m	Other £m	Total £m
At 1 January 2021	1.6	2.0	(0.1)	1.2	2.9	7.6
Adjustments in respect of prior years	(2.1)	(0.4)	-	-	-	(2.5)
Recognised in income statement	0.5	7.2	0.1	(0.1)	-	7.7
(Charge)/credit to income statement due to changes in tax rates	(0.2)	2.5	-	-	0.7	3.0
Recognised in equity	-	-	-	0.3	-	0.3
At 31 December 2021	(0.2)	11.3	-	1.4	3.6	16.1
Adjustments in respect of prior years	1.9	(1.8)	(0.1)	-	-	-
Recognised in income statement	(0.5)	1.1	(0.3)	(0.1)	(0.5)	(0.3)
Business combinations (see note 13)	0.6	-	-	-	-	0.6
(Charge)/credit to income statement due to changes in tax rates	-	0.5	-	-	-	0.5
Recognised in equity	-	-	-	(0.6)	-	(0.6)
At 31 December 2022	1.8	11.1	(0.4)	0.7	3.1	16.3

Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these will be recovered within a reasonable period. Short term timing differences are generally recognised ahead of losses on the basis that they are likely to reverse more quickly. In assessing the probability of recovery, the Directors have reviewed the Group's three year financial plan that underpins both the Going concern and Viability assessments, and the goodwill and property, plant and equipment impairment testing. The use of a three year period is also consistent with that used to assess the longer term viability of the Group. The Directors believe this detailed plan provides convincing evidence to recognise the amount of deferred tax assets that are forecast to be recovered over this three-year period. In particular, and as disclosed in more detail in respect of going concern in note 2 and impairment in notes 15 and 16, this plan anticipates continued growth in yields across the whole estate and additional members from new site openings over the next three years. The Directors have also considered the impact of climate-related risks set out in the Sustainability report on pages 50-53.

The trading losses incurred as a result of the Covid-19 pandemic, together with the introduction in March 2021 of the temporary enhanced capital allowances regime (the super-deduction tax break), have resulted in significant tax losses to carry forward which are not anticipated to be fully utilised during the three years covered by the Group's financial plan. Losses for which no deferred tax asset is recognised equate to £20.2m, resulting in an unrecognised deferred tax asset of £5.1m using a 25% tax rate. There is no time limit for utilising trade losses in the UK.

A deferred tax asset has arisen on accelerated capital allowances, whereby the tax written-down value is higher than the net book value. A deferred tax liability has arisen on intangible assets of £0.4m. Other deferred tax assets include timing differences on the accounting for the various share schemes.

The Finance Act 2022 increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred tax assets and liabilities have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

There are no material uncertain tax provisions at 31 December 2022 (2021: £nil). However, judgement has necessarily been applied in estimating the impact and timing of utilisation of capital allowances and tax losses which could give rise to prior period adjustments in future years.



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12. Loss per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of Ordinary shares outstanding during the year, excluding unvested shares held pursuant to The Gym Group plc's share based long term incentive schemes (see note 26).

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. During the year ended 31 December 2022, the Group had potentially dilutive shares in the form of share options and unvested shares issued pursuant to The Gym Group plc's share based long term incentive schemes (see note 26).

	31 December 2022	31 December 2021
Loss (£m)		
Loss for the year attributable to equity shareholders	(19.3)	(35.4)
Adjustment for non-underlying items	12.4	6.9
Adjusted loss for the year attributable to equity shareholders	(6.9)	(28.5)
Weighted average number of shares		
Basic and diluted weighted average number of shares	177,251,348	171,060,028
Loss per share (p)		
Basic and diluted loss per share	(10.9)	(20.7)
Adjusted basic and diluted loss per share	(3.9)	(16.7)

At 31 December 2022, 6,804,605 share awards (2021: 5,260,315) were excluded from the diluted weighted average number of Ordinary shares calculation because their effect would be anti-dilutive.

13. Business combinations

On 22 March 2022, the Group acquired the trade and assets of three sites trading under the Fitness First brand. The property lease agreements in respect of these gyms have been transferred to the Group and the gyms have been rebranded to operate under The Gym Group brand. The details of the transaction, the purchase consideration, the net assets acquired, and the goodwill arising are as follows:

	Fair value recognised on acquisition £m
Assets	
Intangible assets	0.3
Property, plant and equipment	1.2
Right-of-use assets	3.3
Deferred tax assets	0.6
	5.4
Liabilities	
Trade and other payables	(0.6)
Lease liabilities	(3.3)
Provisions	(0.2)
	(4.1)
Total identifiable net assets at fair value	1.3
Goodwill arising on acquisition	4.1
Purchase consideration paid – satisfied by cash	5.4
Net cash flow arising on acquisition	
Cash consideration	(5.4)
Net cash outflow	(5.4)

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

The sites contributed revenues of £1.3m and net loss of £0.1m to the Group's results for the period from 22 March 2022 to 31 December 2022. The additional revenue that would have been recognised if the sites had been acquired on 1 January 2022 is £0.4m. No additional net profit or losses would have been recognised.

The goodwill recognised is primarily attributed to the synergies and economies of scale expected from combining each gym within the Group's operations, the premium associated with advantageous site locations, potential growth opportunities offered by each gym and the assembled workforce. It will not be deductible for tax purposes.

Acquisition-related costs of £1.3m were incurred in 2021 and were treated as non-underlying items in the financial statements for the year ended 31 December 2021. No additional costs have been recognised in 2022.



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14. Intangible assets

	Goodwill £m	Customer list £m	Contract £m	Computer software and licences £m	Total £m
Cost					
At 1 January 2021	77.7	2.7	1.2	15.1	96.7
Additions	-	-	-	5.2	5.2
At 31 December 2021	77.7	2.7	1.2	20.3	101.9
Additions	-	-	-	7.3	7.3
Business combinations	4.1	0.3	-	-	4.4
Disposals	-	-	(0.1)	(7.3)	(7.4)
At 31 December 2022	81.8	3.0	1.1	20.3	106.2
Accumulated amortisation					
At 1 January 2021	-	(2.4)	(0.5)	(7.4)	(10.3)
Charge for the year	-	(0.2)	-	(5.4)	(5.6)
At 31 December 2021	-	(2.6)	(0.5)	(12.8)	(15.9)
Charge for the year	-	(0.1)	(0.1)	(4.8)	(5.0)
Impairment	-	-	(0.1)	-	(0.1)
Disposals	-	-	-	7.3	7.3
Transfer to right-of-use assets	-	-	0.2	-	0.2
At 31 December 2022	-	(2.7)	(0.5)	(10.3)	(13.5)
Net book value					
At 31 December 2021	77.7	0.1	0.7	7.5	86.0
At 31 December 2022	81.8	0.3	0.6	10.0	92.7

Included within additions to computer software and licences in 2022 is £1.0m in relation to a collaboration agreement with Fiit whereby Fiit granted The Gym Group a licence to provide certain products and content to LIVE IT members for a period of five years. Also included within additions to computer software and licenses in 2022 is £4.7m (2021: £3.0m) in relation to the investment made into the Group's new digital platform.

Impairment test for goodwill

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstance indicate that the carrying value may be impaired.

The recoverable amount of goodwill has been determined based on a value-in-use calculation using cash flow projections based on the Group's three year plan. Cash flows beyond this period are extrapolated using an estimated growth rate of 3.0% (2021: 3.0%). All cash flows are discounted using a pre-tax discount rate of 8.5% (2021: 11.9%).

Membership growth, growth rates in subscription prices and increases applied to costs are the key assumptions included within the Group's three year plan. These have been modelled based upon a mixture of historical experience and expected future performance. The impact of any future openings has not been included in the assessment as they do not form part of the existing assets. The performance of any gyms expected to close have been included within the calculation up to the point of closure.

In the years under review, management's value-in-use calculations have indicated no requirement to impair and no reasonably possible change in key assumptions give rise to an impairment. Further information on impairment is provided in note 3.

15. Property, plant and equipment

	Assets under construction £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Gym and other equipment £m	Computer equipment £m	Total £m
Cost						
At 1 January 2021	2.3	191.9	11.3	84.5	3.6	293.6
Additions	1.9	16.4	0.2	2.5	0.7	21.7
Disposals	(0.1)	(1.5)	-	(0.5)	-	(2.1)
Transfers	(2.0)	1.9	-	0.1	-	-
At 31 December 2021	2.1	208.7	11.5	86.6	4.3	313.2
Additions	2.0	31.9	0.5	7.4	1.3	43.1
Business combinations	-	1.1	-	0.1	-	1.2
Disposals	-	(2.6)	(0.4)	(4.2)	-	(7.2)
Transfers	(1.8)	1.7	-	0.1	-	-
At 31 December 2022	2.3	240.8	11.6	90.0	5.6	350.3
Accumulated depreciation						
At 1 January 2021	-	(63.0)	(8.0)	(48.4)	(2.9)	(122.3)
Charge for the year	-	(14.6)	(1.1)	(7.4)	(0.5)	(23.6)
Impairment	-	(2.8)	-	(0.4)	-	(3.2)
Disposals	-	1.2	-	0.3	-	1.5
At 31 December 2021	-	(79.2)	(9.1)	(55.9)	(3.4)	(147.6)
Charge for the year	-	(16.4)	(0.9)	(8.5)	(0.6)	(26.4)
Impairment	-	(2.2)	-	(0.3)	-	(2.5)
Disposals	-	2.6	0.4	4.2	-	7.2
At 31 December 2022	-	(95.2)	(9.6)	(60.5)	(4.0)	(169.3)
Net book value						
At 31 December 2021	2.1	129.5	2.4	30.7	0.9	165.6
At 31 December 2022	2.3	145.6	2.0	29.5	1.6	181.0

Included within additions for the year is £0.2m of capitalised interest (2021: £nil), and £6.2m of accrued capital expenditure (2021: £2.2m). In the prior year, there was also £0.1m of capital contributions from landlords not yet received.

Impairment test for property, plant and equipment, right-of-use assets and other intangible assets

The Group reviews the carrying value of property, plant and equipment, right-of-use assets and intangible assets (excluding goodwill) for indicators of impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of the Group's CGUs is typically based on value-in-use calculations. The value in use at 31 December 2022 was calculated using the discounted present value of each CGU's expected future cash flows using the Group's three year plan as the basis. Membership growth, growth rates in subscription prices and increases applied to costs are the key assumptions included when determining the expected future cash flows of each CGU. These have been modelled based upon a mixture of historical experience and expected future performance. A pre-tax discount rate of 8.5% (2021: 11.9%) was used to calculate the present value.

During the year a total impairment loss of £8.2m was recognised relating to 13 sites which have been particularly hard hit by the Covid-19 pandemic and where recovery is slower than in the rest of estate. Of the total impairment charge recognised in the year of £8.2m, £2.5m was allocated against property, plant and equipment and £5.7m was allocated against right-of-use assets. The total recoverable amount of the affected CGUs was £7.7m.



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15. Property, plant and equipment continued

The impairment loss was allocated to the assets of the CGU on a pro rata basis to their carrying amount, subject to the limitation that the carrying amount of an asset cannot be reduced below the highest of fair value less costs of disposal, value-in-use or zero. Due to the ability to sublease the right-of-use assets, these have a measurable fair value less costs of disposal and, as a result, this restriction results in the right-of-use asset being written down only to its recoverable amount based on fair value less costs of disposal. The remaining amount of the impairment loss that would otherwise have been allocated to the right-of-use asset was allocated pro rata to the other assets of the unit. In restricting the impairment charge recognised in respect of the right-of-use assets, their fair value less costs of disposal was calculated on the basis of the cash flows that could be realised by the Group through the sublet of the site, discounted using a post-tax discount rate of 7.8% (2021: 9.8%).

Under the downside scenario prepared for the going concern assessment, a further impairment of £1.1m would arise in relation to property, plant and equipment and £0.4m in relation to right-of-use assets at the sites impaired. An impairment charge of £0.1m in relation to property, plant and equipment at two sites and £0.6m in relation to right-of-use assets at a further four sites totalling would also be recognised under the downside scenario.

Further information on impairment is provided in note 3.

16. Right-of-use assets and leases

The Group leases gym sites and its head office ('Property leases') and also enters into hire purchase and lease agreements for gym equipment ('Non-property leases'). Property leases are typically made for fixed periods of ten to 20 years but may have extension options as well. Non-property leases are typically made for fixed periods of three years. Both property and non-property leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group.

(i) Amounts recognised in the consolidated statement of financial position

	Property leases £m	Non-property leases £m	Total £m
Cost			
At 1 January 2021	345.4	–	345.4
Additions	42.8	7.2	50.0
At 31 December 2021	388.2	7.2	395.4
Additions	33.5	8.1	41.6
Business combinations	3.3	–	3.3
Disposals	(4.5)	–	(4.5)
At 31 December 2022	420.5	15.3	435.8
Accumulated depreciation			
At 1 January 2021	(89.8)	–	(89.8)
Charge for the year	(23.3)	(0.2)	(23.5)
Impairment	(0.9)	–	(0.9)
At 31 December 2021	(114.0)	(0.2)	(114.2)
Charge for the year	(26.5)	(1.6)	(28.1)
Impairment	(5.7)	–	(5.7)
Disposals	1.8	–	1.8
Transfer from intangible assets	(0.2)	–	(0.2)
At 31 December 2022	(144.6)	(1.8)	(146.4)
Net book value			
At 31 December 2021	274.2	7.0	281.2
At 31 December 2022	275.9	13.5	289.4

16. Right-of-use assets and leases continued

During the year a total impairment loss of £8.2m was recognised relating to 13 sites which have been particularly hard hit by the Covid-19 pandemic and where recovery is slower than in the rest of estate. Of the total impairment charge recognised in the year of £8.2m, £2.5m was allocated against property, plant and equipment and £5.7m was allocated against right-of-use assets. The total recoverable amount of the affected CGUs was £7.7m. See note 15 for further disclosure.

In 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

Many lessors have provided rent concessions to lessees as a result of the Covid-19 pandemic. Rent concessions can include rent holidays or rent reductions for a period of time, possibly followed by increased rent payments in future periods. Applying the requirements in IFRS 16 for changes to lease payments, particularly assessing whether the rent concessions are lease modifications and applying the required accounting, could be practically difficult in the current environment. The objective of the amendment is to provide lessees that have been granted Covid-19 related rent concessions with practical relief, whilst still providing useful information about leases to users of the financial statements.

As a practical expedient, a lessee may elect not to assess whether a Covid-19-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic.

As permitted by this concession, the Group has derecognised £0.5m (2021: £1.6m) of the lease liability that has been extinguished by the forgiveness of lease payments on buildings. This has been netted off against operating expenses in the consolidated income statement.

In the prior year, where landlords have agreed to permanently change the frequency of rental payments, the change in the value of the lease liability of £0.8m was recognised within finance costs in the consolidated income statement as all changes impact solely on the interest charge related to the lease liability.

The split of lease liabilities between current and non-current is as follows:

	31 December 2022 £m	31 December 2021 £m
Current	25.3	27.0
Non-current	325.1	309.3
Total Lease liabilities	350.4	336.3

The total cash outflow for leases in the year was £40.7m (£2021: £31.9m). The maturity analysis of lease liabilities is as follows:

	31 December 2022 £m	31 December 2021 £m
Within one year	40.4	39.1
Greater than one year but less than two years	43.4	37.8
Greater than two years but less than three years	40.5	37.8
Greater than three years but less than four years	38.6	35.4
Greater than four years but less than five years	38.7	35.5
Five years or more	246.0	242.7
	447.6	428.3
Less: unearned interest	(97.2)	(92.0)
Total Lease liabilities	350.4	336.3



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16. Right-of-use assets and leases continued**(ii) Amounts recognised in the consolidated income statement**

The statement of profit or loss shows the following amounts relating to leases:

	31 December 2022 £m	31 December 2021 £m
Lease liability derecognised under Covid-19 Rent Concession	(0.5)	(1.6)
Depreciation charge of right-of-use assets	28.1	23.5
Impairment of right-of-use assets	5.7	0.9
Interest expense (included in finance cost)	13.3	14.0

There are no variable lease payments and no sublease income recognised in the consolidated income statement.

(iii) Extension and termination options

The Group has recognised lease extension options contained within the lease in the calculation of right-of-use assets and lease liabilities at inception of the lease if management is reasonably certain to exercise the option to extend the lease beyond its contractual term. In all other cases, a lease extension is only recognised when a lease is extended beyond the original contractual term.

During the year, the Group has renegotiated four leases (2021: 12) which resulted in additional lease liabilities of £3.5m being recognised (2021: £6.9m) and terminated two leases (2021: none).

(iv) Non-property lease facilities

At 31 December 2022, the Group had in place total facilities of £12.5m in respect of non-property lease arrangements (2021: £9.5m) which it utilises to finance the fit-out of new gyms. As at 31 December 2022, the amount outstanding on this facility was £11.5m (2021: £6.4m).

17. Investments in financial assets

On 3 February 2020, the Group purchased convertible loan notes in Fiit Limited for cash consideration of £1.0m. Conversion was originally expected to take place within two years of issue giving the Group a small non-controlling stake at a maximum valuation of £1.25m. During the year, a number of changes to the terms of the convertible loan notes have been agreed, including the extension of the date of conversion to 15 July 2023 and changes to the circumstances in which the loan notes may be redeemed or converted. These notes are measured at fair value through profit or loss and the carrying value at the end of the year was £1.0m (2021: £1.0m).

This is a level 3 valuation under the fair value hierarchy and was determined based on the performance of the business post-acquisition against the business plan produced at the time of the investment. The business continues to build strategic partnerships with a number of parties and is expected to continue to have adequate funding in place. As such, the carrying amount is believed to appropriately reflect the fair value. The range of sensitivity in the valuation at 31 December 2022 to reasonably possible changes in the assumptions used is not considered to be material.

18. Trade and other receivables (due in less than one year)

	31 December 2022 £m	31 December 2021 £m
Trade receivables	0.6	0.8
Loss allowance	-	-
	0.6	0.8
Other receivables	0.7	0.6
Prepayments and accrued income	7.6	4.9
	8.9	6.3

19. Cash and cash equivalents

	31 December 2022 £m	31 December 2021 £m
Cash at bank	0.5	3.3
Short term deposits	4.9	4.0
Cash and cash equivalents	5.4	7.3

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for periods of one day and earn interest at the respective short term deposit rates.

20. Trade and other payables (due in less than one year)

	31 December 2022 £m	31 December 2021 £m
Trade payables	8.0	2.3
Social security and other taxes	2.0	2.5
Accruals	17.6	17.0
Other payables	0.2	0.2
Contract liabilities (note 5)	11.0	8.4
	38.8	30.4

21. Borrowings

The carrying value of the Group's bank borrowings at 31 December 2022 was £70.0m (2021: £44.3m).

The Group has in place a Revolving Credit Facility ('RCF') which is syndicated to a three-lender panel of NatWest, HSBC and Banco de Sabadell. Until May 2022, the Group had £100m of available facilities under the RCF and it was due to mature in 2023.

In May 2022, the Group agreed changes to its RCF facility with its lenders which included a one-year extension of Facility A (£70m) to October 2024; the cancellation in full of the temporary Facility B (£30m) and replacement with a new £10m Facility to October 2024; and further relaxation of finance lease restrictions.

Facility A and Facility B had been accounted for as a single facility totalling £100m. The Group has applied the requirements of IFRS 9 to determine whether the changes made constitute a significant modification to the facility and management has concluded that the new agreement represents a single loan agreement for an RCF totalling £80m and that the change is not a substantial modification as the revised cash flows are below 10% of the original facility. Consequently, the existing liability has been remeasured to amortised cost using a revised effective interest rate.

The funds borrowed under the RCF bear interest at a minimum annual rate of 2.85% (2021: 2.60%) above the Sterling Overnight Index Average ('SONIA') plus a credit adjustment spread.

The average interest rate paid in the year on drawn funds under the facility is 4.46% (2021: 2.67%). Undrawn funds bear interest at a minimum annual rate of 1.14% (2021: 0.91%).

The Group's borrowings are held at amortised cost using the effective interest method. Each reporting period, the Group reviews its cash flow forecasts and if these have changed since the previous reporting period, the borrowings are remeasured using the original effective interest rate. Any remeasurement of borrowings is treated as non-underlying and excluded from adjusted earnings.

The RCF is subject to financial covenants relating to leverage, fixed charge cover and minimum liquidity.

At 31 December 2022, the Group had drawn down £70.0m under the RCF (2021: £45.0m), leaving £10.0m (2021: £55.0m) undrawn and available. The £70.0m is repayable in October 2024.



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22. Financing liabilities

	Cash and cash equivalents £m	Borrowings £m	Non-property lease liabilities £m	Property lease liabilities £m	Total lease liabilities £m
At 1 January 2021	3.7	(49.2)	–	(306.3)	(306.3)
Cash flows	3.6	6.0	–	–	–
Non-cash changes to amortised cost	–	(1.1)	–	–	–
IFRS 16	–	–	(6.4)	(23.6)	(30.0)
At 31 December 2021	7.3	(44.3)	(6.4)	(329.9)	(336.3)
Cash flows	(1.9)	(25.0)	–	–	–
Non-cash changes to amortised cost	–	(0.7)	–	–	–
IFRS 16	–	–	(5.0)	(9.1)	(14.1)
At 31 December 2022	5.4	(70.0)	(11.4)	(339.0)	(350.4)

Non-cash changes to amortised cost comprises accrued interest using the effective interest rate method and remeasurements arising from refinancing.

The IFRS 16 movements in non-property lease liabilities represent the net movement in lease payments of £3.6m (2021: £0.9m) offset by additions of £8.0m (2021: £7.2m) and finance costs of £0.6m (2021: £0.1m).

The IFRS 16 movements in property lease liabilities represent the net movement in lease payments of £37.1m (2021: £31.0m), disposals of £2.5m (2021: nil) and rent concessions of £0.5m (2021: £1.6m) offset by additions of £33.0m (2021: £35.3m), modifications of £3.5m (2021: £7.0m) and finance costs of £12.7m (2021: £13.9m).

23. Provisions

	Dilapidations £m	Other £m	Total £m
At 1 January 2021	1.2	0.1	1.3
New provisions	0.4	–	0.4
Release of provision	–	(0.1)	(0.1)
At 31 December 2021	1.6	–	1.6
New provisions	0.2	0.2	0.4
Business combinations	–	0.5	0.5
Utilisation of provisions	–	(0.1)	(0.1)
At 31 December 2022	1.8	0.6	2.4
Due in less than one year	–	–	–
Due in more than one year	1.6	–	1.6
At 31 December 2021	1.6	–	1.6
Due in less than one year	–	0.6	0.6
Due in more than one year	1.8	–	1.8
At 31 December 2022	1.8	0.6	2.4

A dilapidations provision is recognised when there is a present obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of meeting this obligation, but the amount and timing of this are uncertain. Subject to a new lease not being negotiated to extend the current lease term, dilapidations would become payable between 2025 and 2040 with £0.1m expected to crystallise in the next five years, £0.8m crystallising in between five and ten years and the remainder crystallising in more than ten years.

24. Financial instruments

Fair values

With the exception of the Group's borrowings, the carrying value of financial assets and liabilities equal their fair value. The carrying value of borrowings of £70.0m (2021: £44.3m) have a fair value of £70.0m (2021: £45.0m). The fair values of financial derivatives and borrowings have been calculated by discounting the future cash flows at prevailing market interest rates. Other than the fair value of financial assets at fair value through profit and loss that are categorised as Level 3, the fair value of all other financial assets and liabilities are categorised as Level 2.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure and cost of capital. In order to maintain or adjust capital, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings and non-property leases less cash and cash equivalents. Total capital is calculated as equity (excluding own shares held and retained earnings) as shown in the Consolidated Statement of Financial Position plus net debt. The gearing ratios for the periods under review are as follows:

	31 December 2022 £m	31 December 2021 £m
Bank borrowings	70.0	45.0
Non-property leases	11.5	6.4
Less: cash and cash equivalents	(5.4)	(7.3)
Non-Property Net Debt	76.1	44.1
Total equity	229.7	229.6
Total capital	305.8	273.7
Gearing ratio	25%	16%

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and procedures for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The principal market risk affecting the Group is interest rate risk. Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments.

The sensitivity analysis in the following sections relates to the position as at 31 December 2022 and 2021. The analysis has been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt and derivatives are all constant.



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24. Financial instruments continued

Interest rate risk

The Group is exposed to interest rate risk because the Group's long term debt obligations are at floating interest rates based on GBP SONIA. The risk is sometimes managed by the Group through interest rate swap contracts and hedging activities are evaluated regularly to align with interest rate views and defined risk appetite to ensure the most cost-effective hedging strategies are applied. During the year, the Group had in place an interest rate swap contract which was designated as a cash flow hedge. This derivative expired in September 2022 and as at 31 December 2022 the Group did not have any interest rate hedging in place.

The Group is not expecting any reduction in interest rates over the next 12 months.

The increase in the loss before tax of a reasonably possible increase in interest rates is as follows:

	31 December 2022 £m	31 December 2021 £m
Change in interest rates of 0.5% (2021: 0.5%)	0.4	0.2

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows; matching the maturity profiles of financial assets and operational liabilities where possible and maintaining adequate cash reserves.

The table below summarises the maturity profile of the Group's financial liabilities:

	31 December 2022				
	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade and other payables	25.8	–	–	–	25.8
Borrowings	5.6	74.1	–	–	79.7
Lease liabilities	40.4	43.4	117.8	246.0	447.6
	71.8	117.5	117.8	246.0	553.1

	31 December 2021				
	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade and other payables	19.4	–	–	–	19.4
Borrowings	1.2	46.0	–	–	47.2
Lease liabilities	39.1	37.8	108.7	242.7	428.3
	59.7	83.8	108.7	242.7	494.9

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Due to the nature of the business requiring customers to pay in advance, there is little concentration of risk in trade receivables due to the limited value of trade receivables due from large number of customers which are spread across wide geographical areas. Trade receivable balances are written off when the balance is known not to be recoverable, and expected credit losses are immaterial.

25. Issued share capital and reserves

	31 December 2022 £m	31 December 2021 £m
Allotted, called up and fully paid Ordinary shares of £0.0001 each	–	–
Own shares held	–	–
Deferred Ordinary shares of £1 each	0.1	0.1

The number of Ordinary shares in issue is as follows:

	31 December 2022	31 December 2021
Ordinary shares of £0.0001 each	178,039,002	177,519,174
Deferred Ordinary shares of £1 each	48,050	48,050

In addition, 312,480 Ordinary shares of £0.0001 each are held by an employee benefit trust (2021: 232,044).

In July 2021, 11,350,000 Ordinary shares of £0.0001 each were issued at a price of £2.75 per share and raised gross proceeds of £31.2m. The costs directly related to the transaction amounted to £0.9m. The proceeds of the share issue were used to accelerate the Group's site rollout programme.

The following describes the nature and purpose of each reserve in equity:

Own shares held and capital redemption reserve

These reserves represent 48,050 Deferred Ordinary shares of £1 each repurchased by the Company on 12 November 2015 and Ordinary shares held in an employee benefit trust. The Deferred Ordinary shares constitute a separate, non-voting class of shares which is held in treasury and not admitted to trading. The rights attached to the Deferred Shares are set out in the Company's Articles.

Share premium

The amount subscribed for share capital in excess of nominal value.

Hedging reserve

The fair value movements on the effective portion of hedging instruments.

Merger reserve

The amount subscribed for share capital in excess of nominal value attracting merger relief under the Companies Act 2006.

Retained earnings/deficit

The accumulated net gains and losses of the Group since inception.

Issued Share Capital and Capital Redemption Reserve are not included in the Consolidated Statement of Changes in Equity because the balances in these reserves are less than £0.1m.



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26. Share based payments

The Group had the following equity-settled share based payment arrangements in operation during the year:

- The Gym Group plc Performance Share Plan ('PSP')
- The Gym Group plc Share Incentive Plan – Free shares ('SIP - Free Shares')
- The Gym Group plc Share Incentive Plan – Matching shares ('SIP')
- The Gym Group plc Restricted Stock Plan ('RSA')
- The Gym Group plc Long Service Award Plan ('LSA')
- The Gym Group plc Savings Related Share Option Scheme ('SAYE')

In accordance with IFRS 2 Share Based Payment, the value of the awards is measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. The Group recognised a total charge of £1.7m (2021: £2.4m) in respect of the Group's share based payment arrangements and a credit related to employer's national insurance of £0.3m (2021: charge of £0.5m).

A summary of the movements in each scheme is outlined below:

Scheme name	Outstanding at 1 January 2022	Granted during the year	Lapsed/cancelled during the year	Exercised during the year	Outstanding at 31 December 2022	Exercisable at 31 December 2022
Performance Share Plan	3,613,320	1,244,092	(1,520,175)	–	3,327,237	378,888
Share Incentive Plan – Free shares	19,431	–	–	(3,048)	16,383	16,383
Share Incentive Plan – Matching shares	158,896	77,085	(11,548)	(7,729)	216,704	47,139
Restricted stock	1,604,628	1,272,508	(202,357)	(496,747)	2,178,032	316,047
Long Service Awards	4,358	2,750	–	(4,358)	2,750	–
Save as You Earn	882,569	857,360	(408,736)	(18,749)	1,312,444	52,386
	6,283,002	3,453,795	(2,142,816)	(530,631)	7,063,550	810,843

The exercise price of all options under the schemes held during the year is £0.01, with the exception of the SAYE scheme where the exercise price ranges between 93.0p and 236.0p. 758,457 options were exercisable under the PSP, RSA and SIP schemes as at 31 December 2022 (2021: 488,466) and 52,386 options were exercisable under the SAYE scheme (2021: nil). No other options were exercisable as at 31 December 2022.

(a) Performance Share Plan

The outstanding awards under the PSP as at 31 December 2022 will all vest within three years, subject to continued employment and the achievement of certain performance targets.

For awards made in 2022 and prior to 2020, the targets are based on TSR and financial performance measures with each target contributing to 50% of the vesting conditions. For awards made in 2022, the financial performance measures are Return on Invested Capital ('ROIC') and Cumulative Adjusted Group Operating Cash Flow, with the awards being split equally between these two measures. Prior to the 2019 awards all of the financial performance measures were based on adjusted EPS targets, with the 2019 awards split equally between EPS and ROIC.

For awards made in 2021 and 2020, the performance targets are solely based on TSR, with 33.3% based on absolute shareholder return and 66.7% based on relative TSR.

The vesting conditions of the Performance Share Plan awards are set out on page 101. The maximum term of these awards is three years and settlement is in the form of shares.

The fair value of the ROIC, Cumulative Adjusted Operating Cash Flow and EPS elements was determined using the share price at the date of grant.

The fair value of the TSR element of the award was estimated at the grant date using a Monte Carlo simulation model, taking into account the terms and conditions upon which the awards were granted. This model simulates the TSR and compares it against the group of comparator companies. It takes into account historic dividends and share price fluctuations to predict the distribution of relative share price performance.

The shares are potentially dilutive for the purposes of calculating diluted earnings per share.

26. Share based payments continued

The following assumptions were used for options granted during the year:

	Without holding period		With holding period	
	2022	2021	2022	2021
Weighted average share price at date of grant	£2.22	£2.32	£2.22	£2.32
Exercise price	£0.0001	£0.0001	£0.0001	£0.0001
Expected volatility	61.75%	60.20%	54.25%	68.83%
Expected term until exercised	3 years	3 years	5 years	5 years
Expected dividend yield	–	–	–	–
Risk-free interest rate	1.57%	0.13%	1.56%	0.42%

The weighted average fair value of each award issued under this scheme during the year was £1.21 (2021: £1.67). The weighted average remaining contractual life was 8.0 years at 31 December 2022 (2021: 8.0 years).

(b) Share Incentive Plan – Free shares

The awards made under the SIP - Free Shares occurred when the Group floated on the London Stock Exchange and were subject to continued employment requirements over a three-year period and had no performance conditions. Therefore, the options vested in full at the end of the three-year period. No further awards have been issued. The shares are held by an employee benefit trust and are dilutive for the purposes of earnings per share.

The weighted average remaining contractual life was 3.3 years at 31 December 2022 (2021: 4.3 years).

(c) Share Incentive Plan – Matching shares

Under the matching shares award, for every share purchased by an employee the Company will award one matching share, up to a maximum value. Therefore, the options vest in full at the end of the three-year period. The awards are subject to continued employment requirements over a three-year period and have no performance conditions. The shares are held by an employee benefit trust and are dilutive for the purposes of earnings per share.

The weighted average fair value of each award issued under this scheme during the year was £1.60 (2021: £2.64) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 1.2 years at 31 December 2022 (2021: 1.3 years).

(d) Restricted stock

The outstanding awards under the RSA are subject to continued employment requirements over a two or three-year period and have no performance conditions. Therefore, the options vest in full at the end of the period. The shares are potentially dilutive for the purposes of calculating diluted earnings per share.

The weighted average fair value of each award issued under this scheme during the year was £1.53 (2021: £2.66) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 8.7 years at 31 December 2022 (2021: 8.4 years).

(e) Long Service Awards

The outstanding awards under the LSA are subject to continued employment requirements over a one-year period and have no performance conditions. Therefore, the options vest in full at the end of the period. The shares are potentially dilutive for the purposes of calculating diluted earnings per share.

The weighted average fair value of each award issued under this scheme during the year was £1.05 (2021: £2.61) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 0.9 years (2021: 0.6 years) at 31 December 2022.

(f) Save as You Earn (SAYE) Scheme

Under the SAYE scheme, employees are allowed to acquire options over the Company's shares at a discount of up to 20% of their market value at the date of grant. The awards are subject to continued employment requirements over a three-year period and have no performance conditions. Therefore, the options vest in full at the end of the period. The shares are dilutive for the purposes of earnings per share.

The weighted average fair value of each award issued under this scheme during the year was £0.56 (2021: £1.17) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 2.7 years (2021: 2.5 years) at 31 December 2022.



Financial statements

Notes to the consolidated financial statements continued

for the year ended 31 December 2022

27. Commitments and contingencies

The Group had £0.8m of commitments that were contracted but not provided as at 31 December 2022 relating to contracts for the fit-out of new gyms where works have not yet commenced (2021: £2.9m).

28. Related party transactions**Identification of related parties**

The ultimate holding company of the Group is The Gym Group plc, a company incorporated in The United Kingdom.

Closewall Limited is a company under the control of a family member of a Director, J Treharne, and provided services to the Group in prior years. During the prior period, Closewall Limited provided services to the Group to the value of £11,000. There was no balance outstanding at 31 December 2022 (2021: £nil).

The subsidiaries of the Group are as follows:

Company	Principal activity	Country of incorporation	Holding
The Gym Group Midco1 Limited	Holding company	United Kingdom	100%
The Gym Group Midco2 Limited	Holding company	United Kingdom	100%
The Gym Group Operations Limited	Holding company	United Kingdom	100%
The Gym Limited	Fitness operator	United Kingdom	100%
Derwent Fitness NW Limited ¹	Dormant	United Kingdom	100%
Derwent Fitness GS Limited ¹	Dormant	United Kingdom	100%

¹ These subsidiaries are in the process of being struck off; the process is expected to be complete by the end of March 2023.

The registered office of the subsidiaries is 5th Floor, OneCroydon, 12-16 Addiscombe Road, Croydon, CR0 0XT.

Terms and conditions of transactions with related parties

The purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided for any related party payables. Payments to Closewall Limited are in respect of the provision of services.

Compensation of key management personnel

Key management includes the Directors as identified in the Directors' Report and members of the Group's Executive Committee. The compensation paid or payable to key management for employment services is shown below:

	31 December 2022 £m	31 December 2021 £m
Remuneration	1.6	2.6
Termination benefits	-	0.2
Company contributions to defined contribution pension scheme	0.1	0.1
Share based payment charge	0.8	1.2
	2.5	4.1

At the current and prior year end, there were no outstanding loan balances owed by key management personnel. At the year end, no balance (2021: £0.6m) was owed to key management personnel in respect of year-end bonuses.

Information regarding the highest paid Director is shown in the Report of the Remuneration Committee.

29. Dividends made and proposed

It is a condition of the Facility C of the Group's RCF that the Company shall not declare or pay a dividend until the facility is cancelled in full. As such the Directors are not proposing a final dividend for the financial year 2022 (2021: £nil).

Financial statements

Company statement of financial position

as at 31 December 2022

	Note	31 December 2022 £m	31 December 2021 £m
Non-current assets			
Investments in subsidiaries	4	227.6	225.9
Trade and other receivables	5	85.4	-
Deferred tax asset		0.5	-
Total non-current assets		313.5	225.9
Current assets			
Trade and other receivables	5	3.0	65.5
Cash and cash equivalents		0.1	0.1
Total current assets		3.1	65.6
Total assets		316.6	291.5
Current liabilities			
Trade and other payables	6	4.3	7.1
Non-current liabilities			
Borrowings	7	70.0	44.3
Total liabilities		74.3	51.4
Net assets		242.3	240.1
Capital and reserves			
Own shares held	8	0.1	0.1
Share premium	8	189.8	189.7
Hedging reserve	8	-	(0.1)
Merger reserve	8	39.9	39.9
Retained earnings	8	12.5	10.5
Total equity shareholders' funds		242.3	240.1

The notes on pages 161-166 form an integral part of the financial statements.

As permitted by s408 of the Companies Act 2006, the Company's profit and loss account is not presented as part of these accounts. The Company's profit for the year amounted to £0.3m (2021: loss of £1.5m).

These financial statements were approved by the Board of Directors on 15 March 2023.

Signed on behalf of the Board of Directors

Richard Darwin
Chief Executive Officer

Luke Tait
Chief Financial Officer

Company Registration Number 08528493



Financial statements

Company statement of changes in equity

for the year ended 31 December 2022

	Own shares held £m	Share premium £m	Hedging reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 1 January 2021	0.1	159.5	(0.2)	39.9	9.7	209.0
Loss for the year	-	-	-	-	(1.5)	(1.5)
Other comprehensive income	-	-	0.1	-	-	0.1
Total comprehensive loss for the year	-	-	0.1	-	(1.5)	(1.4)
Capital contributions to subsidiaries	-	-	-	-	2.3	2.3
Issue of Ordinary share capital	-	30.2	-	-	-	30.2
At 31 December 2021	0.1	189.7	(0.1)	39.9	10.5	240.1
Profit for the year	-	-	-	-	0.3	0.3
Other comprehensive income	-	-	0.1	-	-	0.1
Total comprehensive income for the year	-	-	0.1	-	0.3	0.4
Capital contributions to subsidiaries	-	-	-	-	1.7	1.7
Issue of Ordinary share capital	-	0.1	-	-	-	0.1
At 31 December 2022	0.1	189.8	-	39.9	12.5	242.3

The notes on pages 161-166 form an integral part of the financial statements.

Retained earnings include distributable reserves of £9.6m (2021: £4.9m).

Financial statements

Notes to the Company financial statements

for the year ended 31 December 2022

1. General information

The Gym Group plc ('the Company') is incorporated and domiciled in the United Kingdom with company number 08528493. The registered address of the Company is 5th Floor, OneCroydon, 12-16 Addiscombe Road, Croydon, United Kingdom, CRO OXT.

2. Summary of significant accounting policies

A summary of the significant accounting policies is set out below. These have been applied consistently in the Financial Statements.

Statement of compliance and basis of preparation

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

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

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 3.

Going concern

In assessing the going concern position of the Company for the year ended 31 December 2022, the Directors have considered the following:

- the Group's trading performance in FY22 and throughout the traditional January and February 2023 peak period, in particular in respect of its trading subsidiary The Gym Limited ('TGL') on which the Company is interdependent;
- future expected trading performance of the Company and TGL to June 2024 (the going concern period), including membership levels and behaviours in light of the current difficult macroeconomic environment; and
- the Company and Group's financing arrangements and relationship with its lenders and shareholders.

2022 was a year of significant recovery and growth for The Gym Group, with membership at the end of December 2022 reaching 821,000, an increase of 14.3% from the end of December 2021. Average revenue per member per month for the year ('ARPM') was £17.82 and for the second half of the year was £18.30, up 4.5% on the second half of the prior year. LIVE IT, the premium price product, ended the year at 29.6% of total membership compared with 27.1% in December 2021. As a result, revenue and Group Adjusted EBITDA both increased significantly. The Group also reported strong cash generation, with free cash flow of £16.6m being generated and used to part-fund the 25 organic site openings as well as our investment in the new technology and brand. The remaining organic site openings and the acquisition of the three sites previously trading under the Fitness First brand were funded through an increase in the Group's borrowings. All sites opened in the year are performing in line with our expectations.



Financial statements

Notes to the Company financial statements continued

for the year ended 31 December 2022

2. Summary of significant accounting policies continued**Going concern continued**

In May 2022, the Company agreed with its lenders certain changes to the Company's Revolving Credit Facility ('RCF'). As a result, the Company now has access to a combined £80m facility which matures in October 2024. The Group also currently has access to £13m of finance lease facilities (£15m permitted under the RCF). As at 31 December 2022, the Group had Non-Property Net Debt (including finance leases) of £76.1m, with £15.4m of headroom (calculated off bank debt less cash) under the RCF. The RCF is subject to quarterly financial covenant tests on leverage (net debt to Group Adjusted EBITDA Less Normalised Rent), fixed charge cover (Adjusted EBITDAR to Net Finance Charges and Normalised Rent) and minimum liquidity. Whilst the going concern assessment covers the period to the end of June 2024, the Directors have considered the fact that the Company's RCF facility is currently expected to expire in October 2024 and concluded that there is a realistic prospect that this will be extended or refinanced before that time.

Following the January and February 2023 peak trading period, closing membership at 28 February 2023 was 890,000 members, an increase of 8.4% on the position at 31 December 2022. However, demand has been impacted by the cost-of-living pressures felt by many; and the Directors expect the current difficult macroeconomic environment and consumer behaviour to continue. As a result, we have taken a cautious approach to preparing the three-year financial plan that underpins the going concern review.

The base case forecast for the period to 30 June 2024 anticipates continued growth in yields across the whole estate as a result of pricing actions that have already been taken. However, modest increases in membership levels are driven largely by the sites opened in 2022 and not by growth in the mature estate. In addition, the Directors have taken a more measured approach to new site openings throughout the plan period, with all new sites assumed to be self-financed. Under this scenario, all financial covenants are passed with a reasonable level of headroom and the Company and Group can operate within its financing facilities.

The Directors have considered a downside scenario which anticipates a more significant cost-of-living downturn throughout the period under review. Under this scenario, membership numbers in the mature estate start to deviate from the base case from March 2023 such that they are approximately 10% lower by the end of 2023. Yields do continue to increase but at a much lower level than under the base case. Under this scenario, the number of new site openings is reduced and discretionary performance-related bonuses removed to ensure that all financial covenants continue to be passed and the Group continues to operate within its financing facilities.

The Directors have also considered a reverse stress test scenario to ascertain the extent of the downturn in trading that would be required to breach the Group's banking covenants or liquidity requirements. Mitigating actions assumed in this scenario include moving to a minimum level of maintenance and IT capital expenditure; reducing controllable operating costs and marketing expenditure; and pausing the new site opening programme in order to preserve cash. In this scenario, the number of new members each month would have to decline by 16.5% compared to the base case (the equivalent of membership reducing to 73% of the February 2023 closing membership number) before the leverage covenant would be breached in June 2024. However, the Company would remain within its liquidity limits.

In the event of a reverse stress test scenario, the Directors would introduce additional measures to mitigate the impact on the Company and Group's liquidity, covenants and cash flow, including: (i) further reductions in controllable operating costs, marketing and capital expenditure; (ii) discussions with lenders to secure additional debt facilities and/or covenant waivers; (iii) deferral of, or reductions in, rent payments to landlords; and (iv) the potential to raise additional funds from third parties. The Directors consider the reverse stress test scenario to be highly unlikely.

Conclusion

The Board has reviewed the financial plan and downside scenarios of the Group and has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the period to 30 June 2024. As a result, the Directors continue to adopt the going concern basis in preparing the financial statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Company and Group's current and forecast liquidity position and the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios.

2. Summary of significant accounting policies continued**Investments**

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

Financial instruments**Fair value hierarchy**

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable market data)

There were no transfers between levels throughout the periods under review.

Financial assets (excluding derivative financial instruments)

The Company measures its trade and other receivables and cash and cash equivalents at amortised cost. Subsequent to initial recognition these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

Financial liabilities (excluding derivative financial instruments)

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

Derivative financial instruments and hedging activities

The Company's activities expose it to financial risks associated with movements in interest rates. The use of financial derivatives to hedge the exposure is approved by the Board and the Company does not use derivative financial instruments for speculative purposes. As at 31 December 2022, there were no derivatives or hedging arrangements remaining in place.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, i.e. the gain or loss relating to the effective portion of the interest rate hedging contracts is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

Current taxation

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

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



Financial statements

Notes to the Company financial statements continued

for the year ended 31 December 2022

3. Significant accounting judgements, estimates and assumptions

The preparation of the Financial Statements in accordance with FRS 101 requires estimates and assumptions to be made that affect the value at which certain assets and liabilities are held at the balance sheet date and also the amounts of revenue and expenditure recorded in the period. The Directors believe the accounting policies chosen are appropriate to the circumstances and that the estimates, judgements and assumptions involved in its financial reporting are reasonable.

There are no critical accounting judgements or estimates within these Financial Statements.

4. Investments in subsidiaries

	£m
At 1 January 2021	193.6
Additions	32.3
At 31 December 2021	225.9
Additions	1.7
At 31 December 2022	227.6

In December 2021, the Company invested £30m into its directly held subsidiary, The Gym Group Midcol Limited. During the current and prior year, share options in the Company's shares were granted to employees of The Gym Group Operations Limited and The Gym Limited. A corresponding capital contribution of £1.7m has been recognised within investments in subsidiaries (2021: £2.3m). Details of the Company's share based payment arrangements are shown in note 26 to the consolidated financial statements.

The Company's subsidiary undertakings are shown in note 28 to the consolidated financial statements.

5. Trade and other receivables

	31 December 2022 £m	31 December 2021 £m
Prepayments and accrued income	–	0.2
Amounts owed by Group undertakings	88.4	65.3
	88.4	65.5
Due in less than one year	3.0	65.5
Due in more than one year	85.4	–
	88.4	65.5

2022 was a year of recovery and investment for The Gym Group. However, the challenges brought about by the war in Ukraine and cost-of-living pressures on consumers, meant that the Group was not able to recover to pre Covid-19 levels. As a result, the Group reported a loss for the year of £19.3m. It is expected that the current difficult macroeconomic environment and its impact on consumer demand will continue throughout 2023 and the Group is taking a more measured approach to new site openings with all new site growth expected to be self-financed. As such, the Directors no longer anticipate that the amounts due from Group undertakings will be repaid within one year, and as such, £85.4m has been classified as non-current as at 31 December 2022.

At 31 December 2022, the Company was exposed to £2.7m should its trading subsidiary, The Gym Limited, default on its obligations under non-property leases. No expected credit loss in respect of this has been recognised at the balance sheet date.

6. Trade and other payables (due in less than one year)

	31 December 2022 £m	31 December 2021 £m
Trade payables	0.1	0.1
Amounts owed to Group undertakings	3.8	5.3
Accruals	0.4	1.7
	4.3	7.1

7. Borrowings

The carrying value of the Company's borrowings at 31 December 2022 was £70.0m (2021: 44.3m).

8. Issued capital and reserves

	31 December 2022 £m	31 December 2021 £m
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £0.0001 each	–	–
Own shares held		
Deferred Ordinary shares of £1 each	0.1	0.1

The number of Ordinary shares in issue is as follows:

	31 December 2022	31 December 2021
Ordinary shares of £0.0001 each	178,039,002	177,519,174
Deferred Ordinary shares of £1 each	48,050	48,050

Refer to note 25 of the consolidated financial statements for details of movements in share capital.



Financial statements

Notes to the Company financial statements continued

for the year ended 31 December 2022

8. Issued capital and reserves continued

The following describes the nature and purpose of each reserve in equity:

Own shares held and capital redemption reserve

These reserves represent 48,050 Deferred Ordinary shares of £1 each repurchased by the Company on 12 November 2015 and Ordinary shares held in an employee benefit trust. The Deferred Ordinary shares constitute a separate, non-voting class of shares which is held in treasury and not admitted to trading. The rights attached to the Deferred Shares are set out in the Company's Articles.

Share premium

The amount subscribed for share capital in excess of nominal value.

Hedging reserve

The fair value movements on the effective portion of hedging instruments.

Merger reserve

The amount subscribed for share capital in excess of nominal value attracting merger relief under the Companies Act 2006.

Retained earnings

The accumulated net gains and losses of the Company since inception.

Issued Share Capital and Capital Redemption Reserve are not included in the Consolidated Statement of Changes in Equity because the balances in these reserves are less than £0.1m.

Other information

Five-year record

The following table sets out a summary of selected key financial information and Key Performance Indicators for the business.

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Revenue	172.9	106.0	80.5	153.1	123.9
Group Adjusted EBITDA Less Normalised Rent	38.0	5.7	(10.2)	48.5	39.1
Group operating cash flow	24.0	6.3	(16.3)	39.2	34.0
Non-Property Net Debt	76.1	44.1	47.3	47.4	46.0
Non-Property Net Debt to Group Adjusted EBITDA	2.00	7.74	(4.64)	0.98	1.17
Total number of gyms (number)	229	202	183	175	159
Total number of members ('000)	821	718	578	794	724
Average revenue per member per month (£) ¹	17.82	17.60	17.20	16.02	14.89
Members that visit 4+ times in a month ²	47.2%	32.6%	23.9%	44.0%	41.7%
Number of mature gyms in operation (number)	182	175	155	109	89
Mature gym site EBITDA Less Normalised Rent	50.9	22.5	3.9	48.1	39.0
Return on Invested Capital of mature gym sites ³	20%	18%	18%	31%	30%
Employee engagement score	67%	61%	51%	n/a	n/a

¹ In order to provide better year-on-year comparability for yield, the figures presented for 2021 and 2020 have been adjusted to exclude the impact of UK Government-enforced closure periods as a result of the Covid-19 pandemic. The 2021 figure is calculated for the period from July 2021 to December 2021 when all gyms were fully open and trading had returned to normal. The 2020 figure is calculated on a site-by-site basis and excluded days where the sites were required to be closed due to Government restrictions.

² The 2021 and 2020 figures are impacted by closure days.

³ In order to provide better year-on-year comparability for ROIC, the figures presented for 2021 and 2020 have been adjusted to exclude the impact of UK Government-enforced closure periods as a result of the Covid-19 pandemic. The 2021 figure is calculated for the period from July 2021 to December 2021 when all gyms were fully open and trading had returned to normal. The 2020 figure is calculated to exclude those months when sites were required to be closed due to Government restrictions.

Definition of non-statutory measures

Group Adjusted EBITDA – operating profit before depreciation, amortisation, share based payments costs and non-underlying items.

Normalised Rent – the contractual rent that would have been paid in normal circumstances without any agreed deferrals, recognised in the monthly period to which it relates.

Adjusted Loss/Profit before Tax – loss/profit before tax before non-underlying items.

Adjusted earnings – loss/profit for the year before non-underlying items and the related tax effect.

Basic Adjusted EPS – Adjusted earnings divided by the basic weighted average number of shares.

Group operating cash flow – Group Adjusted EBITDA Less Normalised Rent, movement in working capital and maintenance capital expenditure.

Free cash flow – Group operating cash flow less cash non-underlying items, bank and non-property lease interest and tax.

Non-Property Net Debt – bank and non-property lease debt less cash and cash equivalents.

Mature gym site EBITDA Less Normalised Rent – Group Adjusted EBITDA Less Normalised Rent contributed by mature sites (open 24 months or more at the period end).

Return On Invested Capital of mature gym sites – Mature gym site EBITDA Less Normalised Rent divided by total capital initially invested in the mature sites excluding acquisition sites.

Maintenance capital expenditure – costs of replacement gym equipment and premises refurbishment.

Expansionary capital expenditure – costs of fit-out of new gyms (both organic and acquired), technology projects and other strategic projects. It is stated net of contributions towards landlord building costs.



Other information

Corporate information

Company Secretary

Katy Tucker

Company number

08528493

Registered office

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Corporate Advisers

Bankers

HSBC Bank plc

Solicitors

Allen & Overy LLP

Auditor

Ernst & Young LLP

Joint Brokers

Numis Securities Limited
Peel Hunt LLP

Registrar

Link Group



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