

ELECTRONIC TRANSMISSION DISCLAIMER

STRICTLY NOT TO BE FORWARDED TO ANY OTHER PERSONS

IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached document (the “**Prospectus**”) and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Prospectus relating to The Gym Group plc (the “**Company**”) dated 9 November 2015 accessed from this page or otherwise received as a result of such access. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Prospectus is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached Prospectus to any other person. The attached Prospectus has been prepared solely in connection with the offer to certain investors (the “**Offer**”) of ordinary shares (the “**Ordinary Shares**”) of the Company. Application has been made for the admission of the Ordinary Shares to the premium segment of the Official List of the UK Financial Conduct Authority (the “**Financial Conduct Authority**”) and to trading on the London Stock Exchange plc’s main market for listed securities (together, “**Admission**”). The Prospectus has been approved by the Financial Conduct Authority as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the Financial Services and Markets Act 2000. The Prospectus has been published and is available from the Company’s registered office and on the Company’s website at www.tggplc.com.

THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS MAY ONLY BE DISTRIBUTED IN “OFFSHORE TRANSACTIONS” AS DEFINED IN, AND IN RELIANCE ON, REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “**US SECURITIES ACT**”) OR WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS (“**QIBs**”) AS DEFINED IN RULE 144A UNDER THE US SECURITIES ACT (“**RULE 144A**”) OR PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE US SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE ORDINARY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB AS DEFINED IN, AND IN RELIANCE ON, RULE 144A, OR PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This electronic transmission and the attached Prospectus and the Offer when made are only addressed to and directed at persons in member states of the European Economic Area (the “**EEA**”), other than the United Kingdom, who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU to the extent implemented in a relevant member state of the EEA) (“**Qualified Investors**”). In addition, in the United Kingdom, this electronic transmission and the attached Prospectus are addressed to, and directed only at, Qualified Investors who (i) are persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”), (ii) are persons who are high net worth entities falling within article 49(2)(a) to (d) of the Order, or (iii) are other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**Relevant Persons**”). This electronic

transmission and the attached Prospectus must not be acted on or relied on (i) in the United Kingdom, by persons who are not Relevant Persons, and (ii) in any member state of the EEA, other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons in the United Kingdom and Qualified Investors in any member state of the EEA other than the United Kingdom, and will be engaged in only with such persons.

Confirmation of Your Representation: This electronic transmission and the attached Prospectus is delivered to you on the basis that you are deemed to have represented to the Company, the Selling Shareholders, Barclays Bank PLC (“**Barclays**”), Numis Securities Limited (“**Numis**” and together with Barclays, the “**Joint Global Co-ordinators**”), Peel Hunt LLP (“**Peel Hunt**” and together with the Joint Global Co-ordinators, the “**Underwriters**”) and Barclays Capital Securities Limited (together with the Underwriters, the “**Banks**”) that (i) you are (a) a QIB acquiring the Ordinary Shares for its own account or for the account of another QIB or (b) acting on behalf of, or you are an institutional investor outside the United States acquiring the Ordinary Shares in an “offshore transaction”, as defined in, and in reliance on, Regulation S under the US Securities Act; (ii) if you are in any member state of the EEA other than the United Kingdom, you are a Qualified Investor and/or a Qualified Investor acting on behalf of Qualified Investors, to the extent you are acting on behalf of persons or entities in the EEA; (iii) if you are a person in the United Kingdom, you are a Relevant Person and/or a Relevant Person acting on behalf of Relevant Persons or Qualified Investors, to the extent that you are acting on behalf of persons or entities in the United Kingdom or EEA; (iv) the Ordinary Shares acquired by you in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA which has implemented the Prospectus Directive to Qualified Investors (as defined in the Prospectus Directive) or the UK; or (v) if you are not in the United States, the UK or the EEA, you are an institutional investor that is eligible to receive the attached Prospectus and you consent to delivery by electronic transmission.

Restriction: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of prospective investors described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are reminded that you have received this electronic transmission and the attached Prospectus on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Prospectus, electronically or otherwise, to any other person. This Prospectus has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Banks nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version. By accessing the attached Prospectus, you consent to receiving it in electronic form. None of the Banks nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the attached Prospectus or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Ordinary Shares. The Banks and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Banks or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in the attached Prospectus.

The Banks and STJ Advisors LLP are acting exclusively for the Company and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in the attached Prospectus.

The Gym Group plc Prospectus

November 2015



Time to get your
gym kit,
trainers and
sweat on

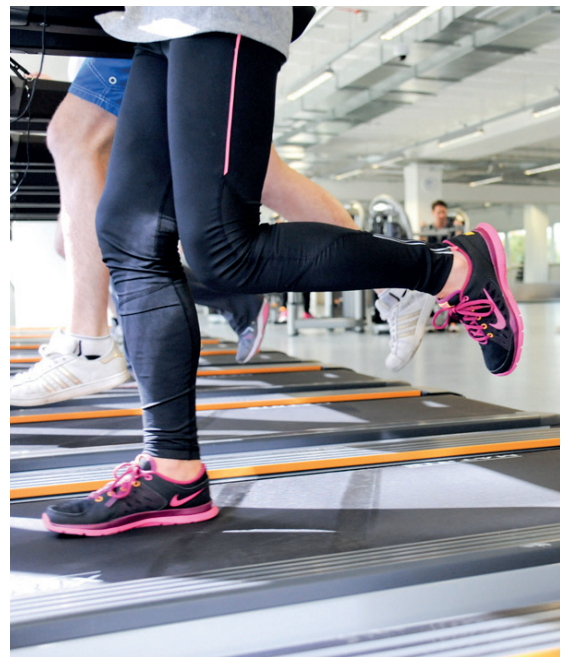


JOIN NOW FROM
£12.99
A MONTH



Join here,
it's easy
peasy

find
your
fit



the
gym
find your fit

This document comprises a prospectus (the “**Prospectus**”) for the purposes of Article 3 of European Union Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) relating to The Gym Group plc (the “**Company**”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 (the “**FSMA**”), and has been prepared in connection with the offer of ordinary Shares of the Company (the “**Ordinary Shares**”) to certain institutional investors (the “**Offer**”) as described in Part 13: “*Details of the Offer*”. The Prospectus will be made available to the public in accordance with the Prospectus Rules.

Application has been made to the FCA for all of the Ordinary Shares issued and to be issued in connection with the Offer to be admitted to the premium listing segment of the Official List of the FCA and to London Stock Exchange plc (the “**London Stock Exchange**”) for all of the Ordinary Shares to be admitted to trading on the Main Market of the London Stock Exchange for listed securities (together, “**Admission**”). Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8:00 a.m. on 9 November 2015. It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence at 8:00 a.m. on 12 November 2015. **All dealings before the commencement of unconditional dealings will be on a “when issued” basis and of no effect if Admission does not take place. Such dealings will be at the sole risk of the parties concerned. No application is currently intended to be made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange. The new Ordinary Shares issued by the Company will rank *pari passu* in all respects with each other and with the existing Ordinary Shares, including the right to receive dividends or other distributions declared, made or paid after Admission.**

The directors of the Company, whose names appear on page 37 of this Prospectus (the “**Directors**”), and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Prospective investors should read this Prospectus in its entirety. See “Risk Factors” in Part 1 for a discussion of certain risks and other factors that should be considered prior to any investment in the Ordinary Shares.



The Gym Group plc

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 8528493)

**Offer of 64,068,246 Ordinary Shares of 0.01 pence each
at an Offer Price of 195 pence per Ordinary Share
and admission to the premium listing segment of the Official List
and to trading on the Main Market of the London Stock Exchange**

Joint Global Co-ordinators and Joint Sponsors

Barclays

Numis

Lead Manager

Peel Hunt

ISSUED ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Ordinary Shares of	Issued and fully paid	
	Number	Nominal Value
0.01 pence	128,105,275	£12,810.5275

The Company is offering 46,113,007 new Ordinary Shares (the “**New Ordinary Shares**”) and the Selling Shareholders are selling in aggregate 17,955,239 existing Ordinary Shares (the “**Existing Ordinary Shares**”, and together with the New Ordinary Shares, the “**Offer Shares**”) under the Offer. The Company will not receive any of the proceeds of any sale of Existing Ordinary Shares, all of which will be received by the Selling Shareholders. The Offer is conditional, *inter alia*, on Admission taking place on or before 8:00 a.m. on 12 November 2015 (or such later time and/or date as the Company and the Joint Global Co-ordinators may agree). The New Ordinary Shares will, upon Admission, rank equally in all respects with the Ordinary Shares in issue prior to Admission, including the right to receive all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission. The Offer Shares are not being made generally available to the public in conjunction with the Offer.

Barclays Bank PLC (“**Barclays**”) and Numis Securities Limited (“**Numis**”) have been appointed as joint sponsors, as joint global co-ordinators and as joint bookrunners (together the “**Joint Sponsors**”, the “**Joint Global Co-ordinators**” and the “**Joint Bookrunners**”). Peel Hunt LLP (“**Peel Hunt**”) has been appointed as lead manager (the “**Lead Manager**” and together with Joint Global Co-ordinators, the “**Underwriters**”). Barclays Capital Securities Limited (“**BCSL**”) has been appointed as settlement manager (the “**Settlement Manager**” and together with the Underwriters, the “**Banks**”). Each of Barclays and BCSL, authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority in the United Kingdom, Numis and Peel Hunt, both of whom are authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Company and no one else in connection with the Offer, and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the or any transaction or arrangement referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on any of the Banks by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Banks accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Offer and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Each of the Banks accordingly disclaims, to the fullest extent permitted by applicable law, all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

In connection with the Offer, the Banks and any of their respective affiliates acting as an investor for its or their own account(s) may purchase Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Ordinary Shares being offered, sold or otherwise dealt with should be read as including any offer to purchase or dealing by the Banks or any of them and any of their affiliates acting as an investor for its or their own account(s). In addition, certain of the Banks and any of their respective affiliates may in the ordinary course of their business activities enter into financing arrangements (including swaps) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares. The Banks do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Each of the Banks and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company and the Selling Shareholders for which they would have received customary fees. Each of the Banks and their respective affiliates may provide such services to the Company and/or the Selling Shareholders and any of their respective affiliates in the future.

Without prejudice to any legal or regulatory obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, neither the delivery of this Prospectus nor any purchase of Shares made pursuant to it will, under any circumstances, create any implication that there has been no change in the affairs of the Company and the Group since, or that the information contained herein is correct at any time subsequent to, the date of this Prospectus.

Recipients of this Prospectus are authorised solely to use it for the purpose of considering the subscription for or acquisition of the Ordinary Shares and may not reproduce or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than considering an investment in the Ordinary Shares. Such recipients of this Prospectus agree to the foregoing by accepting delivery of this Prospectus.

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it

relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Prior to making any decision as to whether to invest in the Ordinary Shares, prospective investors should read this Prospectus in its entirety. In making an investment decision, prospective investors must each rely upon his or her own examination, analysis and enquiries of the Company and the terms of this Prospectus, including the merits and risks involved. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Selling Shareholders or any of the Banks.

None of the Company, the Directors, the Banks, the Selling Shareholders or any of their respective affiliates or representatives is making any representation to any prospective investor in the Ordinary Shares regarding the legality of an investment in the Ordinary Shares by any such prospective investor under the applicable laws applicable to any such prospective investor. The contents of this Prospectus should not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for legal, financial or tax advice in relation to an investment in Ordinary Shares.

Notice to overseas Shareholders

The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”). The Ordinary Shares offered by this Prospectus may not be offered or sold in the United States, except to qualified institutional buyers (“**QIBs**”), as defined in, and in reliance on Rule 144A under the US Securities Act (“**Rule 144A**”) or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Prospective investors are hereby notified that the sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission or other any US federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States. No actions have been taken to allow a public offering of the Ordinary Shares in the United States.

The Ordinary Shares have not been and will not be registered under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen in Australia, Canada or Japan. No actions have been taken to allow a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction, including Australia, Canada or Japan, other than the United Kingdom. This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The distribution of this Prospectus and the offer and sale of the Ordinary Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholders or the Banks to permit a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this Prospectus (or any other offering or publicity materials relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and observe any such restrictions, including those in the preceding paragraphs. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the manner of distribution of the Ordinary Shares, and the transfer restrictions to which they are subject, see Part 13: “*Details of the Offer—Selling Restrictions*”.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421 B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA421 B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY

UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Available information

Neither the Company nor any of its subsidiaries is required to file periodic reports under Section 13 or Section 15(d) of the US Securities Exchange Act of 1934, as amended (the “**US Exchange Act**”). For so long as any Ordinary Shares are “restricted securities” within the meaning of Rule 144(a)(3) of the US Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the US Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, provide, upon written request, to holders of Ordinary Shares, any owner of any beneficial interest in the Ordinary Shares or to any prospective purchaser designated by such holder or owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act. This document is being furnished by the Company in connection with an offering exempt from the registration requirements of the US Securities Act, solely for the purpose of enabling a prospective investor to consider the subscription for or acquisition of Ordinary Shares described herein. The information contained in this document has been provided by the Company and other sources identified herein or therein. In the United States, this document is being furnished on a confidential basis only to persons reasonably believed to be QIBs. Any reproduction or distribution of this document, in whole or in part, in the United States and any disclosure of their contents or use of any information herein or therein in the United States for any purpose, other than in considering an investment by the recipient in the Ordinary Shares offered hereby or thereby, is prohibited. Each potential investor in the Ordinary Shares, by accepting delivery of this document agrees to the foregoing.

Company’s website

Information contained on the Company’s website is not incorporated into and does not form part of this document.

The date of this Prospectus is 9 November 2015.

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SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

Section A—Introductions and warnings		
Element	Disclosure Requirement	Disclosure
	Warning	This summary should be read as an introduction to the Prospectus.
A.1		<p>Any decision to invest in the Ordinary Shares should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court in a Member State of the European Economic Area (“Member State”), the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and applied its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
A.2	Consent for Intermediaries	Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B—Issuer		
Element	Disclosure Requirement	Disclosure
B.1	Legal and commercial name	The Gym Group plc (the “ Company ”)
B.2	Domicile and legal form	The Company is a public limited company, incorporated on 14 May 2013 as a private company limited by shares in the United Kingdom and re-registered as a public limited company on 2 November 2015 with its registered office in England and Wales. The Company operates under the Companies Act 2006.
B.3	Current operations and principal activities	The Gym opened its first gym in Hounslow in July 2008 and has grown to become a leading operator of low-cost gyms in the UK with 66 gyms and 363,000 members as of 30 September 2015. The Group’s gyms are located at highly accessible sites within major towns, cities and other populous areas across the UK. The Directors believe that The Gym offers a highly attractive membership proposition with value-for-money membership pricing, 24 hours a day, seven days a week gym opening hours and flexible “no contract” membership. The Gym’s vision is to provide affordable access to exercise facilities and expert help to every person who wants to improve their wellbeing, whatever their starting point, whatever their destination.

Section B—Issuer

Element	Disclosure Requirement	Disclosure
		<p>The Gym has a strong track record of opening profitable gyms and is the second-largest operator of low-cost gyms in the UK. During the period 2012 to 2014, the Group increased its number of gyms from 32 to 55 through its organic roll-out strategy and its number of members from 166,000 to 293,000. The Directors believe that new gym openings present a significant growth opportunity and that the Group is well positioned to open between 15 and 20 gyms in total in 2015 and per year thereafter over the medium-term. The Group has opened 11 gyms in the nine months to 30 September 2015.</p> <p>In 2015, the UK health and fitness club market comprised 6,312 public and private clubs with a total of 8.8 million members. Low-cost gyms currently represent a small component of the total market but have grown significantly in terms of gym numbers and membership. Low-cost gym membership in the UK has increased from 0.2 million members in 2011 to 1.3 million members in 2015, representing a compound annual growth rate (“CAGR”) of 60 per cent. The Penetration Rate of low-cost gym membership in the UK, however, remains low at 2 per cent. compared to the UK health and fitness club market overall at 14 per cent. in 2015. As a result, the Directors believe that there is a significant opportunity for further growth in the low-cost gym segment in the UK and that the Group, as one of the largest operators of low-cost gyms, is well positioned to benefit from this opportunity.</p> <p>The Gym has demonstrated that its attractive membership proposition and disruptive, low-cost, technology-led business model work in a wide variety of locations across the UK. In addition, due to their flexible layout, the Group’s gyms can be located in a broad range of property and building types (including offices, leisure facilities and retail outlets). As a result of the broad appeal of the Group’s membership proposition and its highly versatile concept, the Company believes that there are a significant number of locations in the UK that will support the Group’s gyms.</p> <p>The Directors believe that the Group has demonstrated strong performance across its estate and that this success is due in part to The Gym’s disciplined and rigorous approach to site selection, which combines detailed geo-demographic data with historic data from previous gym openings to assess the membership potential, pricing and financial returns of potential gym locations. The Group generally targets a minimum ROCE of 30 per cent. per gym. In addition, The Gym has a strong covenant rating, which can provide a competitive advantage during the site selection and lease negotiation process. The Gym leases all of its gym sites.</p> <p>For the year ended 31 December 2014, the Group generated revenue of £45.5 million and Group Adjusted EBITDA of £14.7 million, representing a CAGR of 43 per cent. and 56 per cent., respectively, since 2012. In the six months ended 30 June 2015, the Group generated revenue of £28.9 million and Group Adjusted EBITDA of £8.5 million. The Group’s Mature Gyms generate high returns and for the year ended 31 December 2014 the Group’s Average Mature Gym Site ROCE was 33 per cent. and Average Mature Gym Site EBITDA Margin was 48 per cent. In line with its low-cost business model, The Gym maintains low staff costs and, as of 30 June 2015, the Group employed 181 people.</p>

Section B—Issuer		
Element	Disclosure Requirement	Disclosure
B.4a	Significant recent trends affecting the Group and the industry in which it operates	<p>The Gym operates in the UK low-cost gym segment, an attractive sub-sector of the overall UK health and fitness club market. In 2015, the total health and fitness club market in the UK was valued at approximately £4.3 billion, with the low-cost gym segment representing approximately £290 million, or approximately 7 per cent. of the total market by value. The UK health and fitness club market is highly fragmented with 6,312 clubs as at 31 March 2015, of which 319 are low-cost, representing approximately 5 per cent. of the total UK health and fitness club market by number of gyms. The key trends and features of the UK health and fitness club market, and in particular, the low-cost gym segment, are listed below:</p> <ul style="list-style-type: none"> • The UK health and fitness club market is an established sector that benefits from consumers becoming more health conscious and is supported by various government initiatives designed to promote healthy living and active lifestyles. • Low-cost gyms are the fastest growing segment in the UK health and fitness club market, with the number of gyms growing from 58 in 2011 to 319 in 2015, representing a CAGR of 53 per cent. Over the same period, the total number of UK health and fitness clubs has grown from 5,852 to 6,312, representing a CAGR of 2 per cent. • The UK low-cost gym segment has significantly increased its membership base from 0.2 million in March 2011 to 1.3 million as of March 2015, as compared to the traditional private health and fitness club market where the number of members decreased from 4.3 million to 4.1 million over the same period. • Growth in the UK low-cost gym segment is primarily the result of low-cost gym operators offering flexible, value-for-money membership at lower cost and with longer opening hours that reflect modern-day lifestyles. The shift in consumer trends towards value-for-money propositions is also prevalent in other industries outside of the health and fitness sector. • The Directors believe that the growth in market share of the UK low-cost gym segment is a result of low-cost gyms attracting members from traditional health and fitness clubs as well as a result of low-cost gyms expanding the UK health and fitness club market by attracting members who are new to health and fitness, driven by the low-cost gym segment's low price point, no contract membership proposition and flexible opening hours. • The UK low-cost gym segment is less developed than the low-cost health and fitness sector in a number of other international markets, suggesting significant potential for future growth.
B.5	Group Structure	<p>The Company is the ultimate holding company of the Group. The Group comprises the Company and The Gym Group Midco 1 Limited, The Gym Group Midco 2 Limited, The Gym Group Operations Limited and The Gym Limited.</p>

Section B—Issuer

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B.6	Shareholders	<p>Upon completion of the Reorganisation and immediately prior to Admission, each of the following persons is expected to be interested in 3 per cent. or more of the Company's issued share capital:</p> <table border="1"> <thead> <tr> <th></th> <th align="center" colspan="2">Immediately prior to Admission</th> </tr> <tr> <th></th> <th align="center">Number of Ordinary Shares</th> <th align="center">Percentage of issued Ordinary Share capital</th> </tr> </thead> <tbody> <tr> <td>Shareholder</td> <td></td> <td></td> </tr> <tr> <td>Phoenix Advised Funds⁽¹⁾</td> <td align="right">45,623,079</td> <td align="right">55.7%</td> </tr> <tr> <td>Phoenix Equity Partners 2010 L.P.</td> <td align="right">33,531,206</td> <td align="right">40.9%</td> </tr> <tr> <td>Adams Street Co-Investment Fund II, L.P.</td> <td align="right">7,798,614</td> <td align="right">9.5%</td> </tr> <tr> <td>Other Phoenix Advised Funds⁽²⁾</td> <td align="right">4,293,259</td> <td align="right">5.2%</td> </tr> 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		<p>Under the Relationship Agreement the Phoenix Advised Funds are able to nominate one non-executive nominee Director for appointment to the Board for so long as the Phoenix Advised Funds and their associates are, either alone or together, entitled to exercise, or to control, directly or indirectly, the exercise of, 10 per cent. or more of the rights to vote at general meetings of the Company. As it is expected that immediately following Admission the Phoenix Advised Funds will hold more than 10 per cent. of the voting rights attached to the issued share capital of the Company, the Phoenix Advised Funds will be entitled to nominate one non-executive nominee Director for appointment to the Board. The first such non-executive nominee Director is David Burns.</p> <p>The Ordinary Shares owned by the Selling Shareholders after Admission will rank <i>pari passu</i> with other Ordinary Shares in all respects.</p>																																																																																																																																													
B.7	Selected historical financial information	<p>The selected historical financial information set out below has been extracted without material adjustment from the Historical Financial Information relating to the Group:</p> <p>Selected Income Statement Data</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="3" style="text-align: center; border-bottom: 1px solid black;">Year ended 31 December</th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Six months ended 30 June</th> </tr> <tr> <th style="text-align: center; border-bottom: 1px solid black;">2012</th> <th style="text-align: center; border-bottom: 1px solid black;">2013</th> <th style="text-align: center; border-bottom: 1px solid black;">2014</th> <th style="text-align: center; border-bottom: 1px solid black;">2014</th> <th style="text-align: center; border-bottom: 1px solid black;">2015</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="5" style="text-align: right;">(£'000s)</td> </tr> <tr> <td>Revenue</td> <td style="text-align: right;">22,264</td> <td style="text-align: right;">35,734</td> <td style="text-align: right;">45,480</td> <td style="text-align: right;">22,045</td> <td style="text-align: right;">28,850</td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">(395)</td> <td style="text-align: right;">(906)</td> <td style="text-align: right;">(1,040)</td> <td style="text-align: right;">(537)</td> <td style="text-align: right;">(518)</td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;">21,869</td> <td style="text-align: right;">34,828</td> <td style="text-align: right;">44,440</td> <td style="text-align: right;">21,508</td> <td style="text-align: right;">28,332</td> </tr> <tr> <td>Administration expenses</td> <td style="text-align: right;">(19,948)</td> <td style="text-align: right;">(35,021)</td> <td style="text-align: right;">(42,105)</td> <td style="text-align: right;">(18,296)</td> <td style="text-align: right;">(27,236)</td> </tr> <tr> <td>Operating profit</td> <td style="text-align: right;">1,921</td> <td style="text-align: right;">(193)</td> <td style="text-align: right;">2,335</td> <td style="text-align: right;">3,212</td> <td style="text-align: right;">1,096</td> </tr> <tr> <td>Finance costs</td> <td style="text-align: right;">(3,043)</td> <td style="text-align: right;">(8,854)</td> <td style="text-align: right;">(11,797)</td> <td style="text-align: right;">(6,613)</td> <td style="text-align: right;">(4,649)</td> </tr> <tr> <td>Finance income</td> <td style="text-align: right;">4</td> <td style="text-align: right;">11</td> <td style="text-align: right;">20</td> <td style="text-align: right;">9</td> <td style="text-align: right;">233</td> </tr> <tr> <td>Profit/(loss) before tax</td> <td style="text-align: right;">(1,118)</td> <td style="text-align: right;">(9,036)</td> <td style="text-align: right;">(9,442)</td> <td style="text-align: right;">(3,392)</td> <td style="text-align: right;">(3,320)</td> </tr> <tr> <td>Income tax credit / (charge)</td> <td style="text-align: right;">(114)</td> <td style="text-align: right;">(232)</td> <td style="text-align: right;">659</td> <td style="text-align: right;">569</td> <td style="text-align: right;">(688)</td> </tr> <tr> <td>Profit/(loss) for period attributable to equity shareholders</td> <td style="text-align: right;">(1,232)</td> <td style="text-align: right;">(9,268)</td> <td style="text-align: right;">(8,783)</td> <td style="text-align: right;">(2,823)</td> <td style="text-align: right;">(4,008)</td> </tr> </tbody> </table> <p>Selected Balance Sheet Data</p> <table style="width: 100%; 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It should be noted in this context that not all companies calculate this measure in the same manner, and that consequently the measures reported are not necessarily comparable with similarly described measures employed by other companies.</p> <p>(2) Group Adjusted EBITDA, as used in this Prospectus, means the Group's operating profit before depreciation and amortisation and exceptional items. Group Adjusted EBITDA Margin is calculated by dividing Group Adjusted EBITDA for the relevant period by Group revenue for the same period. Pre-Opening Costs primarily consist of staff costs, marketing and rent associated with new site openings. Please find below the reconciliation calculation from operating profit to Group Adjusted EBITDA and Group Adjusted EBITDA before Pre-Opening Costs:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="3" style="text-align: center; border-bottom: 1px solid black;">Year ended 31 December</th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Six months ended 30 June</th> </tr> <tr> <th style="text-align: center; border-bottom: 1px solid black;">2012</th> <th style="text-align: center; border-bottom: 1px solid black;">2013</th> <th style="text-align: center; border-bottom: 1px solid black;">2014</th> <th style="text-align: center; border-bottom: 1px solid black;">2014</th> <th style="text-align: center; border-bottom: 1px solid black;">2015</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td colspan="2" style="text-align: center;">(unaudited)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td colspan="2" style="text-align: center;">(£'000s)</td> </tr> <tr> <td>Operating profit</td> <td style="text-align: right;">1,921</td> <td style="text-align: right;">(193)</td> <td style="text-align: right;">2,335</td> <td style="text-align: right;">3,212</td> <td style="text-align: right;">1,096</td> </tr> <tr> <td>Depreciation of tangible fixed assets</td> <td style="text-align: right;">3,805</td> <td style="text-align: right;">5,979</td> <td style="text-align: right;">7,600</td> <td style="text-align: right;">3,598</td> <td style="text-align: right;">4,878</td> </tr> <tr> <td>Amortisation of intangible fixed assets</td> <td style="text-align: right;">82</td> <td style="text-align: right;">1,191</td> <td style="text-align: right;">2,100</td> <td style="text-align: right;">982</td> <td style="text-align: right;">1,069</td> </tr> <tr> <td>Exceptional items^(a)</td> <td style="text-align: right;">192</td> <td style="text-align: right;">4,775</td> <td style="text-align: right;">2,653</td> <td style="text-align: right;">60</td> <td style="text-align: right;">1,464</td> </tr> <tr> <td>Group Adjusted EBITDA</td> <td style="text-align: right;"><u>6,000</u></td> <td style="text-align: right;"><u>11,752</u></td> <td style="text-align: right;"><u>14,688</u></td> <td style="text-align: right;"><u>7,852</u></td> <td style="text-align: right;"><u>8,507</u></td> </tr> <tr> <td>Pre-Opening Costs</td> <td style="text-align: right;">1,615</td> <td style="text-align: right;">1,134</td> <td style="text-align: right;">1,980</td> <td style="text-align: right;">588</td> <td style="text-align: right;">1,164</td> </tr> <tr> <td>Group Adjusted EBITDA before Pre-Opening Costs</td> <td style="text-align: right;"><u>7,615</u></td> <td style="text-align: right;"><u>12,886</u></td> <td style="text-align: right;"><u>16,668</u></td> <td style="text-align: right;"><u>8,440</u></td> <td style="text-align: right;"><u>9,671</u></td> </tr> </tbody> </table> <p>(a) In 2012, exceptional items consisted of transaction fees relating to the Phoenix Investment and costs incurred in relation to the relocation of a gym. In 2013, exceptional items consisted of transaction fees relating to the Phoenix Investment, other aborted acquisition costs and costs incurred in relation to the relocation of a gym. In 2014, exceptional items consisted of costs in relation to the evaluation of a potential merger with Pure Gym Limited and costs incurred in relation to the relocation of a gym. In the six months ended 30 June 2015, exceptional items consisted of costs incurred in connection with the Group's initial public offering, costs in relation to the evaluation of a potential merger with Pure Gym Limited and other aborted transaction costs.</p>		Year ended 31 December			Six months ended 30 June		2012	2013	2014	2014	2015					(unaudited)						(£'000s)		Net cash flows from operating activities	7,924	1,308	9,472	7,138	6,111	Net cash flows used in investing activities	(18,138)	(39,706)	(16,980)	(7,376)	(11,418)	Net cash flows used in financing activities	12,888	39,196	8,993	4,228	2,672	Net increase / (decrease) in cash and cash equivalents	2,674	798	1,485	3,990	(2,635)	Cash and cash equivalents at 1 January	619	3,293	4,091	4,091	5,576	Cash and cash equivalents at end of period	<u>3,293</u>	<u>4,091</u>	<u>5,576</u>	<u>8,081</u>	<u>2,941</u>		Year ended 31 December			Six months ended 30 June		2012	2013	2014	2014	2015					(unaudited)		Group Adjusted EBITDA ⁽¹⁾⁽²⁾ (£ millions)	6.0	11.8	14.7	7.9	8.5	Group Adjusted EBITDA before Pre-Opening Costs ⁽¹⁾⁽²⁾ (£ million)	7.6	12.9	16.7	8.5	9.7		Year ended 31 December			Six months ended 30 June		2012	2013	2014	2014	2015					(unaudited)						(£'000s)		Operating profit	1,921	(193)	2,335	3,212	1,096	Depreciation of tangible fixed assets	3,805	5,979	7,600	3,598	4,878	Amortisation of intangible fixed assets	82	1,191	2,100	982	1,069	Exceptional items ^(a)	192	4,775	2,653	60	1,464	Group Adjusted EBITDA	<u>6,000</u>	<u>11,752</u>	<u>14,688</u>	<u>7,852</u>	<u>8,507</u>	Pre-Opening Costs	1,615	1,134	1,980	588	1,164	Group Adjusted EBITDA before Pre-Opening Costs	<u>7,615</u>	<u>12,886</u>	<u>16,668</u>	<u>8,440</u>	<u>9,671</u>
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		<p>Certain significant changes to the Group’s financial condition and results of operations occurred during the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015. These changes are set out below.</p> <p>During the period under review, revenue increased at a CAGR of 43 per cent. from £22.3 million in 2012 to £45.5 million in 2014 as a result of opening 39 new gyms in the period and the maturation of existing gyms. These openings have followed the Group’s typical gym maturity profile, achieving on average, 3,000 members within the first week of opening with membership increasing rapidly during the first six to nine months of operation. Based on the historic performance of the Group’s Mature Gyms portfolio (as of 31 December 2014), it has taken approximately 24 months for the Group’s gyms to reach maturity. As a result, the total number of Group members increased from 166,000 as at 31 December 2012 to 293,000 as at 31 December 2014. At the end of 2014, 32 of the Group’s gyms were Mature Gyms and 23 were New Gyms.</p> <p>Group Adjusted EBITDA increased at a CAGR of 56 per cent. from £6.0 million in 2012 to £14.7 million in 2014. This increase was driven by an increase in the number of gyms and maturation of the Group’s existing gyms leading to growth in total membership. As a result, Group Adjusted EBITDA margin increased from 27 per cent. in 2012 to 32 per cent. in 2014.</p> <p>Group revenue increased by 31 per cent. to £28.9 million in the six months ended 30 June 2015, from £22.0 million in the six months ended 30 June 2014, driven primarily by growth in membership income due to an increase in the number of gyms leading to growth in total membership. Group Adjusted EBITDA increased by 8 per cent. to £8.5 million in the six months ended 30 June 2015, from £7.9 million in the six months ended 30 June 2014.</p> <p>Save as described above, there has been no significant change in the financial position or results of operations of the Group during the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 or the period subsequent to 30 June 2015, the date to which the last combined financial information of the Group was prepared.</p>
B.8	Pro forma financial information	<p>The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect on the Group’s net assets of the Offer and the repayment by the Group of all of its outstanding debt, including shareholder loans and finance leases, and accrued interest thereon, using £10 million of borrowings under a new term loan facility (less fees and expenses) and the net proceeds of the Offering (the “Refinancing”), as if they had taken place on 30 June 2015. This unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group’s actual financial position or results. The unaudited pro forma statement of net assets is compiled on a basis consistent with the accounting policies of the Group and on the basis set out below from the statement of financial position of the Group as at 30 June 2015. It may not, therefore, give a true picture of the Group’s financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The unaudited pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Annex II to the PD Regulation.</p>

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The estimated costs of the Offer are approximately £8.9 million, of which £0.7 million has been accrued as at 30 June 2015. As a result, the Company will receive net proceeds of £81.0 million. The Offer proceeds of £89.9 million are based on 46,113,007 Ordinary Shares being issued by the Company at an Offer Price of 195 pence. Offer costs and expenses are the estimated costs and fees incurred in respect of the Offer relating principally to investment banking, underwriting, legal and accounting fees.</p> <p>(3) As set out in Part 13: “<i>Details of the Offer</i>”, the Company will refinance its interest-bearing loans and borrowings, settle its obligations under finance leases and settle its finance instruments liability. The Company will use £63.6 million of net offer proceeds and £8.9 million of net borrowings under the New Term Loan Facility (£10.0 million less £1.1 million of finance costs), together £72.5 million, to redeem the existing loans (outstanding bank facilities offset by £8.9 million of net borrowings under the New Loan Term Facility for a net outflow of £37.1 million; shareholder loans of £21.9 million) and settle the finance lease obligations (current portion of £4.0 million and non-current portion of £6.1 million) and financial instruments (£0.8 million) in full. The £72.5 million includes £1.5 million of unamortised financing costs, £0.6 million of finance lease break fees and £0.5 million of finance lease transfer of title fees. In addition, there is a consequential deferred tax liability of £0.2 million. The unamortised financing costs, finance lease break fees and deferred tax charge (together £2.2 million) reduces the net assets. The finance lease transfer of title fees are capitalised to property, plant and equipment. No adjustment has been made for interest accrued or movement in the finance leases or financial instruments since 30 June 2015.</p> <p>(4) Other than the adjustments detailed above, no other adjustments have been made for events occurring after 30 June 2015.</p>		As at 30 June 2015 ⁽¹⁾	Adjustments		Unaudited pro forma total ⁽⁴⁾			Offer net proceeds ⁽²⁾	Refinancing ⁽³⁾				(£'000s)			ASSETS					Total non-current assets	125,921	—	466	126,387	Total current assets	9,052	81,059	(72,488)	17,623	Total assets	134,973	81,059	(72,022)	144,010	LIABILITIES					Total current liabilities	30,829	(727)	(4,039)	26,063	Total non-current liabilities	76,559	—	(65,742)	10,817	Total liabilities	107,388	(727)	(69,781)	36,880	Net assets	27,585	81,786	(2,241)	107,130
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B.9	Profit forecast	Not applicable. There is no profit forecast or estimate included in this Prospectus.																																																												
B.10	Description of the nature of any qualifications in the accountant’s report on the historical financial information	Not applicable. There are no qualifications included in the reporting accountants’ report on the historical financial information included in this Prospectus.																																																												

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B.11	Insufficient working capital	Not applicable. In the opinion of the Company, taking into account the Group’s financing facilities and net proceeds receivable by the Company from the Offer, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months following the date of this Prospectus.

Section C—Securities		
Element	Disclosure Requirement	Disclosure
C.1	Type and class of securities	When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00BZBX0P70 and SEDOL number BZBX0P7. It is expected that the Ordinary Shares will be traded on the London Stock Exchange under the ticker symbol “GYM”. The Ordinary Shares will, on Admission, comprise the entire issued and to be issued Ordinary Share capital of the Company.
C.2	Currency	United Kingdom pounds sterling.
C.3	Number of securities to be issued	On Admission, the nominal value of the issued Ordinary Share capital of the Company will be £12,810.5275 divided into 128,105,275 Ordinary Shares of 0.01 pence each, which will be issued fully paid.
C.4	Description of the rights attaching to the securities	The Offer Shares being sold pursuant to the Offer will, on Admission, rank <i>pari passu</i> 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.
		<p>Subject to the provisions of the Act, any equity securities issued by the Company for cash must first be offered to shareholders in proportion to their holdings of Ordinary Shares. The Act and Listing Rules allow for the disapplication of pre-emption rights which may be effected by a special resolution of the shareholders, whether generally or specifically, for a maximum period not exceeding five years.</p> <p>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.</p> <p>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.</p>
C.5	Restrictions on the free transferability of the securities	Not applicable. The Ordinary Shares will be freely transferable on Admission.
C.6	Admission	Application will be made to the FCA for all of the Ordinary Shares, issued and to be issued, to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or trading on any other exchange.

Section C—Securities		
Element	Disclosure Requirement	Disclosure
C.7	Dividend policy	<p>The Board's current intention is to adopt a progressive dividend policy whilst maintaining an appropriate level of dividend cover. This policy is intended to allow the Group to retain sufficient capital to meet both the working capital needs of the business and to fund the planned continued expansion of the Group in line with its roll-out strategy. The Board's current intention is to target an initial payout ratio of approximately 10 to 20 per cent. of Group Adjusted Net Income. Assuming that there are sufficient distributable reserves available at the time, the Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend.</p> <p>The current intention of the Board is that the first dividend to be paid by the Company will be the interim dividend in respect of the first half of the 2016 financial year, payable in September 2016.</p> <p>The Company may revise its dividend policy from time to time. There are no guarantees that the Company will pay dividends or of the level of any such dividends.</p>

Section D—Risks		
Element	Disclosure Requirement	Disclosure
D.1	Key information on the key risks specific to the Group and its industry	<p>The success of The Gym's business depends on its ability to attract and retain gym members. The Gym must continually engage existing members and attract new members in order to maintain or increase its gym membership levels. In addition, as The Gym's members do not enter into any fixed term contracts, they can terminate their membership at any time without notice or penalty.</p> <p>If The Gym is unable to identify or secure sites for new gyms that meet its selection criteria or to obtain the requisite planning permission, it may not be able to implement its growth strategy. The Gym could also face significant competition for sites that meet its selection criteria from competitors, other commercial enterprises such as retailers, leisure and office space operators as well as residential operators. If The Gym is unable to identify and secure sufficient sites at acceptable rental prices within its planned roll out timeframe, it may not be able to implement its growth strategy.</p> <p>The Group's new gyms may not achieve the expected ROCE or its existing gyms may experience a decline in ROCE, either of which may negatively impact the Group's financial performance.</p> <p>Competitors, which may be new or existing operators, including companies that have greater resources or greater name recognition than The Gym, may compete to attract members in its markets. Due to the increased number of low-cost health and fitness gym operators in the UK, The Gym may face increased competition in the low-cost gym segment. In addition, because The Gym does not have exclusive rights to many of the elements that comprise its in-gym experience and service offering, competitors may attempt to copy or improve on its business model, or portions thereof, which could erode The Gym's competitive position, market share and brand recognition and adversely affect its prospects.</p>

Section D—Risks		
Element	Disclosure Requirement	Disclosure
		<p>The Gym’s success is dependent on the continuing consumer popularity of health and fitness. Alternative forms of fitness or venues for fitness are becoming popular and new trends in the type of health and fitness gym that consumers wish to consume may continue to grow in popularity in the future. These could adversely affect The Gym’s results of operations and prospects.</p> <p>Disruptions and failures involving The Gym’s information technology systems could adversely affect member enrolment, member services and financial and administrative functions. While The Gym fully backs up all of its membership and business information using third party locations and has a full business continuity plan in place, any delay or failure on the part of the data back-up provider or in executing its business continuity plan may hinder its ability to resolve information technology system disruptions or failures in a timely and effective manner.</p> <p>The Gym relies on positive recognition of its brand and reputation by members and potential members. Brand value or reputation can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation.</p> <p>If The Gym cannot retain its Senior Management team, other key management or gym managers while controlling labour costs, it may not be able to successfully manage its operations and pursue its strategic objectives.</p> <p>Due to the capital-intensive nature of its business, The Gym may have to incur additional indebtedness or issue new equity securities in the medium-term and, if The Gym is not able to access additional financing or capital, its ability to operate successfully or expand its business may be impaired and its results of operations could be adversely affected.</p> <p>The Gym’s growth may be hindered by the application of competition regulations. Competition and antitrust regulations in the UK could delay or prevent potential mergers or acquisitions or hinder its commercial activities in general.</p>
D.3	Key information on the key risks specific to the securities	<p>The Institutional Selling Shareholders will retain a significant interest in and will continue to exert substantial influence over The Gym following the Offer and their interests may differ from or conflict with those of other shareholders.</p> <p>There is no existing market for the Ordinary Shares and an active trading market for the Ordinary Shares may not develop or be sustained. The market price of the Ordinary Shares may prove to be volatile and be subject to fluctuations, including significant decreases. The Gym may choose not to pay or may be unable to pay dividends and it cannot assure investors that it will make dividend payments in the future.</p> <p>The market price of the Ordinary Shares could be negatively affected by sales of substantial numbers of such shares in the public markets, including following the expiry of the lock-up periods referred to in E.5 below, or the perception that these sales could occur.</p> <p>Shareholders in the United States and other jurisdictions may not be able to participate in future equity offerings. Not all rights available to shareholders under US law will be available to holders of the Ordinary Shares.</p>

Section E—Offer		
Element	Disclosure Requirement	Disclosure
E.1	Net proceeds and costs of the offer	<p>The Company will receive approximately £81.0 net proceeds from the Offer (after bearing underwriting commissions, other estimated Offer-related fees and expenses and VAT of approximately £8.9 million).</p> <p>The gross proceeds from the Offer receivable by the Selling Shareholders will be approximately £35.0 million. The aggregate underwriting commission, other fees and expenses and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders in connection with the Offer are expected to be approximately £1.3 million.</p> <p>The Company will not receive any proceeds from the sale of Existing Ordinary Shares by the Selling Shareholders in the Offer.</p> <p>No expenses will be charged to any purchaser of Offer Shares by the Company or the Selling Shareholders.</p>
E.2a	Reasons for the offer and use of proceeds	<p>The principal uses of the net proceeds of the Offer received by the Company are as follows:</p> <ul style="list-style-type: none"> • £74.6 million to facilitate the Refinancing; and • the remainder for general corporate purposes. <p>The Directors believe that the Offer and Admission will:</p> <ul style="list-style-type: none"> • together with the Refinancing, strengthen The Gym’s capital structure and support and position the Group for the continued implementation of its growth strategy; • give the Company access to a wider range of capital-raising options which may be of use in the future to support its roll out of new gyms or to support possible future acquisitions, if any; • further improve the ability of the Company to recruit, retain and incentivise its key management and employees; • create a liquid market in the Ordinary Shares for existing and future shareholders; and • provide the Institutional Selling Shareholders and certain of the Directors, Senior Management and employees of the Company, and certain connected persons (as defined in the Act) of such Directors, Senior Managers and employees (together, the “Individual Selling Shareholders”) with an opportunity for a partial realisation of their respective shareholdings in the Company.
E.3	Terms and conditions of the offer	<p>The Offer comprises an offer of:</p> <ul style="list-style-type: none"> • 46,113,007 New Ordinary Shares to be issued by the Company; • 14,399,525 Existing Ordinary Shares to be sold by the Institutional Selling Shareholders; and • 3,555,714 Existing Ordinary Shares to be sold by the Individual Selling Shareholders.

Section E—Offer		
Element	Disclosure Requirement	Disclosure
		<p>All Offer Shares will be sold at the Offer Price. Under the Offer, the Offer Shares will be offered to certain institutional and professional investors in the UK and elsewhere outside the United States in reliance on Regulation S of the US Securities Act and in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.</p> <p>Admission is expected to become effective, and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange, at 8.00 a.m. on 12 November 2015.</p> <p>The Offer is subject to the satisfaction of conditions, which are customary for transactions of this type, contained in the Underwriting Agreement, including Admission becoming effective no later than 8.00 a.m. on 12 November 2015 and the Underwriting Agreement not having been terminated prior to Admission.</p> <p>The Underwriting Agreement has been entered into between the Company (for itself and as agent for and on behalf of each Individual Selling Shareholder pursuant to the Share Sale Election Deeds), the Directors, the Institutional Selling Shareholders and the Banks. The Underwriting Agreement provides for the Underwriters to be paid a commission in respect of the Offer Shares sold. Any commissions received by the Underwriters may be retained and any Ordinary Shares acquired by them may be retained or dealt in, by them, for their own benefit.</p> <p>None of the Ordinary Shares may be offered for subscription, sale, purchase or delivery, and neither this prospectus nor any other offering material in relation to the Ordinary Shares may be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.</p> <p>No stabilisation will be carried out in connection with the Offer.</p>
E.4	Material interests	There are no interests, including the Selling Shareholders' interests, that are material to the Offer other than those disclosed in B.6 above.
E.5	Selling Shareholders and Lock-up	<p>17,955,239 Existing Ordinary Shares are currently expected to be sold by the Selling Shareholders pursuant to the Offer.</p> <p>Pursuant to the Underwriting Agreement, the Institutional Selling Shareholders have agreed a 180-day lock-up period following Admission, during which time they may not dispose of any interest in their Ordinary Shares.</p> <p>Pursuant to the Share Sale Election Deeds, the Individual Selling Shareholders (other than Paul Gilbert, as set out below) have agreed a 365-day lock-up period following Admission, during which time they may not dispose of any interest in their Ordinary Shares.</p>

Section E—Offer		
Element	Disclosure Requirement	Disclosure
		<p>For a 180-day lock-up period following Admission, the Company will not issue or dispose of any new Ordinary Shares. Other than the former non-executive chairman Paul Gilbert, who is subject to a 180-day lock-up period as Senior Independent Non-executive Director, the Directors are also subject to a 365-day lock-up period following Admission during which they will not sell any Ordinary Shares they own in the Company.</p> <p>All lock-up arrangements are subject to customary exceptions.</p>
E.6	Dilution	46,113,007 New Ordinary Shares will be issued pursuant to the Offer. The existing Ordinary Share capital will represent 64.0 per cent. of the total issued Ordinary Shares immediately following Admission.
E.7	Expenses charged to the investor	Not applicable: there are no commissions, fees, expenses or taxes to be charged to investors by the Company or the Selling Shareholders under the Offer.

PART 1 RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should carefully consider risk factors associated with any investment in the Ordinary Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.

Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in the section of this Prospectus headed "Summary" are the risks that the Directors and the Company believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.

The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Ordinary Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, financial condition, results of operations or prospects and, if any such risk should occur, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

Risks relating to The Gym's business

The success of The Gym's business depends on its ability to attract and retain gym members.

The Gym's success is dependent on its ability to attract and retain members. The Gym generates revenue from membership fees and joining fees (representing approximately 99 per cent. of the Group's revenue for the year ended 31 December 2014). While The Gym has some flexibility to vary the membership fees and the joining fees it charges members and potential members, as a low-cost provider its ability to increase such fees may be limited.

The Gym must continually engage existing members and attract new members in order to maintain or increase its gym membership levels. In addition, as The Gym's members do not enter into any fixed-term contracts, they can terminate their membership at any time without notice or penalty.

Factors that could lead to a decline in membership levels or prevent The Gym from increasing membership include:

- direct and indirect local competition from low-cost and other health and fitness club operators;
- saturation of local health and fitness club markets;
- increase in The Gym's monthly membership fees due to inflation or other factors;
- harm to its reputation or brand;
- a decline in The Gym's ability to deliver a high-quality service to its members;
- changes in consumer preference away from the low-cost gym offering to gym offerings with more amenities and add-on services;
- increasing popularity of home fitness equipment, fitness apps and other online exercise programmes;
- a decline in the public's interest in health and fitness; and
- changes in discretionary consumer spending habits due to deterioration of general economic conditions in the UK or demographic shifts.

In addition, The Gym has traditionally relied on positive referrals from current and former members to attract new members to its gyms. A decrease in member referrals, due to a decline in The Gym's ability to deliver high-quality services, harm to its reputation or brand or other reasons, could require The Gym to increase marketing spend or decrease membership fees or joining fees. A decline in membership levels as a

result of any of the above factors, individually or in aggregate, could have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

If the Group is unable to identify or secure sites for new gyms that meet its selection criteria or to obtain the requisite planning permission, it may not be able to implement its growth strategy.

An important part of the Group's growth strategy is the roll out of new gyms in the UK. Since opening its first gym in 2008, it has successfully rolled out new gyms, opening 16, 8, 15 and 8 new gyms in 2012, 2013, 2014 and the first half of 2015, respectively. The Group currently intends to open between 15 and 20 gyms in total in the UK in 2015 and per year thereafter over the medium-term. The Group employs a site selection strategy that incorporates a number of site selection criteria such as site size, location, local population density and geo-demographic data, nearby transportation networks and/or availability of car parks and generally targets a minimum return on capital employed ("ROCE") of 30 per cent. per gym. The Gym could face significant competition for sites that meet its detailed selection criteria from competitors, other commercial enterprises such as retailers, leisure and office space operators as well as residential operators. As a result, it may be unable to secure sites at rental prices or on terms acceptable to it. As new gyms are typically secured at least six months, and up to two years, prior to the planned opening date, if The Gym is unable to identify and secure sufficient sites at acceptable rental prices within its planned roll out timeframe, it may not be able to implement its growth strategy.

In addition, when opening new gyms or modernising or refurbishing existing gyms, the Group may require change of use or planning consents from local authorities if, for example, a potential gym site does not have the requisite use or planning consent. Any inability or delays in receiving such consents could restrict or delay The Gym's roll out plans or increase its roll out costs, including as a result of additional professional fees. Any delays in new gym openings could have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

If The Gym is unable to secure new property leases on favourable terms or to renew its existing leases, it may not be able to implement or continue to implement its growth strategy.

The Group leases all of its gym sites. Its ability to negotiate or renegotiate financially acceptable lease terms for its new and existing sites may be adversely affected by fluctuations in the property rental market, such as decreases in available sites, increases in market rents or competition for attractive sites from other health and fitness operators, commercial enterprises such as retailers and office space operators and residential operators.

Property leases constitute a large component of the Group's operating cost base (a total of £7.8 million in 2014 representing 17 per cent. of Group revenue). The leases for the Group's gyms generally have initial terms of 15 years, with upwards-only rent adjustments every five years, typically either by fixed increases or increases in line with the retail prices index (the "RPI") or the consumer price index (the "CPI"). The majority of The Gym's leases fall under the Landlord and Tenant Act 1954 (the "LTA"), which provides security of tenure. This means that the Group has the right to apply for a new tenancy at the end of the term, and the landlord can only oppose the grant of a new tenancy on certain prescribed grounds, for example if it intends to redevelop the property. Increases in The Gym's rent liabilities may be significant, especially as The Gym operates and plans to roll out additional gyms in Greater London where rents are typically higher compared to other parts of the UK. If The Gym is unable to increase its revenue or reduce its costs in response to rising rents, its operating profits may be materially adversely affected. Furthermore, The Gym depends on cash flows from operations to pay its rent liabilities and to fulfil its other cash needs. The Gym is generally unable to terminate its property leases before the end of the 15 year lease term (or, in some cases, before ten years), and may be obligated to pay rent even if it closes a gym prior to the end of the term if it is unable to assign the lease. If The Gym's business does not generate sufficient cash flow from operating activities, it may not be able to service its rent liabilities over the medium-term, which would materially affect its business, financial condition, results of operations and prospects.

Although The Gym benefits from certain provisions of the LTA that grant The Gym security of tenure at the expiration of the majority of its property leases, there can be no assurance that The Gym will be able to renew its existing leases on commercially acceptable terms or at all. If a lease is not renewed, The Gym may be required to find an alternative site. The Gym could incur significant additional costs in identifying and securing suitable alternative sites or may be forced to close gyms in desirable locations. If gyms are closed, the Group may be unable to attract members from those gyms to alternative gyms in significant numbers. Such members may cancel their memberships due to, among other reasons, The Gym's inability

to deliver the services they require in a convenient location for them. If The Gym is unable to renew its leases as they expire, or secure other favourable sites on acceptable terms, or if a significant number of its existing lease agreements are terminated for any reason, its business, financial condition, results of operations and prospects could be materially adversely affected.

The Group's new gyms may not achieve the expected ROCE or its existing gyms may experience a decline in ROCE, either of which may negatively impact the Group's financial performance.

If new Group gyms do not achieve the expected membership levels due to incorrect analysis of the suitability of a site or if existing Group gyms suffer a reduction in net membership without an increase in membership fees due to the entry of competitors near its gyms or for other reasons or if the Group's gyms experience rent increases or higher than expected marketing expenditure, then the financial performance of its gyms may be negatively impacted, resulting in a lower return on capital. Furthermore, in the case of new gyms, the Group may not be able to recover the capital investment in developing and operating the gym. Opening new gyms is a capital intensive process with an average initial site investment cost of £1.5 million for the Mature Gym portfolio (as at 31 December 2014). As the Group seeks to increase the number of its gyms, it plans to open additional gyms in locations such as Greater London and other large metropolitan areas in the United Kingdom, which could entail greater rent payments, fit out costs, marketing costs, personnel costs and other operating costs. As a result, the higher level of cost and invested capital at these gyms may reduce the returns generated and could adversely affect the Group's business, financial condition, results of operations and prospects.

Furthermore, during a gym's fit out period, The Gym experiences start-up losses, consisting primarily of staff costs, marketing and related expenses. Upon opening a gym, initial trading performance at that gym will depend largely on the number of members that have signed up during the pre-opening period and the membership growth profile following opening. Enrolment from pre-sold memberships has typically generated insufficient revenue for the gym to immediately generate an operating profit. As a result, a new gym typically generates an operating loss in its first few months of operation and relatively lower margins in its first 24 months of operation until it has established itself within the local market.

As The Gym's roll out strategy is to open between 15 and 20 gyms in total in 2015 and per year thereafter over the medium-term, lower than expected membership levels, or higher operating losses and lower margins at new gyms would adversely affect The Gym's financial performance and prospects. Although The Gym seeks to apply the experience it has gained in opening new gyms over the past few years, including assessment of potential membership levels and anticipated financial performance of new gyms, new gyms may not achieve membership levels or revenue comparable to its existing gyms, due to competition or other factors which may be beyond its control. There can be no assurance that the Group's new gyms, on average, will continue to mature at the same rate as the Group's existing gyms. This may result in a longer than expected period of operating losses, lower operating margins or lower ROCE at new gyms, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

If the Group is unable to integrate new gyms into its operations successfully or on a timely basis, its growth may be adversely affected.

To successfully roll out new gyms and grow its business, the Group will need to hire and train new employees, including new regional managers, general managers and assistant general managers, and maintain close co-ordination among its executive, property, finance, marketing, operations and information technology functions. It will also need to ensure its management, information, operating, administrative, financial and accounting systems and controls will continue to adequately manage its business. These processes are time-consuming and expensive, will increase management responsibilities and require management attention. Any failure by the Group to recruit and train new employees for its new gyms or to implement timely enhancements to its operations to meet these requirements as it opens new gyms could have a material adverse effect on its business, financial condition, results of operations and prospects.

The opening of new gyms near the Group's existing locations may negatively impact the Group's membership levels and revenue at its existing gyms.

The Group's competitors, including low-cost gym operators and other health and fitness club operators generally, have opened and may open further gyms or clubs in the catchment areas of existing Group gyms.

In addition, the Group intends to continue opening new gyms in its existing markets as part of its growth strategy. The opening of new gyms in the catchment areas of existing Group gyms may attract some members away from existing Group gyms due to, for example, the new gym's closer proximity to such members' place of work or residence, thereby diminishing revenue at the existing Group gyms. This may result in lower revenue at the Group's existing gyms, which could have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

The Gym's low-cost structure is one of its primary competitive advantages, but many factors could affect its ability to control costs.

The Directors believe that The Gym's low-cost structure is one of its primary competitive advantages. However, The Gym has limited control over many of its costs and as The Gym seeks to grow, some of its costs may increase. For example, labour costs may increase due to, among other things, increases in the minimum wage, changes in labour laws (including any potential re-characterisation of independent contractors as employees) or intense competition for qualified personnel. The Gym has limited control over the cost of utilities, including water, electricity and gas, the price and availability of insurance, corporate taxes, the cost of meeting changing regulatory requirements and the cost to access capital or financing. These and other costs may increase due to inflationary pressures or other factors. If The Gym experiences such cost increases and is unable to offset these cost increases by increasing revenue or achieving cost efficiencies, such cost increases could have a material adverse effect on its business, results of operations, financial condition and prospects.

Disruptions and failures involving The Gym's information technology systems could adversely affect member enrolment, member services and financial and administrative functions.

The Gym's ability to enrol members, engage and market to its existing members, target former members to rejoin, process payments, control gym access, monitor security and engage in other critical business tasks is dependent on the efficient and uninterrupted performance of its information technology systems, many of which are outsourced to third party providers. In particular, disruptions or failures that affect gym access, marketing, billing and other administrative functions could have an adverse effect on The Gym's financial performance. While The Gym fully backs up all of its membership and business information using third party locations and has a full business continuity plan in place, any delay or failure on the part of the data back-up provider or in executing its business continuity plan may hinder its ability to resolve information technology system disruptions or failures in a timely and effective manner. Any disruption or failure involving The Gym's information technology systems could have a material adverse effect on The Gym's business, results of operations, financial condition and prospects.

Any issues, viruses, data inconsistencies, outages, interruptions or security breaches in connection with The Gym's information technology systems generally, could cause significant disruption to The Gym, and its members may become dissatisfied if such disruption or failure interrupts The Gym's ability to provide its members access to its gyms or to other services. Member dissatisfaction may cause members to stop using The Gym's services, cancel their membership or otherwise generate negative publicity, which could result in a material adverse effect on The Gym's business, results of operations, financial condition and prospects.

In addition, The Gym's payment processing system (processing direct debit, credit and debit cards) and customer contact centre are outsourced to third party providers and potential failure by such providers to provide high quality uninterrupted service is beyond The Gym's control. Furthermore, The Gym is currently migrating its membership database and customer relationship management system to a different third party provider, which is expected to be completed in the second quarter of 2016. Any issues, data inconsistencies or security breaches in connection with the migration or any disruptions to The Gym's information technology systems generally as a result of a failure by one of its third party providers or as a result of failure in migration, could have a material adverse effect on The Gym's business, results of operations, financial condition and prospects.

The Gym relies on positive recognition of its brand and reputation by members and potential members.

The Gym relies on positive brand recognition, among other factors, to attract and retain members. Brand value or reputation can be severely damaged even by isolated incidents, particularly if the incidents receive

considerable negative publicity or result in litigation. Some of these incidents may relate to The Gym's growth strategies, its development efforts or the ordinary course of its business, such as:

- unsatisfactory customer service, which impact may be magnified by negative commentary on social media;
- poor condition of a gym, including age of equipment, cleanliness or overcrowding;
- gym access or other issues resulting from a failure of its information technology systems; or
- breach or allegations of breach of legal and regulatory obligations, including health and safety requirements.

Other incidents that may disrupt the the Group's gym experience or generate negative publicity may arise from events that are or may be beyond the Group's control, such as:

- data security breaches or fraudulent activities associated with The Gym's customer records or electronic payment systems, which are provided by third party providers;
- safety and other incidents during manned or unmanned operating hours;
- litigation and legal claims;
- third party misappropriation, dilution or infringement of its intellectual property; or
- illegal activity targeted at The Gym or others (for example, illegal use of gyms by non-members).

Failure to address, or appearing to fail to address, these and other issues could erode consumer confidence in the Group's gyms or its brand's value and may significantly reduce consumer demand for the Group's gyms, which may result in fewer memberships sold or renewed and diminish The Gym's ability to attract and retain quality staff. Furthermore, negative commentary about The Gym may be posted on social media or similar platforms at any time and may harm The Gym's reputation or business. Consumers value readily available information about gyms and often act on such information without further investigation and without regard to its accuracy. The harm may be immediate without affording The Gym an opportunity for redress or correction. Restoring the brand and reputation of The Gym may be costly and difficult to achieve.

If The Gym's efforts to maintain and expand its brand and reputation, through marketing initiatives such as press announcements, events, social media, online advertising and search engine optimisation to increase its organic and paid search positions in major search engines' results, are unsuccessful, or if The Gym's brand or reputation is harmed due to the above factors or otherwise, its business, results of operations, financial condition and prospects could be materially adversely affected.

If The Gym cannot retain its Senior Management team, other key management and gym managers while controlling labour costs, it may not be able to manage its operations successfully and pursue its strategic objectives.

The Gym's successful implementation of its strategy is dependent on its ability to recruit, retain and motivate high-quality senior management and other personnel with extensive experience and knowledge of the fitness industry, especially gym managers and regional managers who play an important role in the operation of the Group's gyms. Availability of such personnel is limited and competition for such personnel is intense. If The Gym is unable to effectively manage its employee turnover rate, it could have a material adverse effect on its business. The Gym's ability to meet its labour needs more generally, while controlling its labour costs, is subject to many external factors, including competition for and availability of qualified personnel in a given market, unemployment levels within those markets, wage rates, health and other insurance costs, pension costs and changes in employment and labour or other workplace regulation. The departure of senior management personnel or a failure to attract and retain management or qualified employees while controlling labour costs could delay or prevent the achievement of The Gym's strategic objectives and could have a material adverse effect on its business, financial condition, results of operations and prospects.

Due to the capital-intensive nature of its business, The Gym may have to incur additional indebtedness or issue new equity securities in the medium-term and, if The Gym is not able to access additional financing or capital, its ability to operate successfully or expand its business may be impaired and its results of operations could be adversely affected.

The opening of new gyms and maintenance of existing gyms are capital intensive, and The Gym requires significant capital to finance such activities, as well as to fund ongoing investments in its business and to meet its debt obligations. The Group is pursuing its roll-out strategy and although the Directors believe that The Gym has sufficient working capital for the next 12 months, the Group may need to incur additional indebtedness to meet its capital requirements in the medium-term, which could increase its finance costs or be available only on terms that restrict its business. Pro forma for the Offer, as adjusted for the Refinancing, The Gym had total liabilities of £36.9 million as at 30 June 2015, consisting principally of trade payables and obligations under its term debt, £25.0 million of committed but undrawn debt facilities to fund capital expenditure and £5.0 million of undrawn working capital facilities.

If debt financing is not available to fund The Gym's future investments in its business, The Gym may seek to issue new equity securities to fund its capital requirements or alternatively, to substantially reduce its growth plans. Any inability or delay in raising additional capital when required may cause The Gym to lose future opportunities or hinder its ability to respond to competitive pressures, which could have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

The Gym's dependence on a limited number of contractors and suppliers for site fit out, equipment and certain products and services could result in disruptions to its business and could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Gym relies on third-party contractors and suppliers for various matters, including for site fit out, gym equipment, member payment processing, cleaning services, certain marketing functions and security monitoring and response. Although The Gym believes that adequate substitutes are currently available, it depends on these third-party contractors and suppliers to operate its day-to-day business efficiently and consistently meet its business requirements. The ability of these third-party contractors and suppliers to successfully provide reliable and high-quality services is subject to technical and operational risks that are largely beyond the control of The Gym. Any disruption to the operations of its contractors and suppliers could impact The Gym's ability to service its existing gyms and open new gyms on time or at all and thereby generate revenue. If The Gym loses such contractors and suppliers or such contractors and suppliers encounter financial hardships unrelated to the demand for The Gym's site fit out, equipment or other products or services, The Gym may not be able to identify or enter into agreements with alternative contractors and suppliers on a timely basis on acceptable terms, if at all. Transitioning to new contractors and suppliers may be time consuming and expensive and may result in interruptions to The Gym's operations. For example, all of the Group's gym equipment is provided by a single supplier and, if such relationship were terminated or if such supplier was unable to honour its commitments for any reason, in particular to service fitness equipment during the contractual period, The Gym would need to find suitable alternative suppliers on short notice and may be unable to negotiate equally favourable terms. Any significant increase in the price of gym equipment could adversely impact its financial condition and results of operation. If The Gym should encounter delays or difficulties in securing the quantity of equipment it requires to open new and maintain or upgrade existing gyms, its other contractors and suppliers encounter difficulties meeting its demands for products or services or there is a deficiency, lack or poor quality of products or services provided, The Gym's ability to serve its members and grow its brand would be interrupted. Any of these events could have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

The Gym's intellectual property rights, including trademarks and trade names, may be infringed, misappropriated or challenged by others.

The Gym believes its brand and related intellectual property are important to its continued success. The Gym seeks to protect its trademarks, trade names, copyrights and other intellectual property by exercising its rights under applicable laws. The Gym may also from time to time be required to initiate litigation to enforce its trademarks, trade names and other intellectual property. Third parties may also assert that The Gym has infringed, misappropriated or otherwise violated their intellectual property rights, which could lead to litigation against The Gym. Litigation is inherently uncertain and could divert the attention of management, result in substantial costs and diversion of resources and could negatively affect The Gym's membership sales and profitability regardless of whether The Gym is able to enforce or defend its rights

successfully. If The Gym fails to successfully protect its intellectual property rights for any reason, or if any third party misappropriates, dilutes or infringes its intellectual property, the value of The Gym's brand may be harmed, which could have an adverse effect on its business, financial condition, results of operations and prospects.

The Gym may identify and pursue certain mergers or acquisitions and the failure to complete them and successfully integrate such businesses could have a negative impact on its business, financial condition, result of operations and prospects.

As part of its strategy, the Group will continue to assess acquisition opportunities for gyms from other health and fitness operators in the UK to complement its organic site roll out strategy. The Gym's success in making such acquisitions could be affected by a number of factors, including legal and regulatory changes, competition regulations, general macroeconomic, social and political conditions and available capital.

The Gym's ability to make future acquisitions depends, in part, on its available financial resources and could be limited by restrictions imposed by competition or other authorities or by availability of funding, in particular under the Group's credit arrangements. Future acquisitions may require the Group to borrow additional debt, issue additional equity, or assume significant liabilities, resulting in either increased financial leverage or significant dilution of existing shareholders. In addition, any financing arrangements that The Gym may enter into in respect of future acquisitions might be available only on terms that restrict The Gym's business.

Acquiring new businesses can place significant demands on management, employees, systems and resources and can expose The Gym to new or unidentified liabilities. An acquired business also may not perform in line with expectations to justify the expense of acquisition. Furthermore, The Gym may not achieve the desired level of synergy benefits on integration of new businesses and the cost of achieving those benefits may be higher than anticipated. Failure to identify, complete and integrate acquisitions successfully could have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

The Gym may expand into new European markets, which may have different market conditions and consumer preferences than the UK.

Part of The Gym's long-term strategy includes the potential expansion into new European markets through the acquisition of existing gym portfolios or through organic roll out. Other European markets may have different competitive conditions, market conditions, consumer preferences and discretionary consumer spending habits than the UK, which may cause gyms in these markets to perform differently than the Group's gyms in the UK and fail to deliver the expected financial performance. In addition, any such future expansion would result in the Group's operations being subject to new laws and regulations and could increase costs associated with complying with existing laws, regulations or licensing and authorisation regimes. Expansion into a new European market could also subject the Group to risks related to adverse fluctuations in currency exchange rates. Any of the above factors could have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

The Gym may be unable to maintain the required level of insurance cover on acceptable terms or at an acceptable cost.

The Gym might not be able to maintain general liability insurance on acceptable terms in the future or maintain a level of insurance that would provide adequate coverage against potential health and safety claims. An increase in the number of claims against health and fitness gym operators generally may result in the cost of insurance for the industry as a whole to rise and comprehensive insurance coverage may become more difficult to attain. Any increase in the cost of insurance in the market is likely to impact The Gym's business, financial condition, results of operations and prospects.

The Gym may be forced to close gyms temporarily due to unforeseen circumstances.

The Gym may be forced to temporarily close gyms due to any number of unforeseen circumstances, including as a result of fire, flood, technical difficulties, loss of power, health and safety incident, terrorist incident or natural disaster. Any prolonged closures may materially adversely affect The Gym's results of operations and may also result in longer term reductions in revenue as a result of termination of

memberships by members of the affected gyms. Any losses may be in excess of, or outside the scope of, The Gym's insurance.

Risks relating to the industry

The UK health and fitness industry is highly competitive and The Gym may fail to compete effectively.

The UK health and fitness industry is highly competitive. Competition for provision of health and fitness services is highly localised and The Gym competes with all local health and fitness operators, gyms, sports and leisure centres offering exercise activities both by the private and the public sectors. In addition, individuals wishing to exercise have a wide variety of options available to them other than using purpose-built health and fitness facilities. These include engaging in outdoor activities such as cycling, running, group exercise programmes, participating in other sports (including team sports), office gyms or using exercise machines or weights, fitness apps or other online programmes at home. Competitors, which may be new or existing operators, including companies that have greater resources or greater name recognition than The Gym, may compete to attract members in its markets. Non-profit and local authorities in The Gym's markets may be able to obtain land and construct gyms at a lower cost and may be able to collect membership fees without paying taxes or receive preferential VAT treatment, thereby allowing them to charge lower prices. Due to the increased number of low-cost health and fitness gym operators in the UK, The Gym may face increased competition in the low-cost gym segment, especially if these operators charge lower membership prices than The Gym. As at 31 March 2015, the largest low-cost gym provider in the UK, by number of gyms, was Pure Gym with 92 gyms, while The Gym was the second largest provider with 57 gyms (as of 30 September 2015, The Gym operates 66 gyms). Other low-cost competitors include Fit4Less, Xercise4Less and Fitness4Less. In addition, because The Gym does not have exclusive rights to many of the elements that comprise its in-gym experience and service offering, competitors may attempt to copy or improve on The Gym's business model, or portions thereof, which could erode The Gym's competitive position, market share and brand recognition and adversely affect its prospects. There is also a risk that traditional health and fitness clubs may also lower prices or create lower price brand alternatives to more effectively compete with The Gym.

Consolidation in the health and fitness industry could result in increased competition among participants and new market entrants, particularly from large multi-facility operators that are able to compete for attractive acquisition opportunities or newly constructed gym locations, thereby increasing costs associated with expansion through acquisition, lease negotiation and organic growth. Some competitors may have an expectation of a lower ROCE than The Gym which means that they would be able to offer lower membership fees to the public for equivalent services. The Gym also faces competition from operators offering comparable or higher pricing with higher levels of service and other amenities. In response to competition from existing competitors, new entrants to the markets in which The Gym operates, consolidation in the industry or an otherwise changing competitive landscape, The Gym's business may from time to time make certain pricing, service or sales and marketing decisions that could have an adverse effect on its results of operations and financial condition. In addition, because The Gym does not have exclusive rights to many of the elements that comprise its in-gym experience and service offering, competitors may seek to copy or improve on its business model, which could harm The Gym's competitive position. If The Gym cannot respond adequately to these multiple sources and types of competition, its growth strategy as well as its business, financial condition, results of operations and prospects could be materially adversely affected.

The Gym's success is dependent on the continuing consumer popularity of health and fitness.

The Gym's success is dependent on the continuing popularity of gyms in the UK. Alternative forms of fitness or venues for fitness are becoming popular and new trends in the type of health and fitness gym that consumers wish to join may continue to grow in popularity in the future. There may be other changes in consumer preferences; for example, a preference for home fitness equipment, team sports and other outdoor fitness activities, fitness apps, online personal training and fitness coaching or other online programmes or there may be a change in the public's perception of the benefits of exercise. The development of pharmaceutical drugs that may lead to weight loss may also impact membership levels. If The Gym is unable to anticipate and adapt to user preferences or industry changes, or if The Gym is unable to adapt its services on a timely basis, The Gym may lose members, which may have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

The Gym operates in the health and leisure sector and its business may be significantly adversely affected by economic conditions and other factors in the UK affecting levels of disposable income and consumer confidence.

The Gym currently operates exclusively in the UK, which exposes it to adverse developments related to competition, changes in consumer preference, general deterioration in economic conditions or demographic changes in the UK market. Adverse developments in macroeconomic conditions, which result in the lower availability of credit, higher interest rates and tax rates, increased unemployment, higher consumer debt levels, lower consumer confidence, lower wage and salary levels, inflation or the public perception that any of these conditions may occur, could adversely impact gym memberships in the UK. Membership of a gym may be viewed as a non-essential item and, in times of economic uncertainty or recession, members of gyms may terminate or suspend their membership. Macroeconomic conditions and uncertainties may also impact The Gym's suppliers in ways that would adversely affect The Gym's business and results of operations, including supplier closures or increases in costs of equipment or services. Lower levels of future economic growth or any deterioration in the UK economy could have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

Risks relating to the regulatory environment

The Gym's growth may be hindered by the application of competition regulations.

The Gym is subject to competition regulation in the UK, which could delay or prevent potential mergers or acquisitions or hinder its commercial activities in general. For example, in 2014, The Gym sought to merge with Pure Gym but abandoned merger plans after the UK Competition and Markets Authority's decision to refer the merger for a phase II competition review. If future acquisitions are blocked due to competition concerns, or if The Gym is subject to any investigation by or sanctions from the competition authorities in the UK under any current or future competition legislation, its business, financial condition, results of operations and prospects may be materially adversely affected.

The Group could be subject to material fines and claims related to health and safety risks at its gyms.

Use of the Group's gym services and facilities, including exercise equipment, poses potential health and safety risks, including serious injury or death, to members, employees and third party contractors. For example, water hygiene problems could develop in The Gym's washing facilities that may cause a potential health risk to members and employees, or an accident on the gym floor involving The Gym's fitness equipment. The Gym may be subject to material claims asserted against it for any injury or death suffered by someone using its facilities or services, during or outside of normal staffing hours. The Gym might not be able to successfully defend such claims and it may be liable for fines, damages and costs in excess of, or outside the scope of, its insurance coverage. Even with adequate insurance, such claims may cause significant damage to The Gym's reputation and may have a material impact on its ability to attract or retain members. Any such fines or claims may have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

Failure to comply with regulations, planning and licensing regimes, or changes thereof, could result in temporary or permanent mandatory closure of the relevant gym, the imposition of fines or other sanctions or substantial additional compliance costs.

The Group's operations and gyms are subject to various laws, regulations, planning and licensing regimes, including in-person marketing, licensing, signage planning, advertising standards and noise abatement requirements. Some environmental laws and regulations impose liability and responsibility on present and former owners, operators or users, including tenants, of sites for the clean-up of contamination at, or arising from, such sites, without regard to causation or knowledge of contamination. Although The Gym is not aware of any actual or pending liabilities, claims or actions relating to contamination of any of its current sites, future investigations may lead to discoveries of contamination that The Gym is required to remedy or damage that may subject The Gym to claims or regulatory proceedings. A breach of environmental regulations or standards relating to health and safety or marketing and advertising could potentially lead to the mandatory closure of the relevant gym for a period of time. The Gym may also be subject to claims by members and other visitors alleging exposure to potentially harmful substances that may be present within the Group's gym sites. The Gym may not be able to successfully defend against such claims or regulatory proceedings. Any such actions may also lead to negative publicity for The Gym and adversely affect The Gym's ability to attract new and retain existing members.

New laws, regulations and licensing regimes or changes in existing laws and regulations, particularly those relating to environmental protection, health and safety, labour and employment, tax, competition, consumer protection, marketing and advertising practices, privacy and information security, may require extensive system and/or operating changes that may be difficult to implement and could increase The Gym's operating expenses or subject The Gym to additional costs, fines or other penalties. For example, a change in the VAT or other tax regimes applicable, or the application thereof, to the Group's business may result in uncertainty, disruption to operations and implementation costs, which the Group may not be able to pass on to its customers. Compliance with, or any violation of, current and future laws, regulations or licensing regime could require material expenditures by The Gym, expose The Gym to government enforcement action and claims by members or otherwise materially adversely affect its business, financial condition, results of operations and prospects.

Failure to comply with data protection legislation or a security breach or system failure in The Gym's technical or information technology infrastructure could result in significant harm to The Gym's performance or harm its revenue.

In the ordinary course of business, The Gym collects, transmits and stores member and employee data, including dates of birth and other highly sensitive personally identifiable information (in some cases, information about their physical health), in information systems that it maintains and in those maintained by third party service providers. The Gym's membership database currently has approximately 1.6 million prospective, current and former members. This data could be an attractive target for cyber-attack by malicious third parties with a wide range of motives and expertise, including organised criminal groups, hackers, disgruntled current or former employees and others. The protection of such member and employee data is critical to The Gym. Furthermore, The Gym's use of this information is subject to numerous laws, regulations and standards designed to protect sensitive or confidential client and employee data, including, among others, the UK Data Protection Act (the "DPA") and the UK Payment Card Industry Data Security Standard ("PCI DSS").

Despite the security measures The Gym has in place to comply with applicable laws, regulations and standards, its facilities and systems, and those of its third party providers, may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, misplaced or lost data, programming and human errors or other similar events. A breach of data protection legislation involving the misappropriation, loss or other unauthorised disclosure of sensitive or confidential member information, including the use of such information for direct marketing purposes, whether by The Gym, one of its sub-contractors or service providers or an unrelated party, could result in regulatory action, compensation claims and adverse publicity. In addition, compliance with evolving privacy and security laws, requirements and regulations may result in cost increases due to necessary systems changes, new limitations or constraints on The Gym's business models and the development of new administrative processes. Any of the foregoing could have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

The Gym's expansion may be adversely affected by licensing regimes or tariffs.

Any significant increase in the rates, taxes and other costs and tariffs levied by local municipalities where the Group's gyms are located could have a material adverse effect on its profitability and financial condition. The Gym has no control over the amounts levied and could experience increases in the future. Compliance with relevant planning laws and building regulations, or the requirement to pay increased rates and taxes, could restrict or delay The Gym's expansion plans or increase its costs. Any of the foregoing could have a material adverse effect on The Gym's business, financial condition, results of operations and prospects.

Risks relating to the Offer and the Ordinary Shares

The Institutional Selling Shareholders will retain a significant interest in and will continue to exert substantial influence over The Gym following the Offer and their interests may differ from or conflict with those of other shareholders.

Following Admission, the Institutional Selling Shareholders will continue to beneficially own 42.0 per cent. of the issued Ordinary Share capital of The Gym. As a result, the Institutional Selling Shareholders will possess sufficient voting power to have a significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. The

interests of the Institutional Selling Shareholders may not always be aligned with those of other holders of Ordinary Shares.

There is no existing market for the Ordinary Shares and an active trading market for the Ordinary Shares may not develop or be sustained.

Prior to Admission, there has been no public trading market for the Ordinary Shares. Although The Gym has applied to the UK Listing Authority for admission to the premium listing segment of the Official List and has applied to the London Stock Exchange for admission to trading on its main market for listed securities, The Gym can give no assurance that an active trading market for the Ordinary Shares will develop or, if developed, could be sustained following the closing of the Offer. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected and investors may have difficulty selling their Ordinary Shares.

The market price of the Ordinary Shares could be negatively affected by sales of substantial numbers of such shares in the public markets, including following the expiry of the lock-up periods, or the perception that these sales could occur.

Following Admission, the Institutional Selling Shareholders will beneficially own approximately 42.0 per cent. of The Gym's issued Ordinary Share capital. The Gym, the Directors, the Institutional Selling Shareholders and the Individual Selling Shareholders are subject to restrictions on the issue, sale and/or transfer, as applicable, of their respective holdings in The Gym's issued share capital. The issue or sale of a substantial number of Ordinary Shares by The Gym, Directors, the Institutional Selling Shareholders or the Individual Selling Shareholders in the public market after the lock-up restrictions in the Underwriting Agreement expire (or are waived by the Joint Global Co-ordinators), or the perception that these sales may occur, may depress the market price of the Ordinary Shares and could impair The Gym's ability to raise capital through the sale of additional equity securities.

The market price of the Ordinary Shares may prove to be volatile and may be subject to fluctuations, including significant decreases.

The Offer Price will be determined by the Institutional Selling Shareholders and The Gym after consultation with the Joint Global Co-ordinators, and may not be indicative of the market price for the Ordinary Shares following the Admission. The market price of the Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, including, without limitation, those referred in these Risk Factors, changes in general market conditions or changes in sentiment in the stock market regarding the Ordinary Shares or securities similar to them. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to The Gym's operating performance or prospects. Events that could adversely affect the market price of the Ordinary Shares include:

- variations in The Gym's operating results;
- changes in financial estimates by industry participants or securities analysts;
- variation in the Group's gym membership levels;
- any shortfall in The Gym's operating results and prospects from time to time from levels expected by market commentators;
- higher than expected increases in capital expenditure;
- business developments of The Gym or its competitors;
- announcements by The Gym of acquisitions, strategic alliances, joint ventures, new initiatives, new products or new product ranges;
- speculation about The Gym in the press or the investment community;
- unfavourable press and social media commentary;
- changes in market conditions;
- changes in the market valuations of similar companies;
- regulatory changes affecting The Gym's operations; and

- changes in the political, economic or social conditions in the UK or other geographic markets in which The Gym may operate in the future.

In addition, potential investors should be aware that no stabilisation will be carried out in connection with the Offer and therefore there may be a greater risk of price volatility following the Offer than would otherwise be the case. Any or all of these factors could result in material adverse fluctuations in the price of the Ordinary Shares, which could lead to Shareholders getting back less than they invested or a total loss of their investment.

Shareholders in the United States and other jurisdictions may not be able to participate in future equity offerings.

The Articles provide for pre-emption rights to be granted to shareholders in The Gym, unless such rights are disapplied by a shareholder resolution. However, securities laws of certain jurisdictions may restrict The Gym's ability to allow participation by shareholders in future offerings. In particular, shareholders in the United States may not be entitled to exercise these rights, unless either the Ordinary Shares and any other securities that are offered and sold are registered under the US Securities Act, or the Ordinary Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Gym cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable US or other shareholders to exercise their pre-emption rights or, if available, that The Gym will utilise any such exemption.

Not all rights available to shareholders under US law will be available to holders of the Ordinary Shares.

Rights afforded to shareholders under English law differ in certain respects from the rights of shareholders in typical US companies. The rights of holders of the Ordinary Shares are governed by English law and the Articles. In particular, English law currently limits significantly the circumstances under which the shareholders of English companies may bring derivative actions. Under English law, in most cases, only The Gym may be the proper plaintiff for the purposes of maintaining proceedings in respect of wrongful acts committed against it and, generally, neither an individual shareholder, nor any group of shareholders, has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US company.

The Gym may choose not to or may be unable to pay dividends and it cannot assure investors that it will make dividend payments in the future.

The Gym may not be able to, or may choose not to, pay dividends in the future. The payment of future dividends will depend on, among other factors, The Gym's future profits, financial position, distributable reserves, working capital requirements, finance costs, general economic conditions and other factors that the Directors deem significant from time to time. The Gym may choose not to pay dividends if the Directors believe that this could cause any Group member to be less than adequately capitalised or if for any other reason the Directors conclude it will not be in the best interests of The Gym. Accordingly, there can be no assurance that The Gym will pay dividends or, if it does choose to pay dividends, as to the amount of such dividends.

The issuance of additional Ordinary Shares in The Gym in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.

The Gym may seek to raise financing to fund future acquisitions and other growth opportunities. In certain circumstances, The Gym may, for these and other purposes, including pursuant to any share incentive or share option plan, issue additional equity or convertible equity securities. As a result, existing holders of Ordinary Shares may suffer dilution in their percentage ownership or the market price of the Ordinary Shares may be adversely affected.

Overseas shareholders may be subject to exchange rate risk.

The Ordinary Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in Ordinary Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms.

PART 2
PRESENTATION OF FINANCIAL AND OTHER INFORMATION

GENERAL

Prospective investors should only rely on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer, other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholders or any of the Banks. No representation or warranty, express or implied, is made by any of the Banks or any selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by any of the Banks or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to FSMA, neither the delivery of this document nor any subscription or sale of Ordinary Shares pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this document or that the information contained herein is correct as of any time subsequent to its date.

The Company will update the information provided in this document by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Offer occurs after the publication of the Prospectus and prior to Admission or if this document contains any material mistake or substantial inaccuracy. The Prospectus and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to the Prospectus is published prior to Admission, investors shall have the right to withdraw their applications for Ordinary Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear business days after publication of the supplement).

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, business adviser, financial adviser or tax adviser for legal, business, financial or tax advice. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholders, any of the Banks or any of their representatives that any recipient of this document should subscribe for or purchase the Ordinary Shares. Prior to making any decision as to whether to subscribe for or purchase the Ordinary Shares, prospective investors should read this document. Investors should ensure that they read the whole of this document carefully and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved.

Investors who subscribe for or purchase Ordinary Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Banks or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Group or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholders or any of the Banks.

None of the Company, the Directors, the Selling Shareholders or any of the Banks or any of their representatives is making any representation to any offeree, subscriber or purchaser of the Ordinary Shares regarding the legality of an investment by such offeree, subscriber or purchaser.

In connection with the Offer, the Banks and their respective affiliates, acting as investors for their own accounts, may subscribe for and/or acquire Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue, offer, subscription, acquisition, dealing or placing by, each of the Banks and any of their affiliates acting as investors for their own accounts. In addition, certain of the Banks

and their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares. None of the Banks intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Banks and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for the Company and the Selling Shareholders, for which they would have received customary fees. The Banks and any of their respective affiliates may provide such services to the Company and the Selling Shareholders and any of their respective affiliates in the future.

PRESENTATION OF FINANCIAL INFORMATION

The financial information in this Prospectus has been prepared in accordance with the basis of preparation as described in note 2 to the Group's historical financial information set out in Part 11: "*Historical Financial Information*" of this Prospectus (the "**Historical Financial Information**"). The accounting policies applied to the financial information of the Company are applied consistently in the financial information in this Prospectus.

Financial information

The Historical Financial Information comprises the years ended and as at 31 December 2012, 2013 and 2014 and the six months ended and as at 30 June 2014 and 2015. The Group's significant accounting policies are set out within note 2 of the Group's Historical Financial Information. For purposes of this Prospectus, the term "Group" means the Company and its combined subsidiaries and subsidiary undertakings.

Unless otherwise stated in this document, financial information in relation to the Group referred to in this document has been extracted without material adjustment from the Historical Financial Information or has been extracted from those of the Group's accounting records and its financial reporting and management systems that have been used to prepare that financial information. Investors should ensure that they read the whole of this document and not only rely on the key information or information summarised within it.

The Group presents financial information on its combined income statement (i) before exceptional items that the Directors believe are not indicative of its underlying operating performance and (ii) after such exceptional items. In 2012, exceptional items consisted of transaction fees relating to the Phoenix Investment and costs incurred in relation to the relocation of a gym. In 2013, exceptional items consisted of transaction fees relating to the Phoenix Investment, other aborted acquisition costs and costs incurred in relation to the relocation of a gym. In 2014, exceptional items consisted of costs in relation to the evaluation of a potential merger with Pure Gym Limited and costs incurred in relation to the relocation of a gym. In the six months ended 30 June 2015, exceptional items consisted of costs incurred in connection with the Group's initial public offering, costs in relation to the evaluation of a potential merger with Pure Gym Limited and other aborted transaction costs (see Part 9: "*Operating and Financial Review*"). The Gym does not adjust for any items that it believes to occur in the normal course of business.

The financial information presented in this Prospectus was not prepared in accordance with US Generally Accepted Accounting Principles ("**US GAAP**") or audited in accordance with US Generally Accepted Auditing Standards ("**US GAAS**") or the auditing standards of the Public Company Accounting Oversight Board ("**PCAOB Standards**"). No opinion or any other assurance with regard to any financial information was expressed under US GAAP, US GAAS or PCAOB Standards and the financial information is not intended to comply with the US Securities and Exchange Commission reporting requirements. Compliance with such requirements would require modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information. In particular, no reconciliation to US GAAP is provided.

Phoenix Investment

On 13 June 2013, funds managed by Phoenix Equity Partners 2010 Guernsey Limited (the "**Phoenix Manager**") acquired a majority shareholding in the Group (the "**Phoenix Investment**"). In connection with the investment, the current Group structure was adopted and The Gym Group Holdings Limited became the holding company for the Group. See note 22 of the Group's Historical Financial Information. As a

result of the investment, the structure of the Group has not been the same throughout the entire period covered by the financial information.

The results for the year ended 31 December 2012 have been prepared on the basis of the individual results of The Gym Limited from 1 January 2012 to 31 December 2012. The combined income statement and the statement of cash flows for the year ended 31 December 2012 and the combined statement of financial position as at 31 December 2012 represent the individual statement of income, statement of cash flows and statement of financial position of The Gym Limited.

The results for the year ended 31 December 2013 have been prepared on the basis of aggregating the results of The Gym and its subsidiaries, other than The Gym Limited, from their respective dates of incorporation to 31 December 2013, with the results of The Gym Limited from 1 January 2013 to 31 December 2013. The balance sheet as at 31 December 2013 represents the combined statement of financial position of The Gym and its subsidiaries, including The Gym Limited.

The results for the year ended 31 December 2014 and for the 6 months ended 30 June 2014 and 2015 have been prepared on the basis of the Group's combined results for The Gym and its subsidiaries. The balance sheet as at 31 December 2014 and 30 June 2014 and 2015 represent the combined statement of financial position of The Gym and its subsidiaries.

The historical financial information has been prepared in accordance with with the basis of preparation as disclosed in Part 11: "*Historical Financial Information*".

Unaudited pro forma financial information

In this Prospectus, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in Part 12: "*Unaudited Pro Forma Financial Information*". The unaudited pro forma financial information has been prepared to illustrate the effect on the net assets of the Group of the receipt by the Company of the net proceeds of the Offer and the Refinancing as if it had taken place on 30 June 2015.

Due to its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results of the Group. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The unaudited pro forma financial information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive.

Operating information and Non-IFRS financial information

This Prospectus contains certain operating measures, including Mature Gym portfolio information, New Gym portfolio information, cohort information, total number of members, average number of members and total number of visits, that The Gym uses to assess the performance of its business that are not defined or recognised under International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), including Group Adjusted Net Income, Average Revenue per Member per Month, Group Adjusted EBITDA, Group Adjusted EBITDA Margin, Group Adjusted EBITDA before Pre-Opening Costs, Average Mature Gym Site EBITDA, Average Mature Gym Site EBITDA Margin, Average New Gym Site EBITDA, Average New Gym Site EBITDA Margin, Average Mature Gym Site ROCE and Group Operating Cash Flow and Group Operating Cash Flow Conversion.

Gyms

Mature Gym portfolio information

Based on the historic performance of the Group's gyms, it has taken on average approximately 24 months for the Group's gyms to reach maturity. Information presented on a Mature Gym portfolio basis reflects the performance attributable to the Group's gyms that have been open for 24 months or more prior to the end of the relevant reporting period, and accordingly excludes results for any gyms that have been open less than 24 months prior to the end of the relevant reporting period. Information on a Mature Gym portfolio basis is presented to enhance a prospective investor's understanding of the Group's results of operations across financial periods and to reflect the performance of the Group's estate of mature gyms during the reporting period by excluding the impact of New Gym openings during the period, which typically depress Group Adjusted EBITDA and Group Adjusted EBITDA Margin as a result of

Pre-Opening Costs. As used in this Prospectus, “Pre-Opening Costs” means the costs associated with new site openings, which primarily consists of staff costs, marketing and rent. Pre-Opening Costs were £1.6 million, £1.0 million, £2.0 million, £0.6 million and £1.2 million in total for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively. Prospective investors should not consider information presented on a Mature Gym portfolio basis in isolation, as a substitute for or superior to financial information prepared in accordance with IFRS.

The following table presents the total number of gyms and the total number of Mature Gyms for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
Total number of gyms	32	40	55
Mature Gyms	10	16	32

New Gym portfolio information

Information presented on a New Gym portfolio basis reflects the performance attributable to the Group’s gyms that have been open for less than 24 months prior to the end of the relevant reporting period, and accordingly excludes results for any gyms that have been open for 24 months or more prior to the end of the relevant reporting period. Information on a New Gym portfolio basis is presented to enhance a prospective investor’s understanding of the results of operations of the Group’s estate of New Gyms across financial periods by excluding the results of Mature Gyms during the period. Prospective investors should not consider information presented on a New Gym portfolio basis in isolation, as a substitute for or superior to financial information prepared in accordance with IFRS.

The following table presents the total number of gyms, the total number of New Gyms and the average number of New Gyms for the periods indicated.

	Year ended 31 December		
	2012	2013	2014
Total number of gyms	32	40	55
New Gyms	22	24	23
Average number of New Gyms	14	20	14

Cohort information

Information presented on a cohort basis reflects the performance attributable to the set of the Group’s gyms that opened during a particular year. Information on a cohort basis is presented to enhance a prospective investor’s understanding of the results of operations of the Group’s gyms by year of gym opening. Prospective investors should not consider information presented on a cohort basis in isolation, as a substitute for or superior to financial information prepared in accordance with IFRS.

The following table presents the total number of gyms in each cohort:

<u>Cohort</u>	<u>Number of Gyms in Cohort</u>
2008 Cohort and 2009 Cohort (combined)	5
2010 Cohort	5
2011 Cohort	6
2012 Cohort	16
2013 Cohort	8
2014 Cohort	15

Membership

Total number of members and average number of members

The Gym’s total number of members, as used in this Prospectus, for a given period, is the total number of members (including members who suspend (“freeze”) their memberships, but not including members who have cancelled their membership) as at the end date for the relevant period. The Gym’s average number of

members for a given period is calculated as the sum of the total number of members across The Gym's estate, or on a New Gym portfolio or Mature Gym portfolio basis, at the end of each month for the relevant period divided by the number of months in the period. It excludes members recruited in the pre-selling phase for gyms not yet open.

Total number of visits

Total number of visits, as used in this Prospectus, means the total number of visits to The Gym's clubs, across its estate or on a New Gym portfolio or Mature Gym portfolio basis, by members during the relevant period.

Group Adjusted Net Income

Group Adjusted Net Income, as used in this prospectus, means profit before tax excluding amortisation of intangibles and exceptional items, and excluding tax on the excluded items.

Average Revenue per Member per Month

Average Revenue per Member per Month, as used in this Prospectus, for a given period, is the Group's revenue for the period divided by the number of months in that period and further divided by the average number of members during that period. Average Revenue per Member per Month may be calculated for The Gym's estate, or on a New Gym portfolio or a Mature Gym portfolio basis. Average Revenue per Member per Month is unaudited and is presented to enhance a prospective investor's understanding of the Group's results of operations from period to period. The Directors use Average Revenue per Member per Month to evaluate the performance of its estate and on a New Gym portfolio or Mature Gym portfolio basis, from period to period, as opposed to revenue, which depends largely on membership numbers. Prospective investors should not consider Average Revenue per Member per Month in isolation, as a substitute for or superior to financial information prepared in accordance with IFRS, or as an indication of operating performance.

Group Adjusted EBITDA, Group Adjusted EBITDA Margin and Group Adjusted EBITDA before Pre-Opening Costs

Group Adjusted EBITDA, as used in this Prospectus, means the Group's operating profit before depreciation and amortisation and exceptional items. Group Adjusted EBITDA Margin is calculated by dividing Group Adjusted EBITDA for the relevant period by Group revenue for the same period.

The following table provides a reconciliation of Group Adjusted EBITDA to operating profit at the combined Group level for the years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2014 and 2015:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(£'000s)			(unaudited)	
Operating profit	1,921	(193)	2,335	3,212	1,096
Depreciation of property, plant and equipment	3,805	5,979	7,600	3,598	4,878
Amortisation of intangible fixed assets	82	1,191	2,100	982	1,069
Exceptional items ⁽¹⁾	192	4,775	2,653	60	1,464
Group Adjusted EBITDA	6,000	11,752	14,688	7,852	8,507
Pre-Opening Costs	1,615	1,134	1,980	588	1,164
Group Adjusted EBITDA before Pre-Opening Costs	7,615	12,886	16,668	8,440	9,671

(1) In 2012, exceptional items consisted of transaction fees relating to the Phoenix Investment and costs incurred in relation to the relocation of a gym. In 2013, exceptional items consisted of transaction fees relating to the Phoenix Investment, other aborted acquisition costs and costs incurred in relation to the relocation of a gym. In 2014, exceptional items consisted of costs in relation to the evaluation of a potential merger with Pure Gym Limited and costs incurred in relation to the relocation of a gym. In the six months ended 30 June 2015, exceptional items consisted of costs incurred in connection with the Group's initial public offering, costs in relation to the evaluation of a potential merger with Pure Gym Limited and other aborted transaction costs.

The Directors use Group Adjusted EBITDA, Group Adjusted EBITDA Margin and Group Adjusted EBITDA before Pre-Opening Costs as key performance indicators of the Group's business. The Group

uses Group Adjusted EBITDA, Group Adjusted EBITDA Margin and Group Adjusted EBITDA before Pre-Opening Costs in its business operations to, among other things, evaluate the performance of its operations, develop budgets and measure its performance against those budgets. The Group finds Group Adjusted EBITDA, Group Adjusted EBITDA Margin and Group Adjusted EBITDA before Pre-Opening Costs to be useful supplemental tools to assist in evaluating operating performance because they eliminate items related to depreciation, amortisation and exceptional items. Further, the Directors believe that Group Adjusted EBITDA and Group Adjusted EBITDA Margin are commonly reported by comparable businesses and used by investors in comparing the performance of businesses on a consistent basis without regard to depreciation and amortisation, which can vary significantly depending upon accounting methods. However, Group Adjusted EBITDA, Group Adjusted EBITDA Margin and Group Adjusted EBITDA before Pre-Opening Costs are not measures of financial performance under IFRS and other companies may calculate Group Adjusted EBITDA and Group Adjusted EBITDA Margin differently or may use such measures for different purposes than the Group does and should therefore not be used to compare one company against another or as a substitute for analysis of the Group's operating results as reported under IFRS. Prospective investors should not consider Group Adjusted EBITDA or Group Adjusted EBITDA Margin in isolation, as alternatives to operating profit, cash flows from operations or other IFRS measures, as indications of operating performance or as a measure of the Group's profitability or liquidity. Group Adjusted EBITDA, Group Adjusted EBITDA Margin and Group Adjusted EBITDA before Pre-Opening Costs need to be considered in the context of the Group's financial commitments. Group Adjusted EBITDA, Group Adjusted EBITDA Margin and Group Adjusted EBITDA before Pre-Opening Costs may not be indicative of the Group's historical operating results or predictive of the Group's potential future results.

Average Mature Gym Site EBITDA and Average Mature Gym Site EBITDA Margin

Average Mature Gym Site EBITDA, as used in this Prospectus, means operating profit before depreciation and amortisation, central costs (as defined in the following sentence) and exceptional items attributable to the Mature Gym portfolio divided by the number of gyms in the Mature Gym portfolio. As used in this Prospectus, “**central costs**” means the costs incurred in administering the Group's estate, which includes head office costs, such as central staff costs and their associated administration costs, technology and website, professional fees and central office costs. Average Mature Gym Site EBITDA Margin is calculated by dividing Average Mature Gym Site EBITDA for the relevant period by the average revenue attributable to the Mature Gym portfolio for the same period. The Directors believe that Average Mature Gym Site EBITDA and Average Mature Gym Site EBITDA Margin provide useful information to investors because they are indicators of the average performance of a typical Group gym once it has reached maturity. Average Mature Gym Site EBITDA and Average Mature Gym Site EBITDA Margin are not measures of financial performance under IFRS and other companies may calculate Average Mature Gym Site EBITDA and Average Mature Gym Site EBITDA Margin differently or may use such measures for different purposes than the Group does and should therefore not be used to compare one company against another or as a substitute for analysis of the Group's operating results as reported under IFRS. Prospective investors should not consider Average Mature Gym Site EBITDA or Average Mature Gym Site EBITDA Margin in isolation, as alternatives to other IFRS measures or as indications of operating performance.

Average New Gym Site EBITDA and Average New Gym Site EBITDA Margin

Average New Gym Site EBITDA, as used in this Prospectus, means operating profit before depreciation and amortisation, central costs and exceptional items attributable to the New Gym portfolio divided by the average number of gyms in the New Gym portfolio. Average New Gym Site EBITDA Margin is calculated by dividing Average New Gym Site EBITDA for the relevant period by the average revenue attributable to the New Gym portfolio for the same period. The Directors believe that Average New Gym Site EBITDA and Average New Gym Site EBITDA Margin provide useful information to investors because they are indicators of the overall performance of the Group's New Gym portfolio. Average New Gym Site EBITDA and Average New Gym Site EBITDA Margin are not measures of financial performance under IFRS and other companies may calculate Average New Gym Site EBITDA and Average New Gym Site EBITDA Margin differently or may use such measures for different purposes than the Group does and should therefore not be used to compare one company against another or as a substitute for analysis of the Group's operating results as reported under IFRS. Prospective investors should not consider Average New Gym Site EBITDA or Average New Gym Site EBITDA Margin in isolation, as alternatives to other IFRS measures or as indications of operating performance.

Average Mature Gym Site ROCE

Average Mature Gym Site ROCE is calculated as the Average Mature Gym Site EBITDA divided by the average initial site investment attributable to the Mature Gym portfolio. Average Mature Gym Site ROCE may be calculated for the entire Mature Gym portfolio or on a cohort basis for Mature Gyms that opened in a particular year. The Directors believe that this measure provides additional useful information for prospective investors regarding the returns generated by the Group on capital invested and the Group's effectiveness in utilising its capital resources. The Directors use Average Mature Gym Site ROCE in setting thresholds for the approval of, and for measuring the performance of, its investments in potential new gyms. Average Mature Gym Site ROCE is unaudited and is not an IFRS measure. Other companies may calculate Average Mature Gym Site ROCE differently, limiting the usefulness of such measure as a comparative tool. Prospective investors should not consider Average Mature Gym Site ROCE in isolation, as an alternative to operating profit or other measures under IFRS, as an indication of operating performance, as an alternative to cash flows from investing activities or as a measure of the Group's profitability or liquidity.

The following table provides a reconciliation of Average Mature Gym Site EBITDA to Average Mature Gym Site ROCE:

	Year ended 31 December 2014
Average Mature Gym Site EBITDA (£ million)	0.5
Average initial site investment attributable to the Mature Gym portfolio ⁽¹⁾ (£ million)	1.5
Average Mature Gym Site ROCE (per cent.)	33

(1) Average total capital fit out and investment cost for the Mature Gym portfolio including gym equipment costs, signage and fixtures and fittings.

Group Operating Cash Flow and Group Operating Cash Flow Conversion

Group Operating Cash Flow is calculated as Group Adjusted EBITDA less net working capital and less maintenance capital expenditures. Group Operating Cash Flow Conversion is calculated as Group Operating Cash Flow expressed as a percentage of Group Adjusted EBITDA. Group Operating Cash Flow and Group Operating Cash Flow Conversion are unaudited and are not IFRS measures. Group Operating Cash Flow and Group Operating Cash Flow Conversion are presented to enhance a prospective investor's understanding of the Group's cash generation, to provide a useful supplemental measure for comparing the Group's liquidity in respect of its operations from period to period and to evaluate the efficiency with which the Group converts Group Adjusted EBITDA into cash. Other companies may calculate Group Operating Cash Flow and Group Operating Cash Flow Conversion differently or may use these measures for different purposes, limiting the usefulness of such measures as a comparative tool. Prospective investors should not consider Group Operating Cash Flow and Group Operating Cash Flow Conversion in isolation, as an alternative to cash flows from operating activities or other IFRS measures, as an indication of operating performance or as a measure of the Group's profitability or liquidity.

The following table provides a reconciliation of Group Adjusted EBITDA to Group Operating Cash Flow and Group Operating Cash Flow Conversion for the years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2014 and 2015:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
Group Adjusted EBITDA (£ million)	6.0	11.8	14.7	7.9	8.5
Net working capital (£ million) ⁽¹⁾	3.9	3.6	3.4	0.5	4.0
Maintenance capital expenditures (£ million)	<u>(0.3)</u>	<u>(0.6)</u>	<u>(1.6)</u>	<u>(0.4)</u>	<u>(0.7)</u>
Group Operating Cash Flow (£ million)	9.6	14.8	16.5	8.0	11.8
Group Operating Cash Flow Conversion (per cent.)	160	125	112	101	139

(1) Net working capital for the year ended 31 December 2013 excludes the basis of preparation adjustment.

CURRENCY PRESENTATION

Unless otherwise indicated, all references in this document to “sterling”, “pounds sterling”, “GBP”, “£” or “pence” are to the lawful currency of the United Kingdom. The Company has prepared the financial information in pounds sterling.

ROUNDINGS

Certain data in this Prospectus, including financial, statistical and operating information, has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

In this Prospectus, references to the number of members of the Group’s gyms have been rounded to the nearest 1,000 members.

MARKET, ECONOMIC AND INDUSTRY DATA

This document contains historical market data and forecasts which have been obtained from industry publications, market research and other publicly available information. Certain information regarding market size, market share, market position, growth rates and other industry data pertaining to the Group and its business contained in this document consists of estimates based on data compiled by professional organisations and on data from other external sources, including:

- Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, EuropeActive European Health & Fitness Market Report 2015 (31 December 2014) (the “**EuropeActive Report**”);
- International Health, Racquet & Sportsclub Association, The IHRSA Global Report 2015 (May 2015) (the “**IHRSA Report**”)
- The Leisure Database Company (“**LDC**”), 2015 State of the UK Fitness Industry Report (31 March 2015) (the “**2015 LDC Report**”);
- LDC, 2014 State of the UK Fitness Industry Report (31 March 2014) (the “**2014 LDC Report**”);
- LDC, 2013 State of the UK Fitness Industry Report (31 March 2013) (the “**2013 LDC Report**”);
- LDC, 2012 State of the UK Fitness Industry Report (31 March 2012) (the “**2012 LDC Report**”);
- LDC, 2011 State of the UK Fitness Industry Report (31 March 2011) (the “**2011 LDC Report**” and together with the 2015 LDC Report, the 2014 LDC Report, the 2013 LDC Report and the 2012 LDC Report, the “**LDC Reports**”);
- Mintel Group Ltd., Health and Fitness Clubs UK, July 2015 (the “**2015 Mintel Report**”);
- Mintel International Group Ltd., Health and Fitness Clubs, Special Report (April 2005) (the “**2005 Mintel Report**”);
- Net Promoter Score, a customer loyalty metric developed by Fred Reichheld, Bain & Company and Satmetrix Systems, Inc. (the “**Net Promoter Score**”); and
- Feefo, an independent global ratings and reviews provider (“**Feefo**”).

In the LDC Reports, LDC’s membership and other data for each year are based on a rolling audit conducted between January and March of the relevant year.

Industry publications and market research generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions.

In some cases there is no readily available external information (whether from trade and business organisations and associations, government bodies or other organisations) to validate market related analyses and estimates, requiring the Group to rely on internally developed estimates. Although the Group believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and the Group cannot assure investors as to the accuracy of such estimates or that a third party using different methods to assemble, analyse or compute market data would obtain the same results. The Group does not intend, and does not assume any obligation, to update industry or market data set forth in this document. Because market behaviour, preferences and trends are subject to change, prospective

investors should be aware that market and industry information in this document and estimates based on any data therein may not be reliable indicators of future market performance or the Group's future results of operations.

The Company confirms that all such data contained in this document has been accurately reproduced and, so far as the Company is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this document, the source of such information has been identified.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company has been incorporated under the laws of England and Wales. Service of process upon Directors and officers of the Company, all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, since most directly owned assets of the Company are outside the United States, any judgment obtained in the United States against it may not be collectible within the United States. There is doubt as to the enforceability of certain civil liabilities under US federal securities laws in original actions in English courts and, subject to certain exceptions and time limitations, English courts will treat a final and conclusive judgment of a US court for a liquidated amount as a debt enforceable by fresh proceedings in the English courts.

NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Company's website do not form part of this document.

DEFINITIONS AND GLOSSARY

Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined and explained in Part 15: *"Definitions and Glossary"*.

INFORMATION NOT CONTAINED IN THIS DOCUMENT

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates", or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the results of operations, financial condition, prospects, growth, strategies and dividend policy of the Group and the industry in which it operates. In particular, the statements under the headings *"Summary"*, Part 1: *"Risk Factors"*, Part 6: *"Business Description"* and Part 9: *"Operating and Financial Review"* regarding the Company's strategy and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results

indicated, expressed or implied in such forward-looking statements. Important factors that could cause the Group's actual results to so vary include, but are not limited to:

- failure to manage gyms effectively or any significant business interruption;
- competition with other health and fitness operators and other fitness alternatives;
- failure to identify or secure sites for new gyms or realise its roll out strategy;
- changes in the UK health and fitness market as well as in general economic and business conditions;
- adverse impacts on The Gym's brand;
- failure, inadequacy, interruption or breach of security of information technology;
- seasonal fluctuations;
- inadequate insurance coverage;
- leverage and access to debt financing;
- failure to make requisite maintenance capital expenditure or investment capital expenditure in a timely manner;
- failure to attract and/or retain qualified personnel;
- failure of one or more third party suppliers and contractors to deliver or provide the requisite services;
- changes in laws and regulations and regulatory compliance; and
- other risk factors listed in this Prospectus.

Forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The Company, the Directors, the Selling Shareholders and the Banks expressly disclaim any obligation or undertaking to update the forward-looking statements contained in the Prospectus to reflect any change in their expectations or any change in events, conditions or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules of the FCA.

PART 3
DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors	Penny Hughes (Independent Non-executive Chairwoman) John Treharne (Chief Executive Officer) Jim Graham (Chief Operating Officer) Richard Darwin (Chief Financial Officer) Paul Gilbert (Senior Independent Non-executive Director) David Burns (Non-executive Director) Philip Newborough (Non-executive Director)
Company Secretary	Richard Darwin
Registered and head office of the Company	Woodbridge House Woodbridge Meadows Guildford Surrey GU1 1BA
Joint Global Co-ordinators and Joint Bookrunners	Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Joint Sponsors	Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Lead Manager	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
English and US legal advisers to the Company	Allen & Overy LLP One Bishops Square London E1 6AD
English and US legal advisers to the Banks	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ
Auditor and Reporting Accountant	Ernst & Young LLP 1 More London Place London SE1 2AF
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART 4
EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

Expected timetable of principal events

<u>Event</u>	<u>Time and date⁽¹⁾⁽²⁾</u>
Latest time and date for receipt of indications of interest from institutional investors under the Offer	6 November 2015
Notification of allocations	6 November 2015
Announcement of the results of the Offer through a Regulatory Information Service announcement	9 November 2015
Commencement of conditional dealings on the London Stock Exchange	8.00 a.m. on 9 November 2015
Admission and commencement of unconditional dealings on the London Stock Exchange	8.00 a.m. on 12 November 2015
CREST accounts credited	12 November 2015
Expected despatch of definitive share certificates (where applicable)	Week commencing 16 November 2015

Notes:

- (1) It should be noted that if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.
- (2) The times and dates in the table above are indicative only and are subject to change. All times are London times.

Offer Statistics

Offer Price (per Ordinary Share)	195 pence
Number of Ordinary Shares in issue on Admission	128,105,275
—Number of Ordinary Shares in the Offer to be issued by the Company	46,113,007
—Number of Ordinary Shares in the Offer to be sold by the Institutional Selling Shareholders	14,399,525
—Number of Ordinary Shares in the Offer to be sold by the Individual Selling Shareholders	3,555,714
Total number of Offer Shares	64,068,246
Percentage of the enlarged Company's issued Ordinary Share capital being offered in the Offer	50.0 per cent.
Estimated net proceeds of the Offer receivable by the Institutional Selling Shareholders ⁽¹⁾	£27.0 million
Estimated net proceeds of the Offer receivable by the Individual Selling Shareholders ⁽²⁾	£6.7 million
Estimated net proceeds of the Offer receivable by the Company ⁽³⁾	£81.0 million
Expected market capitalisation of the Company at the Offer Price ⁽⁴⁾	£249.8 million
Ticker symbol	GYM
SEDOL code	BZBX0P7

Notes:

- (1) Net proceeds receivable by the Institutional Selling Shareholders are stated after deduction of underwriting commissions (including the maximum amount of any discretionary commissions that the Institutional Selling Shareholders may decide to pay) and other expenses of approximately £1.1 million.
- (2) Net proceeds receivable by the Individual Selling Shareholders are stated after deduction of underwriting commissions (including the maximum amount of any discretionary commissions that the Company may decide to pay) and other expenses of approximately £0.3 million.
- (3) Net proceeds receivable by the Company are stated after bearing underwriting commissions (including the maximum amount of any discretionary commissions that the Company may decide to pay), other estimated Offer-related fees and expenses and VAT of approximately £8.9 million. The Company will not receive any of the proceeds from any sale of Existing Ordinary Shares by the Selling Shareholders in the Offer.
- (4) The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will equal or exceed the Offer Price.

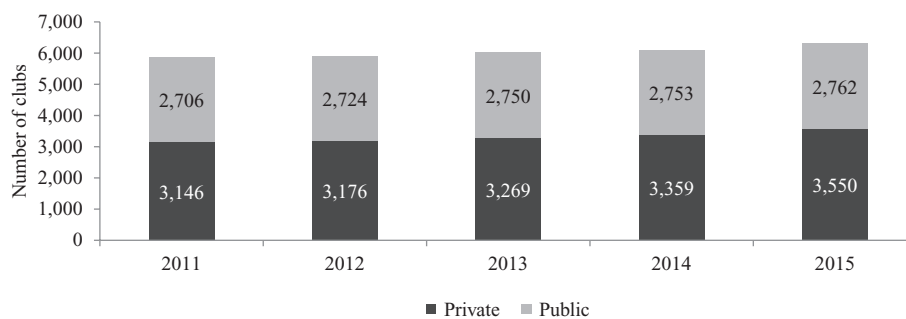
PART 5 INDUSTRY OVERVIEW

Overview of the UK health and fitness club market

The UK health and fitness club market has grown significantly over recent years from a total value, calculated as the estimated total annual membership revenue of all health and fitness clubs in the UK, of £3.6 billion in 2007 to £4.3 billion in 2015. In 2007, there were 5,852 health and fitness clubs in the UK with a total of 7.2 million members representing a penetration rate, calculated as the number of health and fitness club members in a given period divided by the total UK population (the “**Penetration Rate**”), of 12 per cent. In 2015 there were 6,312 health and fitness clubs in the UK with approximately 8.8 million members, representing a Penetration Rate of 14 per cent. The overall growth in the market over this period (3 per cent. compound annual growth rate (“**CAGR**”) in membership numbers) can be attributed to a number of factors such as increasing consumer awareness about the benefits of a healthy lifestyle, government initiatives such as Change4Life, which is a public health programme that began in 2009 to tackle unhealthy lifestyles by encouraging exercise and healthy eating, and the rise in the number of health and fitness clubs located throughout the UK, particularly within the low-cost gym segment. (Source: 2015 LDC Report and LDC data)

The UK health and fitness club market is broadly split into two main segments: (i) public clubs; and (ii) private clubs. Figure 1 shows the total number of clubs within the UK health and fitness club market split by public and private clubs.

Figure 1: Number of public and private clubs in the UK health and fitness club market (Source: LDC Reports)



Public clubs

Public clubs are those funded and operated by local authorities or county councils, which are typically larger in size compared to private clubs and offer a wide variety of facilities such as sports halls, studios and swimming pools (approximately 51 per cent. of public clubs offer wet facilities). They are generally open to members of the public on a pay-and-play or membership basis. In 2015, there were 2,762 public clubs with a total of 3.3 million members, equivalent to an average of approximately 1,200 members per club, charging an average monthly membership fee of £30 as of 31 March 2015. The number of public clubs has only grown marginally since 2011, when there were 2,706 clubs, as illustrated in figure 1. The three largest public operators in the UK (by number of clubs) are Greenwich Leisure Limited, Sports and Leisure Management Ltd. (trading as Everyone Active) and Places for People Leisure. (Source: 2011 LDC Report and 2015 LDC Report)

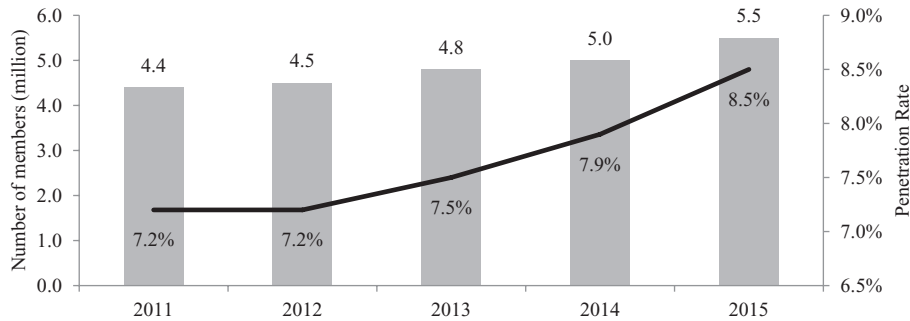
Private clubs

Private clubs are those funded and operated by commercial enterprises. The private health and fitness club market is significantly larger than the public sector with 3,550 clubs and 5.5 million members in 2015 (representing a Penetration Rate of 8.5 per cent.). London has a higher share of the private health and fitness club market at 20 per cent. of the total UK membership base with over one million members in 2015. (Source: 2015 LDC Report)

The number of private health and fitness clubs in the UK has increased from 3,146 in 2011 to 3,550 in 2015 representing a CAGR of 3 per cent. Over this period the number of members has increased from 4.4 million to 5.5 million representing a CAGR of approximately 6 per cent., as can be seen in figure 2, driven largely by the roll out of new clubs and, in particular, the roll out of new low-cost gyms. The average

private club monthly membership fee was £42 as of 31 March 2015 and the average private multi-club monthly membership fee was £46 as of 31 March 2015. (Source: 2011 LDC Report and 2015 LDC Report)

Figure 2: Number of members and Penetration Rate for private health and fitness clubs (Source: LDC Reports)



Composition of the private health and fitness club market

The Group operates within the UK private health and fitness club market which is highly fragmented with over 2,000 operators and 5.5 million members. The ten largest operators account for only 18 per cent. of the market (by number of gyms) with 647 clubs in operation as at 31 March 2015, as shown in figure 4 below. The private market comprises two main types of operator: traditional and low-cost. (Source: 2015 LDC Report)

Traditional vs. low-cost

The key differentiators between traditional and low-cost clubs are pricing, contract terms and the facilities on offer. Traditional clubs often require their members to sign up to a fixed-duration membership contract which typically includes early termination fees. Traditional clubs are typically larger in size, with a wide range of facilities available such as wet facilities (swimming pools and saunas), racquet sports facilities (tennis courts and squash courts) and member social areas (bars and cafes). As at 31 March 2015, the traditional market had 3,231 clubs in operation (Source: 2015 LDC Report). Traditional operators typically have higher operating costs compared to low-cost clubs due to their larger size, higher staff count (for example, many clubs will have a dedicated in-club sales and marketing team) and higher maintenance costs (for example, the cleaning and maintenance of wet facilities).

There are two main categories of traditional operators: premium and mid-market. Premium operators typically offer a higher standard product with high specification facilities and monthly membership fees typically in excess of £80. Mid-market operators typically also offer a range of facilities but at a lower specification with lower monthly membership fees, in the range of £30 to £60. Examples of premium operators are David Lloyd and Virgin Active, and examples of mid-market operators are Fitness First and Bannatynes. (Source: 2015 LDC Report)

LDC defines low-cost clubs as those belonging to a health club chain with a non-contract membership option that is usually less than £20 per month. Low-cost clubs operate at a significantly lower price point compared to the traditional mid-market and premium operators with an average monthly membership fee of £18 as at 31 March 2015. Low-cost clubs offer a more focused product for consumers who only want to pay for and use core fitness equipment (such as cardiovascular machines, resistance training machines and free-weights) and fitness studios. Low-cost membership arrangements are typically more flexible than those of traditional operators with limited or no fixed-term contracts and easy sign-up and cancellation policies. In addition to flexible membership terms, the low-cost gym segment also offers increased accessibility to gyms with longer opening hours compared to the traditional sector. The Group, for example, offers 24 hours a day, seven days a week access at the majority of its gyms. This satisfies consumer demand to use health and fitness facilities outside of traditional working hours, which fits in with modern-day lifestyles. Only 1 per cent. of low-cost clubs offer wet facilities compared to 43 per cent. for private clubs which, combined with their smaller site size and more focused offers, means they typically have a lower cost base compared to traditional operators. Examples of low-cost operators include The Gym, Pure Gym and Xercise4Less. (Source: 2015 LDC Report)

The low-cost gym segment is considered to be relatively immature in the UK given that the number of clubs has grown from only 58 in 2011 to 319 in 2015. Although the number of low-cost gyms currently represents a small proportion of the private health and fitness club market as a whole (9 per cent. based on the number of clubs as at 31 March 2015), the proportion of low-cost members is significantly higher at 24 per cent. Low-cost clubs as at 31 March 2015 have a far higher number of average members at approximately 4,100 per club as at 31 March 2015 compared to the private club average of approximately 1,500 per club. (Source: 2011 LDC Report and 2015 LDC Report)

Traditional independent vs. traditional multi-clubs

The UK health and fitness club market can also be segmented into independent and multi-club operators. Traditional independent clubs are single site clubs which are not part of a brand or chain of clubs under a common owner. Multi-club operators are branded clubs or those with a common owner which operate more than one club. As at 31 March 2015, there were 3,231 traditional health and fitness clubs in the UK of which 1,839 were traditional independent clubs compared to the 1,392 clubs operated by traditional multi-club operators (excluding low-cost and public gyms). (Source: 2015 LDC Report) Figure 3 shows the composition of the UK health and fitness club market by type of operator and figure 4 shows the top ten private club operators, which includes The Gym.

Figure 3: The UK health and fitness club market by number of clubs as at 31 March 2015 (Source: 2015 LDC Report)

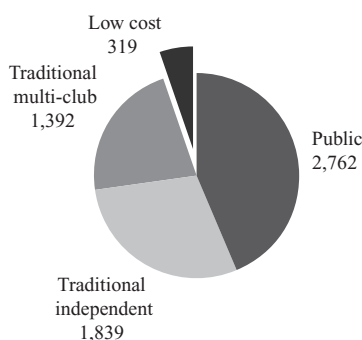


Figure 4: Top 10 private club operators in the UK by number of members as at 31 March 2015 (Source: 2015 LDC Report and LDC data)

#	Operator	Club type	Number of members ('000)	Number of gyms	Average membership fee
1	Pure Gym	Low-cost	441	92	£18
2	Virgin Active	Traditional	402	95	£87
3	David Lloyd / Harbour	Traditional	402	80	£81
4	The Gym ⁽¹⁾	Low-cost	340	57	£16
5	DW Sports Fitness	Traditional	261	71	£37
6	Nuffield Health Fitness & Wellbeing	Traditional	229	75	£60
7	Fitness First	Traditional	192	74	£59
8	Xercise4Less	Low-cost	185	25	£20
9	Bannatynes	Traditional	183	61	£51
10	Total Fitness	Traditional	109	17	£41
			2,744	647	£47

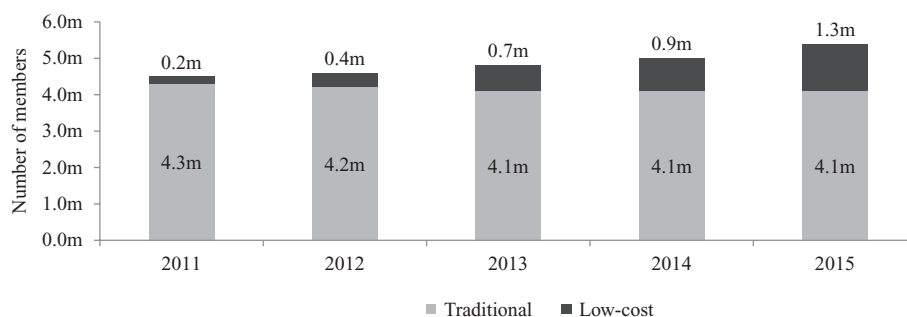
(1) As of 30 September 2015, the Group has 66 gyms and 363,000 members.

Of the top ten health and fitness club operators in the UK, three are low-cost operators (Pure Gym, The Gym and Xercise4Less) and they account for 35 per cent. of the top ten's total membership base. (Source: LDC data)

Private sector growth characteristics

As figure 1 illustrates, the private health and fitness club market has grown from 3,146 clubs in 2011 to 3,550 in 2015. This has largely been driven by the expansion of the low-cost gym segment which has taken market share from traditional operators as well as growing the overall size of the market, which the Directors believe is as a result of the sector's accessible price point, as can be seen in figure 5. Within the traditional sector, the number of gyms has only increased marginally from 3,088 in 2011 to 3,231 in 2015, while the number of members has fallen from 4.3 million to 4.1 million over the same period. The decline in membership is partly due to a number of traditional operators exiting the market or downsizing their portfolios (for example Fitness First and LA Fitness) as well as traditional operators losing members to low-cost operators (Source: 2011 LDC Report and 2015 LDC Report). However, the number of low-cost gyms has grown from 58 in 2011 to 319 in 2015 and membership has grown rapidly from 0.2 million to 1.3 million over the same period. A proportion of these members are new to the health and fitness industry. In every year since 2008, over 30 per cent. of the Group's new joiners had previously never been a member of a gym.

Figure 5: Number of members for traditional and low-cost operators (Source: LDC Reports)

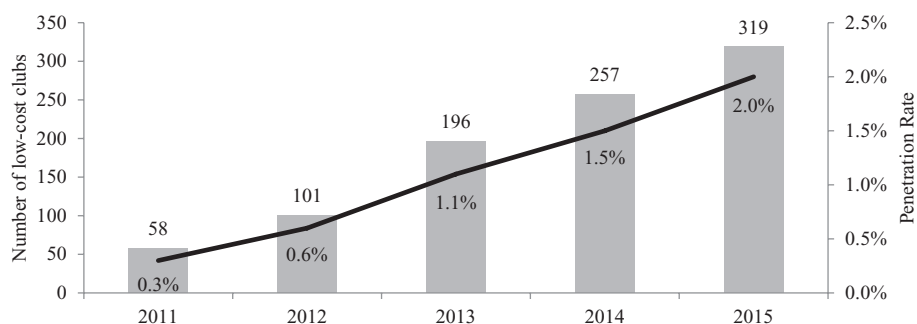


The UK low-cost gym segment

Growth of the low-cost segment

The low-cost gym segment has expanded over recent years and there are now 319 low-cost clubs in the UK, having grown from 58 in 2011, representing a CAGR of 53 per cent. Growth was strongest in London which as of 31 March 2015 had over 60 low-cost clubs, representing nearly 20 per cent. of all low-cost clubs across the UK. The Group has 22 gyms in Greater London as of 30 September 2015. The Penetration Rate for low-cost memberships has increased rapidly as a result from 0.3 per cent. in 2011 to 2.0 per cent. in 2015, as shown by figure 6 (Source: 2011 LDC Report and 2015 LDC Report). As of 31 March 2015, the low-cost gym segment as a whole had approximately 1.3 million members (Source: 2015 LDC Report).

Figure 6: UK Penetration Rate of low-cost memberships and number of low-cost clubs (Source: LDC Reports)



The UK health and fitness club market has historically been dominated by traditional mid-market and premium operators. However, this has changed over recent years with the emergence of low-cost gym operators. The Directors believe that low-cost operators have taken market share away from traditional operators because low-cost gym operators offer flexible, value-for-money membership at lower cost with longer opening hours that reflect modern-day lifestyles. This shift in consumer trends towards value for money is also prevalent in other industries such as the supermarket industry where low-cost operators such

as Lidl and Aldi have taken market share from incumbent mid-market operators such as Wm Morrison and Tesco and in the airline industry where low-cost carriers such as EasyJet and Ryanair have taken market share from traditional premium airlines such as British Airways.

Low-cost gym segment operators

The low-cost gym segment is highly fragmented with a large number of different operators. However, clear leadership has emerged in the sector with the top three operators accounting for almost 55 per cent. of the total number of gyms as of March 2015 and approximately 74 per cent. of the total number of members. Within the low-cost gym segment, the Group is the second largest operator with 57 gyms as at 31 March 2015 and Pure Gym was the largest with 92 (Source: 2015 LDC Report). As at 30 September 2015, the Group has 66 gyms in operation.

Figure 7: Top ten low-cost gym operators by number of members as of 31 March 2015 (Source: 2015 LDC Report and LDC data)

#	Operator	Number of members ('000)	Number of gyms	Average membership fee
1	Pure Gym	441	92	£18
2	The Gym ⁽¹⁾	340	57	£16
3	Xercise4Less	185	25	£20
4	Energie Fitness / Fit4Less ⁽²⁾	60	34	£22
5	EasyGym	51	11	£20
6	TruGym	31	12	£18
7	FitSpace	28	9	£19
8	Fitness4Less	26	14	£17
9	Simply Gym	24	9	£19
10	Fit for Free	19	4	£19
		<u>1,205</u>	<u>267</u>	<u>£19</u>

(1) As of 30 September 2015, the Group has 66 gyms and 363,000 members.

(2) Excludes 12 gyms operated as traditional health and fitness clubs under the Energie Fitness brand.

Within the low-cost gym segment there is significant differentiation between operators based on product and service offering. The Group focuses on high specification fitness equipment, 24 hours a day, seven days a week access, complemented by studio exercise in accessible, high population areas. This is different to, for example, Xercise4Less which operates larger, out of town sites and Energie Fitness / Fit4Less which operates a franchise model. Of the top ten low-cost gym operators, only the Group, Pure Gym and TruGym typically offer 24 hours a day, seven days a week access. In addition, for some low cost operators, a contractual commitment may be required to receive the lowest available monthly membership fee rate. Within the top-ten operators, the Group offers the lowest average monthly membership fee of £16.

Figure 8 shows how The Gym, Pure Gym and Xercise4Less have strengthened their position relative to other low-cost operators, having opened new gyms at a faster rate than others. During the periods from March 2011 to March 2013 and from March 2013 to March 2015, The Gym, Pure Gym and Xercise4Less were responsible for 44 per cent. and 70 per cent., respectively, of low-cost gym openings. The Gym, Pure Gym and Xercise4Less have therefore been largely responsible for the overall growth of the low-cost gym segment.

Figure 8: Growth in the number of gyms of the top 10 low-cost gym operators by number of gyms (as at 31 March 2011, 2013 and 2015) (Source: 2011 LDC Report, 2013 LDC Report and 2015 LDC Report)

<u>Operator</u>	<u>2011</u>	<u>Change</u>	<u>2013</u>	<u>Change</u>	<u>2015</u>
Pure Gym	12	+33	45	+47	92
The Gym	13	+22	35	+22	57
Xercise4Less	2	+6	8	+17	25
Energie Fitness / Fit4Less	11	+18	29	+5	34
EasyGym	0	+4	4	+7	11
TruGym	0	+11	11	+1	12
FitSpace	8	+1	9	0	9
Fitness4Less	6	+6	12	+2	14
Simply Gym	0	+7	7	+2	9
Active4Less	0	+9	9	+1	10
Other	6	+21	27	+19	46
	<u>58</u>	<u>+138</u>	<u>196</u>	<u>+123</u>	<u>319</u>

The only operator of scale not reflected in figure 8 above is Sports Direct Fitness (“**Sports Direct**”), which is operated by Sports Direct International plc. Sports Direct entered the health and fitness club market in 2014 through the acquisition of 25 gyms from LA Fitness. As at July 2015, Sports Direct operated the 25 gyms acquired from LA Fitness as mid-market gyms at mid-market price levels and an additional two gyms that Sports Direct had opened organically, which are priced as low-cost gyms (Source: Sports Direct International plc Final Results announcement (July 2015)). The Directors believe that Sports Direct’s low-cost gyms require members to sign up to a fixed duration contract and are generally not open 24 hours.

International health and fitness club market and opportunity for the UK low-cost gym segment

McFIT is the largest low-cost gym operator in Europe with 223 gyms and over 1.3 million members as at 31 December 2014. McFIT is also the market-leading health and fitness club in Germany with 166 gyms and approximately 1.0 million members as of 31 December 2014 (Source: EuropeActive Report), accounting for approximately 11 per cent. of the German health and fitness club market by number of members. Clever Fit is Germany’s second largest health and fitness club operator and a low-cost gym operator with nearly 186 gyms and approximately 360,000 members in Germany as of 31 December 2014 (Source: EuropeActive Report). McFIT and Clever Fit have grown to become the first and second largest health and fitness club operators in Germany and together account for approximately 15 per cent. of the German fitness market’s 9.1 million members (Source: EuropeActive Report). In addition, Planet Fitness, one of the largest franchisors and operators of low-cost gyms in the United States of America, had more than 7.1 million members (as of 31 March 2015) and generated more than US \$1.2 billion in system-wide sales revenue during the year ended 31 December 2014 (Source: Planet Fitness public filings). Planet Fitness accounts for approximately 13 per cent. of the United States health and fitness market’s 54 million members (Source: Planet Fitness public filings and IHRSA Report).

The Directors believe that these overseas markets suggest that there is significant potential for growth in the UK low-cost gym segment.

PART 6 BUSINESS DESCRIPTION

Investors should read this Part 6: “Business Description” in conjunction with the more detailed information contained in this document, including the financial and other information appearing in Part 9: “Operating and Financial Review”. Where stated, financial information in this section has been extracted from the Historical Financial Information.

Overview

The Gym opened its first gym in Hounslow in July 2008 and has grown to become a leading operator of low-cost gyms in the UK with 66 gyms and 363,000 members as of 30 September 2015. The Group’s gyms are located at highly accessible sites within major towns, cities and other populous areas across the UK. The Directors believe that The Gym offers a highly attractive membership proposition with value-for-money membership pricing, 24 hours a day, seven days a week gym opening hours and flexible “no contract” membership. The Gym’s vision is to provide affordable access to exercise facilities and expert help to every person who wants to improve their wellbeing, whatever their starting point, whatever their destination.

The Gym has a strong track record of opening profitable gyms and is the second-largest operator of low-cost gyms in the UK. During the period 2012 to 2014, the Group increased its number of gyms from 32 to 55 through its organic roll-out strategy and its number of members from 166,000 to 293,000. The Directors believe that new gym openings present a significant growth opportunity and that the Group is well positioned to open between 15 and 20 gyms in total in 2015 and per year thereafter over the medium-term. The Group has opened 11 gyms in the nine months to 30 September 2015.

In 2015, the UK health and fitness club market comprised 6,312 public and private clubs with a total of 8.8 million members. Low-cost gyms currently represent a small component of the total market but have grown significantly in terms of gym numbers and membership. Low-cost gym membership in the UK has increased from 0.2 million members in 2011 to 1.3 million members in 2015, representing a CAGR of 60 per cent. The Penetration Rate of low-cost gym membership in the UK, however, remains low at 2 per cent. compared to the UK health and fitness club market overall at 14 per cent. in 2015. As a result, the Directors believe that there is a significant opportunity for further growth in the low-cost gym segment in the UK and that the Group, as one of the largest operators of low-cost gyms, is well positioned to benefit from this opportunity.

The Gym has demonstrated that its attractive membership proposition and disruptive, low-cost, technology-led business model work in a wide variety of locations across the UK. In addition, due to their flexible layout, the Group’s gyms can be located in a broad range of property and building types (including offices, leisure facilities and retail outlets). As a result of the broad appeal of the Group’s membership proposition and its highly versatile concept, the Company believes that there are a significant number of locations in the UK that will support the Group’s gyms.

The Directors believe that the Group has demonstrated strong performance across its estate and that this success is due in part to The Gym’s disciplined and rigorous approach to site selection, which combines detailed geo-demographic data with historic data from previous gym openings to assess the membership potential, pricing and financial returns of potential gym locations. The Group generally targets a minimum ROCE of 30 per cent. per gym. In addition, The Gym has a strong covenant rating, which can provide a competitive advantage during the site selection and lease negotiation process. The Gym leases all of its gym sites.

For the year ended 31 December 2014, the Group generated revenue of £45.5 million and Group Adjusted EBITDA of £14.7 million, representing a CAGR of 43 per cent. and 56 per cent., respectively, since 2012. In the six months ended 30 June 2015, the Group generated revenue of £28.9 million and Group Adjusted EBITDA of £8.5 million. The Group’s Mature Gyms generate high returns and for the year ended 31 December 2014 the Group’s Average Mature Gym Site ROCE was 33 per cent. and Average Mature Gym Site EBITDA Margin was 48 per cent. In line with its low-cost business model, The Gym maintains low staff costs and, as of 30 June 2015, the Group employed 181 people.

Key strengths

The Group's key strengths are as follows:

The Group offers a compelling customer proposition with low-cost, flexible membership and 24 hours a day, seven days a week access to high specification gyms

The Directors believe that the Group has developed a strong membership proposition by offering low-cost, flexible membership with transparent pricing, access to gyms that are generally open 24 hours a day, seven days a week, with large amounts of high specification fitness equipment in a clean and well maintained environment. According to the 2015 Mintel Report, the top two barriers to using health and fitness clubs (as of May 2015) are the high cost of membership fees (57 per cent. of respondents) and not wanting to be tied to a long contract (31 per cent. of respondents). The Directors believe that the Group is well positioned to increase its membership base by attracting members from traditional gym operators as well as individuals who have never previously been a member of a gym. The Group has a low average monthly membership fee at £16 (compared to the private sector average of £42) (Source: 2015 LDC Report), which the Group is able to deliver through its disruptive, low-cost, technology-led business model and by offering a focused proposition without underutilised facilities that are costly to build and operate (such as swimming pools and saunas). The Group has a strong brand affiliation and customer satisfaction with a high Net Promoter Score of +60 as at July 2015 and in the 12 months to 30 June 2015 approximately 55 per cent. of the Group's new joiners were from referrals. The Directors believe that the Group offers a very attractive and compelling proposition to consumers from a wide variety of demographic backgrounds.

The Group predominantly operates its gyms with 24 hours a day, seven days a week opening times. This is a key component of the Group's offering as it appeals to the busy lifestyles of today's working population, including shift workers (especially in urban locations where the Group focuses). This can be evidenced by the fact that 10 per cent. of the Group's members use the gym within the hours 10:00 pm to 6:00 am, when many other gyms are closed, and 29 per cent. of its members work night shifts.

The Group operates an online only joining process that is easy to understand and the Group's members are not tied to a fixed term contract. This means that the Group's members have the freedom and the flexibility to join, leave and re-join at their convenience, which the Directors believe is fairer and more attractive to consumers compared to the fixed-duration contracts generally offered by traditional operators. In addition, the Group has a large and detailed member database from its online joining process, which enables it to improve the Group's proposition and improve the efficiency of its marketing spend.

The Group's bright and spacious gyms are fitted out to a very high specification, including high-quality ventilation and lighting systems and high-quality shower and changing facilities, as the Directors believe these are important factors in delivering a value-for-money experience for the Group's members. Such high-quality features also keep operational costs low. The Group's gyms offer access to a wide variety of high-quality gym equipment with an average of 170 stations per gym (compared to an average of 63 for the UK private sector (Source: 2015 LDC Report)) which are well maintained and suffer very little downtime. Gym layout and equipment selection are designed to maximise the utilisation of equipment and floor area.

The Group operates in the UK low-cost gym segment, which has attractive growth fundamentals

The UK health and fitness club market is an established sector that is benefiting from consumers becoming more health conscious and is supported by various government initiatives designed to promote healthy living and active lifestyles. Historically, the UK health and fitness club market has been dominated by premium and mid-market operators. However, during the last decade the low-cost gym segment has developed significantly, increasing market share by attracting members from mid-market and premium operators as well as consumers who had not previously been a member of a health and fitness club.

The Directors consider that the traditional health and fitness club proposition, characterised by fixed term contracts, high membership fees, expensive facilities requiring costly maintenance and limited opening hours, does not address all consumers' needs and can be poor value for money. The Directors believe that the success of the low-cost gym segment has been achieved by offering a high-quality but lower cost and more flexible membership to consumers.

The Group has been a leading contributor towards the growth of the low-cost gym segment and the UK health and fitness club market as a whole. The Group's statistics show that in every year since 2008, over 30 per cent. of the Group's new joiners had previously never been a member of a gym and in the 12 months

ended 30 June 2015, that figure was approximately 35 per cent. The UK low-cost gym segment has grown from a total of 58 gyms in 2011 to 319 gyms in 2015, with its membership base growing from 0.2 million to 1.3 million over the same period compared with traditional operators whose membership base has declined from 4.3 million members to 4.1 million members over the same period (Source: 2011 LDC Report and 2015 LDC Report). The growth in low-cost consumer propositions is also prevalent in other industries such as the supermarket, hotel and airline industries, with the successful growth of operators such as Lidl, Aldi, Travelodge, Premier Inn, EasyJet and Ryanair.

Although the low-cost gym segment in the UK has grown rapidly over recent years, the Directors believe there is a significant opportunity for further growth given the low Penetration Rate of low-cost gyms in the UK of 2 per cent. compared to more mature international markets. The Directors believe that there is the potential for over 1,000 low-cost gyms in the UK.

The Group is leading the growth of the UK low-cost gym segment

The Group was one of the pioneering operators of the UK low-cost gym segment and has been a significant contributor towards the growth and development of the low-cost gym concept as it has continually improved its offering. The Group has been in operation since 2008 and had 66 gyms open and 363,000 members as of 30 September 2015. The Group is the fourth largest operator within the UK health and fitness club market by number of members and the second largest within the low-cost gym segment by number of members and number of gyms.

The Gym is one of the market leaders in the UK low-cost gym segment and the Company believes that the Group will continue to drive the growth of the UK low-cost gym segment because:

- the Group has a large, experienced and dedicated property team. The team is headed by Jonathan Spaven, who brings significant experience to the Group having previously been the director of property at Matalan where he was responsible for the roll-out of its UK estate. In addition The Gym has a team of four dedicated acquisition managers that are well networked with a broad array of the UK property agents and landlords. The Directors believe that the strength and experience of the property team means that the Group is well placed to find and secure sites and build up a high-quality pipeline of new gym sites;
- the Group has a strong covenant rating (Dun & Bradstreet 5A1 rating) and the ability to attract large footfall, which has enabled it to secure excellent sites;
- the Group benefits from economies of scale as it continues to roll-out new gyms, as demonstrated by the fall in its initial site investment cost to fit out a new gym from an average of £1.5 million for the Mature Gym portfolio (as at 31 December 2014) to an average cost of £1.3 million to £1.4 million for the New Gym portfolio (as at 31 December 2014), depending on the gym size and location. The Directors believe that this trend should continue as the Group's roll-out plan is implemented and should drive attractive ROCE for new gym openings; and
- the Group has engaged marketing and media agencies and the Company believes that this has improved the effectiveness and efficiency of the Group's marketing and has provided purchasing scale. The Group's pre-opening marketing activities generally have resulted in its gyms achieving an average of 3,000 members within the first week of opening.

During the periods from March 2011 to March 2013 and from March 2013 to March 2015, the three largest operators (by number of members) in the low-cost segment, of which The Gym is the second largest, were responsible for 44 per cent. and 70 per cent., respectively, of low-cost gym openings. The three largest operators have therefore been largely responsible for the overall growth of the UK low-cost gym segment.

The Group's disruptive, low-cost business model is underpinned by technology, which provides it with a competitive and structural cost advantage

The Gym's disruptive, low-cost business model is largely underpinned by the use of technology and data in an effective and innovative manner. The Group's online-only registration and membership management model means prospective members can only join through The Gym's website or internet-connected kiosks provided at the Group's gyms. This feature lowers customer acquisition and management costs as processes are fully automated with no need for dedicated in-gym sales and marketing teams as are commonly found within traditional health and fitness clubs. Likewise, the Group's fully-automated personal identification number ("PIN") controlled entry portals facilitate secure membership access

without the requirement for costly reception teams. The Group employs on average two individuals per gym which significantly reduces the Group's operating cost. The Group employs a bespoke, web-based member management system and its membership database with over 1.6 million records provides gym managers and the Group's Senior Management with detailed, real-time information on all of the Group's gyms and membership base. This enables the Group to track the performance of its gyms and provides insight into the behaviour of its members which is used to inform business decisions. Examples of the data used include the size of the membership base at any given gym, gym usage, pricing and yield information and customer feedback. The Directors believe that the Group's technology systems and processes are well-invested and fully scalable such that they can support the Group's growth strategy. The Group uses third party technology services providers for many of its key technology systems, which provides the Group with access to significant expertise while being both scalable and cost efficient.

The Group's gyms do not have receptions, membership and sales offices, wet facilities (such as swimming pools or saunas) or food and beverage or other communal areas as these can be expensive to fit out and operate and take up space that is relatively underutilised compared to gym floor space. In addition, the Group outsources the delivery of many of its support functions including, among others, cleaning, security monitoring, marketing, repair and maintenance and payment processing as this enables management to focus on the Group's core business of running gyms and minimises costs.

The Directors believe that the Group's disruptive, low-cost, technology-led business model provides it with a significant competitive advantage as it is able to offer a strong proposition at a reduced price for members.

The Group has a disciplined site selection process and successful track record of opening gyms with high returns on capital in a variety of locations, with a strong pipeline of new gym sites

The Group's Senior Management use a disciplined site selection process to locate and assess the potential of new gyms. The Directors believe that this process has been instrumental in the success of the Group's historic roll-out where Mature Gyms have generated an Average Mature Gym Site ROCE of 33 per cent. for the year ended 31 December 2014. The Group opened 16 gyms in 2012, 8 gyms in 2013, 15 gyms in 2014 and 11 gyms in the nine months to 30 September 2015. The Group has never closed a gym. The Directors believe that this is testament to the Group's disciplined site selection process and operational expertise.

The property team is responsible for locating and opening gyms in strategic locations. A large number of potential sites across the UK are assessed each year but sites will only be opened if they meet the required criteria which generally includes a target site ROCE of 30 per cent. The Group's site selection strategy involves looking for visible sites in well located areas with high population densities, attractive socio-demographics and good transportation links or parking. The Group is able to open gyms in a wide variety of locations and buildings such as former retail, commercial and residential spaces, given its modern fit out and technology-driven approach to gym design, layout and roll out.

The Group's gyms have been highly profitable and cash generative and the Group benefits from negative working capital. The Mature Gym portfolio generated an Average Mature Gym Site EBITDA of £0.51 million with an Average Mature Gym Site EBITDA Margin of 48 per cent. for the year ended 31 December 2014. A large proportion of gym operating costs are property related and these are largely fixed as the Group's property leases are typically 15 year agreements with step-up provisions every five years either by fixed increases or increases in line with RPI or CPI and an initial 12 month rent free period. The majority of The Gym's leases have fixed uplifts providing the Group with visibility over its future property costs and protection from increases in rent due to volatility in the commercial property market, particularly in Greater London where the Group has a significant presence and where rents can otherwise be subject to significant year-on-year increases.

The Group has a strong network of property agents, landlords and developers that provide it with access to a large number of site opportunities throughout the UK. The Group has a strong pipeline of potential new gyms, which are either currently going through legal processes or for which a lease contract has been signed. This pipeline is dynamic as new opportunities are continuously discovered and reviewed. The Gym is targeting the roll out of between 15 and 20 gyms in total in 2015 and per year thereafter over the medium-term.

Historic gym opening data provides the Group with visibility over future financial performance

The Group has an established portfolio of Mature Gyms and the Directors believe that the data and operational know-how collected through these gyms will enable the Group to be in a strong position to continue opening new gyms effectively.

Based on historic gym openings, the Group has achieved an average of 3,000 members within the first week of a gym's opening and this membership number has tended to increase significantly over the first six months of operation towards an average of 6,000 members per gym at maturity (defined as being 24 months after opening). The Group's New Gyms have on average achieved positive site EBITDA within approximately six to nine months of opening. This has been the result of the rapid increase in gym membership in the early months offset by Pre-Opening Costs of approximately £140,000 per gym on average, consisting primarily of staff costs, marketing and rent. During the first 24 months of operation, site profitability tends to continue to increase due to the ramp-up in membership numbers and due to the higher membership fees paid by new and returning members and trends towards an Average Mature Gym Site EBITDA of £0.51 million (for the year ended 31 December 2014) as the gym matures. The Directors believe that the historic performance of the Group's gym openings provides the Group with visibility over the expected future performance of its New Gyms.

The Group has significantly increased its number of gyms as a result of its roll-out strategy with 28 New Gyms that have been in operation for less than 24 months as at 30 September 2015. While the Group has incurred the initial site investment cost and Pre-Opening Costs for these New Gyms, they have yet to reach maturity, and as a result have not achieved their site performance potential. The Directors believe that the New Gym portfolio will contribute towards the Group's future profitability.

Strong Group historical financial performance with significant growth in revenue and Group Adjusted EBITDA

The attractive performance of the Group's gyms on a per site basis has resulted in the strong historical financial performance of the Group as a whole. Group revenue has increased from £22.3 million in 2012 to £45.5 million in 2014, representing a CAGR of 43 per cent. Over this period, Group Adjusted EBITDA increased from £6.0 million in 2012 to £14.7 million in 2014, corresponding to a Group Adjusted EBITDA Margin of 27 per cent. in 2012 and 32 per cent. in 2014. For the six months ended 30 June 2015, the Group reported revenue of £28.9 million and Group Adjusted EBITDA of £8.5 million, representing a Group Adjusted EBITDA Margin of 29 per cent.

In the period from 1 January 2012 to 30 June 2015, the Group has opened a total of 47 gyms and invested a total of £72.4 million of capital expenditure in opening new sites. The Group has also invested heavily in improving its central support and business function, including strengthening the Senior Management team and investing in a new commercial team, which has had the effect of increasing central costs but can now support the Group's growth plans without any significant incremental central overhead. The Directors believe the Group can leverage this central cost base as it pursues its roll-out strategy.

The Group's gyms have been highly cash generative when they reach maturity, as reflected by the Group's Group Operating Cash Flow Conversion of 160 per cent., 125 per cent., 112 per cent. and 139 per cent. in the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. This attractive cash flow is driven by the Group receiving membership payment in advance and a net current liability working capital profile which generates cash in-flows as the Group increases revenue and the initial rent-free period typically received in respect of the Group's property leases. In addition, the Group's gyms are fitted out to a high specification, which the Directors believe results in stable repair and maintenance costs and limited maintenance capital expenditure. For the year ended 31 December 2014, maintenance expense was 3.5 per cent. of Group revenue.

Experienced Senior Management team across a number of key disciplines and highly motivated work-force

The Group's Senior Management team is led by John Treharne, chief executive officer, who founded the business in 2007 and has since then led the executive team responsible for the successful growth of the Group as it has delivered its roll-out strategy and become a leading player within the UK low-cost gym segment. In addition to The Gym, Mr Treharne has an excellent track record of running other health and fitness clubs such as Dragons Health Clubs and Crown Sports and has recently been appointed to the board of ukactive. Mr Treharne is supported by Jim Graham, chief operating officer and previously operating partner at Phoenix Equity Partners Limited ("**Phoenix**") and a managing director of the Orange

UK pay-as-you-go mobile business, and Richard Darwin, chief financial officer and previously chief financial officer of Essenden plc, as the other members of Senior Management. Mr Treharne's entrepreneurial attitude is reflected in the ethos of the Group's Senior Management team.

Senior Management is supported by a highly experienced management team across four key areas: property, operations, finance and commercial. All of these functions are critical to the performance of the Group and all members of Senior Management are shareholders and are incentivised to increase the size and profitability of the business so as to be aligned with shareholders' interests.

A key component of the Group's success is the effective management of its gyms which is undertaken by general managers and regional managers. These managers are subject to a thorough selection process and are given the autonomy by Senior Management to run their gyms on a day-to-day basis. They are heavily involved in setting gym targets, recruiting their personal training team and a significant proportion of their remuneration is dependent on gym performance. As a result, they are highly motivated to improve gym performance.

The Group has enjoyed consistently high employee retention rates with an average retention rate of 92 per cent. since 2008. A September 2014 employee engagement survey measured overall employee engagement at 87 per cent. with the particular areas of job satisfaction, goal clarity and teamwork all scoring over 80 per cent. satisfaction. The Group is continuously focused on the development and training of its staff and in 2015 was awarded an "Investors in People Silver" accreditation. In addition, the Group was included in The Sunday Times 100 "Best Small Companies to Work For" list in 2013 and 2014 with a three-star accreditation.

Strategy

The Group's principal strategy is to continue to open and operate high quality low-cost gyms and deliver profitable growth and strong returns on capital by leveraging its technology-led, low-cost disruptive business model. The Group's high-quality, value-for-money proposition will continue to remain a core component of the Group's offering as it seeks to provide affordable gym access and expert help to every person who wants to improve their health and fitness.

The Directors believe that the Group is well placed to continue its roll out of new gyms and increase its membership numbers by attracting members from traditional gym operators as well as individuals who have previously never been a member of a gym. As a result, the Directors expect that the Group will, over time, increase significantly in size and will contribute meaningfully towards the overall growth of the UK low-cost gym segment.

The key elements of the Group's strategy are as follows:

Continued organic roll-out of new gyms

The Directors believe that there is a significant growth opportunity for low-cost gyms in the UK given the current low Penetration Rate of low cost gyms as well as the success of low-cost operators within different industries in the UK and internationally. The Directors believe that as one of the founding and leading members of the UK low-cost gym segment, The Gym is well placed to capitalise on this growth opportunity and realise its organic roll-out strategy of opening profitable gyms with high ROCE.

The Group has a successful track record of opening gyms in the UK, having opened its first gym in 2008 and it has grown significantly and organically with 66 gyms in operation as at 30 September 2015. The Directors believe the Group is well positioned to open between 15 and 20 gyms in total in 2015 (with 11 having been opened in the nine months to 30 September 2015) and per year thereafter over the medium-term. The Directors believe that this rate of roll-out is appropriate for the Group given the significant market opportunity within the UK and the capacity of the Group's Senior Management, business systems and processes. The Group continues to seek new gym locations that are expected to satisfy the Group's target site ROCE of 30 per cent.

The Directors' view of the Group's roll-out potential is supported by work undertaken by Senior Management in evaluating potential locations in light of geo-demographic and historic gym performance data. The Group has historically opened gyms successfully in a wide variety of locations and types of buildings and it has a strong network of landlords, property agents and developers that provide access to opportunities throughout the UK. The Group has a strong pipeline of sites which provides visibility over the number of gym openings over the next 12 to 18 months.

Driving performance of recently opened gyms

The Group has significantly increased its number of gyms as a result of its roll-out strategy with 28 New Gyms that have been in operation for less than 24 months as at 30 September 2015. These gyms are performing in line with the Company's expectations and Senior Management intends to continue to focus on the operational and financial performance of the Group's new gyms as they reach maturity. Key areas on which the Group is focusing are: (i) effective marketing to drive local awareness and high pre-opening and post-opening registrations; (ii) increasing the number of members over time by ensuring the Group's gyms offer an excellent, value-for-money proposition and high member satisfaction; (iii) operating a dynamic pricing model such that yield can be optimised per site by increasing membership fees and other ancillary revenue over time; and (iv) incentivising local gym management to meet budgets which are set by Senior Management and general managers on a gym-by-gym basis.

The Directors believe that the historic performance of the Group's gym openings provides the Group with visibility over the expected future performance of its New Gyms.

Reducing fit out costs and improving operating efficiencies at the Group's gyms and leveraging its central overhead to drive strong returns

The Group is seeking to reduce gym fit-out costs and improve operating efficiencies as the Group increases in size and benefits from economies of scale. For example, the Group's initial site investment cost to fit out a new gym has decreased from an average of £1.5 million for the Mature Gym portfolio (as at 31 December 2014) to an average cost of £1.3 million to £1.4 million for the New Gym Portfolio (as at 31 December 2014), depending on the gym size and location. This reduction is principally a result of the Group employing a more competitive tender process when appointing gym fit-out contractors, negotiating better terms with the Group's suppliers and value engineering the fit-out specification to avoid unnecessary cost. Ongoing operating efficiencies will also be sought by the Group as, for example, it uses more energy efficient fixtures and equipment and obtains better terms with service providers such as cleaning. In addition, the Group has engaged new marketing and media agencies and the Directors believe that this has improved the effectiveness and efficiency of the Group's marketing and has provided purchasing scale. The Directors currently expect that these factors will over time reduce the overall cost of opening and operating gyms.

The Group continues to make significant investments in central overhead to deliver the management and technology infrastructure to support the Group's growth strategy. This has included hiring additional staff, particularly in the property and commercial teams. The Directors believe that the business' central functions are well invested and that the Group will be able to grow with limited incremental overhead expansion. The Group's low-cost structure is a key component of its business model and the Directors will continue to focus on improving operating efficiencies and enhancing returns.

Improving the proposition for members and increasing ancillary revenue

A key component of the Group's strategy is to offer a best in class, value-for-money proposition to members with no fixed term contract and 24 hours a day, seven days a week access to high quality gym equipment. Management focuses on maintaining and improving member satisfaction as this drives gym usage, member tenure and positive word of mouth recommendations to potential new members (in the 12 months to 30 June 2015, approximately 55 per cent. of the Group's new members were from referrals). By focusing on improving the Group's proposition and member satisfaction, the Directors believe that membership numbers will increase and there should be an opportunity to increase pricing and yield over time.

The Group strives to continuously develop its proposition by offering services or experiences that are not typically a feature of low-cost gym membership. Historic examples of such innovation include the introduction of multi-site memberships, free member wifi, new ranges of fitness equipment, new ranges of free and paid-for studio exercise (including programmed and on-demand virtual classes (currently available in four gyms)) and lowering the minimum member age limit from 18 to 16. The Directors believe that continuous innovation in the product offering and the introduction of additional services will act as a competitive differentiator, attract more members and drive yield growth through subscription fees and ancillary revenue.

Examples of future innovation that the Company is contemplating include new fitness concepts, additional merchandise and services vending, paid upgrades such as locker rentals, third party advertising, affinity sales partnerships, paid fitness-related content, out-of-gym memberships with access to online virtual fitness content and the integration of goal-oriented fitness programmes that use wearable digital technology in conjunction with the Group's fitness equipment.

The Company is also exploring approaches to the monetisation of its 1.6 million database of prospective, current and former members.

The Group's ancillary revenue accounted for approximately 1 per cent. of total revenue in 2014, and part of the Group's strategy is to increase this revenue over time. The Directors believe that this area represents an attractive growth opportunity.

Selective acquisition of existing gyms

The UK health and fitness club market is highly fragmented and the Directors believe that consolidation is likely in the future owing to the large number of operators that are sub-scale (particularly traditional independent clubs) or that may reduce the size of their portfolios (particularly in the traditional market with Fitness First and LA Fitness being recent examples). As a result, the Company believes there are a significant number of gyms in the UK that could be acquired on attractive terms by the Group. An acquisition could be made for either the whole or part of an operator's portfolio and would have the benefit of accelerating the Group's roll-out strategy. Any acquisition would be on an opportunistic basis with the Group potentially able to generate revenue and cost synergies as the portfolio is brought on to the Group's platform, benefiting from its technology-led, low-cost operating model and management's experience of driving membership numbers.

Expansion into international markets through acquisition or organic roll-out

The Directors believe there are a number of international markets, for example, within Europe that could provide an attractive opportunity for the Group to establish a presence in the longer term. Expansion by the Group into international markets, if pursued, will be on an opportunistic basis through the acquisition of existing gyms or organic roll-out of new gyms and is a longer term strategy for the Group.

Focus on people

A core component of the Group's strategy is its ongoing focus on hiring, training, motivating and retaining the very best staff. The Directors believe that attracting, motivating and retaining employees of the highest calibre, with the desire and ability to operate within The Gym's values and culture, is key to its continued success.

History

The Gym was founded in June 2007 by its chief executive officer John Treharne, a former England national team squash player with extensive experience in the health and fitness sector, including the founding and subsequent flotation of Dragons Health Clubs in the 1990s, and Bridges Ventures LLP ("**Bridges Ventures**"). Mr Treharne and Bridges Ventures recognised that there was a significant opportunity in the UK health and fitness club market for a low-cost gym offering, with gym membership in the UK being significantly lower than in a number of other countries, including the United States and Germany, and, according to Mintel's surveys, with gym memberships generally perceived as being overpriced in the UK (Source: 2005 Mintel Report). Indeed, according to the 2015 Mintel Report, the high cost of membership fees remains the largest barrier to using health and fitness clubs, according to 57 per cent. of respondents (as of May 2015).

The Gym's founding concept was to meet customer demand by providing high-quality fitness facilities to a wide demographic of members through 24 hour opening, no fixed-term membership contract and an affordable monthly membership fee. Funds managed by Bridges Ventures provided initial seed investment and Bridges Ventures worked closely with John Treharne to develop the member proposition, to design the technology infrastructure and to identify a suitable location for the launch of the Group's first gym. The Group's first gym opened in Hounslow in July 2008 in a centrally located, newly developed mixed use retail/leisure/residential scheme and at its launch had over 5,400 members.

With Bridges Ventures' financial backing, the Group built upon the success of its Hounslow gym and opened four new gyms in 2009 to assess the feasibility of the Group's offering in different locations and within close proximity to different types of transportation links. The Group continued its roll out of new gyms in 2010 and 2011. The Hounslow gym was recognised for its attractive customer proposition and customer service and was declared "Budget Gym of the Year" at the National Fitness Awards in 2011.

The Group opened an additional 16 gyms across the UK in 2012, was awarded an "Investors in People" accreditation and was ranked number 13 in The Sunday Times' "Virgin Fast Track 100" list. The Gym was

again included in The Sunday Times' "Virgin Fast Track 100" list in 2013 and 2014 and also The Sunday Times BDO "Profit Track 100" list in 2014 and 2015 and The Sunday Times' 100 "Best Small Companies to Work For" list in 2013 and 2014 with a three-star accreditation. Paul Gilbert, previously chief financial officer at Matalan, joined the Group as independent non-executive chairman in February 2012 and under his stewardship the Group has continued to focus on its roll-out of new gyms and the development of its customer proposition.

In June 2013, funds managed by the Phoenix Manager acquired a majority shareholding in The Gym through an equity investment in the Company and the purchase of a portion of Bridges Ventures' interest. The Phoenix Manager has supported significant investments in the business since acquiring its interest, which includes strengthening the Senior Management team. Jonathan Spaven, previously Matalan's director of property, joined The Gym as property director in October 2013 and Jim Graham, previously operating partner at Phoenix and a managing director of Orange UK pay-as-you-go mobile business, joined The Gym as its chief operating officer in May 2014. In 2013, Mr Treharne was recognised as the "CEO of the Year (South East)" by the British Private Equity and Venture Capital Association Management Team Awards.

The Phoenix Manager has overseen the development of the Group's property team to enable the Group's gym roll out programme and the creation of the Group's commercial team to oversee its customer proposition and brand development. During 2013, the Group continued to expand its estate and opened a total of eight gyms in 2013. The Group opened an additional 15 gyms in 2014. The Gym was a finalist in the "National Business Awards" and the "Growing Business Awards" in 2014 and was selected as a "National Champion" representing the United Kingdom in the European Business Awards in 2014 and 2015.

In February 2014, the Group and Pure Gym Limited announced plans to merge their businesses pending regulatory approval. In July 2014, the Group and Pure Gym announced that they were abandoning the potential merger following a decision by the UK Competition and Markets Authority to refer the transaction to a phase II competition review.

In May 2015, Richard Darwin, previously chief financial officer of Essenden plc, joined The Gym as chief financial officer. The Gym was awarded an "Investors in People Silver" accreditation and The Gym was recognised as the "Most Outstanding Budget Gym 2015" in the Corporate LiveWire Innovation & Excellence Awards.

The Group's gyms

Overview

The Group has grown its estate organically since opening its first gym in July 2008. The following table sets out the number of gyms and the total number of members as at the end of each year since the Group opened its first gym in 2008 and as at 30 September 2015:

<u>Year ended 31 December</u>	<u>Number of Gyms</u>	<u>Number of Members</u> (<u>'000s</u>)
2008	1	7
2009	5	26
2010	10	58
2011	16	96
2012	32	166
2013	40	225
2014	55	293
As of 30 September 2015	66	363

In addition to the 66 gyms open at 30 September 2015, the Group is targeting the roll out of between 15 and 20 gyms in total in 2015 and per year thereafter over the medium-term. The Group has never closed any of its gyms since its inception. In August 2014, the Group relocated one of its central Manchester gyms to a nearby location. The Group leases all of its gym sites.

The Group's strong customer proposition is based on its value-for-money pricing structure, its 24 hours a day, seven days a week gym opening hours, its "no contract" membership and its technology and data driven, online-only subscription management model. The Group's current monthly average membership fee is £16 and each gym charges only one monthly membership fee to prospective members for a given

membership type. All but three of the Group’s gyms are open 24 hours a day, seven days a week, which allows the Group’s members to adapt their use of the gym to fit their individual lifestyle. Unlike many health and fitness club memberships in the United Kingdom, the Group’s “no contract” membership means that its members are not bound to a fixed duration contract and are free to join, freeze, upgrade to or downgrade from a multiple gym membership, cancel and re-join online at their convenience. The Gym’s technology and data driven, online-only subscription management model allows prospective members to join through The Gym’s website or in person using internet-connected kiosks provided on the gym premises.

The Group’s gyms are designed and fitted out to match its brand philosophy as a high quality, value-for-money gym offering focused on the customer experience, with bright, spacious gym areas and large amounts of well-maintained, high-specification fitness equipment. Each gym is managed by a general manager and an assistant general manager. Typically, between 10 and 15 self-employed, qualified personal trainers contract directly with each gym. At The Gym’s discretion, personal trainers are provided with up to 12 induction activity slots per week to facilitate their access to members to help promote their personal training services. During these slots, the personal trainers perform certain actions in the gym, principally conducting tours, member inductions, leading group exercise classes and generally being available to support members.

While many traditional fitness clubs include expensive additional facilities such as swimming pools, saunas, day-care facilities, retail and food and beverage areas that increase operating overhead, The Gym focuses on providing core gym facilities and ensures that each gym is equipped with large numbers of high-quality cardio and strength equipment, which it believes the majority of gym users want and value.

Gym format

The Group’s gym format has proven successful across different types of locations and buildings, including single or multi-level retail, mixed leisure or office space. Its gyms vary in size from approximately 10,000 square feet to over 20,000 square feet, with an average size of approximately 16,000 square feet. The Gym’s estate can be divided into the following size categories as at 30 September 2015:

<u>Size (in square feet)</u>	<u>Greater London</u>	<u>Rest of the United Kingdom</u>	<u>Total Gyms</u>
20,000+	2	4	6
16,000-19,999	12	20	32
12,000-15,999	7	18	25
10,000-11,999	1	1	2
<10,000	<u>0</u>	<u>1</u>	<u>1</u>
Total	<u>22</u>	<u>44</u>	<u>66</u>

The Group’s gyms generally share the following characteristics:

- located in single or multi-level retail, mixed leisure or office space, with nearby transportation links or on-site parking and good site visibility;
- average total area of 16,000 square feet with an average fitness floor area of approximately 11,000 square feet, designed to maximise floor space and create a feeling of spaciousness;
- 24 hours a day, seven days a week gym access, which allows The Gym’s members to adapt their use of the gym to fit their lifestyle;
- high-quality fitness equipment and building fixtures and fittings designed for high usage and efficient maintenance, incorporating energy efficient features to minimise operating costs (approximately 70 per cent. of The Gym’s fitness equipment does not require electricity);
- a wide range of high-quality gym equipment such as:
 - cardio machines, including on average 30 treadmills, 25 exercise bikes, 20 cross-trainers, 10 rowing machines, 6 Myride® indoor virtual bikes, and a range of other cardio equipment, including climbmills and steppers,
 - on average 40 resistance training machines and a range of additional free weight equipment, including squat racks, Smith machines, Olympic and inclined flat benches, bar bells and dumbbells, and

- free-style training equipment such as TRX, steps, medicine balls, fit balls and kettlebells;
- group exercise area with a range of exercise mats and equipment to deliver a variety of classes (approximately 20 per cent. of the Group's gyms have a separate studio for group exercise);
- members' area, with vending machines, personal training information and a bulletin board for use by members;
- fully-automated PIN-controlled entry portals to facilitate secure access by members;
- internet-connected kiosks on the premises that allow prospective members to sign up for and receive immediate access to the gym;
- free wifi internet access throughout the gym for use by members;
- high standards of lighting, ventilation (including air conditioning), cleaning and maintenance;
- continuously recording closed-circuit television security cameras, proactively monitored by an outside control room every 15 minutes outside of normal staffing hours (typically from 10:00 pm to 6:00 am) by a third party monitoring provider;
- emergency help points remotely monitored outside of normal staffing hours;
- first aid-trained personnel generally present on site and defibrillator typically installed on site; and
- male and female changing rooms, including showers, toilets and a large number of day-use lockers, which are available only during normal staffing hours, and a separate disabled changing room, which is available outside of normal staffing hours.

Photographs of a selection of the Group's gyms are set out on the inside cover of the Prospectus.

Fitness equipment

The Group generally equips its gyms with high-quality Matrix cardio and resistance machines, Concept 2 rowing machines and Matrix and Zivo free weights, all of which are designed to withstand frequent and heavy usage. The Directors believe that purchasing high-quality equipment results in an improved member experience, reduces maintenance expenditure and ensures a longer equipment lifecycle.

The Gym uses a third party fitness equipment monitoring service to track and analyse equipment usage patterns, which helps The Gym make equipment selection decisions on a gym-by-gym basis. These third party studies rely upon the fitting of pressure sensors and accelerometers to gym equipment which are attached to data loggers. This technology is used over a one week period to capture detailed equipment usage patterns that can be used to analyse demand and utilisation over time. Third party staff are on site during the study period to record the number, gender and usage patterns of members and also to conduct member surveys about equipment usage, queuing and attitude towards equipment.

Fitness equipment at the Group's gyms is typically installed in at least two phases. In the initial fit out of a new gym during the pre-opening phase, The Gym installs a range of fitness equipment, with the numbers of specific types of fitness equipment determined based on data from historic studies and depending on the size and layout of each gym. The Gym typically installs the majority of the total amount of fitness equipment in this first phase prior to the gym's opening. Once a new gym has reached a certain level of utilisation, generally within the first year after opening, a second phase of fitness equipment is rolled out. This second phase is tailored to the specific equipment demand for that particular gym based on further studies of member usage patterns. Further phases of fitness equipment roll out may take place at a later time as a result of increases in membership volume, utilisation and changes in usage patterns. In addition, these studies are undertaken at set intervals as old equipment is replaced. The Gym's use of these studies allow The Gym to provide the equipment that its users want and avoids the over-supply of expensive equipment.

The Gym has adopted a comprehensive fitness equipment maintenance and replacement programme. Fitness equipment maintenance standards are closely monitored and The Gym has negotiated detailed standards for "time to service" and "first time to fix" under its agreement with its fitness equipment supplier. The Gym's fitness equipment is warranted for five years and broken or damaged equipment is inspected by a maintenance contractor within 24 hours of a fault being reported. As of the end of June 2015, less than 0.2 per cent. of equipment across The Gym's estate was out of order and unavailable to

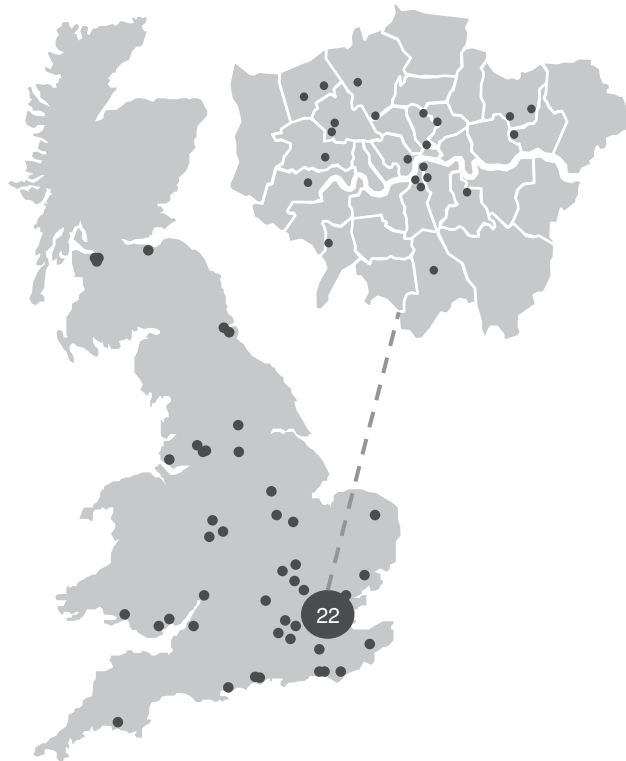
members. The Gym has adopted a five year refurbishment cycle for cardio equipment and a seven year refurbishment cycle for strength equipment.

In the fourth quarter of 2014, The Gym reviewed and renegotiated its fitness equipment supply and maintenance contract, which resulted in savings on its historic costs. The Gym believes that it has negotiated competitive pricing from its fitness equipment suppliers for the purchase and comprehensive maintenance of all of its fitness equipment.

Location of the Group's gyms

The Group's gyms are located within major towns, cities and other populous areas across the UK. The Group's gyms are situated in dense population areas that enables many of its members to enjoy gym access in close proximity to both work and home. Locations include transportation hubs, city centres and residential areas.

Figure 9: Map showing the geographic location of the Group's gyms as at 30 September 2015



The Group has opened gyms in a variety of different locations, including new build and converted retail, mixed-use leisure, residential and office space. Existing buildings that the Group has converted into gyms include other health and fitness clubs, nightclubs, car showrooms, offices and carpet warehouses. The Group currently has two gyms adjacent to Travelodge hotels and four adjacent to major supermarket chains, including Sainsbury's and Asda. Photographs of a selection of these various locations are set out on the inside front cover of this Prospectus.

The Group's success in opening gyms in many different geographic regions and in a variety of different locations and building types means that there are a significant number of potential sites which could be selected for future gyms.

In addition to adding gyms in new geographic locations, the Group intends to continue opening new gyms in certain catchment areas where it already operates a gym and where the Directors believe there is sufficient demand for additional gyms. The Directors believe that this strengthens the Group's membership proposition over its competitors in a particular geographic market by providing its members with the flexibility to use multiple Group gyms, for example, near both home and work. The Group has observed an increased yield as a result of higher multi-gym monthly membership fees (see "*—Members— Multiple gym membership*" below).

Site selection and development

In evaluating site locations, The Gym employs a detailed and analytical site selection strategy. The Gym typically looks for site catchments with a large demographic base within a five-minute walk or drive of a potential site. In evaluating potential sites, The Gym looks for an appropriate building layout, developed transportation links and/or parking, good site visibility and low-to-moderate existing supply in the low-cost health and fitness segment.

Site selection team

The Gym has a dedicated five-person property team responsible for the acquisition of new gym sites and the development of new sites into Group gyms. The Gym currently employs four acquisition managers across the UK who specialise in locating properties and negotiating leases. Development activities are managed by the development team, which focuses on the fit out of new gyms and maintenance of the Group's existing gyms.

A key component of The Gym's site selection strategy is its use of CACI Ltd.'s ACORN consumer classification data ("**ACORN data**") for geo-demographic analysis. The Gym employs a strategic consumer analyst whose role is to use third party geo-demographic information and the extensive data contained in The Gym's member management system (see "*—Technology and member management system*" below) to profile populations according to volume, density and socioeconomic segment to assess membership volume and price potential.

The Gym's site selection strategy is a key element of its business model and, although site selection is primarily the responsibility of the property team, it also involves Senior Management and the Directors at various stages during the site selection process.

Site selection process

The Gym applies a disciplined and rigorous approach to site selection, which is described in more detail below:

- *Sourcing and identification:* The Gym's strategic consumer analyst reviews ACORN data to evaluate and prioritise potential member catchment areas by considering such factors as the size of the urban area in which the catchment is located, the percentage of the population currently in the workforce and the location of transportation hubs. The Gym's acquisition managers maintain an active dialogue with the property industry, including agents, developers, local authorities, landlords and other occupiers, as well as attending trade shows and other networking events to identify potential sites for development. The acquisition managers also visit cities and target towns to identify suitable buildings and locations. The Gym also carries out direct advertising campaigns to landlords and other property industry participants. The Gym currently offers a finder's fee to agents for properties that ultimately become gyms.
- *Initial appraisal and property assessment:* Once a potential site has been identified, The Gym's strategic consumer analyst evaluates both the local demographics, using ACORN data to estimate a site's potential in terms of membership and the local competition from existing health and fitness offerings. At this stage, the strategic consumer analyst also reviews the potential site's proximity to arterial roads (and traffic flows) and transport hubs and the availability of sufficient free car parking. Also at this stage, the acquisition managers in conjunction with the operations team and the development team typically conduct site visits to assess the suitability of the property as a gym and will review such factors as ceiling height, heating, ventilation and air conditioning capabilities and signage visibility. The acquisition managers, working with the strategic consumer analyst, will review the surrounding environment to ensure that it is conducive to The Gym's offering and that it provides sufficient visibility and accessibility for the gym. The Gym believes that convenience of access and exposure are critical to attract and retain members, and closely examines the enabling infrastructure and visibility when evaluating a site. The Gym's acquisition managers then commence negotiating the terms of a lease with the landlord using The Gym's standard heads of terms as a template. At this stage the acquisition manager will prepare an initial appraisal of the expected return profile of the potential site, which is reviewed and refined by the executive committee. A key element of The Gym's success is the data contained in its member management system which allows The Gym to model a site's potential membership and yield based on the Group's experience at its other gyms. The Group has identified a generally consistent demographic member profile at its gyms across the UK and it uses its

extensive data collection to calibrate its demographic models. The Group typically requires “D2” (Assembly and Leisure) use consent for its gyms and, if required, the acquisition managers will instruct external planning consultants to prepare and submit a planning application at the appropriate time (usually after exchange of contracts).

- *Financial, legal and Board approvals:* After the initial appraisal and approval by Senior Management, The Gym’s acquisition managers complete a detailed property appraisal, which includes a detailed analysis of the location and condition of the property and the demographics of the potential membership base. An overlap analysis may be performed by the strategic consumer analyst if a competitor is already operating or likely to open a competing gym in the catchment area to assess the expected impact of competition for members. Concurrent with the property appraisal, the finance department conducts a detailed financial appraisal, which includes figures for rent, service charges, initial incentive packages (rent-free periods), fit out costs, membership volume and yield to model the expected financial returns. For its gyms, the Group generally targets a minimum 30 per cent. site ROCE, although a lower target may be considered if there are other factors in support of a particular site, for example, the ability for two sites to work together to meet the target 30 per cent. The results of the property appraisal and the financial appraisal are presented to Senior Management for consideration and, if supported by Senior Management, are passed to the Board for discussion and approval. If Board approval is received, lawyers are instructed to negotiate the final terms of the lease for execution.
- *Fit out and pre-marketing:* The development team will organise the fit out of the premises, including technical surveys and appointment of a fit out contractor. The Gym has long-term relationships with three fit out contractors, each of whom has completed gym fit outs for The Gym in the past, which provides delivery of a consistent gym fit out across The Gym’s estate. As a result of these relationships, The Gym has the ability to manage multiple fit out projects simultaneously. The Gym will also hire the general and assistant general managers at this stage to assist with the layout design and development of the pre-marketing strategy of the new gym. Fit out of the Group’s gyms usually takes between eight and 12 weeks (depending on the size and layout of the premises) and pre-marketing is conducted concurrently with the fit out to maximise membership levels upon opening. Typically, the time period between site identification and gym opening is between 10 and 12 months and pre-marketing generally commences three months prior to the gym opening. On average, the Group’s gyms have achieved 3,000 members within the first week of opening. For more information on pre-marketing, please see “—Marketing—Pre-marketing strategy” below.

Pipeline

The Group has a strong pipeline of potential new gyms which are either currently going through legal processes or for which a lease contract has been signed. This pipeline is dynamic as new opportunities are continuously discovered and reviewed. The Group is targeting the roll out of between 15 and 20 gyms in total in 2015 (of which 11 have been opened in the nine months to 30 September 2015) and per year thereafter over the medium-term. The Group has negotiated leases for an additional eight sites that are expected to open in 2016.

Property leases and development

The Gym seeks to enter into leases with a minimum term of 15 years. The Gym’s lease agreements typically include the following terms: no breaks, rental uplifts every five years, either by fixed increases or increases in line with the CPI or RPI, and security of tenure at the expiration of the lease (whereby the Group has the right to apply for a new tenancy at the end of the term, and the landlord may only oppose the grant of a new tenancy on certain prescribed grounds). This provides the Group with visibility over its future property costs and provides protection to the Group from increases in rent due to volatility in the commercial property market, particularly in Greater London where the Group has a significant presence and where rents can otherwise be subject to significant year-on-year increases. The Group’s gyms have generally received a rent-free period in current market conditions of 12 months following execution of the lease from The Gym’s landlords. The Directors believe that the “The Gym” brand is a competitive advantage when it comes to securing new sites with landlords due to the strength of the brand, The Gym’s strong covenant rating and the footfall that the Group’s gyms bring to mixed-use developments.

The Gym follows the traditional method of development in the health and fitness industry in which the developer or landlord is typically responsible for the delivery of the shell of the building with the operator

financing and completing the fit out of the building interior. The Gym has reduced its average initial site investment cost to fit out a new gym from an average of £1.5 million for the Mature Gym portfolio (as at 31 December 2014) to an average cost of £1.3 million to £1.4 million for the New Gym Portfolio (as at 31 December 2014), depending on the gym size and location. One of the ongoing objectives of The Gym's property team is to further reduce gym fit out cost, for example, through technology, by employing a more competitive tender process when appointing fit-out contractors, negotiating better terms with the Group's suppliers and value engineering the fit-out specification to avoid unnecessary cost.

Competition

The Gym believes that competition in the health and fitness sector principally occurs at a localised, rather than national, level as its experience suggests that the key drivers of consumer behaviour in selecting a health and fitness club are often convenience of location and price.

The Gym competes for members directly against other low-cost gyms, traditional mid-market and premium health and fitness clubs, university gyms and public facilities, and for potential members against self-directed or group exercise in public spaces such as parks, exercise at home and other team and individual sports. In addition, since many of The Gym's members are first-time or occasional gym-goers, The Gym competes with both fitness and non-fitness consumer discretionary spending.

The Directors believe that The Gym competes with the following health and fitness industry participants, including:

- other private and public health and fitness centres that offer gym facilities;
- private studios and other boutique fitness offerings;
- online personal training and fitness coaching;
- the home-use fitness equipment industry;
- recreational facilities established by non-profit organisations such as YMCAs and by businesses for their employees; and
- businesses offering similar services.

The health and fitness industry is highly competitive and fragmented, and the number, size and strength of competitors vary by local geography. Some of The Gym's competitors have national name recognition or an established presence in local markets and some are established or intend to become established in markets in which The Gym has existing gyms or intends to locate new gyms.

The Directors and Senior Management focus on the level of competition (both current and potential) within the catchment areas of the Group's existing gyms as well as during the site appraisal process for new gyms. As many of the Group's gyms have at least one low-cost competitor operating in their local catchment areas, competitor activity is monitored (such as changes in pricing policies) by the local general managers and this has enabled the Group's gyms to react to changes in the competitive environment on a gym-by-gym basis.

Members

The Gym's membership proposition is based on its value-for-money membership pricing structure, its 24 hours a day, seven days a week gym opening hours, its "no contract" membership and its spacious high-quality facilities. Unlike many health and fitness clubs, membership at The Gym is available to anyone over the age of 16.

Membership overview

A key component of The Gym's membership proposition is its "no contract" membership model in which members are not bound to a fixed-duration contract, unlike many health and fitness memberships in the United Kingdom. The Gym's members can join, leave and re-join at their convenience and The Gym's online-only membership management system and transparent monthly membership fee structure have been designed to make it easy for members to join and manage their membership at their convenience.

Members pay a monthly membership fee for access to the gym and a joining fee on enrolment. The monthly fee varies by gym depending on local market factors. Members also have the option to purchase access to additional gyms at a multiple gym membership tariff. The Gym's average number of members per

gym has grown from 5,175 in 2012 to 5,326 in 2014 and the average number of members per Mature Gym was 6,000 for the year ended 31 December 2014. The Directors believe that this growth has been driven primarily by the maturation of recently-opened gyms, an increasing consumer awareness of low-cost gyms and improvement in The Gym’s site selection process.

The following table shows the total number of Group gyms, the total number of members and the total number of visits by members as at the dates and for the periods indicated below.

	As at and for the year ended 31 December			As at and for the six months ended 31 June 2015
	2012	2013	2014	
Number of gyms	32	40	55	63
Number of members	166,000	225,000	293,000	355,000
Number of visits by members	6.9 million	10.8 million	13.5 million	9.0 million

The Gym’s member management system provides demographic and usage information on its membership base. For example:

- since 2008, the average age of The Gym’s joiners has been 30;
- the majority of The Gym’s members exercise to “manage weight” and “improve quality of life”;
- in the 12 months ended 30 June 2015, approximately 27 per cent. of The Gym’s joiners were full-time students;
- in the 12 months ended 30 June 2015, approximately 35 per cent. of The Gym’s joiners had not previously been a member of a gym and approximately 51 per cent. of The Gym’s members had previously been a member of a traditional (mid-market or premium) health or fitness club;
- in the 12 months ended 30 June 2015, approximately 41 per cent. of The Gym’s joiners were female; and
- in the 12 months ended 30 June 2015, approximately 10 per cent. of visits to The Gym’s gyms were outside of traditional hours (between 10:00 pm and 6:00 am).

The Gym’s member management system provides additional information about The Gym’s membership base that The Gym merges with ACORN data for use in marketing planning. For example, as of 30 June 2015, The Gym’s membership base was relatively evenly distributed across the demographic spectrum with 13 per cent. of members “affluent achievers”, 21 per cent. of members “rising prosperity”, 22 per cent. of members “comfortable communities”, 21 per cent. of members “financially stretched” and 22 per cent. of members “urban adversity”.

Online only subscription management model

The use of technology is central to The Gym’s low-cost business model. The Gym operates a fully automated, online-only joining process. Prospective members may join either remotely through The Gym’s website or in person at a gym using internet-connected kiosks provided on the gym premises. Prospective members are not required to talk to gym staff before joining. The online system allows The Gym to reduce its per gym operating expense and make the joining process as easy as possible for users. The Directors believe that an online-only joining process leads to a better membership experience for The Gym’s members and higher quality management information as a result of the collection of both mandatory and optional data at the point of purchase. It also frees each gym’s management from the distractions of time-consuming member enrolment and administration allowing them to concentrate on the member experience.

Access control

Entry portals for each gym are automated and computer controlled to ensure access is provided only to members. After signing up, members receive an eight-digit PIN that they use to access the gym or gyms (depending on membership type). Membership administration is self-service for members and is performed through The Gym’s website. The Gym’s membership management system is entirely online, fully automated and provides The Gym with comprehensive information on approximately 1.6 million prospective, current and former members stored in its database. Its member management system also tracks the use of the Group’s gyms (including each member’s usage patterns) and monitors key

performance indicators, providing Senior Management with immediate and comparable behaviour information for all of its gyms.

Membership pricing

The Gym's members generally pay the following amounts to join and use its gyms:

- monthly membership fees ranging currently from £10.99 to £22.99 (for single gym access), depending on the gym, with the majority less than £19.99; and
- a joining fee of £20.

The Gym's monthly average membership fee is approximately £16, as compared to the United Kingdom average private club monthly membership fee of £42 and the average private multi-club monthly membership fee of £46 as of 31 March 2015 (Source: 2015 LDC Report). The pricing of The Gym's monthly membership fees are transparent and each gym offers at any given time only one available monthly membership fee to all prospective members for a given membership type (single, twin or multiple gym membership (see "*Multiple gym membership*" below)). During the six months ended 30 June 2015, The Gym's members' average cost per visit (calculated as the Group's membership income plus VAT divided by the total number of visits by members) was £3.25 and the average daily usage per gym by members in the year ended 31 December 2014 was 815 visits per day.

The monthly membership fee for each gym is set by Senior Management, with input from the gym's general and regional managers, and is reviewed periodically. If the Group increases a gym's monthly membership fee, all subsequent new joiners will join at the new monthly membership fee. The Gym's pricing objective for a particular gym is to maximise site profitability, and the price is based on, among other things, membership level, utilisation profile, membership demand, propensity to pay within the demographic profile of the catchment area and the price point, product offering and location of The Gym's local competitors. Senior Management uses membership fee rates to manage membership density and maximise income, increasing rates to reduce demand in high-usage gyms and lowering rates to boost membership in other gyms where membership numbers have been more challenging.

The Gym does not typically offer introductory or special monthly membership fee rates, except when a new gym is in pre-marketing during fit out at which point The Gym may offer a special pre-opening rate to attract members. For example, The Gym may offer the first 1,500 pre-opening members a lower monthly membership fee of £10.99 (or £12.99 at some locations) for the first 12 months, with no joining fee. After 12 months, however, all pre-opening members are automatically switched to the monthly membership fee that was prevailing on the opening day for that gym. In addition, if pre-opening membership demand is particularly high, The Gym may introduce the opening day monthly membership fee during the pre-opening period. Local managers can waive or discount the joining fee on a case-by-case basis or advertise promotions waiving the joining fee for discrete periods of time.

The Gym previously offered a "price for life" guarantee to members joining prior to 17 April 2015, which guaranteed that its members' individual monthly membership fees would not increase (excluding promotional pre-opening offers) for as long as such members retained their membership without cancellation. As at 30 September 2015, 206,000 members benefited from the price for life guarantee, although 20,000 of those members were also on promotional pre-opening offers. All members that have joined prior to 17 April 2015 continue to have the benefit of the "price for life" guarantee, while all members joining after such date do not, and The Gym has the right to reprice the monthly membership fee for such members.

As part of The Gym's "no contract" membership model, The Gym offers its members the option to freeze their membership for a monthly fee of £5.00. This allows members to avoid paying another joining fee and to retain their current monthly membership fee rate on reactivation of their membership. This membership freeze has been particularly relevant to students who may choose to freeze their membership during the summer holiday period. As of 31 December 2014, approximately 5 per cent. of The Gym's members had frozen memberships. In addition, The Gym offers a day pass costing from £4.99 to £7.99, which enables non-members to use the gym without paying a joining fee or the full monthly membership fee. This day pass attracts first-time gym users who want to experience the Group's gyms before signing up for a monthly membership and travellers who may want to pay for gym access for the period of their stay. From the information collected through its member management system, The Gym observed a conversion of approximately 30 per cent. of daily rate non-members to members during the year ended 31 December 2014.

The Gym utilises direct debit for the collection of monthly membership fees, except for the joining fees and the initial monthly membership fee, which are collected upon joining through a credit or debit card payment or through PayPal. The Directors believe that there are certain advantages to receiving monthly membership fees in advance through direct debit payments, as compared to credit and debit card payments, including less frequent expiration of billing information and reduced exposure to subjective chargeback or dispute claims and fees. Payment processing is outsourced by the Group to a third party and, due to The Gym's scale and negotiating power, the Directors believe that The Gym's third party payment processors offer a competitive bundle of transaction pricing and support services.

Multiple gym membership

The Gym offers its members two multiple gym membership options in exchange for a higher monthly membership fee: twin membership, which grants access to a second Group gym, and multi-gym membership, which grants access to virtually all of the Group's gyms. The number of members who have signed up for access to more than one gym has increased from approximately 3 per cent. as at 30 June 2012 to approximately 11 per cent. as at 30 June 2015 as the Group opens more gyms in each catchment area, which the Directors believe provides its members with gyms conveniently located near home and work.

Tailoring and tracking the membership proposition

Member engagement and gym usage are at the core of The Gym's member retention initiatives. Unlike many traditional health and fitness clubs that require in-person membership enrolment, The Gym's online-only joining process provides The Gym with a current working email address, telephone number, date of birth, gender and post code information for each of its members. In addition to basic membership information, The Gym's membership survey also collects, on a voluntary basis, other demographic, attitude and historic information. As part of its member retention and engagement initiatives, The Gym will periodically contact its members through email or by text message to encourage use of the gym. The Gym's email marketing system receives data from The Gym's member management system and automatically sends emails to members who display particular patterns of behaviour.

The Gym engages with its members regularly to gather feedback through a number of channels, including member surveys, leaver questionnaires and social media. The Gym applies this feedback to all levels of decision-making, including strategy development, operations, investment, product design and communication design and targeting. The Gym monitors the Net Promoter Score, which is a key performance indicator of The Gym's member satisfaction. The Net Promoter Score is calculated on a gym-by-gym basis by collecting feedback from current and past members regarding the likelihood (on a scale of 0 to 10) of them recommending The Gym to a friend or colleague, and netting the percentage of detractors (scoring 0 to 6) from the percentage of promoters (scoring 9 and 10) to deliver the Net Promoter Score. Granular feedback is also sought on specific topics. The Gym recorded a high Net Promoter Score of +60 in July 2015. In addition, The Gym uses Feefo, an independent global ratings and reviews provider, to gather genuine customer feedback from its members. The Gym provides member's email addresses to Feefo and Feefo contacts those members and obtains feedback about The Gym that is aggregated into a Feefo score. The Gym attained a consistent 94 per cent. positive Feefo rating for the six months ended 30 June 2015.

The Directors believe that engaging The Gym's members and encouraging each member to use his or her gym more frequently encourages adherence to a pattern of regular exercise, which encourages the achievement of members' fitness goals, increases membership duration and encourages members to provide positive recommendations to friends and family. In addition, The Gym has an extensive database of former members and it uses this information to target marketing at former members to encourage them to re-join.

Membership cancellation

The Gym's proposition is designed to be as flexible as possible for members to stay as long as they want. The Directors believe that this component of the membership proposition is as important as price and 24 hours a day, seven days a week access to gyms. This flexibility removes the contract term as a barrier to product purchase and facilitates low-cost consumer purchasing behaviour characterised in certain segments by periodic and often multiple join-"freeze"-cancel-rejoin cycles. During the year ended 31 December 2014, 22 per cent. of leavers were members for 60 days or less while 31 per cent. of leavers were members for 300 days or more. An analysis undertaken in June 2013 demonstrated that the average

length of relationship between the Group and its members (since the business started) was 14.6 months and that this on average consisted of more than two periods of paid membership. For the year ended 31 December 2014, The Gym had annual membership attrition, which is defined as net leavers (cancellations net of rejoiners for that period) divided by the average of the monthly opening membership numbers over the period, of 103 per cent. During that same period, approximately 28 per cent. of joiners identified themselves as re-joiners during the sign-up process and the Directors believe that a further 10 per cent. of new joiners were previous members who did not identify themselves as re-joiners during the sign-up process. The third party analysis demonstrated that this re-joiner percentage was understated owing to some returning members choosing to rejoin as new members rather than using their previous details and the rejoiner process. The rejoiner rate has increased over time from 20 per cent. in 2012 to 28 per cent. in 2014, which the Directors expect to continue due to the increasing scale of the business and size of the historic member base.

The Directors do not regard membership cancellation as a key performance indicator for the business. Membership cancellation tends to accelerate yield maturation in a given gym because new members join at the prevailing membership fee rate, which is often higher than the average rate paid by cancelling members owing to price increases. Additionally, The Gym has an acquisition cost per member at Mature Gyms that is less than The Gym's typical joining fee. This low acquisition cost is driven by efficient marketing and strong word of mouth recommendations typified by the fact that during the 12 months ended 30 June 2015, according to The Gym's new joiner membership survey, approximately 55 per cent. of new joiners were recommended by an existing or former member.

Seasonality

As with other health and fitness clubs, The Gym experiences a small degree of seasonality. The majority of The Gym's members join in January, February, March, September and October and membership generally peaks in March and October. This seasonal effect has been more pronounced outside of Greater London than within Greater London. Catchments with a high university student population have had the most seasonally affected membership as students are more likely to join in the autumn and cancel in the early summer, at the end of the academic year. Within Greater London, catchments generally have a lower proportion of university students. In addition, gym usage and membership volume tends to decrease in the summer months.

Marketing

The Gym's marketing strategy is to position the The Gym brand as a friendly and approachable provider of high quality, value-for-money gyms. The Gym's marketing messages and brand image focus on convenience, a value-for-money membership pricing structure, no fixed-term membership contract, 24 hours a day, seven days a week gym opening hours and large amounts of high-specification fitness equipment. The Gym has clearly defined brand guidelines to which its agencies and staff adhere to protect the brand and ensure consistent messaging, tone of voice and look and feel, regardless of medium. The Directors believe that one of the most powerful marketing channels is personal recommendation and The Gym sets out to consistently deliver a service that motivates current and lapsed members to recommend The Gym to their friends and family.

Pre-marketing strategy

A key performance indicator for The Gym is the total number of members, in particular, during the early stages of a gym's opening. The Gym focuses considerable resources on marketing during the pre-opening stage of each new gym. Each new gym has an assigned marketing budget and local, regional and Senior Management work closely with The Gym's marketing agencies to design a marketing plan for each new gym. Traditional digital, print and billboard marketing is regularly supplemented by direct-to-public marketing and local outreach activity to increase public awareness of the new gym. Pre-marketing generally commences three months prior to the gym opening and the gym's general manager has discretion to decide which marketing tools to use and how to spend any part of the remaining allocated marketing budget, within a specified framework and in consultation with The Gym's opening sales team. The Group has had success in this regard with an average of 3,000 members achieved within the first week of a gym's opening.

On-going marketing and social media

After a gym has opened, it continues to have a gym level marketing budget, with on-going marketing carried out on a continuous basis, but with a focus on the most seasonally affected months, which may include targeted mail shots, street leafleting, organic and paid online search as well as text messages and emails to previous members, day-pass purchasers, people who have completed site tours, and people who did not successfully complete the online joining process. The Gym uses social media to maintain a relationship with its members and has an engaged social media community, which the Directors believe raises brand awareness and creates a community among certain of The Gym's members. The Gym maintains active communities on Facebook and Twitter, and seeks to engage frequently and personally with its members online.

Technology and member management system

The Gym uses technology as a cost differentiator and to enable the efficient running of its business, including with respect to member management, customer service, finance, human resources and gym operations. The Gym uses an online, third-party hosted member management system to process new memberships, update member information and manage access control, as well as track and analyse membership statistics, member tenure and demographic profile. The Gym's website is hosted by a third party, and The Gym also relies on third-party vendors for related functions. The Gym makes use of a PCI DSS compliant third-party payment services provider and does not store payment information on any of its own systems. The Gym's third-party providers have historically provided stable internet architecture: ping monitoring shows that The Gym's website server has experienced less than 48 minutes of down time in the year ended 31 December 2014, logging over 6.7 million visits from 3.4 million people, which has improved to less than 36 minutes of down time in the 12 months ended 30 June 2015 (11 minutes of down time in the six months ended 30 June 2015), notwithstanding an increase in traffic to 8.4 million visits from 4.5 million people. More than 60 different sensors and monitors track the performance of The Gym's information technology infrastructure and applications. The Directors believe that these third-party provided systems are scalable to support The Gym's growth plans and keep costs low as the need for internal information technology professionals is kept to a minimum.

The Gym's technology infrastructure follows a hub and spoke model which is designed to limit the incremental usage requirements imposed on the centralised system infrastructure with each new gym opening. The Group's gym access control and CCTV and security systems are provided by third parties and are designed such that the PIN access control for each gym operates locally with new membership information pushed down from the centralised member management system. As the database of member PINs is stored locally, members are able to access their gym in the event of an outage of the central member management system, or loss of internet connection to the gym. Each gym is equipped with continuously recording closed-circuit television security cameras, proactively monitored outside of normal staffing hours by a third party monitoring provider and video is recorded at each access control point for fraud detection and prevention. Technology is also used to reduce fit out and maintenance costs, such as equipment heat maps which are used to configure newly opened gyms to reduce wear and tear on equipment.

The Gym's back office computer systems are comprised of a variety of technologies designed to assist in the management and analysis of the estate's revenue, costs and key operational metrics as well as support the daily operations of The Gym's office-based and remote working staff. These include a third party hosted financial system, a third party hosted business intelligence system, advanced analysis and financial analysis and forecasting, a third party hosted payroll system and a third party hosted call centre to manage and track member-related requests.

The Gym is currently in the process of implementing a new member management system that will be ready in the near term. The current membership management system is, and the new membership management system will be, hosted at a third-party data centre that is backed-up in real time to disk, with a separate daily tape back-up stored offsite. The Gym anticipates that the migration will occur in the second quarter of 2016.

In addition, The Gym is currently redeveloping its website to improve the user experience and overall capacity and to provide a more scalable platform to support anticipated growth. The Gym expects that redevelopment will be completed in the second quarter of 2016.

The Gym's information technology strategy is aligned to support its low-cost, high value business strategy and operating plans. The Gym maintains an on-going comprehensive programme to replace or upgrade key systems, enhance security and optimise their performance.

Suppliers

The Gym engages with a range of suppliers in the operation of its business and maintenance of its estate, including: supply and maintenance of fitness equipment; security and monitoring; maintenance and repair of fixtures and fittings; cleaning services; sales and marketing; consumable supplies; payment processing services; customer contact management; website design and hosting; member management services and hosting; IT infrastructure; health and safety; human resources support services; fit out design and construction; and other professional services. The Gym's procurement is centrally managed by the Directors, which the Directors believe results in consistency across The Gym's estate, minimises business risk and maximises available scale economies to ensure cost competitiveness. The Directors believe that The Gym has very good relationships with its suppliers and proactively uses key performance indicators and a partnership approach to ensure a consistent and improving service level across The Gym's estate.

Intellectual property

The Gym owns registered trademarks in the United Kingdom in respect of the The Gym brand identity and the tagline "Find your fit" in various fitness-related categories. The Gym believes that the The Gym name and "Find your fit" tagline are valuable and are important to its business. Accordingly, as a general policy, The Gym will pursue registration of its marks in select international jurisdictions, monitor the use of its marks in the United Kingdom and internationally and seek to proactively oppose any unauthorised use of the marks.

Insurance

The Gym maintains insurance policies customary in its industry to cover certain risks. The principal risks covered by The Gym insurance policies are public and employer liability, asset risks, business interruption resulting from riot and commercial crime. Each of the Group's gyms has continuously recording closed-circuit television security cameras, proactively monitored outside of normal staffing hours, for monitoring and reporting of accidents and other emergencies.

Environment

The Gym focuses on ways to reduce energy consumption in its gyms and has placed significant emphasis on designing all its gyms with a number of energy saving and "green" initiatives. The following is a selection of initiatives which have been incorporated throughout the estate, where practically possible:

- mechanical and electrical systems that comply with government energy-saving schemes, including HMRC's Enhanced Capital Allowance scheme for energy-saving technologies;
- energy-saving lighting and water-saving bathroom and shower facilities; and
- energy-efficient fitness equipment, including treadmills, exercise bikes and other cardio equipment that have display screens powered by batteries and user-generated electricity.

In addition, the Group seeks to recycle the building materials from the fit out of its gyms.

Management, employees and personal trainers

Management structure

Senior Management includes the chief executive officer, the chief financial officer, the chief operating officer, the property director and the information technology and digital director.

The Gym's Senior Management operates through four key teams:

- *Operations team:* the chief executive officer heads the operations team and is supported by the head of operations, eight regional managers, one trainee regional manager and the general managers and assistant general managers at each gym. Additionally, there are also four roaming general managers and two opening sales managers. The purpose of the operational team is to ensure the successful launch, opening and ongoing operation of each gym.

- *Finance team:* the chief financial officer is the head of the finance team and is supported by a finance director, a finance manager, accountants and analysts.
- *Commercial team:* the chief operating officer is the head of the commercial team and is supported by the human resources director, the information technology and digital director, the head of marketing and a marketing executive, the commercial manager, the head of analytics and two customer analysts and the member services manager. The purpose of the commercial team is to oversee the customer proposition, brand, marketing and public relations, the technology platform, member contact, customer analytics, ancillary revenue and human resources.
- *Property team:* the property director is the head of the property team and is supported by four regional acquisition managers (North, Midlands and two in Greater London) and the head of property development. The role of the property team is to secure a pipeline of suitable properties, manage lease negotiations, fit out and refit gyms and maintain the Group's gym portfolio.

Employees

The Gym employs a general manager and an assistant general manager at each gym. The business' operating model, technology infrastructure and organisational structure are specifically designed to maximise the time that the Group's gym staff can dedicate to supporting members. The Gym maintains a lean operating structure in line with its low-cost model. The majority of central functions, including membership administration, information technology, maintenance, cleaning, security monitoring, customer contact management and marketing are outsourced to third parties (see "—Suppliers" above).

The Directors believe that attracting, motivating and retaining employees of the highest calibre, with the desire and ability to operate within The Gym's values and culture, is key to the continued success of The Gym. The Gym has engaged a recruitment consultant to ensure that it has access to a broad pool of appropriately qualified candidates and The Gym's chief executive officer personally interviews all general manager candidates. The Gym also places importance on training, running several training schemes aimed at improving management ability and impacting positively on the performance and retention of employees. The Directors believe that The Gym has a culture that promotes excellence irrespective of age, gender or seniority.

The Gym also seeks to incentivise and reward its employees through the payment of periodic performance-related bonuses. The Gym has had consistently high employee retention rates, with an average retention rate of 92 per cent. since 2008. In addition, in the three months ended 30 June 2015, 32 per cent. of hires were internal. General managers, regional managers, acquisition managers and members of the commercial team are each entitled to incentive schemes relevant to their role, based on both personal and company performance.

The below table shows the breakdown of the number of The Gym employees for each of the last three years and as of 30 June 2015.

	Year ended 31 December			Six months ended 30 June 2015
	2012 ⁽¹⁾	2013	2014	
<i>Management and administration:</i>				
Operations team	85	8	13	13
Finance team	5	8	12	13
Commercial team	0	0	5	8
Property team	5	6	7	11
Total management and administration	<u>95</u>	<u>22</u>	<u>37</u>	<u>45</u>
<i>Gym operational:</i>				
General managers	—	45	58	69
Assistant general managers	—	46	62	67
Total gym operational	<u>—</u>	<u>91</u>	<u>120</u>	<u>136</u>
Total employees	<u>95</u>	<u>113</u>	<u>157</u>	<u>181</u>

(1) The Group did not distinguish between gym operational staff and the management operations team prior to 1 January 2013. Accordingly, the Operations team for the year ended 31 December 2012 includes both the gym operational team and the management Operations team.

Nearly all of The Gym's employees are employed on a full-time basis.

Employee benefits currently include health and life insurance cover, 25 days annual leave, contributory pension arrangements, cyclescheme and complementary gym membership for the employee and his or her immediate family. In May 2014, The Gym's employees were auto-enrolled in a group contributory pension scheme.

The Directors believe that The Gym has a good relationship with its employees. None of the Group's gyms has suffered a material work stoppage or strike.

Investing in people

The Gym plans to continue to focus on training and career progression at all levels to encourage and motivate its employees. The Gym believes that motivated and engaged employees have higher job satisfaction and their engagement allows The Gym to deliver a better and differentiated service to its members. The September 2014 employee engagement survey measured overall employee engagement at 87 per cent. with the particular areas of job satisfaction, goal clarity and teamwork all scoring over 80 per cent. satisfaction.

The Gym was awarded an "Investors in People" accreditation in 2012 and in 2015 was awarded an "Investors in People Silver" accreditation and was included in The Sunday Times' 100 "Best Small Companies to Work For" list in 2013 and 2014 with a three-star accreditation.

Personal trainers

The Gym contracts with self-employed personal trainers on a gym-by-gym basis. Each general manager is responsible for compiling a team of personal trainers with a broad range of skills and specialisations. Members pay personal training fees directly to their personal trainers and, unlike other health and fitness clubs, The Gym is not involved in the booking of, or collection of payment for, personal training sessions.

The Gym provides each personal trainer with free access to a gym and allows them to market their services in that gym. At The Gym's discretion, personal trainers are provided with up to 12 induction activity slots per week to facilitate their access to members to help promote their personal training services. During these slots, the personal trainers perform certain actions in the gym, principally conducting tours, member inductions, leading group exercise classes and generally being available to support members. There are typically between 10 and 15 self-employed personal trainers at each gym, depending on the size of the membership, providing in excess of 180 hours of gym floor coverage per week. All of the personal trainers who have access to the Group's gyms are qualified to Level 3 of the Register of Exercise Professionals (which includes first aid training).

Many personal trainers apply to become and are considered for assistant general manager positions at the Group's gyms. The Directors believe that The Gym has a strong record of maintaining a good relationship with the teams of self-employed personal trainers at each gym, which results in a low level of turnover.

Health and safety

The Directors recognise that the health and safety of its employees, members and associates is of paramount importance and accordingly has adopted health and safety policies that comply with applicable health and safety legislation. The Gym has retained a third-party health and safety services provider to conduct initial and periodic risk assessments and audits, which the Directors believe ensures consistent application of The Gym's health and safety policies across its estate.

Each of the Group's gyms has continuously recording closed-circuit television security cameras, proactively monitored by a third party supplier outside of normal staffing hours, for the monitoring and reporting of accidents and other emergencies. The Gym has had a historically low accident rate and the Directors are presented with a monthly report on the number of accidents that have occurred in the Group's gyms. First aid-trained personnel are generally present on site and the Group's gyms typically have a defibrillator installed.

Government Regulation and Industry Standards

UK Data Protection Act

UK data protection law is primarily set out in the DPA. The DPA restricts the processing of personal data. Processing is defined extremely broadly and will include any activity relating to the obtaining, recording, holding, disclosure or use of personal data.

Personal data is any information relating to an identified or identifiable natural person. An identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to his identity. The DPA imposes additional restrictions with respect to any processing of sensitive personal data which includes personal data revealing racial or ethnic origin, political opinions, religious or similar beliefs, trade-union membership, data concerning health or sex life and data concerning the commission or alleged commission of an offence or sentence or any proceedings in relation to such offences.

The DPA distinguishes between data controllers and data processors. All direct obligations under the DPA in relation to the processing of personal data fall upon data controllers as opposed to data processors. A data controller is a person who (either alone or jointly or in common with other persons) determines the purposes for which and the manner in which personal data are processed (i.e. how and why personal data are processed). A data processor is a person who processes personal data on behalf of the data controller.

Data controllers are required to submit a notification to the UK data protection regulator, the Information Commissioner's Office (the "**ICO**"), prior to processing any personal data. This notification must describe at a high level the processing activity that will be undertaken by that data controller. Notifications must be renewed annually and failure to notify is a criminal offence, as is a failure to keep an existing notification up to date.

Data controllers are obliged to comply with the eight data protection principles set out in the DPA (the "**Principles**"), which principles broadly seek to ensure that a data controller is processing personal data in a manner that is fair, lawful, proportionate and secure.

In summary, the Principles are as follows:

- personal data must be fairly and lawfully processed;
- personal data must be processed only for specified and lawful purposes;
- personal data must be adequate, relevant and not excessive;
- personal data must be accurate and, where necessary, kept up to date;
- personal data must not be kept for longer than necessary;
- personal data must be processed in accordance with the rights of the data subject;
- personal data must be protected by appropriate technical and organisational security measures; and
- personal data must not be transferred to a country outside the EEA unless the personal data is adequately protected or an exemption applies.

The ICO may bring a criminal action through the courts for certain breaches of the DPA. The Information Commissioner currently also has the power to impose fines of up to £500,000 for serious breaches of the DPA.

The Gym has adopted policies and procedures designed to ensure compliance with the Principles and the DPA. The Gym is registered with the ICO as a data controller and regularly takes legal advice on DPA-related matters and, where appropriate, involves the Directors in DPA-related queries. In addition, The Gym ensures that its staff and suppliers are aware of the Principles and the DPA's requirements. The Gym's policies and procedures are designed to restrict employee access to personal data (unless required in that employee's role), ensure that secure methods are used in the collection and transmission of personal data and ensure that The Gym only enters into appropriate data sharing agreements with its suppliers.

Proposed changes to EU data protection law

Draft amendments to the EU data protection legislation are currently working their way through the EU legislative process, which, if enacted, would lead to substantial changes to UK data protection laws.

UK Payment Card Industry Data Security Standard

The PCI DSS is a proprietary information security standard for organisations that handle cardholder information for the major debit, credit, prepaid, e-purse, ATM, and point-of-sale (“POS”) cards. The PCI DSS helps to reduce the risk of theft of customers’ card data through controls concerning the storage, transmission and processing of cardholder data that businesses handle. It also includes standards that promote the detection of fraud and appropriate reactions to security incidents.

All entities that store, process or transmit cardholder data must be PCI DSS compliant. It is not, however, mandatory for all entities to obtain formal validation of PCI DSS compliance. This depends on the payment brand to which the merchant has subscribed or is in agreement.

The required steps to take to ensure PCI DSS compliance are:

- install and maintain a firewall configuration to protect cardholder data;
- do not use vendor-supplied defaults for system passwords and other security parameters;
- protect stored cardholder data;
- encrypt transmission of cardholder data across open, public networks;
- use and regularly update anti-virus software on all systems commonly affected by malware;
- develop and maintain secure systems and applications;
- restrict access to cardholder data by business need-to-know;
- assign a unique ID to each person with computer access;
- restrict physical access to cardholder data;
- track and monitor all access to network resources and cardholder data;
- regularly test security systems and processes; and
- maintain a policy that addresses information security.

An organisation’s compliance with the PCI DSS is validated annually, either by an external Qualified Security Assessor who creates a Report on Compliance for organisations that handle a large volume of transactions, or by a Self-Assessment Questionnaire for companies that handle a smaller volume of transactions.

The Gym makes use of a PCI DSS compliant third party payment services provider and does not store cardholder information on its own systems. As The Gym does not store any cardholder information, it is not required to be PCI DSS compliant; however, The Gym reviews its website and member management system on a quarterly basis in light of PCI DSS requirements.

Legal proceedings

As at the date of this Prospectus, The Gym is not involved in any material litigation or arbitration proceedings, nor are the Directors aware of any proceedings which are pending or threatened, which may have or have had, in the 12-month period preceding the date of this Prospectus, a material effect on The Gym’s business, financial condition or results of operations. The Gym, as part of its ordinary course of business, is periodically subject to claims arising from injuries suffered on its gym premises.

PART 7
DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The following table lists the names, positions and ages of the Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Penny Hughes	56	Independent Non-executive Chairwoman
John Treharne	61	Chief Executive Officer
Jim Graham	48	Chief Operating Officer
Richard Darwin	47	Chief Financial Officer
Paul Gilbert	53	Senior Independent Non-executive Director
David Burns	45	Non-executive Director
Philip Newborough	53	Non-executive Director

Penny Hughes, CBE (Independent Non-executive Chairwoman)

Ms Hughes has served on the boards of directors of firms across consumer, media, technology and finance sectors. Since January 2010 she has been a non-executive director of The Royal Bank of Scotland PLC where she has been chairwoman of the remuneration committee and more recently the sustainable banking committee. Ms Hughes is also currently a non-executive director of Wm Morrison Supermarkets PLC (until 31 December 2015) and SuperGroup PLC. Ms Hughes has experience as chairwoman of each board committee within former non-executive director roles which include The Body Shop PLC, Home Retail group PLC, Gap Inc., Vodafone PLC, Reuters PLC and Skandinaviska Enskilda Banken AB. Ms Hughes has acted as adviser to Bridgepoint Capital, with representation on the Board of Molton Brown during its sale. Ms Hughes spent the majority of her executive career at Coca-Cola and was appointed President Coca-Cola Great Britain & Ireland in 1992. Having been President of the Advertising Association for 6 years, Ms Hughes received a CBE for services to the media in the Queen’s Birthday Honours list in June 2011.

John Treharne (Chief Executive Officer)

Mr Treharne founded The Gym in 2007 and has served as its chief executive officer since inception. Mr Treharne has over 20 years’ experience with the health and fitness industry and has considerable experience in developing successful and profitable businesses in the private sector. Mr Treharne launched Dragons Health Clubs plc in 1991 with funding from 2nd Lazard Leisure Fund (latterly Baring Private Equity Partners) and Quester Capital Management Limited. Dragons Health Clubs grew to 22 Health Clubs and 9 Golf Clubs by 2002. Dragons Health Clubs successfully floated on AIM in 1997 and was sold to Crown Sports plc in 2000 and Mr Treharne served as a managing director of Crown Sports plc from 2000 to 2002. Mr Treharne is on the board of ukactive, a not-for-profit trade body comprised of members and partners from across the UK active lifestyle sector. Mr Treharne was recognised as the “CEO of the Year (South East)” by the British Private Equity and Venture Capital Association Management Team Awards in 2013.

Jim Graham (Chief Operating Officer)

Mr Graham joined The Gym in April 2014 as chief operating officer after leaving Phoenix where he was the operating partner advising the management teams on a range of investments, including The Gym. He held a similar position at Candover Partners from 2007 to 2011. Prior to joining the private equity industry, Mr Graham was managing director of Orange’s pay-as-you-go mobile business from 2005 to 2007 and also held the role of director of strategy, and led the marketing services function. He has worked as a management consultant with Accenture and spent 15 years in the Royal Navy. He has an MA in engineering, an MSc in mathematics and an MBA (London Business School).

Richard Darwin (Chief Financial Officer)

Mr Darwin joined The Gym as chief financial officer in May 2015. He possesses extensive experience working for leisure and FMCG companies in the UK and internationally. He has previously held the positions of chief financial officer of Essenden plc (2009 to 2015) and chief financial officer of Paramount Restaurants (2003 to 2008). He led both companies through periods of significant strategic and operational change. After qualifying as a Chartered Accountant with Coopers & Lybrand, Mr Darwin worked with a

number of high-profile brands in strategic development roles, including The Rank Group plc, Hard Rock Café International and Diageo plc, where he completed a number of high-value mergers and acquisitions.

Paul Gilbert (Senior Independent Non-executive Director)

Mr Gilbert was the non-executive chairman of The Gym from February 2012. In March 2014 he was appointed as non-executive chairman of Clothingsites.co.uk Ltd, an online branded menswear retailer. Mr Gilbert was also appointed as the non-executive chair of Hiring Hub (an online recruitment business) in October 2014 and Sykes Cottages (an online travel business) in July 2015. Mr Gilbert’s previous roles include non-executive chairman of Betterbathrooms, chief financial officer and acting chief executive officer at Matalan and chief financial officer at TJ Hughes and chief financial officer at National Car Parks and he held senior finance management roles at GUS plc, Littlewoods and News International plc. Mr Gilbert is an economics graduate from University of Cambridge and a Chartered Accountant.

David Burns (Non-executive Director)

Mr Burns is a managing partner of Phoenix and has held this post since July 2014. He is also chairman of Phoenix’s management committee and a member of its investment committee. He leads Phoenix’s investment activities in the leisure and consumer sector. Mr Burns has worked in the private equity market for nearly 20 years and has approximately 17 years of experience as a private equity investor in the UK. He is also a director of Riviera Travel and LK Bennett. Mr Burns has an MSc in international economics and finance and a BSc in economics from Cardiff University. Mr Burns’s appointment is on the nomination of the Phoenix Advised Funds, pursuant to the Relationship Agreement.

Philip Newborough (Non-executive Director)

Mr Newborough is a co-founder of Bridges Ventures and has been its managing partner since 2002. He chairs all the firm’s investment committees. He is currently involved in much of the portfolio and has negotiated the successful exits of Simply Switch, The Office Group and The Hoxton, among others. Mr Newborough led Bridges Ventures’ investment in The Gym and co-founded the business with Mr Treharne. Prior to founding Bridges Ventures, Mr Newborough had 14 years of experience as a chief executive officer of three growth businesses. He previously worked at Aiwa UK Ltd and Aiwa Europe Ltd as director and general manager and was then appointed managing director of MWB Business Exchange Ltd, a serviced office provider. Mr Newborough is an economics graduate from York University and a Chartered Accountant.

Senior Management team

The Senior Management team aids the Executive Directors in the management of the Company’s business. The following table lists the members of the Senior Management team other than the Executive Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Jasper McIntosh	42	Information Technology and Digital Director
Jonathan Spaven	57	Property Director

Jasper McIntosh (Information Technology and Digital Director)

Mr McIntosh started consulting for The Gym in 2011, becoming Information Technology and Digital Director in June 2014. Over the last 15 years he has worked in a wide range of technology roles: co-founding two digital technology consultancies, serving as a director for three digital agencies from 2000 to 2013, implementing GlaxoSmithKline’s first B2C e-commerce operation, managing a platform carve-out for Channel 4, developing online community platforms for the NHS, and delivering a substantial pan-European awareness campaign for the Global Fund and French Presidential Palace. His primary focus is to deliver the online platforms, IT systems and processes that are required to support The Gym’s high-growth strategy. He holds qualifications in software engineering and application development. Prior to his technology career he traded financial derivatives for a major UK investment bank.

Jonathan Spaven (Property Director)

Mr Spaven joined The Gym in October 2013 as property director. As a Chartered Surveyor, he has over 35 years’ experience working in the property business. He has primarily managed expansion programmes for occupiers, both as an agent and principal. Previous recent employment includes 15 years at Matalan,

the majority of which was spent as director of property. During that time he took Matalan from approximately 70 to over 220 sites. Other expansion programmes he has worked on in an agent capacity include: KwikSave, Iceland Frozen Foods and MFI Hygena. Having also worked as an acquisition agent and a developer, Mr Spaven has a wide and varied insight into all aspects of the acquisition process.

Relationship Agreement

Immediately following Admission, it is expected that the Phoenix Advised Funds will hold approximately 28.1 per cent. of the rights to vote at general meetings of the Company. Notwithstanding that there is no requirement under the Listing Rules for the parties to enter into a relationship agreement, in contemplation of and conditional on Admission the Company and the Phoenix Advised Funds are expected to enter into the Relationship Agreement on or about 9 November 2015. The principal purpose of the Relationship Agreement is to ensure that the Company will be capable of carrying on its business independently of the Phoenix Advised Funds. The Relationship Agreement contains, among others, undertakings from the Phoenix Advised Funds that:

- transactions and arrangements with the Phoenix Advised Funds (and/or any of their associates) will be conducted at arm's length and on normal commercial terms;
- none of the Phoenix Advised Funds nor any of their associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- none of the Phoenix Advised Funds nor any of their associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Relationship Agreement will continue for so long as the Phoenix Advised Funds and any of their associates together are entitled to exercise or to control, directly or indirectly, the exercise of 10 per cent. or more of the rights to vote at general meetings of the Company.

Under the Relationship Agreement, the Phoenix Advised Funds are able to nominate one non-executive nominee Director for appointment to the Board for so long as the Phoenix Advised Funds and their associates are, either alone or together, entitled to exercise, or to control, directly or indirectly, the exercise of, 10 per cent. or more of the rights to vote at general meetings of the Company. As it is expected that immediately following Admission the the Phoenix Advised Funds will hold more than 10 per cent. of the voting rights attached to the issued share capital of the Company, the Phoenix Advised Funds will be entitled to nominate one non-executive nominee Director for appointment to the Board. The first such non-executive nominee Director is David Burns.

The Directors believe that the terms of the Relationship Agreement will enable the Company to carry on its business independently of the Phoenix Advised Funds.

Orderly Market Deed

The Phoenix Advised Funds and Bridges Community Development Venture Fund II LP entered into a deed (the "**Orderly Market Deed**") on 6 November 2015 pursuant to which, conditional on Admission, each party to the Orderly Market Deed will be required, subject to certain permitted exemptions, in relation to any intention to sell Ordinary Shares, to notify each other party to the Orderly Market Deed of any intention to sell, and co-operate in good faith with any other party to the Orderly Market Deed who also wants to sell Ordinary Shares to facilitate a sale by those parties of Ordinary Shares on a basis that is *pro rata* to the relative holdings of Ordinary Shares of each such party at that time.

The provisions of the Orderly Market Deed will apply in relation to a party to the Orderly Market Deed until such party holds less than 3 per cent. of the entire issued share capital of the Company and are without prejudice to any of the terms of the Underwriting Agreement.

Adams Street Undertaking

On 6 November 2015, Adams Street Partners LLC, the Adams Street Funds, the Phoenix Funds and Phoenix Equity Partners 2010 Guernsey Limited (the **Phoenix Manager**) entered into a deed of undertaking pursuant to which, subject to certain exceptions, for so long as any Ordinary Shares are beneficially owned by the Adams Street Funds, the Phoenix Manager shall take the same action in respect of the rights, including voting rights, attached to the Ordinary Shares held by or on behalf of the Adams Street Funds, as it takes in respect of the Phoenix Funds take in respect of the rights, including voting

rights, attached to the Ordinary Shares held by or on behalf of the Phoenix Funds. If any of the Phoenix Funds sell any of the Ordinary Shares held by the Phoenix Funds, the Phoenix Manager shall, subject to certain exceptions, as attorney for the Adams Street Funds, procure a parallel sale of the Ordinary Shares held by the Adams Street Funds to any person on the same terms (including as to price) as the terms on which the Ordinary Shares are sold by the Phoenix Funds.

Corporate governance

UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance. As of the date of this Prospectus, and following Admission, the Company complies and will comply with the UK Corporate Governance Code (the “**Governance Code**”) published in September 2014 by the Financial Reporting Council. As envisaged by the Governance Code, the Board has established an audit and risk committee, a nominations committee and a remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.

Following the Offer, the Phoenix Advised Funds and Bridges Community Development Venture Fund II LP will continue to be significant investors in the Company. Pursuant to the Relationship Agreement, the Phoenix Advised Funds will be entitled to appoint one non-executive nominee director to the Board for so long as the Phoenix Advised Funds are entitled to exercise or control, directly or indirectly, 10 per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The first such appointee as non-independent non-executive nominee director is David Burns.

In addition Philip Newborough, co-founder of Bridges Ventures, will be appointed as a non-executive director of the Company on the successful completion of the Offer. Mr. Newborough’s appointment, which will be for up to 12 months after Admission, will provide support and continuity to the Company in the near term following the Group’s initial public offering.

At Admission, the Board shall comprise seven members, including two independent non-executive directors (including the chairwoman), two non-independent non-executive directors and three executive directors.

The Board is satisfied that from Admission there will be a sufficient balance between executive and non-executive directors on the Board to ensure that no one individual has unfettered decision making powers, and that the Board will have the appropriate balance of skills, experience, independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively.

Except as described below, as of the date of this Prospectus and on and following Admission, the Board complies and will comply with the Governance Code.

The Governance Code recommends that a smaller company (one that is outside the FTSE 350) should have at least two independent non-executive directors. Although the chairwoman, Penny Hughes, is independent at the time of her appointment (being the date of this Prospectus), to comply with the Governance Code following Admission, (including in relation to the composition of various board committees as described below), the Company will appoint one further independent non-executive director. The recruitment for this position is already progressing and the Company will update the market as appropriate. The Company currently expects to be fully compliant with the Governance Code prior to the publication of its results for the financial year ending 31 December 2015.

The Governance Code recommends that the Board should appoint one of its independent non-executive directors to be the senior independent director (the “**SID**”). The SID should be available to Shareholders if they have concerns that the normal channels of chairman, chief executive officer or other executive directors have failed to resolve or for which such channels of communication are inappropriate. Paul Gilbert takes the role of SID on the Board.

Audit and risk committee

The audit and risk committee’s role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group’s annual and half year financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls,

risk management, whistleblowing and fraud systems in place within the Group. The audit committee will normally meet at least four times a year and as requested by the external auditor.

The audit and risk committee is chaired by Paul Gilbert and its other members are Penny Hughes and David Burns. For a company of its size, the Governance Code recommends that at least two members of the Company's audit and risk committee be independent non-executive directors. In addition, for a company of its size, the company chairman may be a member of, but not chair, the audit and risk committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chairman.

As Penny Hughes is chairwoman of the Board, whilst independent at the time of her appointment (being the date of this Prospectus), under the Governance Code the audit and risk committee should have two independent directors excluding the chairwoman. Therefore, the Company will not comply with this aspect of the Governance Code. The Board believes this will not have an impact on the Group's governance in practice and following the recruitment of one additional independent director, as described above, will achieve full compliance with the Governance Code.

Nominations committee

The nominations committee assists the Board in reviewing the structure, size and composition of the Board. It is also responsible for reviewing succession plans for the Directors, including the Chairman and Chief Executive Officer and other senior executives. The nominations committee will normally meet at least twice a year.

The nominations committee is chaired by Penny Hughes and its other members are Paul Gilbert and David Burns. The Governance Code recommends that a majority of the nominations committee be independent non-executive directors.

For the same reasons given in respect of the audit and risk committee, the Company will not comply with this aspect of the Governance Code. The Board believes this will not have an impact on the Group's governance in practice and following the recruitment of one additional independent director, as described above, will achieve full compliance with the Governance Code.

Remuneration committee

The remuneration committee recommends the Group's policy on executive remuneration, determines the levels of remuneration for Executive Directors and the Chairman and other senior executives and prepares an annual remuneration report for approval by the Shareholders at the annual general meeting. The remuneration committee will normally meet at least four times a year.

The remuneration committee is chaired by Paul Gilbert and its other members are Penny Hughes and Philip Newborough. For a company of its size, the Governance Code recommends that at least two members of the Company's remuneration committee be independent non-executive directors. In addition, for a company of its size, the company chairman may be a member of, but not chair, the remuneration committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chairman.

For the same reasons given in respect of the audit and risk committee, the Company will not comply with this aspect of the Governance Code. The Board believes this will not have an impact on the Group's governance in practice and following the recruitment of one additional independent director, as described above, will achieve full compliance with the Governance Code.

Share dealing code

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Ordinary Shares which is based on, and is at least as rigorous as, the model code as published in the Listing Rules. The code adopted will apply to the Directors and other persons discharging managerial responsibilities and relevant employees of the Group.

Conflicts of interest

Closewall Limited ("Closewall") is a building firm owned by the brother and sister-in-law of John Treharne. Closewall is one of three fit-out contractors that tender for contracts for the design and construction of the Group's gyms with which the Group has long-term relationships. The Gym paid

£4.8 million, £2.5 million, £5.3 million and £3.4 million to Closewall in connection with the fit out of new gyms during the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. John Treharne has never been involved in decision making in relation to the fit-out contractors that the Group engages, and in the opinion of the Directors such decision making is subject to appropriately robust governance procedures. For further information, see note 22 in the Historical Financial Information.

David Burns is a managing partner of Phoenix, advisor to the Phoenix Manager. The Phoenix Manager is the manager of the Phoenix Advised Funds, which will, immediately following Admission, control 28.1 per cent. of the voting rights in the Company.

Philip Newborough is a managing partner of Bridges Ventures. Bridges Ventures is the manager of Bridges Community Development Venture Fund II LP, which will, immediately following Admission, control 13.9 per cent. of the voting rights in the Company.

Save as set out in the paragraphs above, there are no potential conflicts of interest between any duties owed by the Directors or Senior Management to the Company and their private interests or other duties.

PART 8
SELECTED FINANCIAL INFORMATION

The selected financial information set out below has been extracted without material amendment from Section B of the Historical Financial Information, where it is shown with important notes describing some of the line items.

COMBINED INCOME STATEMENT

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
			(£'000s)	(unaudited)	
Revenue	22,264	35,734	45,480	22,045	28,850
Cost of sales	(395)	(906)	(1,040)	(537)	(518)
Gross profit	21,869	34,828	44,440	21,508	28,332
Administration expenses	(19,948)	(35,021)	(42,105)	(18,296)	(27,236)
Operating profit	1,921	(193)	2,335	3,212	1,096
Analysed as:					
Group Adjusted EBITDA	6,000	11,752	14,688	7,852	8,507
Depreciation and amortisation	(3,887)	(7,170)	(9,700)	(4,580)	(5,947)
Exceptional items	(192)	(4,775)	(2,653)	(60)	(1,464)
Finance costs	(3,043)	(8,854)	(11,797)	(6,613)	(4,649)
Finance income	4	11	20	9	233
Profit/(loss) before tax	(1,118)	(9,036)	(9,442)	(3,392)	(3,320)
Income tax credit / (charge)	(114)	(232)	659	569	(688)
Profit/(loss) for period attributable to equity shareholders	(1,232)	(9,268)	(8,783)	(2,823)	(4,008)

COMBINED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June 2015
	2012	2013	2014	
	(£'000s)			
ASSETS				
<i>Non-current assets</i>				
Property, plant and equipment	43,161	51,418	67,510	75,975
Intangible assets	339	52,738	50,870	49,946
Deferred tax asset	422	—	—	—
Total non-current assets	43,922	104,156	118,380	125,921
<i>Current assets</i>				
Inventories	102	138	75	140
Trade and other receivables	2,501	3,060	4,282	5,971
Cash and cash equivalents	3,293	4,091	5,576	2,941
Total current assets	5,896	7,289	9,933	9,052
TOTAL ASSETS	49,818	111,445	128,313	134,973
LIABILITIES				
<i>Current liabilities</i>				
Borrowings	17,357	2,363	3,613	4,039
Trade and other payables	11,049	14,125	20,797	26,780
Current taxes payable	—	—	246	10
Total current liabilities	28,406	16,488	24,656	30,829
<i>Non-Current liabilities</i>				
Borrowings	25,065	106,195	70,253	74,040
Deferred tax liabilities	—	1,708	559	1,482
Provisions	41	131	223	226
Financial instruments	66	177	1,037	811
Total non-current liabilities	25,172	108,211	72,072	76,559
Total liabilities	53,578	124,699	96,728	107,388
Net assets	(3,760)	(13,254)	31,585	27,585
EQUITY AND LIABILITIES				
Issued capital	49	8	9	9
Share Premium	410	550	48,974	48,892
Retained earnings	(4,219)	(13,812)	(17,398)	(21,406)
Total equity shareholder's funds	(3,760)	(13,254)	31,585	27,585

CASH FLOW STATEMENT

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(£'000s)			(unaudited)	
<i>Cash flows from operating activities</i>					
Operating (loss) / profit	1,921	(193)	2,335	3,212	1,096
Adjustment for:					
Depreciation	3,805	5,979	7,600	3,598	4,878
Amortisation	82	1,191	2,100	982	1,069
Profit/(loss) on disposals	—	(10)	39	—	19
Adjusted operating profit before changes in working capital	5,808	6,967	12,074	7,792	7,062
(Increase)/decrease in inventories	(54)	(36)	65	28	(66)
Increase in trade and other receivables	(457)	(558)	(1,223)	(2,751)	(1,485)
Increase in trade and other payables	4,441	4,144	4,526	3,271	5,566
Effect of restructure on the 13 June 2013	—	(784)	—	—	—
Cash generated from operations	9,738	9,733	15,442	8,340	11,077
Tax paid	—	—	(244)	—	—
Interest paid	(1,814)	(8,425)	(5,726)	(1,202)	(4,966)
Net cash flows from operating activities	7,924	1,308	9,472	7,138	6,111
<i>Cash flows from investing activities</i>					
Proceeds from disposals of property, plant and equipment	—	30	1,036	—	—
Purchase of property, plant and equipment	(17,926)	(11,428)	(17,785)	(7,376)	(11,273)
Purchase of intangible assets	(212)	(148)	(231)	—	(145)
Purchase of subsidiary	—	(28,160)	—	—	—
Net cash flows used in investing activities	(18,138)	(39,706)	(16,980)	(7,376)	(11,418)
<i>Cash flows from financing activities</i>					
Proceeds of issue of ordinary shares	—	306	30	—	8
Cost of raising finance	—	(2,462)	—	—	—
Drawdown of bank loans	9,263	31,000	11,580	5,500	1,000
Repayment of bank loans	—	(15,424)	—	—	—
Repayment of finance leases	(1,425)	(2,000)	(2,617)	(1,272)	(1,936)
Drawdown of shareholder loans/loan notes	5,050	11,562	—	—	3,600
Repayment of shareholder loans	—	(17,400)	—	—	—
Proceeds of issue of preference shares	—	33,614	—	—	—
Net cash flows used in financing activities	12,888	39,196	8,993	4,228	2,672
Net increase / (decrease) in cash and cash equivalents	2,674	798	1,485	3,990	(2,635)
Cash and cash equivalents at 1 January	619	3,293	4,091	4,091	5,576
Cash and cash equivalents at end period	3,293	4,091	5,576	8,081	2,941

PART 9 OPERATING AND FINANCIAL REVIEW

This Part 9: “Operating and Financial Review” should be read in conjunction with Part 2: “Presentation of Financial and Other Information”, Part 5: “Industry Overview”, Part 6: “Business Description” and the Historical Financial Information. Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this Part 9: “Operating and Financial Review” is extracted from the financial information set out in the Historical Financial Information.

The following discussion of the Group’s results of operations and financial conditions contains forward-looking statements. The Group’s actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this document, particularly under Part 1: “Risk Factors” and Part 2: “Presentation of Financial and Other Information—Information Regarding Forward-Looking Statements”. In addition, certain industry issues also affect the Group’s results of operations and are described in Part 5: “Industry Overview”.

Overview

The Gym opened its first gym in Hounslow in July 2008 and has grown to become a leading operator of low-cost gyms in the UK with 66 gyms and 363,000 members as of 30 September 2015. The Group’s gyms are located at highly accessible sites within major towns, cities and other populous areas across the UK. The Directors believe that The Gym offers a highly attractive membership proposition with value-for-money membership pricing, 24 hours a day, seven days a week gym opening hours and flexible “no contract” membership. The Gym’s vision is to provide affordable access to exercise facilities and expert help to every person who wants to improve their wellbeing, whatever their starting point, whatever their destination.

The Group has a strong track record of opening profitable gyms and is the second-largest operator of low-cost gyms in the UK. During the period 2012 to 2014, the Group increased its number of gyms from 32 to 55 through its organic roll-out strategy and its number of members from approximately 166,000 to 293,000. The Directors believe that new gym openings present a significant growth opportunity and that the Group is well positioned to open between 15 and 20 gyms in total in 2015 and per year thereafter over the medium-term. The Group has opened 11 gyms in the nine months to 30 September 2015.

The Gym has demonstrated that its attractive membership proposition and disruptive, low-cost, technology-led business model work in a wide variety of locations across the UK. In addition, due to their flexible layout, the Group’s gyms can be located in a broad range of property and building types (including offices, leisure facilities and retail outlets). As a result of the broad appeal of the Group’s membership proposition and its highly versatile concept, the Company believes that there are a significant number of locations in the UK that will support the Group’s gyms.

The Directors believe that the Group has demonstrated strong performance across its estate and that this success is due in part to The Gym’s disciplined and rigorous approach to site selection, which combines detailed geo-demographic data with historic data from previous gym openings to assess the membership potential, pricing and financial returns of potential gym locations. The Group generally targets a minimum ROCE of 30 per cent. per gym. In addition, The Gym has a strong covenant rating, which can provide a competitive advantage during the site selection and lease negotiation process. The Gym leases all of its gym sites.

For the year ended 31 December 2014, the Group generated revenue of £45.5 million and Group Adjusted EBITDA of £14.7 million, representing a CAGR of 43 per cent. and 56 per cent., respectively, since 2012. In the six months ended 30 June 2015, the Group generated revenue of £28.9 million and Group Adjusted EBITDA of £8.5 million. The Group’s Mature Gyms generate high returns and for the year ended 31 December 2014 the Group’s Average Mature Gym Site ROCE was 33 per cent. and Average Mature Gym Site EBITDA Margin was 48 per cent. In line with its low-cost business model, The Gym maintains low staff costs and, as of 30 June 2015, the Group employed 181 people.

Significant factors affecting the Group’s results of operations

This section discusses key factors that the Directors believe have had a material effect on The Gym’s results of operations and financial condition during the periods under review, as well as those that are reasonably likely to have a material effect on its results of operations and financial condition in the future.

New gym roll out

New gym openings have been a significant driver of the Group's membership numbers and revenue growth during the period under review and its roll-out strategy is expected to continue to have a significant effect on its results of operations going forward. The Group opened 16 gyms in 2012, eight gyms in 2013, 15 gyms in 2014 and eight gyms in the six months ended 30 June 2015. The impact of new gym openings on the Group's results of operations depends on when they commence operations relative to the Group's half-year or financial year end.

Initial trading performance at the Group's gyms depends largely on the number of members that have signed up during the pre-opening period. On average, it has taken approximately 24 months for the Group's gyms to reach maturity based on historic performance of the Group's gyms. A new gym will undergo a pre-opening phase where a significant amount of marketing is undertaken to attract members before opening. The target number of members per gym depends on the size and location of the gym. On average, the Group's gyms achieved 3,000 members within the first week of opening and membership increases rapidly in the first six to nine months of operation, typically reaching maturity at approximately 6,000 members per gym after 24 months (based on the performance of the Mature Gym portfolio as at 31 December 2014).

During the period under review, the Group's New Gyms have on average achieved positive site EBITDA within approximately six to nine months of opening. This has been the result of the rapid increase in gym membership in the early months offset by Pre-Opening Costs of approximately £140,000 per gym on average, consisting primarily of staff costs, marketing and rent. Site profitability tends to improve rapidly during the first 24 months of operation due to the ramp-up in membership numbers and due to the higher membership fees paid by new and returning members and improvement in membership yield (see "*Membership pricing*" below). On average, the Group's gyms have required 3,000 to 4,000 members to break even at a monthly gym site EBITDA level, depending on the location, size, cost structure and membership of the gym.

The Group has reduced its average initial site investment cost to fit out a new gym from an average of £1.5 million for the Mature Gym portfolio (as at 31 December 2014) to an average cost of £1.3 million to £1.4 million for the New Gym Portfolio (as at 31 December 2014), depending on gym size and location, as a result of a redesigned fit out process and its ability to negotiate competitive pricing from its suppliers due to its scale. The Group is seeking to continue to lower initial site investment cost through the use of technology, by employing a more competitive tender process when appointing fit-out contractors, negotiating better terms with the Group's suppliers and value engineering the fit-out specification to avoid unnecessary cost.

Performance information for the Group's New Gym portfolio and Mature Gym portfolio are presented for the periods indicated below.

	Year ended 31 December		
	2012	2013	2014
<i>New Gym portfolio</i>			
Total number of New Gyms	22	24	23
Average New Gym Site EBITDA (£ million)	0.1	0.3	0.2
Average New Gym Site EBITDA Margin (per cent.)	18	33	23
<i>Mature Gym portfolio</i>			
Total number of Mature Gyms	10	16	32
Average Mature Gym Site EBITDA	0.6	0.6	0.5
Average Mature Gym Site EBITDA Margin (per cent.)	53	50	48

The Group's Mature Gyms are all profitable and cash generative. Additional performance information for the Group's Mature Gym portfolio for the year ended 31 December 2014 is presented below.

	<u>Year ended 31 December 2014</u>
Average Mature Gym site revenue (£ million)	1.1
Average Mature Gym site gross profit margin (per cent.)	98
Average Mature Gym site total fixed property costs (expressed as a percentage of Average Mature Gym Site Revenue) (per cent.)	25
Average Mature Gym Site other operating costs (expressed as a percentage of Average Mature Gym site revenue) (per cent.)	25
Average Mature Gym Site EBITDA (£ million)	0.5
Average Mature Gym Site EBITDA Margin (per cent.)	48

During the period under review, the Group has significantly increased its number of gyms as a result of its roll-out strategy, with 28 New Gyms in operation as at 30 September 2015. While The Gym has incurred the initial site investment cost and Pre-Opening Costs for these New Gyms, they have yet to reach maturity. As a result, the Directors believe that these New Gyms have not achieved their site performance potential and that they should contribute positively towards Group Adjusted EBITDA in future periods. The Directors believe that the historical performance of the Group's gym openings provides it with visibility as to the expected future performance of its New Gyms based on their early trading performance. New Gym openings increase Pre-Opening Costs across the Group's estate, which has an immediate impact on Group Adjusted EBITDA and Group Adjusted EBITDA Margin, but support future growth in Group Adjusted EBITDA and Group Adjusted EBITDA Margin as those gyms approach maturity. Pre-Opening Costs primarily consist of staff costs, marketing and rent. Pre-Opening Costs were £1.6 million, £1.0 million, £2.0 million, £0.6 million and £1.2 million in total for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively. If the Group opens fewer sites in a given year, Group Adjusted EBITDA and Group Adjusted EBITDA Margin will be higher in the short term due to the upfront impact of Pre-Opening Costs, but growth in Group Adjusted EBITDA and Group Adjusted EBITDA Margin may be less over the longer term.

The Group's Average Mature Gym Site ROCE for the Mature Gym portfolio as of 31 December 2014 for the 2008 Cohort and 2009 Cohort (combined), the 2010 Cohort, the 2011 Cohort and the 2012 Cohort are presented for the periods indicated below.

	<u>Year ended 31 December 2014</u> (per cent.)
<i>Average Mature Gym Site ROCE</i>	
2008 Cohort and 2009 Cohort (combined) (5 gyms)	52
2010 Cohort (5 gyms)	34
2011 Cohort (6 gyms)	29
2012 Cohort (16 gyms)	29
Mature Gym Portfolio as of 31 December 2014 (32 gyms)	33

The Group has experienced a reduction in its Average Mature Gym Site EBITDA Margin over the period 2012 to 2014 as the number of mature sites has increased. The sites opened in the years 2008 through 2010 are some of the Group's strongest performing locations and experienced higher average margins and returns on capital than the subsequent average performance for the 2011 Cohort and 2012 Cohort. Site performance is dependent on a number of factors, including the quality of the location, relative catchment for potential members, size of site and competition. In 2011, the Group began to accelerate its expansion throughout England, opening 6 gyms in 2011 and a further 16 gyms in 2012. As a result, the average performance across The Gym's estate is not as strong as for the 2008/2009 Cohort and the 2010 Cohort. However, the 2011 Cohort and the 2012 Cohort have shown Average Mature Gym Site ROCE of 29 per cent. for the year ended 31 December 2014, which the Director's believe reflects the ability of the Group to successfully adapt its business model to a variety of locations.

The more recent openings in 2013 and 2014 have performed well with average membership numbers after 9 months of operations ahead of the comparable average membership numbers for the 2012 Cohort. The Directors believe that early performance is an indicator of the future potential of a site and therefore the 2013 Cohort and the 2014 Cohort, as they mature, will have an opportunity to achieve strong average

returns on capital in line with the Group's target ROCE of 30 per cent. The prospective returns from the latest gym openings in 2015 should be enhanced by the reduction in the average site investment from the historic levels of £1.5 million (for the Mature Gym portfolio as of 31 December 2014) to an average of £1.35 million (for the New Gym portfolio as of 31 December 2014) as the cost of the fit out has been re-engineered.

Membership base

The Gym derives its revenue primarily from membership income. Membership income comprises subscription income, which is the income from members who pay a gym membership fee on a monthly basis, including income from members who suspend ("freeze") their memberships for a £5 monthly fee for periods when they do not use the gym, joining fee income and day membership fee income. Total revenue is thus driven primarily by the number of members and the rates they pay for membership (see "*—Membership Pricing*" below). In addition, the Group generates ancillary revenue from vending machine sales and tanning beds that are located within a small number of gyms.

Membership volumes are affected by numerous factors, including the total number of gyms, the locations and accessibility of the Group's gyms, the equipment and facilities offered at the Group's gyms, the Group's brand reputation, the trends discussed below under "*—Socioeconomic factors and health and wellness trends*" and "*—Macroeconomic conditions*", the customer service provided by The Gym and competition in the health and fitness sector at the local level. Additionally, The Gym's membership varies by month due to marketing activity and seasonality (see "*—Seasonality*" below).

The Gym has achieved positive net annual membership growth principally due to new club openings and the maturing of New Gyms over the period under review. The following table shows the number of open gyms and certain membership information for the periods indicated below.

	As at 31 December		
	2012	2013	2014
Number of gyms	32	40	55
Total number of members ('000s)	166	225	293
Total number of Mature Gym members ('000s)	68	106	188
Total number of New Gym members ('000s)	96	117	102
Average number of members ('000s)	135	212	271
Average number of Mature Gym members ('000s)	68	110	196
Average number of New Gym members ('000s)	67	101	75
Average number of members per gym	5,648	5,816	5,914

The Directors believe that the average number of members per gym will be approximately the same in 2015 as compared with 2014 as the 2013 Cohort and the 2014 Cohort approach maturity and expect moderate growth in 2016. Growth in the average number of members is also affected by the number of gyms opened during the period and the calendar month in which the Group's gyms are opened (see "*—Seasonality*" below).

Membership pricing

During the period under review, The Gym has achieved increases in its membership as its estate matures, along with generally consistent Average Revenue per Member per Month. This has been achieved through management of its pricing structure and its focus on yield. Average Revenue per Member per Month is exclusive of VAT and is therefore lower than The Gym's average monthly membership fee of £16 (stated on a gross basis).

The Gym's Average Revenue per Member per Month for its gym portfolio, the New Gym portfolio and the Mature Gym portfolio are presented for the periods indicated below.

	Year ended 31 December			Six months ended 30 June 2015
	2012	2013	2014	
			(£)	
Average Revenue per Member per Month	13.78	14.06	13.98	14.49
Average New Gym Revenue per Member per Month	13.43	13.76	12.81	—
Average Mature Gym Revenue per Member per Month	14.17	14.39	14.49	—

The Gym's Average Revenue per Member per Month is affected by The Gym's membership fee rates, which are set on a gym-by-gym basis, taking account of a number of factors, including membership level, utilisation profiles, membership demand, propensity to pay within the demographic profile of the catchment area and the number and price point, product offering and location of The Gym's local competitors. The Gym previously offered a "price for life" guarantee to members joining prior to 17 April 2015, which guaranteed that its members' individual monthly membership fees would not increase (excluding promotional pre-opening offers) for as long as such members retained their membership without cancellation. As at 30 September 2015, 206,000 members benefited from the price for life guarantee, although 20,000 of those members were also on promotional pre-opening offers. All members that have joined prior to 17 April 2015 continue to have the benefit of the "price for life" guarantee, while all members joining after such date do not and The Gym has the right to reprice the monthly membership fee for such members.

The Gym does not offer introductory or special monthly membership fee rates, except when a new gym is in pre-marketing during fit out at which point The Gym may offer a special pre-opening rate to attract members. For example, The Gym may offer the first 1,500 pre-opening members a lower monthly membership fee of £10.99 (or £12.99 at some locations) for the first 12 months. After 12 months, however, all pre-opening members are automatically switched to the monthly membership fee that was prevailing on the opening day for that gym. As gyms mature, the Group may increase a gym's monthly membership fee, and all subsequent new joiners will join at the new monthly membership fee.

The Gym's Average Revenue per Member per Month is also affected by the level of joining fees collected. The Gym does not typically waive or offer discounted joining fees, except when a new gym is in pre-marketing during fit out at which point The Gym may waive the joining fee for the first 1,500 pre-opening members. However, local managers with the approval of Senior Management can waive or discount the joining fee on a case-by-case basis or advertise promotions waiving the joining fee for discrete periods of time. In the year ended 31 December 2014, The Gym collected joining fees from approximately 64 per cent. of new joiners.

The Group has historically been able to manage its membership base at its Mature Gyms by adjusting the monthly membership fee rate or, in some cases, discounting the joining fee payable by new and returning members. The Gym may increase the monthly membership fee rate to manage density at oversubscribed gyms and may lower the monthly membership fee rate or discount the joining fee at gyms with lower membership levels. The Gym's Average Mature Gym Revenue per Member per Month has shown a marginal increase during the period under review. The Directors believe that Average Revenue per Member per Month will increase slightly in 2015 and 2016 due to the full year effect of historic price increases in 2014, the maturing of New Gyms and selective future price increases.

Low-cost operating model

The Gym employs a low-cost operating model focused on cost efficiency, and The Gym's management of its cost base is an important driver of its operating margins. The Gym's operating costs, such as staff costs, rent, rates, utilities and marketing costs have generally increased in line with new gym openings. As new gyms mature and increase their membership base, fixed costs are typically spread over an increasing revenue base, thereby improving operating margins.

The Group manages staff costs by only employing a general manager and an assistant general manager at each gym. In addition, between 10 and 15 self-employed personal trainers contract directly with each gym. The Gym provides each personal trainer with free access to a gym and allows them to market their services in that gym. At The Gym's discretion, personal trainers are provided with up to 12 induction activity slots per week to facilitate their access to members to help promote their personal training services. During these slots, the personal trainers perform certain actions in the gym, principally conducting tours, member inductions, leading group exercise classes and generally being available to support members. The Gym does not guarantee that a personal trainer will receive these 12 slots and the personal trainer may refuse them, but must arrange for a substitute in such event. Members pay personal training fees directly to their personal trainers and The Gym is not involved in the booking of, or collection of payment for, personal training sessions. The Gym does not charge any fees to personal trainers in connection with their offering of services at its gyms. The use of self-employed personal trainers allows The Gym to maintain low staff costs.

The Gym also manages staff costs through the use of technology. The Gym operates a fully automated, online-only joining process. Prospective members may join either remotely through The Gym's website or

in person at a gym using internet-connected kiosks provided on the gym premises. Prospective members are not required to interview with gym staff before joining. In addition, entry portals for each gym are automated and computer controlled to ensure access is provided only to members, without any need for intervention by staff. These automated systems allow the Group to reduce its per gym staff cost while making the joining process easy for users.

The Gym seeks to manage its exposure to rent increases by negotiating fixed rental uplifts with its landlords where possible. The Gym's lease agreements do not typically have breaks and have fixed rental uplifts every five years either by fixed increases, typically 10 per cent. at the end of each five year period, or increases in line with RPI or CPI. Under IFRS, these fixed rental uplifts are brought forward to "smooth" the increase in costs over the term of the lease, which results in a higher property lease rental charge on the combined income statement compared to the actual cash cost of rent during the early years of the lease. The majority of The Gym's leases fall under the LTA, which provides security of tenure. This means that the Group has the right to apply for a new tenancy at the end of the term, and the landlord can only oppose the grant of a new tenancy on certain prescribed grounds, for example if it intends to redevelop the property. The Group's leases have an average life of 17.9 years as of 30 June 2015 and very few leases have a duration of less than 10 years. As a result, The Gym has significant visibility over its future rent costs and provides protection to the Group from increases in rent due to volatility in the commercial property market, particularly in Greater London where the Group has a significant presence and where rents can otherwise be subject to significant year-on-year increases. The Directors believe that property lease rentals for future gyms will be higher than historic property lease rentals due in part to the mix of locations and the Group's development of sites in London and the Southeast of England and, as a percentage of revenue, property lease rentals are expected to increase slightly in 2015 and thereafter, from 17 per cent. in the year ended 31 December 2014. In addition, the Directors expect that other fixed property costs (consisting of rates, service charge and landlord insurance) will undergo a small increase as a percentage of Group revenue in 2015 and thereafter, from 11 per cent. in the year ended 31 December 2014, driven by the Group's development of sites in London and the Southeast of England and increases in business rates, utilities and related expenses.

The Gym also outsources many functions where the Directors believe that such arrangements are more cost-effective than providing the functions in-house, including, for example: security and monitoring; cleaning services; sales and marketing; payment processing services; customer contact management; website design and hosting; member management services and hosting; IT infrastructure; health and safety; human resources support services; fit-out design and construction; and other professional services.

In the year ended 31 December 2014, central costs were 9 per cent. of Group revenue and the Directors believe that central costs will increase marginally as a percentage of revenue in 2015 due to public company costs and the full year impact of new head office staff hired in 2014, but are expected to reduce as a percentage of Group revenue in 2016 and thereafter as the business matures. Other operating costs (including costs such as repairs, maintenance and utilities) was 17 per cent. of Group revenue in the year ended 31 December 2014 and the Directors believe that other operating costs will increase slightly as a percentage of Group revenue in 2015 and 2016 as The Gym continues the roll-out of its estate.

The Group has closely managed other gym expenses, such as utilities, repairs and maintenance and marketing costs over the period under review. For example, the Group has increased its use of energy efficient fixtures and has used its scale to obtain better terms with service providers such as cleaning. In addition, the Group's gyms are fitted out to a high specification, which the Directors believe results in stable maintenance costs and limited maintenance capital expenditure. For the year ended 31 December 2014, repairs and maintenance expense was 3.5 per cent. of Group revenue.

Depreciation of property, plant and equipment relates to depreciation of the Group's gym site fixtures and fittings, leasehold improvements and fitness equipment. Depreciation has historically been higher than maintenance capital expenditure during the maintenance cycle because new site costs are depreciated over six years for fixtures and fittings, six years for fitness equipment and the life of the lease for leasehold improvements whereas maintenance capital expenditure is only expensed when it is incurred. The Group's maintenance cycle for fitness equipment is five years for cardio equipment and seven years for strength equipment. In addition, leasehold improvements to the fabric of the building, such as floors, walls, ceilings and mezzanines do not require maintenance capital expenditure. In the year ended 31 December 2014, depreciation was £7.6 million or 17 per cent. of Group revenue and the Directors believe that depreciation will increase slightly as a percentage of revenue in 2015, followed by a slight reduction as a percentage of revenue in 2016. In the year ended 31 December 2014, the Group incurred £1.6 million of maintenance

capital expenditure, equivalent to approximately 3.5 per cent. of Group revenue, which was significantly less than depreciation.

Socioeconomic factors and health and wellness trends

The Gym's membership growth and results of operations are influenced by a number of socioeconomic factors and health and wellness trends. These include rising consumer spending and disposable income, increasing consumer focus on healthy lifestyles across ages and demographics and government initiatives to increase awareness of the risks of sedentary lifestyles and the health benefits of increased physical activity. These trends have contributed to growth in The Gym's membership base over the period under review. While The Gym believes that these trends are likely to continue for the foreseeable future, alternative forms of fitness or venues for fitness are becoming popular, including outdoor activities such as cycling or running and participating in other sports (including team sports), and new trends in the types of health and fitness activities that consumers wish to undertake may continue to increase in popularity in the future.

Macroeconomic conditions

The Gym's membership growth and results of operations are also influenced by macroeconomic conditions. Adverse developments in macroeconomic conditions, which result in the lower availability of credit, higher interest rates and tax rates, increased unemployment, higher consumer debt levels, lower consumer confidence, lower wage and salary levels, inflation or the public perception that any of these conditions may occur, could impact demand for gym membership. The Directors believe that The Gym's business has demonstrated resilience in periods of downturn, due to its low-cost business model, attractive value-for-money proposition and the concentration of its gyms in prime locations in major cities.

Restructuring of the Group's financing arrangements

In June 2013, the Phoenix Manager acquired a majority equity interest in the Group through the Phoenix Investment. The structure of the acquisition and subsequent investments in the Group had a material effect on the reported financial position and results of operations of the Group which are included in the Historical Financial Information. In particular, the Group incurred finance costs of £8.9 million, £11.8 million and £4.6 million in the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively, relating primarily to interest on bank loans and shareholder loans. In addition, the Group incurred transaction fees of £0.1 million and £4.6 million, recorded as exceptional items, in the years ended 31 December 2012 and 2013, respectively, relating to the acquisition and related debt financing. See Part 2: "*Presentation of Financial and Other Information—Presentation of financial information—Phoenix Investment*".

In July 2014, The Gym's articles of association were amended in respect of the repayment of a fixed preferential dividend on certain preference shares issued by the Company. This amendment to The Gym's articles of association resulted in these instruments being reclassified from debt to equity, which resulted in a reduction in long-term debt and an increase in equity share capital as of 31 December 2014 of £48.4 million (the "**2014 Reclassification**"). The 2014 Reclassification is discussed in further detail in note 21 of The Gym's combined financial information included in the Historical Financial Information.

In connection with the Offer, the Group intends to complete the Refinancing, which will have a significant impact on the Group's financing structure in future periods. On completion of the Refinancing, the shareholder loans will be repaid with proceeds from the Offer and borrowings under the New Term Loan Facility and interest will no longer accrue thereon (see Part 12: "*Unaudited Pro Forma Financial Information*"). In addition, through the Refinancing, the Group intends to repay its other outstanding debt, including its outstanding bank facilities and finance leases (see Part 12: "*Unaudited Pro Forma Financial Information*"). As a result of the Offer and the Refinancing, the Group expects to have reduced finance costs in future periods. In addition, the Group expects to recognise exceptional expenses relating to professional fees and other expenses as a result of the Offer and the Refinancing in future periods.

Tax

The Group recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. During the period under review, the Group recorded an income tax charge of £0.1 million, an income tax charge of £0.2 million, an income tax credit of £0.7 million, an income tax credit of £0.6 million and an income tax charge of £0.7 million during the years ended 31 December 2012, 2013 and 2014 and the six months ended

30 June 2014 and 2015, respectively. Following Admission and, as a consequence of the Offer and the Refinancing, the Group will have a significantly different financing structure in place, and it is expected that the Group will record taxable income and therefore will recognise income tax charges in future periods. The Directors believe that the Group's effective tax rate following Admission will be higher than the statutory tax rate because certain of the Group's fixed assets are currently ineligible for capital allowances, but expect that the tax rate as a percentage of revenue will decline over the medium term.

Seasonality

The Gym experiences a degree of seasonality in its membership enrolment. The majority of The Gym's members join in the early spring (January, February and March) and the early autumn (September and October). This seasonal effect is more pronounced outside of Greater London than within Greater London. Additionally, membership attrition peaks during the summer months when gyms with high student membership experience a reduction in membership and when other members may choose alternative outdoor fitness programmes. The Group's monthly revenue, profitability and levels of working capital may therefore vary significantly during the year as a result of the concentration of enrolment in the spring and the autumn. Factors that affect membership enrolment during the peak selling seasons, such as macroeconomic conditions, can have a disproportionate impact on the Group's performance in a particular period, which may not be recovered, if at all, until the next peak selling season (see Part 6: "Business Description—Seasonality").

Key performance indicators

The Gym considers a variety of metrics to analyse the Group's performance. The Directors believe that each of these measures provides useful information with respect to the performance of the Group's business and operations. These non-IFRS measures and key operating metrics are not audited and they are not meant to be considered in isolation or as a substitute for measures of financial performance reported in accordance with IFRS. Moreover, these measures may be defined or calculated differently by other companies, and as a result the key performance indicators of the Group may not be comparable to similar measures calculated by its peers.

The table below shows certain of the Group's key performance indicators as at the dates or for the periods indicated:

	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2012	2013	2014	2014	2015
				(unaudited)	
Financial Data					
Revenue (£ million)	22.3	35.7	45.5	22.0	28.9
Group Adjusted EBITDA ⁽¹⁾ (£ million)	6.0	11.8	14.7	7.9	8.5
Group Adjusted EBITDA before Pre-Opening Costs ⁽²⁾ (£ million)	7.6	12.9	16.7	8.5	9.7
Group Operating Cash Flow ⁽³⁾ (£ million)	9.6	14.8	16.5	8.0	11.8
Group Operating Cash Flow Conversion ⁽⁴⁾ (per cent.)	160	125	112	101	139
Expansionary Capital Expenditure ⁽⁵⁾ (£ million)	17.8	11.0	15.4	7.0	10.7
Net Debt ⁽⁶⁾ (£ million)	19.0	36.7	49.2	—	—
Net Debt to Adjusted EBITDA	3.16x	3.11x	3.35x	—	—
Operational Data					
Total gyms in operation	32	40	55	44	63
Total number of members ('000s)	166	225	293	266	355
Average Revenue per Member per Month ⁽⁷⁾ (£)	13.78	14.06	13.98	14.06	14.49
Total Mature Gyms in operation ⁽⁸⁾	10	16	32	—	—
Average Mature Gym Site EBITDA ⁽⁹⁾ (£ million)	0.61	0.59	0.51	—	—

(1) Group Adjusted EBITDA is calculated as the Group's operating profit before depreciation and amortisation and exceptional items. See Part 2: "Presentation of Financial and Other Information—Presentation of Financial Information—Operating information and Non-IFRS financial information—Group Adjusted EBITDA, Group Adjusted EBITDA Margin and Group Adjusted EBITDA before Pre-Opening Costs".

- (2) Pre-Opening Costs primarily consist of staff costs, marketing and rent associated with new site openings. Pre-Opening Costs were £1.6 million, £1.0 million, £2.0 million, £0.6 million and £1.2 million in total for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.
- (3) Group Operating Cash Flow is calculated as Group Adjusted EBITDA less net working capital and less maintenance capital expenditures. See Part 2: “*Presentation of Financial and Other Information—Presentation of Financial Information—Operating information and Non-IFRS financial information—Group Operating Cash Flow and Group Operating Cash Flow Conversion*”.
- (4) Group Operating Cash Flow Conversion is calculated as Group Operating Cash Flow expressed as a percentage of Group Adjusted EBITDA. See Part 2: “*Presentation of Financial and Other Information—Presentation of Financial Information—Operating information and Non-IFRS financial information—Group Operating Cash Flow and Group Operating Cash Flow Conversion*”.
- (5) Expansionary capital expenditure represents the Group’s cash expenditure on property, plant and equipment and intangibles, net of proceeds from disposals of property, plant and equipment, net of equipment funded through finance leases and less maintenance capital expenditures.
- (6) Net Debt is the Group’s outstanding borrowings from bank facilities and finance leases net of cash and cash equivalents.
- (7) Average Revenue per Member per Month for a given month is calculated as the Group’s revenue for the period divided by the number of months in that period and further divided by the average number of members during that period. See Part 2: “*Presentation of Financial and Other Information—Presentation of Financial Information—Operating information and Non-IFRS financial information—Membership—Average Revenue per Member per Month*”.
- (8) The Mature Gym portfolio reflects the performance attributable to the Group’s gyms in operation for 24 months or more prior to the end of the relevant reporting period. See Part 2: “*Presentation of Financial and Other Information—Presentation of Financial Information—Operating information and Non-IFRS financial information—Gyms—Mature Gym portfolio information*”.
- (9) Average Mature Gym Site EBITDA is calculated as operating profit before depreciation and amortisation, central costs and exceptional items attributable to the Mature Gym portfolio divided by the number of gyms in the Mature Gym portfolio. See Part 2: “*Presentation of Financial and Other Information—Presentation of Financial Information—Operating information and Non-IFRS financial information—Average Mature Gym Site EBITDA and Average Mature Gym Site EBITDA Margin*”.

Current trading and prospects

The Group’s strong financial performance has continued since 30 June 2015 and trading is in line with the Directors’ expectations, with results ahead of those of the same period in the prior year. Membership has increased from 355,000 as of 30 June 2015 to 363,000 as of 30 September 2015 and revenue for the three months ended 30 September 2015 increased by 36 per cent. compared with the same period in the prior year.

Group Adjusted EBITDA performance for the three months ended 30 September 2015 was ahead of the equivalent period in the 2014 financial year.

The Group has opened 4 gyms since 30 June 2015 and the Group’s roll out strategy continues to proceed with a total of 15 to 20 new gyms expected to open in the 2015 financial year.

Description of key income statement items

Revenue

The Gym’s revenue principally comprises membership income consisting of subscription income (which includes income from members who suspend (“freeze”) their memberships for a £5 monthly fee for periods when they do not use the gym), joining fee income and day membership fee income. Membership income represented 99 per cent. of The Gym’s total revenue for the year ended 31 December 2014 and the six months ended 30 June 2015. Monthly membership fees are recognised evenly over the month on a daily basis with deferred income recorded at the month end for any revenue which is to be recognised in the following month. Joining fees are recognised in the month of receipt, with the exception of joining fees received from members who sign up during the pre-opening phase of a new gym, which is recognised as revenue in the month the gym opens.

The Gym also generates revenue from vending income and tanning bed income, which represented less than 1 per cent., respectively, of The Gym’s total revenue for the year ended 31 December 2014 and the six months ended 30 June 2015. Vending income and tanning bed income are recognised at the point of sale.

Revenue is stated excluding value added tax and other sales-related taxes.

Cost of sales

Cost of sales comprises costs arising in connection with the generation of ancillary revenue, primarily vending machine costs and tanning bed costs, call centre costs, payment processing costs and costs arising from the operation of the Group's member management system.

Administration expenses

Administration expenses comprise the costs incurred by administering the Group's operations, including employee costs, other fixed property costs, other operating costs, depreciation of property, plant and equipment, amortisation, property lease rentals, marketing costs, central costs and exceptional items. Employee costs comprise wages and salaries, social security costs and pension scheme costs. Each Group gym employs two staff members (a general manager and an assistant general manager) and bonuses are payable to general managers if certain membership and financial targets are met. Other fixed property costs comprise rates, service charge and landlord insurance. Other operating costs comprise repairs, maintenance and utilities. Depreciation of property, plant and equipment relates to depreciation of the Group's gym site fixtures and fittings, leasehold improvements and fitness equipment purchased through cash or through finance leases. Amortisation includes amortisation of intangible assets (goodwill), which comprises amortisation of an intangible asset created by the Phoenix Investment, and amortisation of finance costs, which consists of the write-off of financing fees incurred in a refinancing over the life of the facility. Property lease rentals consist of rental payments for the Group's gyms and head office. Marketing costs comprise expenditure relating to attracting new members and retaining existing members. Marketing costs are significantly higher at newly opened sites than at sites that have been open for more than 24 months. Central costs comprise the costs incurred in administering the Group's estate, which includes head office costs, such as central staff costs and their associated administration costs, technology and website, professional fees and central office costs. The largest component of central costs is staff costs for head office support functions (finance, commercial and property) and operational staff not allocated to specific sites (regional managers). Exceptional items are described further below.

Exceptional items

Items that are material in size, unusual or infrequent in nature are disclosed separately as exceptional items. The separate reporting of exceptional items helps provide an indication of the Group's underlying business performance.

During the period under review, exceptional items included professional fees and transaction fees. In 2012, exceptional items consisted of transaction fees relating to the Phoenix Investment and costs incurred in relation to the relocation of a gym. In 2013, exceptional items consisted of transaction fees relating to the Phoenix Investment, other aborted acquisition costs and costs incurred in relation to the relocation of a gym. In 2014, exceptional items consisted of costs in relation to the evaluation of a potential merger with Pure Gym Limited and costs incurred in relation to the relocation of a gym. In the six months ended 30 June 2015, exceptional items consisted of costs incurred in connection with the Group's initial public offering, costs in relation to the evaluation of a potential merger with Pure Gym Limited and other aborted transaction costs.

Finance costs

Finance costs represent the charges (accrued or paid) associated with the Group's shareholder loans, bank loans and overdrafts, preference shares, finance lease interest and interest rate derivatives. This line item also represents the amortisation of any fees associated with the raising of finance that have been capitalised and spread over the life of the facility. Finance costs are recognised using the effective interest method.

Income tax credit / (charge)

Income tax credit / (charge) comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Results of operations

The following table sets out selected data from the combined income statement for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, which have been extracted without material adjustment from the Group's audited combined Historical Financial Information.

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
				(unaudited)	
			(£'000s)		
Revenue	22,264	35,734	45,480	22,045	28,850
Cost of sales	(395)	(906)	(1,040)	(537)	(518)
Gross profit	21,869	34,828	44,440	21,508	28,332
Administration expenses	(19,948)	(35,021)	(42,105)	(18,296)	(27,236)
Operating profit	1,921	(193)	2,335	3,212	1,096
<i>Analysed as:</i>					
Group Adjusted EBITDA	6,000	11,752	14,688	7,852	8,507
Depreciation and amortisation	(3,887)	(7,170)	(9,700)	(4,580)	(5,947)
Exceptional items	(192)	(4,775)	(2,653)	(60)	(1,464)
Finance costs	(3,043)	(8,854)	(11,797)	(6,613)	(4,649)
Finance income	4	11	20	9	233
Profit/(loss) before tax	(1,118)	(9,036)	(9,442)	(3,392)	(3,320)
Income tax credit / (charge)	(114)	(232)	659	569	(688)
Profit/(loss) for period attributable to equity shareholders	<u>(1,232)</u>	<u>(9,268)</u>	<u>(8,783)</u>	<u>(2,823)</u>	<u>(4,008)</u>

Results of operations for the six months ended 30 June 2015 compared to the six months ended 30 June 2014

Revenue

Group revenue increased by 31 per cent. to £28.9 million in the six months ended 30 June 2015, from £22.0 million in the six months ended 30 June 2014, driven primarily by growth in membership income due to an increase in the number of gyms, leading to growth in total membership.

Administration expenses

The table below presents a breakdown of administration expenses for the six months ended 30 June 2014 and 2015:

	Six months ended 30 June	
	2014	2015
	(unaudited)	
	(£'000s)	
Employee costs	2,580	3,949
Other fixed property costs	2,101	3,101
Other operating costs	3,715	4,892
Depreciation of property, plant and equipment	3,598	4,878
Amortisation of intangible assets	982	1,069
Property lease rentals	3,598	5,257
Marketing costs	999	1,636
Central costs (excluding central staff costs)	663	990
Exceptional items	60	1,464
	<u>18,296</u>	<u>27,236</u>

Administration expenses increased by 49 per cent. to £27.2 million in the six months ended 30 June 2015, from £18.3 million in the six months ended 30 June 2014, driven primarily by an increase in the total number of gyms from 44 as of 30 June 2014 to 63 as of 30 June 2015. Central costs increased due to

investment in key functions including property, commercial and finance to support the Group's growth. Marketing costs increased to support the increase in the number of gyms.

Exceptional items

In the six months ended 30 June 2015, exceptional items consisted of costs of £0.7 million incurred in connection with the Group's initial public offering, costs of £48 thousand in relation to the evaluation of a potential merger with Pure Gym Limited and other aborted transaction costs of £0.7 million. In the six months ended 30 June 2014, exceptional items consisted of £0.1 million of costs in relation to the evaluation of a potential merger with Pure Gym Limited.

Finance costs

Finance costs decreased by 30 per cent. to £4.6 million in the six months ended 30 June 2015, from £6.6 million in the six months ended 30 June 2014, driven primarily by a reduction in interest payable as a result of the 2014 Reclassification.

Results of operations for the year ended 31 December 2014 compared to the year ended 31 December 2013

Revenue

Revenue increased by 27 per cent. to £45.5 million in the year ended 31 December 2014, from £35.7 million in the year ended 31 December 2013, driven primarily by growth in membership income due to an increase in the total number of members across The Gym's estate resulting from the combined effect of the maturation of 16 gyms that opened during 2012, the first full year of operation of eight new gyms that opened in 2013 and the opening of 15 new gyms in 2014.

Administration expenses

The table below presents a breakdown of administration expenses for the years ended 31 December 2013 and 2014:

	Year ended 31 December	
	2013	2014
	(£'000s)	
Employee costs	4,212	5,480
Other fixed property costs	3,740	4,771
Other operating costs	6,292	7,811
Depreciation of property, plant and equipment	5,979	7,600
Amortisation of intangible assets	1,191	2,100
Property lease rentals	6,150	7,781
Marketing costs	1,489	2,328
Central costs (excluding central staff costs)	1,193	1,581
Exceptional items	4,775	2,653
	<u>35,021</u>	<u>42,105</u>

Administration expenses increased by 20 per cent. to £42.1 million in the year ended 31 December 2014, from £35.0 million in the year ended 31 December 2013, driven primarily by an increase in the total number of gyms from 40 as of 31 December 2013 to 55 as of 31 December 2014. Central costs increased during the year ended 31 December 2014 due to the hiring of additional staff in a number of departments. Marketing costs increased due to the pre-opening marketing for the 15 gyms opened in the year ended 31 December 2014 as well as increased marketing spending for the Group's Mature Gyms.

Exceptional items

In the year ended 31 December 2014, exceptional items consisted of costs of £2.0 million in relation to the evaluation of a potential merger with Pure Gym Limited and costs of £0.7 million incurred in relation to the relocation of a gym. In the year ended 31 December 2013, exceptional items consisted of transaction fees of £4.6 million relating to the Phoenix Investment, other aborted acquisition costs of £0.2 million and costs of £0.1 million incurred in relation to the relocation of a gym.

Finance costs

Finance costs increased by 33 per cent. to £11.8 million in the year ended 31 December 2014, from £8.9 million in the year ended 31 December 2013, driven primarily by increases in bank loan interest and loan note interest.

Results of operations for the year ended 31 December 2013 compared to the year ended 31 December 2012

Revenue

Group revenue increased by 61 per cent. to £35.7 million in the year ended 31 December 2013, from £22.3 million in the year ended 31 December 2012, driven primarily by growth in membership income due to an increase in the total number of members across The Gym's estate resulting from the combined effect of the maturation of 11 gyms that opened during 2010 and 2011, the first full year of operation of 16 gyms that opened in 2012 and the opening of eight new gyms in 2013.

Administration expenses

The table below presents a breakdown of administration expenses for the years ended 31 December 2012 and 2013:

	Year ended 31 December	
	2012	2013
	(£'000s)	
Employee costs	2,803	4,212
Other fixed property costs	2,453	3,740
Other operating costs	3,981	6,292
Depreciation of property, plant and equipment	3,805	5,979
Amortisation of intangible assets	82	1,191
Property lease rentals	4,315	6,150
Marketing costs	1,512	1,489
Central costs (excluding central staff costs)	805	1,193
Exceptional items	192	4,775
	<u>19,948</u>	<u>35,021</u>

Administration expenses increased by 76 per cent. to £35.0 million in the year ended 31 December 2013, from £19.9 million in the year ended 31 December 2012, primarily driven by an increase in the total number of gyms from 32 as of 31 December 2012 to 40 as of 31 December 2013. Central costs increased during the year ended 31 December 2013 due to an increase in central staffing costs as a result of the full year effect of new joiners in the final months of 2012.

Exceptional items

In the year ended 31 December 2013, exceptional items consisted of transaction fees of £4.6 million relating to the Phoenix Investment, other aborted acquisition costs of £0.2 million and costs of £0.1 million incurred in relation to the relocation of a gym. In year ended 31 December 2012, exceptional items consisted of transaction fees of £0.1 million relating to the Phoenix Investment and costs of £0.1 million incurred in relation to the relocation of a gym.

Finance cost

Finance cost increased by 191 per cent. to £8.9 million in the year ended 31 December 2013, from £3.0 million in the year ended 31 December 2012, driven primarily by an increase in borrowings associated with the Phoenix Investment and resultant increase in bank loans and overdraft interest, preference share interest and finance lease interest.

Liquidity and capital resources

The Gym's liquidity requirements arise primarily from the need to fund its roll-out strategy, make interest payments on its indebtedness and meet the working capital requirements of its business. The Gym's principal sources of liquidity have been its cash flow from operating activities, its bank loans, its finance leases and its shareholder loans.

Cash flows

The table below presents a summary of The Gym's cash flows for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
				(unaudited)	
			(£'000s)		
Net cash flows from operating activities	7,924	1,308	9,472	7,138	6,111
Net cash flows used in investing activities	(18,138)	(39,706)	(16,980)	(7,376)	(11,418)
Net cash flows used in financing activities	12,888	39,196	8,993	4,228	2,672
Net (decrease) / increase in cash and cash equivalents	2,674	798	1,485	3,990	(2,635)
Cash and cash equivalents at 1 January	619	3,293	4,091	4,091	5,576
Cash and cash equivalents at end of period	3,293	4,091	5,576	8,081	2,941

The Group benefited from negative working capital inflows of £3.9 million, £3.6 million and £3.4 million for the years ended 31 December 2012, 2013 and 2014, respectively. In the year ended 31 December 2014, net working capital was 8 per cent. of Group revenue. The Directors believe that there will be a similar inflow in net working capital as a percentage of Group revenue in the 2015 financial year, reducing thereafter as The Gym expands its estate.

Net cash flows from operating activities

The Gym's net cash flows from operating activities comprises The Gym's operating profit before interest, tax, profit / (loss) on disposals, depreciation, amortisation less movement in working capital, tax and interest paid.

Net cash flows from operating activities was £6.1 million for the six months ended 30 June 2015, a decrease of £1.0 million, or 14 per cent., as compared to net cash flows from operating activities of £7.1 million for the six months ended 30 June 2014. This decrease primarily reflected an increase in exceptional and interest charges.

Net cash flows from operating activities was £9.5 million for the year ended 31 December 2014, an increase of £8.2 million, as compared to net cash flows from operating activities of £1.3 million for the year ended 31 December 2013. This increase primarily reflected an increase in Group Adjusted EBITDA and a decrease in exceptional items partially offset by increases in bank loan interest, loan note interest and interest on finance leases relating to the Group's capital on-going expenditures.

Net cash flows from operating activities was £1.3 million for the year ended 31 December 2013, a decrease of £6.6 million, as compared to net cash flows from operating activities of £7.9 million for the year ended 31 December 2012. This decrease was primarily due to exceptional charges associated with the Phoenix Investment and increases in bank loan interest, loan note interest and interest from finance leases reflecting the Phoenix Investment and on-going capital expenditures, partially offset by an increase in Group Adjusted EBITDA.

Net cash flows used in investing activities

The Group's net cash flows used in investing activities consists of the initial site investment for new gyms net of finance lease funded expenditure and other capital expenditure on the maintenance and refurbishment of the Group's estate.

Net cash flows used in investing activities was £11.4 million for the six months ended 30 June 2015, an increase of £4.0 million, or 55 per cent., as compared to net cash flows used in investing activities of £7.4 million for the six months ended 30 June 2014. This increase was primarily due to an increase in capital expenditure due to an increase in the number of gyms opened.

In the year ended 31 December 2014, net cash flows used in investing activities was £17.0 million, consisting primarily of capital expenditures in connection with the opening of new gyms.

In the year ended 31 December 2013, net cash flows used in investing activities was £39.7 million, consisting primarily of capital expenditure in connection with the opening of new gyms and the purchase of a subsidiary in connection with the Phoenix Investment.

In the year ended 31 December 2012, net cash flows used in investing activities was £18.1 million, consisting primarily of capital expenditure in connection with the opening of new gyms.

Net cash flows used in financing activities

The Gym's net cash flows used in financing activities consists of the drawdown and repayment of bank loans and finance leases and the proceeds from the issue of preference shares.

Net cash flows used in financing activities was £2.7 million in the six months ended 30 June 2015, a decrease of £1.6 million, or 37 per cent., as compared to net cash flows used in financing activities of £4.2 million for the six months ended 30 June 2014. This decrease was primarily due to the reduced drawdown of bank loans, partially offset by the repayment of finance leases.

In the year ended 31 December 2014, net cash flows used in financing activities was £9.0 million, consisting primarily of the drawdown of bank loans, partially offset by the repayment of finance leases.

In the year ended 31 December 2013, net cash flows used in financing activities was £39.2 million, primarily due to the Group's increased borrowing in connection with the Phoenix Investment.

In the year ended 31 December 2012, net cash flows used in financing activities was £12.9 million, consisting primarily of the drawdown of bank loans, the drawdown of shareholder loans and the acquisition of new finance leases, partially offset by the repayment of finance leases.

Capital expenditures

The table below presents a breakdown of The Gym's capital expenditure for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015:

	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015
	(£ millions)			
Expansionary capital expenditures	22.9	13.7	23.2	12.6
Maintenance capital expenditures	0.3	0.6	1.6	0.7
Total capital expenditures	<u>23.2</u>	<u>14.3</u>	<u>24.7</u>	<u>13.3</u>

The most significant element of the Group's capital expenditure during the period under review has been the opening of new gyms, having increased its portfolio by 16, 8, 15 and 8 new gyms in the years ended 31 December 2012, 2013 and 2014 and in the six months ended 30 June 2015, respectively. The Group's initial site investment for new gyms relates to fit outs of new gyms, funded from the Group's cash flow, finance leases, drawdowns from its bank loans and shareholder loans. The initial site investment per new gym has decreased slightly during the period under review as a result of a redesigned fit out process and The Gym's ability to negotiate competitive pricing from its suppliers due to its scale from historic levels of £1.5 million (for the Mature Gym portfolio as of 31 December 2014) to an average of £1.35 million (for the New Gym portfolio as of 31 December 2014) (see "*Significant factors affecting the Group's results of operations—New gym roll out*").

Maintenance capital expenditure includes costs of replacement and maintenance of property, plant and equipment. The Group maintains an annual maintenance programme for the fitness equipment, fixtures and fittings at its gyms. In addition, certain equipment and fixtures are refreshed on a five or seven year cycle. The Directors expect that each gym will require approximately £0.6 million in maintenance capital expenditure in each seven year cycle.

In the 2015 financial year, the Directors expect that the initial site investment cost will average £1.35 million per new gym. In addition, the Directors expect that an additional £3 million to £4 million will be paid for expansionary capital expenditures during the 2015 financial year relating to investments made at sites opening between 2014 and 2016. In the 2016 financial year, the Group's main capital expenditures are expected to include new gym openings, maintenance of existing gyms and information technology expenditures.

External sources of funding and indebtedness

The table below presents the amounts outstanding under the Group's finance leases and the Group's net debt as at the dates indicated:

	As at ended 31 December			As at
	2012	2013	2014	30 June
	(£'000s)			2015
<i>Finance leases</i>				
Non-current	4,915	5,675	6,555	6,068
Current	1,933	2,363	3,613	4,039
Net debt	39,129	104,467	68,290	75,138

Historically, the Group used finance leases as part of its overall funding structure to finance the purchase of its fitness equipment. Going forward, the Group expects to fund its gym roll out programme, including the purchase of new fitness equipment, through a combination of its cash flow from operations and its new financing arrangements discussed further below.

Refinancing

The Group intends to repay all of its outstanding debt, including shareholder loans and finance leases, and accrued interest thereon, using £10 million of borrowings under the New Term Loan Facility (less fees and expenses) and the net proceeds of the Offering (the “**Refinancing**”).

New Facilities

On 6 October 2015 the Group entered into a £40 million facilities agreement with Barclays Bank PLC and HSBC Bank PLC as mandated lead arrangers, bookrunners and lenders (the “**New Facilities Agreement**”), consisting of a £10 million term loan (the “**New Term Loan Facility**”), a £25 million acquisition/capital expenditure facility (the “**New Capex Facility**”) and a £5 million revolving credit facility (the “**New RCF**”) and together with the New Term Loan Facility and the New Capex Facility, the “**New Facilities**”). The New Facilities are governed by English law and their utilisation is conditional on Admission.

Purpose: The funds available under the New Term Loan Facility will be used: (i) to pay all fees, costs and expenses, stamp, registration and other taxes incurred by the Company or any other member of the Group in connection with the Admission and the entry into the finance documents relating to the New Facilities (the “**Finance Documents**”) (other than the periodic fees), and (ii) for refinancing of certain financial indebtedness of certain of the Company's subsidiaries. The New Capex Facility will be used to fund: (i) the Group's ongoing capital expenditure programme, and (ii) acquisitions permitted under the Finance Documents and refinancing of indebtedness of acquired entities, and, in each case, all fees, costs and expenses in connection therewith. The New RCF is available for general corporate and working capital purposes of the Group. The New RCF can be utilised by way of loans or ancillary facilities.

Fees: There is no commitment fee payable in respect of the New Term Loan Facility. A commitment fee applies to the New Capex Facility at a rate of 35 per cent. per annum of the applicable margin payable on the unused and uncanceled amount of the New Capex Facility for the availability period applicable to the New Capex Facility (i.e. the period from the date of Admission to and including the date falling 36 months after the date of Admission). A commitment fee applies to the New RCF at a rate of 35 per cent. per annum of the applicable margin, payable on the unused and uncanceled amount of the New RCF for the availability period applicable to the New RCF (i.e. the period from the date of Admission to and including the date falling one month prior to the Termination Date (as defined below)). An arrangement fee, which is in line with customary terms for such facilities, will be paid in respect of the New Facilities and certain customary fees will also be payable to the facility agent.

Interest Rate: The rate of interest on each loan under the New Facilities will be the percentage rate per annum which is the aggregate of the applicable: (a) margin and (b) LIBOR or, in relation to any loan in euro, EURIBOR.

Currency: The New Term Loan Facility may be drawn in pounds sterling, and the New Capex Facility and the New RCF may be drawn in pounds sterling, euro, US dollars and certain other currencies that may be agreed with the relevant lenders.

Maturity, voluntary prepayment and voluntary cancellation: The New Facilities mature on the date falling five years after the date of Admission (the “**Termination Date**”). Any amounts still outstanding under the New Facilities at that time will then be due and payable. Subject to certain conditions, all or part of the utilisations under the New Facilities may be voluntarily prepaid and all or part of the available commitments under the New Facilities may be cancelled, in each case without penalties. Such voluntary prepayments are required to be made in a minimum amount of £250,000 in respect of each of the New Term Loan Facility, the New Capex Facility and the New RCF and such voluntary cancellations are required to be made in a minimum amount of £250,000 of the relevant facility, in each case, following giving the agent five business days’ notice of such prepayment or cancellation. No amount of either the New Term Loan Facility or the New Capex Facility that is prepaid may be re-borrowed; however, amounts prepaid under the New RCF may be re-borrowed during its availability period (i.e. until and including the date falling one month prior to the Termination Date).

Mandatory prepayment: In addition to voluntary prepayments, the New Facilities will be required to be prepaid in full or part in certain other circumstances, including (i) with respect to a lender under the New Facilities if it becomes unlawful for such a lender to perform its obligations and/or fund its participation in the New Facilities, and such lender’s participation has not been transferred; (ii) any person or group of persons acting in concert (other than the Phoenix Advised Funds or Bridges Community Development Venture Fund II LP (each an “**Investor**”) or a member of the Company’s group) gains control of the Company, and, in respect of loans made by a lender, such lender requires prepayment; or (iii) where a member of the Group receives any disposal proceeds (which are a consideration, in excess of £2,000,000 in aggregate in any financial year of the Company, for any sale, lease, licence, transfer, loan or other disposal of any asset, undertaking or business made by that member of the Group, except for certain excluded disposal proceeds and after deducting certain deductions) or insurance proceeds (which are proceeds, in excess of £2,000,000 in any financial year of the Company, of any insurance claim under any insurance maintained by any member of the Group except for certain excluded insurance proceeds and after deducting certain deductions), in which case such disposal proceeds and insurance proceeds must be applied towards prepayment and cancellation of the New Facilities in accordance with the relevant provisions of the New Facilities Agreement.

Security: The New Facilities are not secured, but have the benefit of guarantees given by the members of the Group.

Covenants: The New Facilities Agreement contains certain covenants customary for a listed entity (including a negative pledge which, subject to certain exceptions, prohibits any member of the Group from granting or permitting to exist security over its assets or entering into arrangements similar to security). There are also specific restrictions on dividends and other distributions by the Company, except for certain permitted payments, including, but not limited to: (i) monitoring or advisory fees to the Investors up to a certain amount or (ii) payment of dividends to shareholders, provided (A) the Adjusted Leverage (as defined below) is equal to or less than 3.0:1 (and will be immediately following such proposed dividend being made) and (B) no event of default is continuing or would occur as a result of making such payment. The New Facilities Agreement restricts the ability of the members of the Group to enter into a transaction or a series of transactions to acquire any business or company, subject to certain exceptions, including but not limited to, an acquisition of not less than 50.1 per cent. of the issued share capital (or equivalent ownership interest) of any entity by a member of the Group (other than the Company), subject to certain conditions, one of which is that the Adjusted Leverage (as defined below) immediately following the proposed acquisition does not exceed 3.0:1. The New Facilities Agreement includes a restriction on any member of the Group entering into a transaction or a series of transactions to dispose of any asset other than disposals: (i) for customary exceptions or (ii) where the higher of market value or consideration receivable for disposals (other than any disposal subject to customary exceptions referred to in the preceding paragraph (i)) does not exceed £2,500,000 in any financial year of the Company. There are also certain restrictions imposed on the members of the Group, subject to various exceptions, in respect of the treasury transactions, mergers, debt incurrence, ability to give guarantees or indemnities, ability to be a creditor in respect of any financial indebtedness or ability to invest in, transfer any assets to or give guarantees for, joint ventures. The New Facilities Agreement also includes a guarantor coverage covenant whereby the Company must ensure that EBITDA (as defined in the New Facilities Agreement) and the aggregate turnover of the guarantors represent not less than 80 per cent. of consolidated EBITDA and consolidated turnover of the Group when tested by reference to each set of quarterly financial statements provided pursuant to the New Facilities Agreement.

Financial covenants: The New Facilities also include a fixed charge cover covenant and adjusted leverage covenant which must be complied with, being: (i) the ratio of consolidated EBITDAR (which is EBITDA after adding back rental payments paid or payable by any member of the Group) to net finance charges payable for the Group (“**Fixed Charge Cover**”); and (ii) the ratio of total net debt of the Group to consolidated EBITDA (“**Adjusted Leverage**”). The specified minimum level for the Fixed Charge Cover ratio is 1.50:1 and the specified maximum level for the Adjusted Leverage ratio is 3.25:1, each tested first as of 31 March 2016 and quarterly thereafter by reference to the audited consolidated financial statements for each financial year and the quarterly management accounts for each financial quarter. The New Facilities Agreement provides for an equity cure that allows the Company, subject to complying with certain conditions, to cure a breach of the Adjusted Leverage covenant by decreasing the Group’s borrowings by the amount of additional funding that the Company receives: (i) by way of cash subscription by an Investor for equity in the Company; or (ii) pursuant to a subordinated loan note or other subordinated debt instrument issued by, or pursuant to a subordinated loan from, any Investor to the Company, in each case subordinated pursuant to the terms of the subordination agreement.

Events of default: The New Facilities Agreement contains certain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including breach of the financial covenants described above and a cross default in respect of indebtedness of the Group (subject to certain exceptions, one of which stipulates that no event of default will occur where, among other things, the aggregate amount of the indebtedness of any member of the Group): (i) that has not been paid when due nor within any originally applicable grace period; (ii) that is declared or otherwise becomes payable prior to its stated maturity date as a result of an event of default; (iii) any commitment for which is cancelled or suspended by a creditor of any member of the Group as a result of an event of default; and (iv) that any creditor of any member of the Group becomes entitled to declare due and payable prior to its stated maturity date as a result of an event of default, does not exceed £500,000.

The occurrence of an event of default would allow the lenders of the New Facilities to, amongst other things, accelerate all or part of the outstanding loans and/or cancel the commitments and/or declare all or part of the loans payable on demand.

Contractual obligations and commitments

Other than its debt obligations described above, the Group’s contractual commitments are principally related to property lease rentals, representing rent payable by the Group for its gym sites and finance lease commitments. The following table sets forth the Group’s total contractual obligations and commitments as at 31 December 2014.

	<u>Less than one year</u>	<u>One to two years</u>	<u>Two to five years</u>	<u>More than five years</u>	<u>Total</u>
			(£’000s)		
Operating lease commitments	7,075	8,690	30,852	115,767	162,384
Finance lease commitments	<u>4,644</u>	<u>3,841</u>	<u>3,567</u>	—	<u>12,052</u>
Total	<u>11,719</u>	<u>12,531</u>	<u>34,419</u>	<u>115,767</u>	<u>174,436</u>

Off balance sheet arrangements

As at 30 June 2015, the Group had no material off balance sheet arrangements or funding arrangements that would be classified as a contingent liability under IFRS as at 30 June 2015.

Dividend policy

The Directors intend to adopt a progressive dividend policy whilst maintaining an appropriate level of dividend cover. This policy is intended to allow the Group to retain sufficient capital to meet both the working capital needs of the business and to fund the planned continued expansion of the Group in line with its roll-out strategy. The Board’s current intention is to target an initial payout ratio of approximately 10 per cent. to 20 per cent. of Group Adjusted Net Income. Assuming that there are sufficient distributable reserves available at the time, the Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend.

The current intention of the Board is that the first dividend to be paid by the Company will be the interim dividend in respect of the first half of the 2016 financial year, payable in September 2016.

The Company may revise its dividend policy from time to time. There are no guarantees that the Company will pay dividends or the level of any such dividends.

Qualitative and quantitative disclosures concerning market risk

In the ordinary course of business, The Gym is exposed to a variety of market risks including credit risk, liquidity risk and interest rate risk. The Gym monitors and manages these risks as part of its overall risk management and seeks to minimise potential adverse effects on its financial position and performance. The Gym's exposures to market risk are discussed in more detail in note 19 of The Gym's combined financial information included in the Historical Financial Information. This discussion does not address other risks to which The Gym is exposed in the ordinary course of business, such as operational risks. See Part 1: "*Risk Factors*".

Credit risk

Credit risk is the risk of financial loss to The Gym if a member or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally in connection with The Gym's accounts receivables.

Due to its broad geographic presence and large member base, there are no significant concentrations of credit risk within The Gym. Moreover, the majority of The Gym's income is received by monthly direct debit. In addition, The Gym has appropriate credit policies, verification procedures and authorisation guidelines in place to ensure the creditworthiness of its counterparties.

With respect to credit risk arising from the other financial assets of The Gym, which comprise cash and cash equivalents and certain derivative instruments, The Gym's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the replacement value of these instruments. To mitigate this risk, The Gym only transacts with reputable financial institutions in respect of its derivative instruments and cash deposits.

The Gym's exposures to credit risk are discussed in note 19 of The Gym's combined financial information included in the Historical Financial Information.

Liquidity risk

Liquidity risk is the risk that The Gym will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and operational liabilities and by maintaining adequate cash reserves. On Admission, the Group will have in place the New RCF to support short and medium term liquidity.

The Gym's exposures to liquidity risk are discussed in note 19 of The Gym's combined financial information included in the Historical Financial Information.

Market risk

Market risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market prices. The Gym's exposure to the risk of changes in market interest rates relates primarily to The Gym's long-term debt obligations with floating interest rates.

The Gym's historical exposures to interest rate risk, as well as the nominal values and net fair values of the Group's interest rate swap contracts and collars, are discussed in note 19 of The Gym's combined financial statements included in the Historical Financial Information.

Pro forma for the Offer and the Refinancing (see Part 12: "*Unaudited Pro Forma Financial Information*"), the Group would have had £8.9 million in bank borrowings outstanding. All of such borrowings will be under the New Facilities and will bear interest at floating rates. Currently, the Group has no interest rate hedges relating to any of its indebtedness. The Group's interest rate risk policy in the future will aim to manage the interest cost of the Group within the constraints of its financial covenants and business plan. In the future, The Gym may enter into debt obligations that bear interest at a fixed rate. In addition, the

Group intends to monitor the interest rate swap market to decide on the appropriateness of hedges and may enter into hedging transactions to offset interest rate risks.

Critical accounting policies and estimates and forthcoming changes

In the application of its accounting policies, The Gym is required to make judgements, estimates and assumptions that affect the application of The Gym's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that The Gym considers to be relevant. Actual results may differ from these estimates. The Gym's significant accounting policies are set out in note 2 of The Gym's combined financial statements included in the Historical Financial Information and The Gym's significant accounting judgements, estimates and assumptions are set out in note 3 of The Gym's combined financial statements included in the Historical Financial Information.

PART 10
CAPITALISATION AND INDEBTEDNESS

Capitalisation and indebtedness

The table below sets out the capitalisation and indebtedness of the Group as at 30 June 2015.

The information has been extracted without material adjustment from the Group's financial information included in Part 11: "*Historical Financial Information*" as at 30 June 2015.

	<u>As at 30 June 2015</u> (£'000s)
Total current debt	
Guaranteed	—
Secured	4,039
Unguaranteed/unsecured	—
	<u>4,039</u>
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	—
Secured	74,040
Unguaranteed/unsecured	—
	<u>74,040</u>
Shareholder's equity (excluding retained earnings)	
Share capital	9
Share premium	48,982
Other reserves	—
	<u>48,991</u>
Total capitalisation	<u><u>127,070</u></u>

On 28 August 2015 and 15 September 2015, the Group drew down a further £1.0 million and £5.5 million, respectively, on its 'B' Bank Facility.

On 30 October 2015, the Group issued 48,000 of Deferred Shares with a nominal value of £1 each.

Save for the above, there has been no other material change to the Group's total capitalisation since 30 June 2015.

The following table sets out the net indebtedness of the Group as at 31 August 2015 which has been extracted without material adjustment from the unaudited management accounts.

	As at 31 August 2015
	(unaudited) (£'000s)
Cash	3,113
Cash equivalent	756
Trading securities	—
Liquidity	3,869
Current financial receivables	—
Current bank debt	—
Current portion of non-current debt	—
Other current financial debt	4,039
Current financial indebtedness	4,039
Net current financial indebtedness	170
Non-current bank loans	46,900
Bonds issued	—
Other non-current loans	28,853
Non-current financial indebtedness	75,753
Net financial indebtedness	75,923

Other non-current loans includes shareholder loans and obligations under finance leases.

The Group did not have any contingent or indirect indebtedness as at 31 August 2015.

PART 11
HISTORICAL FINANCIAL INFORMATION

SECTION A—ACCOUNTANT’S REPORT ON THE HISTORICAL FINANCIAL INFORMATION



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The Directors
The Gym Group plc
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9 November 2015

Dear Sirs

We report on the financial information of The Gym Group plc and its subsidiaries (the “Group”) set out in Section B of Part 11: “*Historical Financial Information*” for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the “Financial Information”). The Financial Information has been prepared for inclusion in the prospectus dated 9 November 2015 of The Gym Group plc (the “Company”) on the basis of the accounting policies set out in note 2. This report is required by item 20.1 of Annex I of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

We have not audited or reviewed the financial information for the six months ended 30 June 2014 and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information in accordance with the basis of preparation set out in note 2.

It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

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Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Financial Information gives, for the purposes of the prospectus dated 9 November 2015, a true and fair view of the state of affairs of the Group as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

SECTION B—HISTORICAL FINANCIAL INFORMATION

Combined income statement

	Note	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
					(Unaudited)	
				(£'000s)		
Revenue	4	22,264	35,734	45,480	22,045	28,850
Cost of Sales		(395)	(906)	(1,040)	(537)	(518)
Gross profit		21,869	34,828	44,440	21,508	28,332
Administration expenses		(19,948)	(35,021)	(42,105)	(18,296)	(27,236)
Operating profit	5	1,921	(193)	2,335	3,212	1,096
<i>Analysed as:</i>						
EBITDA⁽¹⁾		6,000	11,752	14,688	7,852	8,507
Depreciation and amortisation	10,11	(3,887)	(7,170)	(9,700)	(4,580)	(5,947)
Exceptional items	5	(192)	(4,775)	(2,653)	(60)	(1,464)
Finance costs	8	(3,043)	(8,854)	(11,797)	(6,613)	(4,649)
Finance income	8	4	11	20	9	233
Profit/(loss) before tax		(1,118)	(9,036)	(9,442)	(3,392)	(3,320)
Income tax credit / (charge)	9	(114)	(232)	659	569	(688)
Profit/(loss) for period attributable to equity shareholders		(1,232)	(9,268)	(8,783)	(2,823)	(4,008)

Note:

(1) Earnings before interest, tax, depreciation, amortisation and exceptional items is a non-GAAP metric used by management and is not an IFRS disclosure.

Earnings per share

		(£)				
Basic	6	(2.21)	(16.59)	(15.27)	(5.06)	(6.81)
Diluted	6	(2.21)	(16.59)	(15.27)	(5.06)	(6.81)
Adjusted	25	(1.72)	(6.36)	(7.74)	(3.57)	(2.85)

Combined statement of comprehensive income

Profit for the year	(1,232)	(9,268)	(8,783)	(2,823)	(4,008)
Other comprehensive income for the year . . .	—	—	—	—	—
Total comprehensive Income attributable to equity shareholders	(1,232)	(9,268)	(8,783)	(2,823)	(4,008)

The notes on pages 107 to 148 form an integral part of the financial information.

Combined statements of financial position

	Note	31 December			30 June
		2012	2013	2014	2015
		(£'000s)			
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment	10	43,161	51,418	67,510	75,975
Intangible assets	11	339	52,738	50,870	49,946
Deferred tax asset	9	422	—	—	—
Total non-current assets		43,922	104,156	118,380	125,921
<i>Current assets</i>					
Inventories	12	102	138	75	140
Trade and other receivables	13	2,501	3,060	4,282	5,971
Cash and cash equivalents	14	3,293	4,091	5,576	2,941
Total current assets		5,896	7,289	9,933	9,052
TOTAL ASSETS		49,818	111,445	128,313	134,973
<i>Current liabilities</i>					
Borrowings	16	17,357	2,363	3,613	4,039
Trade and other payables	15	11,049	14,125	20,797	26,780
Current taxes payable		—	—	246	10
Total current liabilities		28,406	16,488	24,656	30,829
<i>Non-Current liabilities</i>					
Borrowings	16	25,065	106,195	70,253	74,040
Deferred tax liabilities	9	—	1,708	559	1,482
Provisions	17	41	131	223	226
Financial instruments	18	66	177	1,037	811
Total Non-current liabilities		25,172	108,211	72,072	76,559
Total liabilities		53,578	124,699	96,728	107,388
Net assets		(3,760)	(13,254)	31,585	27,585
EQUITY AND LIABILITIES					
Issued capital		49	8	9	9
Share Premium		410	550	48,974	48,982
Retained earnings		(4,219)	(13,812)	(17,398)	(21,406)
Total equity shareholder's funds		(3,760)	(13,254)	31,585	27,585

The notes on pages 107 to 148 form an integral part of the financial information.

Combined statement of changes in equity

	Note	Issued capital	Share Premium	Retained earnings	Total equity
		(£'000s)			
The Gym Group					
At 31 December 2011		49	410	(2,987)	(2,528)
<i>Comprehensive income</i>					
Loss for the year		—	—	(1,232)	(1,232)
Total comprehensive income		—	—	(1,232)	(1,232)
Balance at 31 December 2012		49	410	(4,219)	(3,760)
<i>Comprehensive income</i>					
Loss for the year		—	—	(9,268)	(9,268)
Total comprehensive income		—	—	(9,268)	(9,268)
Transactions with owners					
Issue of ordinary shares	21	8	550	—	558
Effect of restructure on the 13 June 2013	2	(49)	(410)	(325)	(784)
Balance at 31 December 2013		8	550	(13,812)	(13,254)
<i>Comprehensive income</i>					
Loss for the year		—	—	(8,783)	(8,783)
Total comprehensive income		—	—	(8,783)	(8,783)
Transactions with owners					
Waiver of preference share interest		—	—	5,197	5,197
Issue of ordinary shares	21	1	29	—	30
Preference share reclassification	21	—	48,395	—	48,395
Balance at 31 December 2014		9	48,974	(17,398)	31,585
<i>Comprehensive income</i>					
Loss for the period		—	—	(4,008)	(4,008)
Total comprehensive income		—	—	(4,008)	(4,008)
<i>Transactions with owners</i>					
Issue of ordinary shares	21	—	8	—	8
Balance at 30 June 2015		9	48,982	(21,406)	27,585

The notes on pages 107 to 148 form an integral part of the financial information.

Combined cash flow statement

	Note	Year ended 31 December			6 months ended 30 June	
		2012	2013	2014	2014	2015
					(Unaudited)	
				(€'000s)		
<i>Cash flows from operating activities</i>						
Operating (loss) / profit		1,921	(193)	2,335	3,212	1,096
<i>Adjustment for:</i>						
Depreciation	5,10	3,805	5,979	7,600	3,598	4,878
Amortisation	5,11	82	1,191	2,100	982	1,069
Profit/(loss) on disposals		—	(10)	39	—	19
Adjusted operating profit before changes in working capital		5,808	6,967	12,074	7,792	7,062
(Increase)/decrease in inventories		(54)	(36)	65	28	(66)
Increase in trade and other receivables		(457)	(558)	(1,223)	(2,751)	(1,485)
Increase in trade and other payables		4,441	4,144	4,526	3,271	5,566
Effect of restructure on the 13 June 2013	2	—	(784)	—	—	—
Cash generated from operations		9,738	9,733	15,442	8,340	11,077
Tax paid		—	—	(244)	—	—
Interest paid		(1,814)	(8,425)	(5,726)	(1,202)	(4,966)
Net cash flows from operating activities		7,924	1,308	9,472	7,138	6,111
<i>Cash flows from investing activities</i>						
Proceeds from disposals of property, plant and equipment		—	30	1,036	—	—
Purchase of property, plant and equipment		(17,926)	(11,428)	(17,785)	(7,376)	(11,273)
Purchase of intangible assets	11	(212)	(148)	(231)	—	(145)
Purchase of subsidiary	23	—	(28,160)	—	—	—
Net cash flows used in investing activities		(18,138)	(39,706)	(16,980)	(7,376)	(11,418)
<i>Cash flows from financing activities</i>						
Proceeds of issue of ordinary shares		—	306	30	—	8
Cost of raising finance		—	(2,462)	—	—	—
Drawdown of bank loans		9,263	31,000	11,580	5,500	1,000
Repayment of bank loans		—	(15,424)	—	—	—
Repayment of finance leases		(1,425)	(2,000)	(2,617)	(1,272)	(1,936)
Drawdown of shareholder loans/loan notes		5,050	11,562	—	—	3,600
Repayment of shareholder loans		—	(17,400)	—	—	—
Proceeds of issue of preference shares		—	33,614	—	—	—
Net cash flows used in financing activities		12,888	39,196	8,993	4,228	2,672
Net increase/(decrease) in cash and cash equivalents		2,674	798	1,485	3,990	(2,635)
Cash and cash equivalents at 1 January		619	3,293	4,091	4,091	5,576
Cash and cash equivalents at end period		3,293	4,091	5,576	8,081	2,941

The notes on pages 107 to 148 form an integral part of the financial information.

Notes to the combined financial information

1. General information

The Gym Group plc (formerly The Gym Group Holdings Limited) (“Company”) was incorporated in the United Kingdom on 14 May 2013 with company number 08528493. The registered address of the Company is the Woodbridge House, Woodbridge Mews, Guildford Surrey, United Kingdom, GU11BA. On 15 May 2013 The Gym Group Midco1 Limited, The Gym Group Midco2 Limited and The Gym Group Operations Limited (formerly The Gym Group Limited) were incorporated as direct or indirect wholly owned subsidiary undertakings of the Company. On 13 June 2013, The Gym Group plc acquired The Gym Limited which is engaged in the provision of low cost high quality health and fitness facilities. The Company’s subsidiaries listed in note 22, which together with the Company form The Gym Group plc group (“Group”).

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 information.

Basis of preparation

The combined financial information has been prepared on a going concern basis under the historical cost convention except for derivative financial liabilities that are measured at fair value. The combined financial information is presented in pounds sterling and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

As noted above on 13 June 2013, The Gym Group plc acquired control of The Gym Limited. This business combination is discussed in further detail in note 23. As a result of the acquisition, the structure of the group carrying out the Group’s business has not been the same throughout the entire period covered by the financial information.

Prior to 13 June 2013, the Group did not constitute a separate legal group, with The Gym Limited existing as a stand-alone entity. As a result, prior to this date, combined financial information has been prepared on a basis that combines the results, cash flows, assets and liabilities of each of the companies constituting the Group through aggregation of the assets, liabilities, revenues, expenses and cash flows of each entity included in the combined financial information. The Group comprised the following entities as at the end of the period for each year / period presented:

31 December 2012	31 December 2013	31 December 2014	30 June 2015
The Gym Limited	The Gym Group plc	The Gym Group plc	The Gym Group plc
	The Gym Group Midco 1 Limited	The Gym Group Midco 1 Limited	The Gym Group Midco 1 Limited
	The Gym Group Midco 2 Limited	The Gym Group Midco 2 Limited	The Gym Group Midco 2 Limited
	The Gym Group Operations Limited	The Gym Group Operations Limited	The Gym Group Operations Limited
	The Gym Limited	The Gym Limited	The Gym Limited

As a result, the historical financial information has been prepared on the basis as described below.

Accounting period ended 31 December 2012 (the ‘Initial Period’)

The statement of comprehensive income and statement of cash flows for the year ended 31 December 2012 have been prepared on a basis of the individual results and cash flows of The Gym Limited from 1 January 2012 to 31 December 2012. The statement of financial position as at 31 December 2012 represents the individual statement of financial position of The Gym Limited at that date.

Accounting period ended 31 December 2013 (the ‘Combined Period’)

The statement of comprehensive income and statement of cash flows for the year ended 31 December 2013 have been prepared on a basis of aggregating the results and cash flows of The Gym Group plc, The Gym Group Midco 1 Limited, The Gym Group Midco 2 Limited and The Gym Group Operations Limited from

Notes to the combined financial information (Continued)

2. Summary of significant accounting policies (Continued)

Basis of preparation (Continued)

their respective dates of incorporation to 13 June 2013, with the results and cash flows of The Gym Limited from 1 January 2013 to 13 June 2013, and then the consolidated results and cash flows of the Group from 13 June 2013 to 31 December 2013 prepared in accordance with IFRS 10 Consolidated Financial Statements (IFRS 10). The balance sheet as at 31 December 2013 represents the consolidated statement of financial position of the Group by applying the principles underlying the consolidation procedures of IFRS 10. Internal transactions within the Group have been eliminated on combination.

The group has applied IFRS 3 Business Combinations (IFRS 3) on the acquisition of The Gym Limited on 13 June 2013 as detailed in note 23. The Combined Statement of changes in equity and Combined cash flow statement include an adjustment ‘Effect of restructure on the 13 June 2013’ in respect of the elimination of the pre-acquisition net assets of The Gym Limited that is required under IFRS 3 Business Combinations but which had been omitted as a result of the departure from IFRS in not excluding pre-acquisition results in the income statement.

The combined financial information has been prepared in accordance with the requirements of Commission Regulation (EC) 809/2004 and the UK Listing Rules and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) except as described below. References to “IFRS” hereafter should be construed as references to IFRS as adopted by the EU.

Departures from IFRS

IFRS does not provide for the preparation of combined financial information, and accordingly in preparing the combined financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRS. In other respects IFRS has been applied.

- The combined financial information does not constitute a set of general purpose financial statements under paragraph 2 of IAS 1 and consequently the Group does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 16 of IAS 1.
- As explained above, the historical information is not prepared for all periods presented on a consolidated basis and therefore does not comply with the requirements of IFRS 10.

Transition to IFRS

This the Group’s first financial information prepared in accordance with this basis of preparation. The Group’s deemed transition date to IFRS is 1 January 2012, the beginning of the first period presented, and the requirements of IFRS 1 have been applied as of that date. IFRS 1 allows certain exemptions in the application of particular IFRS to prior periods in order to assist companies with the transition process. The exemptions applied are detailed in note 24.

Standards issued not yet effective

At the date of authorisation of this financial information, the following new standards and interpretations which have not been applied in this financial information were in issue but not yet effective (and in some cases, had not yet been adopted by the EU):

- IAS 16 and IAS 38 amendments—Clarification of Acceptable Methods of Depreciation and Amortisation (*effective 1 January 2016*)
- IFRS 11 amendments—Accounting for Acquisitions of Interests in Joint Operations (*effective 1 January 2016*)

Notes to the combined financial information (Continued)

2. Summary of significant accounting policies (Continued)

Standards issued not yet effective (Continued)

- IAS 16 and IAS 41 amendments—Agriculture: Bearer Plants (*effective 1 January 2016*)
- IAS 27 amendments—Equity Method in Separate Financial Statements (*effective 1 January 2016*)
- IFRS 10 and IAS 28 amendments—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*effective 1 January 2016*)
- IAS 1 amendments—Disclosure Initiative (*effective 1 January 2016*)
- Annual Improvements 2012-2014 Cycle (*effective 1 January 2016*)
- IFRS 15—Revenue from Contracts with Customers (*effective 1 January 2018*)
- IFRS 9 Financial Instruments (*effective 1 January 2018*)

The adoption of these Standards and Interpretations is not expected to have a material impact on the financial information of the Group in the period of initial application when the relevant standards come into effect.

Going Concern

The Directors have made appropriate enquiries and formed a judgement at the time of approving the financial information that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial information.

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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses 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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group's accounting policies. 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.

Notes to the combined financial information (Continued)

2. Summary of significant accounting policies (Continued)

Consolidation (Continued)

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries 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, plus costs directly attributable to the acquisition. 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 minority 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.

Segment

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 high quality health and fitness facilities within the United Kingdom. It is managed as one entity and management have consequently determined that there is only one operating segment.

Segment results are measured using earnings before interest, tax, depreciation, amortisation and exceptional EBITDA. Segment assets are measured at cost less any recognised impairment. Revenue is attributed to geographical regions based on the country of residence of the customer. All revenue arises in and all non-current assets are located in the United Kingdom. The accounting policies used for segment reporting reflects 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 and non-refundable joining fees.

Revenue from upfront annual membership fees are recognised and spread over the 12-month period. Monthly membership fees paid upfront are recognised on completion of each month the fee relates to.

Non-refundable joining fees associated with monthly members are recognised immediately as revenue. Provisions are made for cancellations and refunds based on the Groups experience over the previous 12 months

Revenue from the sale of goods is recognised at the point of sales as this reflects the transfer of risks and rewards of ownership.

Interest income

Interest income is the interest earned on cash held in bank accounts and is recognised in the accounts on an accruals basis.

Cost of sales

Cost of sales comprise costs arising in connection with the generation of ancillary revenue, primarily vending machine costs and tanning bed costs, call centre costs, payment processing costs and costs arising from the operation of the Group's member management systems.

Notes to the combined financial information (Continued)

2. Summary of significant accounting policies (Continued)

Revenue (Continued)

Exceptional items

Items that are material in size, unusual or infrequent in nature are included within operating profit and disclosed separately as exceptional items in the combined and consolidated income statement.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the combined and consolidated income statement, helps provide an indication of the Group's underlying business performance.

Foreign currency

Functional and presentation currency

Items included in the financial information are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial information is presented in Sterling, which is the functional currency of all companies in the Group.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Property, plant and equipment

Property, plant and equipment are included 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 over the estimated useful lives on the following bases:

- Leasehold improvements straight line over term of lease
- Fixtures, fittings and equipment 6 years
- Gym and other equipment 6 years
- Computer equipment 33% per annum straight line

The estimated useful lives are reviewed at the end of each reporting period and adjusted if appropriate. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

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 at the date of acquisition. Goodwill on acquisitions of subsidiaries 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.

Notes to the combined financial information (Continued)

2. Summary of significant accounting policies (Continued)

Intangible assets (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Brands and customers lists

Brands and customers lists are shown at historical cost. Brands and customers lists have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of Brands and customers lists over their estimated useful lives of 5 and 3 years respectively.

Contract related

Contract related intangibles relate to the lease premium associated with a portfolio of leases acquired in a business combination where the terms of the lease were favourable compared to market terms and prices. These assets have been amortised over the useful lives of the individual contracts ranging from 14.5 to 27 years respectively.

Technology related

Technology related intangible assets are the intellectual property rights represented by the development costs associated with the development of the bespoke Membership and Customer related management (CRM) systems that provide highly tailored functionality and integrates closely with website and on line payment systems. This asset is amortised over its useful economic life of 3 years.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to 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 how 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 costs less accumulated amortisation and any recognised impairment loss.

Amortisation is calculated to write down the cost of the asset on a straight line basis over their estimated useful lives, over a maximum of 3 years. Useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

2. Summary of significant accounting policies (Continued)

Intangible assets (Continued)

Impairment of non-financial assets

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Assets that are subject to 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 Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. For tangibles and intangibles the allocation is made to those CGU units that are expected to benefit from the asset, that being each trading health and fitness facility. For goodwill, the CGU is deemed to be each chain of health and fitness facilities acquired.

Any impairment charge is recognised in the income statement in the period in which it occurs. Impairment losses relating to goodwill cannot be reversed in future periods. Where an impairment loss on other assets, subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount.

Financial Instruments

Financial Assets

The Group classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

Financial liabilities

The company initially recognises its financial liabilities at fair value net of transaction cost where applicable and subsequently they are measured at amortised cost using the effective interest method. Transaction cost are amortised using the effective interest rate method over the maturity of the loan.

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 of eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Derivative financial instruments

The Group's activities expose it to financial risks associated with movements interest rates. The Group uses interest rate swap contracts to hedge its interest rate exposure. The use of financial derivatives is governed by the Group's treasury policies, as approved by the Board. The Group does not use derivative financial instruments for speculative purposes.

All derivative financial instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates.

Notes to the combined financial information (Continued)

2. Summary of significant accounting policies (Continued)

Borrowing costs (Continued)

Pensions

The Group operate a defined contribution scheme 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 employee benefit expense when they are due.

Leases

Finance leases

Assets funded through finance leases are capitalised as property, plant and equipment, and are depreciated over their estimated useful lives or the lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the asset or the present value of the minimum lease payments during the lease term at the inception of the lease. The resulting lease obligations are included in liabilities net of finance charges. Finance costs on finance leases are charged directly to the statement of comprehensive income on an effective interest rate basis.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease incentives

Lease incentives primarily include up-front cash payments or rent-free periods. Lease incentives are capitalised and spread over the period of the lease term

Inventories

Inventories are valued at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables consist mainly of prepayments and receivables relating to the property leases.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank, short-term deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one period or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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.

Notes to the combined financial information (Continued)

2. Summary of significant accounting policies (Continued)

Deferred taxation

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

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 expenditures 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 interest expense.

3. Significant accounting judgements, estimates and assumptions

The preparation of the financial information 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 estimates and assumptions for which there is a significant risk of a material adjustment to the financial information within the next financial year are set out below.

Critical judgements in applying the entity's accounting policies

Depreciation and amortisation

Judgement is used in assessing useful lives and residual values of Leasehold improvements, Office equipment and fixtures and fittings. The assets are depreciated or amortised over their estimated useful lives to their residual values.

Notes to the combined financial information (Continued)

3. Significant accounting judgements, estimates and assumptions (Continued)

Goodwill impairment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment based on the recoverable amount of its cash-generating units ('CGUs'). The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a pre-tax discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in note 11.

Provisions

Provisions have been made for dilapidations. These provisions are estimates, in particular the assumptions relating to restorations expenses, and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Further management have determined that in the majority of cases that likelihood of a liability arising is remote in the majority of instances as the Group enjoy security of tenure as tenant and therefore are unlikely to give up a site where it is trading profitably. However, if circumstances indicate otherwise the Group will recognise an appropriate provision. Details of provisions are set out in note 17.

Income taxes

The Group recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made. Detail of the tax charge and deferred tax are set out in note 9.

Determining carry values of Intangibles identified in business combinations

Valuation of separable intangible assets identified on new business combination during the period require requires management to make assumptions and estimates regarding the expected future cash generation or replacement cost of the intangibles identified for which management employed the use of external valuation services to facilitate this exercise. Details of the intangible assets identified are set out in note 11.

Lease classification

The group are required to assess whether operating leases to which the group are party, have the characteristics of finance leases in which case they are capitalised within property, plant and equipment and a lease liability recorded. In order to do this management have to consider a number of indicators, a number of which require management to make estimates as to the following:

- Useful expected economic life
- Implicit interest rate under the lease
- Present value of future cash flow under lease

Notes to the combined financial information (Continued)

4. Revenue

Analysis of revenue by service or product is as follows:

	Year ended 31 December			6 months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
			(£'000s)		
Membership income	21,914	35,284	44,993	21,796	28,550
Vending income	285	390	416	215	273
Tanning bed income	65	60	71	34	27
	<u>22,264</u>	<u>35,734</u>	<u>45,480</u>	<u>22,045</u>	<u>28,850</u>

5. Operating profit

	Year ended 31 December			6 months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
			(£'000s)		
Employee benefit expense	2,803	4,212	5,480	2,580	3,949
Depreciation of property, plant and equipment	3,805	5,979	7,600	3,598	4,878
Amortisation of intangible assets (included in administration expenses)	82	1,191	2,100	982	1,069
Operating lease rentals	4,315	6,150	7,781	3,598	5,257
Auditor's remuneration	43	41	68	19	52
(Profit)/Loss on disposal of property, plant and equipment .	—	(10)	39	—	19
Exceptional items					
Transaction fees relating to the acquisition of the Gym Group	89	4,552	—	—	—
Costs in connection with potential listing	—	—	—	—	727
Costs in relation to aborted merger with Pure Gym	—	—	1,950	60	48
Other aborted acquisition costs	—	155	—	—	689
Costs incurred in relation to relocation of a gym	103	68	703	—	—
	<u>192</u>	<u>4,775</u>	<u>2,653</u>	<u>60</u>	<u>1,464</u>
Auditors' remuneration					
Audit services ⁽¹⁾	26	35	43	—	32
Other services	17	6	25	19	20
	<u>43</u>	<u>41</u>	<u>68</u>	<u>19</u>	<u>52</u>

(1) Ernst & Young LLP were appointed the Group's Auditors on 28th July 2015

Notes to the combined financial information (Continued)

6. Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to ordinary equity holder of the parent by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic earnings per share calculation

	<u>Year ended 31 December</u>			<u>6 months ended 30 June</u>	
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
			(£'000s)	(Unaudited)	
Loss for the year	(1,232)	(9,268)	(8,783)	(2,823)	(4,008)
Basic weighted average number of shares ⁽¹⁾	Number 558,561	Number 558,561	Number 575,292	Number 558,561	Number 588,561
	£	£	£	£	£
Basic earnings per share	(2.21)	(16.59)	(15.27)	(5.06)	(6.81)

Note:

(1) The weighted average number of shares used for 2012 and 2013 has been based on the assumption that the changes in capital structure in June 2013 had been in place from the 1 Jan 2012.

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 period under review the group had no convertible financial instruments.

7. Employee costs

	<u>Year ended 31 December</u>			<u>6 months ended 30 June</u>	
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
			(£'000s)	(Unaudited)	
Employee costs during the year amounted to:					
Wages and salaries	2,536	3,809	4,942	2,328	3,563
Social security costs	249	384	503	239	361
Pension	18	19	35	13	25
	<u>2,803</u>	<u>4,212</u>	<u>5,480</u>	<u>2,580</u>	<u>3,949</u>

The average number of employees (including the executive directors) during the year were:

	<u>Number</u>				
Operations	62	92	109	101	128
Administration	10	14	30	28	52
	<u>72</u>	<u>106</u>	<u>139</u>	<u>129</u>	<u>180</u>

Notes to the combined financial information (Continued)

8. Finance costs and finance income

	Year ended 31 December			6 months ended 30 June	
	2012	2013	2014	2014	2015
	(Unaudited)				
	(£'000s)				
<i>Finance costs</i>					
Shareholder loans	1,140	1,555	1,899	941	1,035
Bank loans and overdrafts	687	2,775	4,937	2,239	2,523
Preferences share	—	2,664	2,533	2,533	—
Finance lease interest	739	1,019	1,073	557	614
Amortisation of finance fees	411	729	492	342	474
Fair value losses on interest rate derivatives	66	111	860	—	—
Unwinding of discount	—	1	3	1	3
	3,043	8,854	11,797	6,613	4,649
<i>Finance income</i>					
Bank interest receivable	4	11	20	9	7
Fair value gains on interest rate derivatives	—	—	—	—	226
	4	11	20	9	233

9. Income tax expense

The major components of income tax are:

(a) Tax on profit

	Year ended 31 December			6 months ended 30 June	
	2012	2013	2014	2014	2015
	(Unaudited)				
	(£'000s)				
Tax charged in the income Statement					
<i>Current income tax</i>					
Current tax on profits for the year	—	—	246	—	(236)
Adjustments in respect of prior years	—	—	244	—	—
Total current income tax	—	—	490	—	(236)
<i>Deferred tax</i>					
Origination and reversal of temporary differences	76	510	(584)	(41)	924
Change in tax rate	38	(272)	—	—	—
Adjustments in respect of prior years	—	(6)	(565)	(528)	—
Total deferred tax	114	232	(1,149)	(569)	924
Tax (credit) / charge in the income Statement	114	232	(659)	(569)	688

Notes to the combined financial information (Continued)

9. Income tax expense (Continued)

(b) Reconciliation of income tax credit / charge

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average rate applicable to profits of the company as follows:

	Year ended 31 December			6 months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
				(£'000s)	
(Loss) / profit before income tax	(1,118)	(9,036)	(9,442)	(3,392)	(3,320)
Weighted average tax rate	24.50	22.85	21.49	21.49	20.50
At the weighted average income tax rate	(274)	(2,065)	(2,029)	(729)	(681)
Change in rate	37	(272)	—	—	—
Expenses not deductible for tax purposes and excluded income	351	2,101	1,691	424	1,025
Unrecognised losses	—	474	—	264	344
Adjustments in respect of prior years	—	(6)	(321)	(528)	—
	114	232	(659)	(569)	688

(c) Deferred tax

During the year the Company recognised the following deferred tax assets and liabilities:

	Accelerated capital allowances	Losses	Intangibles	Other	Total
	(£'000s)				
1 January 2012	1,074	(1,516)	—	(103)	(545)
Charge in year	424	(307)	—	(32)	85
Change in deferred tax rate	(112)	140	—	10	38
31 December 2012	1,386	(1,683)	—	(125)	(422)
Prior year adjustment	177	(213)	—	30	(6)
Acquisitions	—	—	1,898	—	1,898
Charge in year	414	315	(248)	29	510
Change in deferred tax rate	(264)	198	(215)	9	(272)
31 December 2013	1,713	(1,383)	1,435	(57)	1,708
Prior year adjustment	(526)	(39)	—	—	(565)
Charge in year	581	(829)	(393)	57	(584)
31 December 2014	1,768	(2,251)	1,042	—	559
Charge in year	(498)	(23)	(198)	—	(719)
Losses utilized during year	—	1,642	—	—	1,642
30 June 2015	1,270	(632)	844	—	1,482

(d) Unrecognised tax losses

The Group has tax losses of £1.7 million (2014: £nil, 2013: £2.1 million, 2012: £nil) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss making for some time.

Notes to the combined financial information (Continued)

9. Income tax expense (Continued)

(e) Change in tax rate

The Finance Act 2012 reduced the main rate of corporation tax from 24% to 23% from 1 April 2013. The Finance Act 2013 includes a reduction to 21% from 1 April 2014 and to 20% with effect from 1 April 2015. Further future rate reductions have been announced as part of the 2015 Budget to 19% from 1 April 2017 and 18% from 1 April 2020. Therefore the rate of 20.50% (2014: 21.49%, 2013: 23.0%, 2012: 24.5%) has been reflected in the combined financial information and deferred tax assets and liabilities have been measured at the rate expected to be in effect when the deferred tax asset or liability reverses. Deferred tax has been provided at the rate of 20% as at 30 June 2015 (2014: 20%, 2013: 20%, 2012: 23%).

10. Property, plant and equipment

	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment (£'000s)	Computer Equipment	Total
Cost:					
At 1 January 2012	18,029	1,040	8,149	164	27,382
Additions	14,751	1,225	7,127	108	23,211
Disposals	—	—	—	—	—
At 31 December 2012	32,780	2,265	15,276	272	50,593
Additions	9,080	818	4,264	95	14,257
Disposals	(19)	—	(280)	(2)	(301)
At 31 December 2013	41,841	3,083	19,260	365	64,549
Additions	15,978	1,054	7,526	178	24,736
Disposals	(1,067)	(104)	(1,129)	(10)	(2,310)
At 31 December 2014	56,752	4,033	25,657	533	86,975
Additions	8,361	668	4,117	195	13,341
Disposal	(31)	—	—	—	(31)
At 30 June 2015	65,082	4,701	29,774	728	100,285
Accumulated depreciation:					
At 1 January 2012	1,090	203	2,260	74	3,627
Charge	1,186	320	2,236	63	3,805
At 31 December 2012	2,276	523	4,496	137	7,432
Charge	1,961	524	3,411	83	5,979
Disposals	—	—	(280)	—	(280)
At 31 December 2013	4,237	1,047	7,627	220	13,131
Charge	2,602	672	4,225	101	7,600
Disposals	(233)	(47)	(980)	(6)	(1,266)
At 31 December 2014	6,606	1,672	10,872	315	19,465
Charge	2,842	304	1,654	78	4,878
Disposals	—	(33)	—	—	(33)
At 30 June 2015	9,448	1,943	12,526	393	24,310
Net book value:					
31 December 2012	30,504	1,742	10,780	135	43,161
31 December 2013	37,604	2,036	11,633	145	51,418
31 December 2014	50,146	2,361	14,785	218	67,510
30 June 2015	55,634	2,758	17,248	335	75,975

The net book value of tangible fixed assets includes an amount of £11,049K (2014: £9,995K; 2013: £8,484K; 2012: £7,642K) in respect of assets held under finance leases. The related depreciation charge on these assets for the period was £821K (2014: £2,964K; 2013: £2,691K, 2012: £1,755K).

Notes to the combined financial information (Continued)

11. Intangible assets

	Goodwill	Brand	Customer list	Technology	Contract	Computer Software	Total
	(£'000s)						
At 1 January 2012	—	—	—	—	—	283	283
Additions	—	—	—	—	—	212	212
At 31 December 2012	—	—	—	—	—	495	495
Additions	45,188	2,219	3,550	776	1,709	148	53,590
At 31 December 2013	45,188	2,219	3,550	776	1,709	643	54,085
Additions	—	—	—	—	—	237	237
Disposals	—	—	—	—	—	(5)	(5)
At 31 December 2014	45,188	2,219	3,550	776	1,709	875	54,317
Additions	—	—	—	—	—	145	145
At 30 June 2015	45,188	2,219	3,550	776	1,709	1,020	54,462
Accumulated amortisation:							
At 1 January 2012	—	—	—	—	—	74	74
Amortisation	—	—	—	—	—	82	82
At 31 December 2012	—	—	—	—	—	156	156
Amortisation	—	244	651	142	43	111	1,191
At 31 December 2013	—	244	651	142	43	267	1,347
Amortisation	—	444	1,183	259	77	137	2,100
At 31 December 2014	—	688	1,834	401	120	404	3,447
Amortisation	—	221	592	129	39	88	1,069
At 30 June 2015	—	909	2,426	530	159	492	4,516
Net book value:							
31 December 2012	—	—	—	—	—	339	339
31 December 2013	45,188	1,975	2,899	634	1,666	376	52,738
31 December 2014	45,188	1,531	1,716	375	1,589	471	50,870
30 June 2015	45,188	1,310	1,124	246	1,550	528	49,946

Impairment test for goodwill

The goodwill balance relates to the Group's acquisitions of The Gym Limited (Note 23) and is allocated to the respective group of cash-generating units ('CGUs') that represent that acquisition. In this instance the CGUs to which goodwill has been allocated and the level at which it is monitored is deemed to be each chain of health and fitness facilities acquired. Goodwill acquired through business combinations has been allocated for impairment testing purposes accordingly as follows:

	As at 31 December		As at
	2013	2014	30 June
	(£'000s)		
The Gym Limited	45,188	45,188	45,188

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the board covering a three to five year period. Cash flows beyond this period are extrapolated using the estimated growth rates stated in the key assumptions. The key assumptions used in the value in use calculations are as follows:

Discount rate	20.0%	20.0%	20.0%
Growth rate	2.5%	2.5%	2.5%

Notes to the combined financial information (Continued)

11. Intangible assets (Continued)

Impairment test for goodwill (Continued)

Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals. These discount rates are derived from the Group's weighted average cost of capital. Changes in the discount rates over the years are calculated with reference to latest market assumptions for the risk free rate, equity market risk premium and the cost of debt. Growth rates applied to costs reflect the effect of inflationary prices at 2%, these are considered prudent when compared with the Group's experience. Membership growth for mature gyms has been modelled on a site by site basis. New gym growth has been modelled at circa 20 gyms per annum, with associated membership growth modelled in line with the historical gym maturity profile of mature gyms. The management forecasts used cover the next three to five years with perpetuity for the following years based upon the year 3 or 5 figures with 2.5% growth based on a mature portfolio of gyms.

Goodwill is now tested for impairment on at least an annual basis, or more frequently if events or changes in circumstance indicate that the carrying value may be impaired. In the periods under review management's value in use calculations have indicated no requirement to impair.

Sensitivity to changes in assumptions

The estimates of the recoverable amounts associated with these CGU affords significant head room over the carrying value, consequently only significant adverse changes in these key assumptions would cause the group to recognize an impairment loss.

12. Inventories

	As at 31 December			As at 30 June 2015
	2012	2013	2014	
	(£'000s)			
Finished goods and goods for resale	102	138	75	140

13. Trade and other receivables

	As at 31 December			As at 30 June 2015
	2012	2013	2014	
	(£'000s)			
Other receivables	390	102	474	555
Corporate and other taxes	—	—	151	—
Prepayments and accrued income	2,111	2,958	3,657	5,416
	2,501	3,060	4,282	5,971

14. Cash and cash equivalents

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Notes to the combined financial information (Continued)

15. Trade and other payables

	As at 31 December			As at
	2012	2013	2014	30 June 2015
	(£'000s)			
Trade payables	2,398	1,830	4,516	5,136
Social security and other taxes	96	475	4	594
Other creditors	58	230	1	—
Stepped rent/rent free accrual	5,298	7,391	9,737	11,896
Accrued expenses and deferred income	3,199	4,199	6,539	9,154
	11,049	14,125	20,797	26,780

Trade payables are non-interest bearing and are payable on average within 30 days at 31 December 2014 (2013: 30 days).

16. Borrowings

	As at 31 December 2012			As at
	2012	2013	2014	30 June 2015
	(£'000s)			
Non-Current				
Bank facility—A (principal and PIK interest)	—	29,594	33,113	35,004
Bank facility—B (principal and PIK interest)	—	1,010	9,800	11,042
Finance leases	4,915	5,675	6,555	6,068
Shareholder loans and accrued interest	20,150	18,992	20,785	21,926
Preference Shares and accrued dividend	—	50,924	—	—
	25,065	106,195	70,253	74,040
Current				
Bank facility—RCF	15,424	—	—	—
Finance leases	1,933	2,363	3,613	4,039
	17,357	2,363	3,613	4,039
Loan maturity analysis:				
Within one year	17,357	2,363	3,613	4,039
Between one and two years	1,879	2,704	6,795	8,969
Between two and five years	3,036	33,574	42,673	43,145
After five years	20,150	72,109	22,484	23,380
	42,422	110,750	75,565	79,533
The following facilities are available to the Group				
Bank facility—A	—	30,000	30,000	30,000
Bank facility—B	—	20,000	20,000	20,000
Bank facility—RCF	—	3,000	3,000	3,000
Shareholder loans	—	18,000	18,000	18,000
	—	71,000	71,000	71,000
The following amounts remain undrawn and available				
Bank facility—A	—	—	—	—
Bank facility—B	—	19,000	10,500	10,500
Bank facility—RCF	—	3,000	3,000	3,000
Shareholder loans	—	—	—	—
	—	22,000	13,500	13,500

The Group's bank borrowings are secured by way of fixed and floating charge over the Groups assets.

Notes to the combined financial information (Continued)

16. Borrowings (Continued)

Term loan under the £17.1 million 10% Fixed Rate Unsecured Midco Loan Notes 2023 (“Shareholder loans”)

On the 13 June 2013 the Group entered into a 10 year, £17.1 million credit facility to part finance the Group’s acquisition of The Gym Limited. Interest is accrued on the loan from at the rate of 10% per annum and compounded on each anniversary. Interest is then also payable on the PIK notes at a rate of 10% per annum by the issue of further PIK notes. The shareholder loans are repayable in full in June 2023.

Term loan under the £0.9 million 10% Fixed Rate Unsecured Topco Loan Notes 2023 (“Shareholder loans”)

On the 13 June 2013 the Group entered into a 10 year, £0.9 million credit facility to part finance the Group’s acquisition of The Gym Limited. Interest is accrued on the loan from at the rate of 10% per annum and compounded on each anniversary. Interest is then also payable on the PIK notes at a rate of 10% per annum by the issue of further PIK notes. The shareholder loans are repayable in full in June 2023.

HSBC term loan under the £12.0 million revolving bank facility (“Bank Facility—RCF”)

On the 1 December 2010 The Gym Limited entered into a 3 year, £12.0 million multi-currency revolving credit. The facility is split into tranche 1 amounting to £11.75 million to provide financing for site development capital expenditure and tranche 2 of £0.25 million to provide financing for general corporate and working capital requirements. The variable interest rate payable under the facility is LIBOR plus margin plus mandatory costs. Each drawing under the facility is repayable at the end of the Interest period either 1, 3 or 6 months or longer and subject to the terms of the facility agreement these amounts are available to be redrawn. All amounts outstanding under the facility are repayable on 1 December 2013. This facility was repaid on the 13 June 2013.

Preference share capital £50.9 million (“Preference share capital”)

On 14th May 2013 Preference Shares were issued, these shares attract a fixed cumulative preferential dividend at an annual rate of 10%, compounded annually on each anniversary. This accrued dividend shall become due and payable immediately prior to Sale or Listing but shall not otherwise become payable without the consent of holders of 75% of the Preference and Roll-out preference shares. On the 23 July 2014 the terms of these shares was altered such that the dividend was only payable at the discretion of the board of directors as such they were reclassified from debt to equity. Interest of £5.1m accrued on these shares up to 23 July 2014 waived by shareholders has been credited directly to equity.

Proventus term loan under the £30.0 million bank facility (“Facility—A”)

On the 13 June 2013 the Group entered into a 5 year, £30.0 million bullet repayment credit facility to finance the Group’s acquisition of The Gym Group Midco1 Limited. The variable interest rate payable under the facility is LIBOR plus margin plus mandatory costs and is repayable in June 2018. Margin means the PIK Margin (10%) prior to the second anniversary and thereafter the Cash Margin (9%). Interest on the Cash Margin is payable at the end of each interest period. Interest of the PIK Margin is accrued and compounded on each anniversary.

Proventus term loan under the £20.0 million bank facility (“Facility—B”)

On the 13 June 2013 the Group entered into a 5 year, £20.0 million amortising credit facility to part finance the Group’s acquisition of The Gym Group Midco1 Limited and site development capital expenditure. The variable interest rate payable under the facility is LIBOR plus margin plus mandatory costs and is repayable in June 2018. Margin means the rate equal to the aggregate of the Cash Margin (6%) and the PIK Margin (4%). Interest on the Cash Margin is payable at the end of each interest period. Interest of the PIK Margin is accrued and compounded on each anniversary.

HSBC £3.0 million Revolving credit facility (“Bank Facility—RCF”)

On the 13 June 2013 the Group entered into a 5 year, £3.0 million multi-currency revolving credit facility to provide financing for general corporate and working capital requirements. The variable interest rate

Notes to the combined financial information (Continued)

16. Borrowings (Continued)

payable under the facility is LIBOR plus margin plus mandatory costs. Each drawing under the facility is repayable at the end of the Interest period and subject to the terms of the facility agreement these amounts are available to be redrawn. Margin is defined as the Cash Margin (4.5%). Interest on the Cash Margin is payable at the end of each interest period. All amounts outstanding under the facility are repayable in June 2018. Ancillary facilities are available under the revolving credit facility to provide financing for overdraft, short term loans and guarantees/bonding/letter of credit. This may constitute all or part of the revolving credit facility from time to time.

Covenants

The Group are subject to financial covenants in relation to Facility 'A','B' and 'RCF'. The covenants cover the following ratios: a) Cash flow cover, b) Interest cover, c) leverage and also d) minimum levels of EBITDA and e) maximum levels of capital expenditure. The Group has been in compliance with all of the covenants during the periods under review. Breach of the covenants would render any outstanding borrowings subject to immediate settlement.

Finance Fees

Finance fees incurred for the arrangement of Shareholder loans by the Group's lenders are not included in the Loan Maturity Analysis table. The finance fees after amortisation is as follows:

	As at 31 December 2012		As at 30 June 2015
	(£'000s)		
Finance fees	—	2,192	1,699
			1,454

17. Provisions

	As at 31 December			As at 30 June 2015
	2012	2013	2014	
	(£'000s)			
Dilapidations				
Balance at beginning of the period	—	41	131	223
New provisions	40	89	89	—
Unwind of discount	1	1	3	3
	41	131	223	226

18. Financial instruments

Derivative financial instruments

	As at 31 December			As at 30 June 2015
	2012	2013	2014	
	(£'000s)			
<i>Non-Current</i>				
Interest rate CAP	66	—	—	—
Interest rate SWAP/CAP	—	177	1,037	811
	66	177	1,037	811

Notes to the combined financial information (Continued)

18. Financial instruments (Continued)

The group has entered into the following interest rate contract with the following terms:

31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015

Trade Date	Type	Fixed rate	Minimum Notional amount	Maximum Notional amount	start date	end date
21 January 2011	CAP	2.50%	4,115,000	4,115,000	31.01.11	29.11.13
15 June 2012	CAP	1.00%	1,150,000	2,750,000	31.07.12	30.11.13
22 August 2013	SWAP/CAP	1.81%	29,250,000	51,613,200	31.10.13	31.10.17

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract and its contractual cash flows. The interest rate swaps are designated as fair value through profit or loss at initial recognition. The fair value of the Group's interest rate derivatives is calculated as the present value of future expected net contracted cash flows at market related rates, which are current at the balance sheet date. This valuation is obtained from the counterparty bank and at each period end is categorised as a Level 2 valuation, see below. The maximum exposure to credit risk is the fair value of the derivative as a financial asset.

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: inputs are quoted prices in active markets

Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets

Level 3: a valuation using unobservable inputs i.e. a valuation technique.

There were no transfers between levels throughout the periods under review.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial information. The fair values of financial derivatives and borrowings has been calculated by discounting the future cash flows at prevailing market interest rates and is categorised as a Level 2 valuation. The fair values of the other financial instruments approximates closely with their carrying values.

	Carrying Amount			
	As at 31 December			As at 30 June 2015
	2012	2013	2014	
	(£'000s)			
Financial assets				
<i>Current</i>				
Trade and other receivables	390	102	625	555
Cash and short-term deposits	3,293	4,091	5,576	2,941
Financial liabilities				
<i>Current</i>				
Borrowings	17,357	2,363	3,613	4,039
Trade and other payables	5,751	6,734	11,060	14,883
<i>Non-Current</i>				
Borrowings	25,065	106,195	70,253	74,040
Derivative financial instruments	66	177	1,037	811

Notes to the combined financial information (Continued)

18. Financial instruments (Continued)

	Fair Value			As at 30 June 2015
	As at 31 December			
	2012	2013	2014	
	(£'000s)			
Financial assets				
<i>Current</i>				
Trade and other receivables	390	102	625	555
Cash and short-term deposits	3,293	4,091	5,576	2,941
Financial liabilities				
<i>Current</i>				
Borrowings	17,357	2,363	3,613	4,039
Trade and other payables	5,751	6,734	11,060	14,883
<i>Non-Current</i>				
Borrowings	25,065	106,195	70,986	74,596
Derivative financial instruments	66	177	1,037	811

19. Capital and Financial risk management objectives and policies

(a) Capital risk management

The Group's objective when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the 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 total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt. The gearing ratios for the periods under review are as follows:

	As at 31 December			As at 30 June 2015
	2012	2013	2014	
	(£'000s)			
Total borrowings	42,422	108,558	73,866	78,079
Less: cash and cash equivalents	(3,293)	(4,091)	(5,576)	(2,941)
Net debt	39,129	104,467	68,290	75,138
Total equity	459	558	48,983	48,991
Total capital	39,588	105,025	117,273	124,129
Gearing ratio (%)	99	99	58	61

(b) 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.

Notes to the combined financial information (Continued)

19. Capital and Financial risk management objectives and policies (Continued)

(b) Financial risk management (Continued)

(i) 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. Key market risks affecting the Group include interest rate risk. Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 30 June 2015, 31 December 2014, 2013 and 2012. 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.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group manages its interest rate risk by holding 50% of borrowings in fixed rate instruments. The exposure to the remaining 50% is managed by entering into interest rate derivatives, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest rate amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2015 and 31 December 2014 after taking into account the effect of interest rate swaps, 100% of Group's borrowings are at fixed rates of interest. The Group are not expecting any reduction in interest rates over the next 12 months, the impact of notional increases over next 12 months is shown below:

Impact on profit before tax—gain/(loss)	As at 31 December			As at 30 June 2015
	2012	2013	2014	
			(£'000s)	
Change in interest rate				
Interest rates +0.5%	18	32	10	11

(iii) 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 and by maintaining adequate cash reserves.

The table below summaries the maturity profile of the Group's financial liabilities:

	As at 30 June 2015				Total
	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due in more than 5 years	
			(£'000s)		
Borrowings	9,027	8,210	54,444	39,440	111,121
Trade and other payables	14,883	—	—	—	14,883
Derivative financial instruments	564	498	38	—	1,100
Total financial liabilities	24,474	8,708	54,482	39,440	127,104

Notes to the combined financial information (Continued)

19. Capital and Financial risk management objectives and policies (Continued)

(b) Financial risk management (Continued)

As at 31 December 2014					
	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due in more than 5 years	Total
			(£'000s)		
Borrowings	6,970	8,020	57,477	39,440	111,907
Trade and other payables	11,060	—	—	—	11,060
Derivative financial instruments	650	537	278	—	1,465
Total financial liabilities	18,680	8,557	57,755	39,440	124,432

As at 31 December 2013					
	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due in more than 5 years	Total
			(£'000s)		
Borrowings	3,749	5,380	61,811	145,477	216,417
Trade and other payables	6,734	—	—	—	6,734
Derivative financial instruments	481	650	814	—	1,945
Total financial liabilities	10,964	6,030	62,625	145,477	225,096

As at 31 December 2012					
	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due in more than 5 years	Total
			(£'000s)		
Borrowings	18,844	2,150	4,120	20,886	46,000
Trade and other payables	5,751	—	—	—	5,751
Derivative financial instruments	39	—	—	—	39
Total financial liabilities	24,634	2,150	4,120	20,886	51,790

(iv) Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments. The group's credit risk is low as it has limited trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

20. Commitments and contingencies

Operating lease commitments

The Group has entered into leases on commercial real estate. These leases have an average life 17.9 years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The lease expenditure charged to the income statement during the year disclosed in note 5.

Notes to the combined financial information (Continued)

20. Commitments and contingencies (Continued)

Operating lease commitments (Continued)

Future minimum rentals payable under non-cancellable operating leases as at 31 December, analysed by the period in which they fall due are as follows:

	As at 31 December			As at 30 June 2015
	2012	2013	2014	
	(£'000s)			
Within one year	3,620	5,210	7,075	8,275
Between one and two years	4,466	6,109	8,690	9,770
Between two and five years	15,132	19,633	30,852	31,665
Greater than 5 years	77,107	89,126	115,767	119,854
	100,325	120,078	162,384	169,564

Finance lease commitments

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are, as follows:

	As at 31 December			As at 30 June 2015
	2012	2013	2014	
	(£'000s)			
Within one year	2,131	3,296	4,644	4,981
Between one and two years	2,150	3,054	3,841	4,043
Between two and five years	4,121	3,723	3,567	2,610
	8,403	10,073	12,052	11,634
Future finance charges	(1,555)	(2,035)	(1,884)	(1,527)
Present value	6,848	8,038	10,168	10,107

The present value of finance lease liabilities is as follows:

	As at 31 December			As at 30 June 2015
	2012	2013	2014	
	(£'000s)			
Within one year	1,933	2,363	3,613	4,039
Between one and two years	1,878	2,704	3,267	3,580
Between two and five years	3,037	2,971	3,288	2,488
	6,848	8,038	10,168	10,107
Capital commitments				
Contracted but not provided	3,340	3,952	3,394	4,917

Notes to the combined financial information (Continued)

21. Issued capital and reserves

The movements in the called up share capital and share premium account are set out below:

Called up, authorised, allotted and fully paid

	As at 31 December			As at 30 June 2015
	2012	2013	2014	
	(£'000s)			
Preference shares of £1 each	—	48,394	—	—
Preference shares of £0.0001 each	—	—	—	—
'A' Ordinary shares of £0.01 each	8	4	4	4
'B' Ordinary shares of £0.01 each	41	—	—	—
'C1' Ordinary shares of £0.04 each	—	4	4	4
'C2' Ordinary shares of £0.01 each	—	—	1	1
'C3' Ordinary shares of £0.01 each	—	—	—	—
	49	48,402	9	9
Reclassified Preference shares	—	(48,394)	—	—
Total	49	8	9	9

The number of ordinary shares in issue is set out below:

	Number	Number	Number	Number
Preference shares of £1 each	—	48,393,939	—	—
Preference shares of £0.000001 each	—	—	48,393,939	48,393,939
'A' Ordinary shares of £0.01 each	750,000	385,575	385,575	385,575
'B' Ordinary shares of £0.01 each	4,181,200	20,486	20,486	20,486
'C1' Ordinary shares of £0.04 each	—	87,642	87,642	87,642
'C2' Ordinary shares of £0.01 each	—	57,963	87,963	95,463
'C3' Ordinary shares of £0.01 each	—	6,895	6,895	6,895
'C4' Ordinary shares of £1 each	—	50	50	50

The movements in shares occurred on following dates set out below:

	Number	Number	Number
13 June 2013			
Reclassification of preference shares of £1 each	—	48,393,939	—
Issue of 'A' Ordinary shares of £0.01 each	—	385,575	—
Issue of 'B' Ordinary shares of £0.01 each	—	20,486	—
Issue of 'C1' Ordinary shares of £0.04 each	—	87,642	—
Issue of 'C2' Ordinary shares of £0.01 each	—	57,963	—
Issue of 'C3' Ordinary shares of £0.01 each	—	6,895	—
Issue of 'C4' Ordinary shares of £1 each	—	50	—
12 August 2014			
Issue of 'C2' Ordinary shares of £0.01	—	—	30,000
3 March 2015			
Issue of 'C2' Ordinary shares of £0.04 each	—	—	5,350
22 April 2015			
Issue of 'C2' Ordinary shares of £0.04 each	—	—	2,150

The Gym Limited

All shares rank pari passu in all respects other than outlined below.

Notes to the combined financial information (Continued)

21. Issued capital and reserves (Continued)

The Gym Group plc

Prior to 23 July 2014

The A Ordinary Shares, B Ordinary Shares and C Ordinary shares shall rank pari passu among themselves, but they constitute separate class of share. All shares carry equal voting rights with the exception of holders of 'C3' Ordinary shares' who shall have five votes in respect of each share provided that the 'A' Ordinary class of shares shall never have less than 82.38% of the total voting rights.

Preference Shares or Roll-out Preference shares shall rank ahead of the Ordinary Shares for all purposes. The Preference shares and Roll-out preference shares shall accrue a fixed cumulative preferential dividend at an annual rate of 10% and 12% respectively of the Issue Price per share, compounded annually on each anniversary. This accrued dividend shall become due and payable immediately prior to Sale or Listing but shall not otherwise become payable without the consent of holders of 75% of the Preference and Roll-out preference shares

On the return of capital on liquidation or otherwise, the surplus assets of the Company shall be applied in the following order:

- Each Preference share and Roll-out preference share holder shall receive 100% of the Issue Price thereof together with the aggregate amount of any accruals and/or unpaid amounts of dividend;
- £1 in aggregated to all holders of deferred shares;

The balance shall be distributed prorata amongst each holder of 'A' Ordinary Shares, 'B' Ordinary Shares and C1, C2 and C3 Ordinary, subject to allocating 39.38% of the amounts allocated to holders of C1,C2 and C3 Ordinary shares to holders of 'A' and 'B' ordinary shares.

As a result of the repayment terms attaching to the Preference shares and Roll-out preference shares these instruments have been treated as debt instruments.

Post to 23 July 2014

The Articles of Association were amended on this date in respect of the repayment of the fixed preferential dividend on the Preference and Roll-out preference shares as follows:

'All accruals of Preference share and Roll-out preference share dividend shall become payable at the sole discretion of the board'

As a result of the change in repayment terms attaching to the Preference shares and Roll-out preference shares these instruments have been reclassified from debt to equity.

The following describes the nature and purpose of each reserve in equity:

Share premium

Amount subscribed for share capital in excess of nominal value.

Retained earnings

Are the accumulated net gains and losses of the Group since inception. It excludes any dividends paid.

22. Related party disclosures

(a) Identity of related parties

The ultimate holding company of the Group is The Gym Group plc (formerly The Gym Group Holdings Limited), incorporated in The United Kingdom. The company's controlling shareholders are Phoenix Equity Partners 2010 L.P. and Phoenix Equity Partners 2010 GP, L.P. ("the Phoenix Funds"), which are managed by Phoenix Equity Partners 2010 Guernsey Limited. Phoenix Equity Nominees Limited holds the shares on behalf of the shareholders. Phoenix Equity Partners Limited is an advisor to Phoenix Equity Partners 2010 Guernsey Limited and Bridges Community Development Venture Fund II, which is

Notes to the combined financial information (Continued)

22. Related party disclosures (Continued)

managed by Bridges Ventures LLP, is the beneficial minority shareholder in The Gym Group Operations Limited (formerly The Gym Group Holdings Limited). Bridges Community Ventures Nominees Limited holds the shares on behalf of Bridges Community Development Venture Fund II. Closewall is a company under the control of a family member of a director, J Treharne.

The principal subsidiaries of the Group are as follows:

Company	Principal activity	Country of incorporation	Holding%
The Gym Group Midco 1 Limited	Holding Company	United Kingdom	100%
The Gym Group Midco 2 Limited	Holding Company	United Kingdom	100%
The Gym Group Operations Limited	Holding Company	United Kingdom	100%
The Gym Limited	Fitness Operator	United Kingdom	100%

(b) Transactions with related parties

The following table provides the total amounts owed to related parties for the relevant financial period:

	As at 31 December			As at
	2012	2013	2014	30 June 2015
	(€'000s)			
Phoenix Funds	—	44,539	44,008	44,667
Bridges Ventures LLP (formerly Bridges Ventures Limited) . .	20,150	22,109	21,822	22,304
Key management	—	3,509	3,349	3,349
Closewall	110	353	467	9
C Treharne	1	1	1	—
Total	20,261	70,511	69,647	70,329
Opening balance	14,013	20,261	70,511	69,647
New loan notes	5,050	18,000	—	—
Loan note interest	1,209	1,555	1,803	984
Preference shares	—	48,394	—	—
Dividends	—	2,665	(2,665)	—
Purchases	4,806	4,117	5,409	3,449
Repayments	(4,817)	(24,481)	(5,411)	(3,751)
Total	20,261	70,511	69,647	70,329
Representing:				
Borrowings (Note 16)	20,150	69,916	20,785	21,926
Share Premium	—	—	48,394	48,394
Trade & other payables	111	595	468	9
Total	20,261	70,511	69,647	70,329

The following table provides the total amounts of purchases from related parties for the relevant financial period:

	(€'000s)			
Phoenix Equity Partners 2010 Guernsey Limited	—	3,088	1,308	677
Phoenix Equity Partners Limited	—	611	—	4
Bridges Ventures LLP (formerly Bridges Ventures Limited) . .	1,224	1,965	627	341
Key management	—	159	—	—
Closewall Limited	4,782	2,511	5,270	3,406
C Treharne	9	3	8	4
Total	6,015	8,337	7,213	4,432

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. Loans from related parties carry interest at 10%. Payments to Closewall Limited and C Treharne are in respect of the provision of services and goods respectively.

Notes to the combined financial information (Continued)

22. Related party disclosures (Continued)

(c) Compensation of key management personnel

Key management includes the directors as identified in the Directors' report. The compensation paid or payable to key management for employee services is shown below:

	<u>As at 31 December</u>			<u>As at</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>30 June 2015</u>
	(£'000s)			
Remuneration	624	612	665	524
Pension	18	19	16	17
	<u>642</u>	<u>631</u>	<u>681</u>	<u>541</u>

At the year end £nil (2013: £nil) was owed to the directors in respect of year-end bonus.

Information regarding the highest paid director is as follows:

	<u>As at 31 December</u>			<u>As at</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>30 June 2015</u>
	(£'000s)			
Short-term benefits	168	183	193	160

23. Acquisitions

On 13 June 2013 the group purchased the entire issued share capital of The Gym Limited for a consideration of £52,363,000.

	<u>Book Value</u>	<u>Fair value adjustments</u>	<u>Fair Value</u>
	(£'000s)		
Property, plant and equipment	45,952	—	45,952
Intangibles	—	8,289	8,289
Inventories	32	—	32
Trade and other receivables	2,056	—	2,056
Cash and short-term deposits	3,986	—	3,986
Trade and other payables	(15,770)	—	(15,770)
Bank loans	(34,199)	—	(34,199)
Deferred tax	(1,273)	(1,898)	(3,171)
Net Assets	784	6,391	7,175
Goodwill	—	—	45,188
Total consideration	—	—	<u>52,363</u>

The components of the consideration are made up as follows:

	£'000
Cash consideration paid	28,160
Shareholder loans	24,000
Deferred consideration	203
Total consideration	<u>52,363</u>

Goodwill represents the premium associated with advantageous site locations, potential growth opportunities offered by low cost business model, profitability and assembled workforce.

Professional fees of £4.3 million incurred in effecting the acquisition were fully expensed during the period ended 31 December 2013. These costs are included in 'Administrative and other expenses'.

Notes to the combined financial information (Continued)

23. Acquisitions (Continued)

As explained in the Basis of Preparation the financial information has been prepared on the basis that the Group existed from the 1 January 2013. The amount of Revenue and profit that would have been recognised for the Gym Limited had it been included from the acquisition date would have been £20.2 million and £3.6 million respectively.

24. Explanation of transition to IFRS

This is the first time that the Group has presented its financial information under IFRS. The last financial information under UK GAAP was for the year to 31 December 2014 and the date of transition to IFRS was 1st January 2013. 2013 is the earliest period for which The Gym Group plc (formerly The Gym Group Holdings Limited) has published UK GAAP financial information. The date of transition for The Gym Limited is 1st January 2012 as 2012 is the earliest period for which IFRS financial information is presented for The Gym Limited and for which it had previously published UK GAAP financial information.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' offers a number of exemptions from full retrospective application of applicable standards on transition to IFRS, however following a review of these exemptions it has been concluded that none are applicable to the Group.

Set out below are the UK GAAP to IFRS equity reconciliations for The Gym Limited at 1st January 2012 (date of transition) and Group at 31 December 2012 and 31 December 2013 and 31 December 2014 (last financial information under UK GAAP) and profit reconciliation for The Gym Limited for the year ended 31 December 2012 and Group for the year ended 31 December 2014.

Notes to the combined financial information (Continued)

24. Explanation of transition to IFRS (Continued)

Reconciliation of equity at 1st January 2012 (The Gym Limited date of transition)

	Note	UK GAAP	UK GAAP Restatement	IFRS adjustments	IFRS
(£'000s)					
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment	(a(i),(ii),(c(i),(ii)),(h))	20,758	—	2,996	23,754
Intangible assets	(b(i),(ii),(c(i),(ii)))	—	—	209	209
Deferred tax asset	(b),(g)	(127)	—	663	536
Total non-current assets		20,631	—	3,868	24,499
<i>Current assets</i>					
Inventories		49	—	—	49
Trade and other receivables	(a),(d)	2,960	—	(916)	2,044
Cash and short-term deposits		619	—	—	619
Total current assets		3,628	—	(916)	2,712
TOTAL ASSETS		24,259	—	2,952	27,211
<i>Current liabilities</i>					
Borrowings	(a)	1,107	—	855	1,962
Trade and other payables	(d),(e)	3,587	553	1,772	5,912
Current taxes payable	(g)	—	—	—	—
Total current liabilities		4,694	553	2,627	7,874
<i>Non-current liabilities</i>					
Borrowings	(a)	20,103	—	1,762	21,865
Deferred tax liabilities	(b(ii),(g))	—	—	—	—
Provisions	(h)	—	—	—	—
Financial instruments	(f)	—	—	—	—
Total non-current liabilities		20,103	—	1,762	21,865
TOTAL LIABILITIES		24,797	553	4,389	29,739
NET ASSETS		(538)	(553)	(1,437)	(2,528)
EQUITY AND LIABILITIES					
Issued capital		49	—	—	49
Share premium		410	—	—	410
Retained earnings	(a,b,c,d,e,f,g)	(997)	(553)	(1,437)	(2,987)
TOTAL EQUITY		(538)	(553)	(1,437)	(2,528)

Notes to the combined financial information (Continued)

24. Explanation of transition to IFRS (Continued)

Reconciliation of equity at 1st January 2013

	Note	UK GAAP	UK GAAP Restatement	IFRS adjustments	IFRS
(€'000s)					
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment	(a(i),(ii),(c(i),(ii)),(h))	36,106	468	6,587	43,161
Intangible assets	(b(i),(ii)),(c(i),(ii))	—	—	339	339
Deferred tax asset	(b),(g)	(611)	—	1,033	422
Total non-current assets		35,495	468	7,959	43,922
<i>Current assets</i>					
Inventories		102	—	—	102
Trade and other receivables	(a),(d)	3,418	—	(917)	2,501
Cash and short-term deposits		3,293	—	—	3,293
Total current assets		6,813	—	(917)	5,896
TOTAL ASSETS		42,308	468	7,042	49,818
<i>Current liabilities</i>					
Borrowings	(a)	15,768	—	1,589	17,357
Trade and other payables	(d),(e)	6,470	1,389	3,190	11,049
Current taxes payable	(g)	—	—	—	—
Total current liabilities		22,238	1,389	4,779	28,406
<i>Non-current liabilities</i>					
Borrowings	(a)	20,372	—	4,693	25,065
Deferred tax liabilities	(b(ii)),(g)	—	—	—	—
Provisions	(h)	—	—	41	41
Financial instruments	(f)	—	—	66	66
Total non-current liabilities		20,372	—	4,800	25,172
TOTAL LIABILITIES		42,610	1,389	9,579	53,578
NET ASSETS		(302)	(921)	(2,537)	(3,760)
EQUITY AND LIABILITIES					
Issued capital		49	—	—	49
Share premium		410	—	—	410
Retained earnings	(a,b,c,d,e,f,g)	(761)	(921)	(2,537)	(4,219)
TOTAL EQUITY		(302)	(921)	(2,537)	(3,760)

Notes to the combined financial information (Continued)

24. Explanation of transition to IFRS (Continued)

Reconciliation of equity at 31 December 2013

	Note	UK GAAP	UK GAAP Restatement	IFRS adjustments	IFRS
(£'000s)					
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment . . .	(a(i),(ii),(c(i),(ii)),(h))	44,584	326	6,508	51,418
Intangible assets	(b(i),(ii),(c(i),(ii)))	53,130	662	(1,054)	52,738
Deferred tax asset	(b),(g)	—	—	—	—
Total non-current assets		97,714	988	5,454	104,156
<i>Current assets</i>					
Inventories		138	—	—	138
Trade and other receivables	(a),(d)	4,007	—	(947)	3,060
Cash and short-term deposits		4,091	—	—	4,091
Total current assets		8,236	—	(947)	7,289
TOTAL ASSETS		105,950	988	4,507	111,445
<i>Current liabilities</i>					
Borrowings	(a)	441	—	1,922	2,363
Trade and other payables	(d),(e)	7,404	1,692	5,029	14,125
Current taxes payable	(g)	—	—	—	—
Total current liabilities		7,845	1,692	6,951	16,488
<i>Non-current liabilities</i>					
Borrowings	(a)	101,806	—	4,389	106,195
Deferred tax liabilities	(b(ii),(g))	1,030	662	16	1,708
Provisions	(h)	—	—	131	131
Financial instruments	(f)	—	—	177	177
Total non-current liabilities		102,836	662	4,713	108,211
TOTAL LIABILITIES		110,681	2,354	11,664	124,699
NET ASSETS		(4,731)	(1,366)	(7,157)	(13,254)
EQUITY					
Issued capital		8	—	—	8
Share premium		550	—	—	550
Retained earnings	(a,b,c,d,e,f,g)	(5,289)	(1,366)	(7,157)	(13,812)
TOTAL EQUITY		(4,731)	(1,366)	(7,157)	(13,254)

Notes to the combined financial information (Continued)

24. Explanation of transition to IFRS (Continued)

Reconciliation of equity at 31 December 2014

	Note	UK GAAP	UK GAAP Restatement	IFRS adjustments	IFRS
(£'000s)					
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment . . .	(a(i),(ii),(c(i),(ii)),(h))	63,042	201	4,267	67,510
Intangible assets	(b(i),(ii),(c(i),(ii)))	49,452	662	756	50,870
Deferred tax asset	(b),(g)	—	—	—	—
Total non-current assets		112,494	863	5,023	118,380
<i>Current assets</i>					
Inventories		75	—	—	75
Trade and other receivables	(a),(d)	5,417	—	(1,135)	4,282
Cash and short-term deposits		5,576	—	—	5,576
Total current assets		11,068	—	(1,135)	9,933
TOTAL ASSETS		123,562	863	3,888	128,313
<i>Current liabilities</i>					
Borrowings	(a)	1,553	—	2,060	3,613
Trade and other payables	(d),(e)	11,577	1,967	7,253	20,797
Current taxes payable	(g)	246	—	—	246
Total current liabilities		13,376	1,967	9,313	24,656
<i>Non-current liabilities</i>					
Borrowings	(a)	67,930	—	2,323	70,253
Deferred tax liabilities	(b(ii),(g))	1,821	724	(1,986)	559
Provisions	(h)	—	—	223	223
Financial instruments	(f)	—	—	1,037	1,037
Total non-current liabilities		69,751	724	1,597	72,072
TOTAL LIABILITIES		83,127	2,691	10,910	96,728
NET ASSETS		40,435	(1,828)	(7,022)	31,585
EQUITY					
Issued capital		9	—	—	9
Share premium		48,974	—	—	48,974
Retained earnings	(a,b,c,d,e,f,g)	(8,548)	(1,828)	(7,022)	(17,398)
TOTAL EQUITY		40,435	(1,828)	(7,022)	31,585

Notes to the combined financial information (Continued)

24. Explanation of transition to IFRS (Continued)

Notes to the reconciliation of equity at 1 January 2012, 1 January 2013, 31 December 2013 and 31 December 2014:

(a) (i) IAS 17 Leases—Equipment leases

The Group reclassified leases previously treated as Operating leases to finance leases as they satisfied the recognition criteria outlined under IAS 17. This resulted in the following impact in the years under review as follows

	Year ended 31 December			
	2014	2013	2012	2011
	(£'000s)			
Tangible assets—recognition	4,535	6,759	6,886	3,205
Trade and other receivables—reversal of initial down payment treated as prepayment	(617)	(947)	(917)	(917)
Interest bearing loans and borrowings—recognition of finance lease liability	(4,383)	(6,311)	(6,282)	(2,617)
Net reduction in net assets resulting from IAS 17	(465)	(499)	(313)	(329)
Interest bearing loans and borrowing				
Current	2,060	1,922	1,589	855
Non-current	2,323	4,389	4,693	1,762
Total	4,383	6,311	6,282	2,617

(ii) UKGAAP restatement—Property, plant and equipment

Adjustment in respect to assets under construction not invoiced

	Year ended 31 December			
	2014	2013	2012	2011
	(£'000s)			
Recognition of assets under construction not invoiced	201	326	468	—

(b) (i) IFRS 3 ‘Business Combinations’—Intangible assets

Under IFRS 3 ‘Business Combinations requires the Group to make an assessment of the fair value of any identifiable intangibles assets that exist at the date of acquisition and to also identify any transaction fees that were also capitalised in determining the carrying value of goodwill in the acquisition accounting. The carrying value of goodwill is reduced by these amounts under IFRS3, the transaction fees being recognised in the year of acquisition and the separately identified intangibles recognised as assets alongside goodwill. The recognition of these intangibles also gives rise to a deferred tax liability at the date of acquisition in June 2013 which will unwind as the intangible assets are amortised. The table below itemises the impact of goodwill during the year ended 31 December 2013 and subsequent periods

	Year ended 31 December			
	2014	2013	2012	2011
	(£'000s)			
Transaction fees expensed in period	(4,272)	(4,272)	—	—
Recognition of identifiable intangibles on acquisition	(8,254)	(8,254)	—	—
Deferred tax	1,898	1,898	—	—
Net reduction in goodwill carrying value resulting from IFRS 3	(10,628)	(10,628)	—	—

Notes to the combined financial information (Continued)

24. Explanation of transition to IFRS (Continued)

Notes to the reconciliation of equity at 1 January 2012, 1 January 2013, 31 December 2013 and 31 December 2014 (Continued)

(b) (i) IFRS 3 'Business Combinations'—Intangible assets (Continued)

In mitigation the overall value of intangibles increases by the creation of the new intangible assets as follows:

	Year ended 31 December			
	2014	2013	2012	2011
		(£'000s)		
Increase in other intangible asset carrying value resulting from IFRS 3 . .	8,254	8,254	—	—
Net impact on intangible asset carrying value resulting from IFRS 3 . . .	(2,374)	(2,374)	—	—

(ii) UKGAAP restatement

Adjustment in respect of deferred tax in the pre-acquisition period which had been omitted from the acquisition balance sheet in calculating goodwill.

	Year ended 31 December			
	2014	2013	2012	2011
		(£'000s)		
Recognition of identifiable intangibles on acquisition	662	662	—	—
Other adjustments	62	62	—	—
	724	724	—	—

(c) IAS 38 'Intangible Assets'

(i) Amortisation of Intangible assets

Under IAS 38 'Intangible Assets' goodwill is treated as an intangible asset with an indefinite useful life and shall not be amortised as such all amortisation recognised under a previous GAAP must be written back. In addition the intangible assets recognised in (a) have indefinite useful lives and as such give rise to amortisation in the years under review as follows

	Year ended 31 December			
	2014	2013	2012	2011
		(£'000s)		
Write back of amortisation of goodwill (cumulative)	5,702	2,024	—	—
Amortisation of intangibles recognised on acquisition (cumulative)	(3,044)	(1,081)	—	—
Net increase resulting from amortisation under IAS 38	2,658	943	—	—

(ii) Software and software development

Under IAS 38 costs that meet the recognition criteria such as software and costs associated with Website design are reclassified from tangible to intangible assets

	Year ended 31 December			
	2014	2013	2012	2011
		(£'000s)		
Increase in other intangible asset carrying value resulting from IFRS 3 .	472	377	339	209
Net impact on intangible asset carrying value resulting from IAS 38 . . .	3,130	1,320	339	209

	Year ended 31 December			
	2014	2013	2012	2011
		(£'000s)		
Tangible asset—Web site reclassification	(472)	(377)	(339)	(209)

Notes to the combined financial information (Continued)

24. Explanation of transition to IFRS (Continued)

Notes to the reconciliation of equity at 1 January 2012, 1 January 2013, 31 December 2013 and 31 December 2014 (Continued)

(d) SIC 15 ‘Lease Incentives and IAS 17’—Lease Incentives and Fixed Rent increases

Under UKGAAP, the policy on recognition of lease incentives is to spread the incentive over the period to the first rent review. Under SIC 15 the requirement is to spread over the life of the lease. Similarly where lease contain fixed or determinable rent increases, these form part of the minimum lease payments and as such IAS 17 requires that the fixed increases are spread of the life of the lease. The majority of the Groups leases contain fixed 5 year rent increases with an average lease length of 17 years. The net impact on ‘Trade and other payables’

	Year ended 31 December			
	2014	2013	2012	2011
	(£’000s)			
Net impact of lease incentives and fixed rent increments	7,252	5,030	3,191	3,205

In addition the Group received an enhanced lease incentive on the termination and commencement of a lease with the same landlord after a dispute with another tenant which was recognised as income in full during 2014 by the creation of a prepayment on the balance sheet which was then amortised. IFRS requires that this is treated in the same manner as all other lease incentives and as such the prepayment has been derecognised. The impact on ‘Trade and other receivables’ is as follows:

	Year ended 31 December			
	2014	2013	2012	2011
	(£’000s)			
Net impact of lease incentives and fixed rent increments	(517)	—	—	—

(e) Revenue recognition

Under UKGAAP revenue is recognised once all performance conditions have been satisfied, failing that revenue should be recognised by reference to the stage of completion. The Group currently recognise 100% of membership on receipt of payment irrespective of the stage of completion at the end of the reporting period. The UKGAAP balances have therefore be restated accordingly. The net impact on ‘Trade and other payables’ is as follows:

	Year ended 31 December			
	2014	2013	2012	2011
	(£’000s)			
Net impact of revenue recognition	1,766	1,366	921	553

(f) Financial instruments

Under IFRS the group are required to recognise financial derivatives at fair value. However the group did not qualify for hedge accounting under IAS 39 ‘ Financial instruments’ and as such all movements in fair value are recognised in the income statement. The net impact on net assets is as follows:

	Year ended 31 December			
	2014	2013	2012	2011
	(£’000s)			
Net impact of recognition of financial derivatives	1,037	177	66	—

(g) Income Taxes

Other than the deferred tax arising on the recognition of separately identifiable intangibles there are income and deferred tax effects arising on recognition of the IFRS adjustments. The impact of taxes payable and deferred tax liabilities are as follows:

	Year ended 31 December			
	2014	2013	2012	2011
	(£’000s)			
Deferred tax				
Net impact of recognition of IFRS adjustments	(3,884)	(1,882)	(1,033)	(663)
Net impact of recognition of intangibles on acquisition	1,898	1,898	—	—
Net impact on deferred taxes	(1,986)	16	(1,033)	(663)

Notes to the combined financial information (Continued)

24. Explanation of transition to IFRS (Continued)

Notes to the reconciliation of equity at 1 January 2012, 1 January 2013, 31 December 2013 and 31 December 2014 (Continued)

(h) Provisions

The group has an obligation to return commercial property that has been leased in a specified condition at the end of the contract term. Under IFRS the group has to recognise the cost as a discounted liability. The amount is also included as part of the cost of the asset being dismantled and depreciated accordingly. The net impact is as follows:

	Year ended 31 December			
	2014	2013	2012	2011
	(£'000s)			
Net impact on property, plant and equipment	205	126	39	—
Net impact of provision liability	(223)	(131)	(41)	—

Income statement for the year ended 31 December 2012

	Note	UK GAAP	UK GAAP Restatement	IFRS adjustments	IFRS
		(£'000s)			
Revenue	(e)	22,631	(367)	—	22,264
Cost of sales		(395)	—	—	(395)
Gross profit		22,236	(367)	—	21,869
Administration and other expenses	(a,b,c,d,h)	(19,160)	—	(788)	(19,948)
Operating profit		3,076	(367)	(788)	1,921
Finance costs	(a),(e),(g)	(2,359)	—	(684)	(3,043)
Finance income		4	—	—	4
Profit before tax		721	(367)	(1,472)	(1,118)
Income tax expense	(f)	(484)	—	370	(114)
Profit for the year attributable to the equity shareholders		237	(367)	(1,102)	(1,232)

Income statement for the year ended 31 December 2014

	Note	UK GAAP	UK GAAP Restatement	IFRS adjustments	IFRS
		(£'000s)			
Revenue	(e)	45,880	(400)	—	45,480
Cost of sales		(1,040)	—	—	(1,040)
Gross profit		44,840	(400)	—	44,440
Administration and other expenses	(a,b,c,d,h)	(41,863)	—	(242)	(42,105)
Operating profit		2,977	(400)	(242)	2,335
Finance costs	(a),(e),(g)	(4,979)	(5,197)	(1,621)	(11,797)
Finance income		20	—	—	20
Profit before tax		(1,982)	(5,597)	(1,863)	(9,442)
Income tax expense	(f)	(1,282)	(62)	2,003	659
Profit for the year attributable to the equity shareholders		(3,264)	(5,659)	140	(8,783)

Notes to the combined financial information (Continued)

24. Explanation of transition to IFRS (Continued)

Notes to the income statement reconciliation for the year ended 31 December 2013 and 2014

(i) IAS 17 Leases—Equipment leases

The Group reclassified leases previously treated as Operating leases to finance leases as they satisfied the recognition criteria outlined under IAS 17. This resulted in the following impact in the years under review as follows

	Year ended 31 December		
	2014	2013	2012
	(£'000s)		
Operating lease rentals—reversal	(3,017)	(2,842)	(1,890)
Depreciation	2,224	2,097	1,259
Net impact on Administration and other expenses	(793)	(745)	(631)
Net impact on finance costs—finance lease interest	758	930	618

(j) IFRS 3 'Business Combinations'—Intangible assets

(i) Under IFRS 3 'Business Combinations' the group have expensed transaction fees associated with the acquisition in 2013. The net impact in the years under review is as follows:

	Year ended 31 December		
	2014	2013	2012
	(£'000s)		
Acquisition transaction fees	—	(4,272)	—

(ii) Amortisation of Intangible assets

Under IAS 38 'Intangible Assets' goodwill is treated as an intangible asset with an indefinite useful life and shall not be amortised as such all amortisation recognised under a previous GAAP must be written back. In addition the intangible assets recognised in (a) have indefinite useful lives and as such give rise to amortisation in the years under review as follows

	Year ended 31 December		
	2014	2013	2012
	(£'000s)		
Write back of amortisation of goodwill	(3,678)	(2,024)	—
Amortisation of intangibles recognised on acquisition	1,963	1,081	—
Net impact on Administration and other expenses	(1,715)	(943)	—

(k) SIC 15 'Lease Incentives and IAS 17'—Lease Incentives and Fixed Rent increases

Increased rent accrual resulting from the spreading of lease incentives and fixed rent uplifts over the life of the lease

	Year ended 31 December		
	2014	2013	2012
	(£'000s)		
Net impact on Administration and other expenses	2,740	1,840	1,418

(l) Revenue recognition

IAS 18 'Revenue' require that revenue is recognised once all performance conditions have been, failing that revenue should be recognised by reference to the stage of completion. The Group currently recognise

Notes to the combined financial information (Continued)

24. Explanation of transition to IFRS (Continued)

100% of membership on receipt of payment irrespective of the stage of completion at the end of the reporting period. The net impact on profit is as follows:

	Year ended 31 December		
	2014	2013	2012
	(£'000s)		
Net impact of revenue	(400)	(445)	(367)

(m) Financial instruments

(i) IFRS adjustment—derivative financial instruments

Under IFRS the Group are required to recognise financial derivatives at fair value. However the Group did not qualify for hedge accounting under IAS 39 ‘Financial instruments’ and as such all movements in fair value are recognised in the income statement. The net impact on net assets is as follows:

	Year ended 31 December		
	2014	2013	2012
	(£'000s)		
Fair value movements in financial derivative	860	111	66

(ii) UKGAAP restatement

As a result of the change in the Articles of Association the shareholders waived the right to the preference share interest payable relating to the current and previous accounting period, this should have been treated as a contribution from the shareholder’s.

	Year ended 31 December		
	2014	2013	2012
	(£'000s)		
Waiver of preference share interest	(5,197)	—	—

(n) Income Taxes

(i) IFRS adjustments

Other than the deferred tax arising on the recognition of separately identifiable intangibles there are income and deferred tax effects arising on recognition of the IFRS adjustments. The impact of taxes payable and deferred tax liabilities are as follows:

	Year ended 31 December		
	2014	2013	2012
	(£'000s)		
Net impact of recognition of IFRS adjustments			
Deferred tax	1,336	813	370
Income taxes	<u>667</u>	<u>34</u>	<u>—</u>
Net impact on taxes	<u>2,003</u>	<u>847</u>	<u>370</u>

(ii) UKGAAP restatement

	Year ended 31 December		
	2014	2013	2012
	(£'000s)		
Deferred tax	62	—	—

(o) Provisions

The group has an obligation to return commercial property that has been leased in a specified condition at the end of the contract term. Under IFRS the group has to recognise the cost as a discounted liability. The

Notes to the combined financial information (Continued)

24. Explanation of transition to IFRS (Continued)

amount is also included as part of the cost of the asset being dismantled and depreciated accordingly. The net impact on profit is as follows:

	Year ended 31 December		
	2014	2013	2012
	(£'000s)		
Finance cost—unwinding of discount	3	1	—
Depreciation	10	3	1

Cash flow statement

The move from UK GAAP to IFRS does not change any of the cash flows of the Group. The IFRS cash flow format is similar to UK GAAP but presents various cash flows in different categories and in a different order from the UK GAAP cash flow statement. All of the IFRS accounting adjustments net out within cash generated from operations except for the intangible assets reclassification and the inclusion of liquid investments with a maturity of less than three months on acquisition, together with related exchange adjustments, within cash and cash equivalents under IFRS.

25. Non-GAAP measures

Adjusted earnings per share

The adjusted earnings per share is calculated by dividing the adjusted loss attributable to ordinary equity holder of the parent by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the adjusted earnings per share calculation

	Year ended 31 December			6 months ended 30 June	
	2012	2013	2014	2014	2015
	(£'000s)			(Unaudited) (£'000s)	
Loss for the period	(1,232)	(9,268)	(8,783)	(2,823)	(4,008)
Addback: Amortisation	82	1,191	2,100	982	1,069
Less: Tax effect	—	(249)	(422)	(211)	(201)
Addback Exceptional items	192	4,775	2,653	60	1,464
Adjusted loss for the period	<u>(958)</u>	<u>(3,551)</u>	<u>(4,452)</u>	<u>(1,992)</u>	<u>(1,676)</u>
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
Basic weighted average number of shares ⁽¹⁾	558,561	558,561	575,292	558,561	588,561
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Adjusted earnings per share	(1.72)	(6.36)	(7.74)	(3.57)	(2.85)

Note:

- (1) The weighted average number of shares used for 2012 and 2013 has been based on the assumption that the changes in capital structure in June 2013 had been in place from the 1 January 2012.

26. Subsequent events

On 15 October 2015 The Gym Group Holdings Limited (company number 08528493) changed its name to The Gym Group Limited and at the same time its indirectly owned subsidiary The Gym Group Limited (company number 08530765) changed its name to The Gym Group Operations Limited. Further on 2 November 2015, The Gym Group Limited was re-registered as a public limited company such that the name of the Company was further amended to The Gym Group plc.

On 30 October 2015 the Company issued 48,000 Deferred Shares with a nominal value of £1 each.

Notes to the combined financial information (Continued)

26. Subsequent events (Continued)

Having made a decision since 30 June 2015 to progress with an initial public offering the Directors will during the second half of 2015 recognise in the Group's annual financial statements for the year ended 31 December 2015 a IFRS 2 "Share Based Payments" (IFRS 2) charge in respect of equity to be granted to senior management on the occurrence of a such an event. The quantum of the charge will be determined in line with IFRS 2.

PART 12
UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A—UNAUDITED PRO FORMA STATEMENT OF NET ASSETS AS AT 30 JUNE 2015

The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below, from the statement of financial position of the Group as at 30 June 2015, as set out in the Historical Financial Information.

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect on the net assets of the Group of the receipt by the Company of the net proceeds of the Offer and the Refinancing as if these events had taken place on 30 June 2015.

This unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, the pro forma statement of net assets addresses a hypothetical situation and does not represent the actual financial position or results of the Group. The unaudited pro forma statement of net assets has been prepared on the basis set out in the notes below and in accordance with Annex II of the PD Regulation.

	As at 30 June 2015 ⁽¹⁾	Adjustments		Unaudited pro forma total ⁽⁴⁾
		Offer net proceeds ⁽²⁾	Refinancing ⁽³⁾	
		(£'000s)		
ASSETS				
<i>Non-current assets</i>				
Property, plant and equipment	75,975	—	466	76,441
Intangible assets	49,946	—	—	49,946
Total non-current assets	125,921	—	466	126,387
<i>Current assets</i>				
Inventories	140	—	—	140
Trade and other receivables	5,971	—	—	5,971
Cash and cash equivalents	2,941	81,059	(72,488)	11,512
Total current assets	9,052	81,059	(72,488)	17,623
Total assets	134,973	81,059	(72,022)	144,010
LIABILITIES				
<i>Current liabilities</i>				
Borrowings—finance leases	4,039	—	(4,039)	—
Trade and other payables	26,780	(727)	—	26,053
Current taxes payable	10	—	—	10
Total current liabilities	30,829	(727)	(4,039)	26,063
<i>Non-Current liabilities</i>				
Borrowings—finance leases	6,068	—	(6,068)	—
Borrowing—shareholder loans & accrued interest	21,926	—	(21,926)	—
Borrowings—bank facilities	46,046	—	(37,101)	8,945
Deferred tax liabilities	1,482	—	164	1,646
Provisions	226	—	—	226
Financial instruments	811	—	(811)	—
Total non-current liabilities	76,559	—	(65,742)	10,817
Total liabilities	107,388	(727)	(69,781)	36,880
Net assets	27,585	81,786	(2,241)	107,130

(1) The financial information of the Company has been extracted, without material adjustment, from the statement of financial position as at 30 June 2015 as set out in Part 11: “Historical Financial Information”.

(2) The gross proceeds of the Offer receivable by the Company are expected to be £89.9 million. The estimated costs of the Offer are approximately £8.9 million, of which £0.7 million has been accrued as at 30 June 2015. As a result, the Company will receive net proceeds of £81.0 million. The Offer proceeds of £89.9 million are based on 46,113,007 Ordinary Shares being issued by the Company at an Offer Price of 195 pence. Offer costs and expenses are the estimated costs and fees incurred in respect of the Offer relating principally to investment banking, underwriting, legal and accounting fees.

- (3) As set out in Part 13: “*Details of the Offer*”, the Company will refinance its interest-bearing loans and borrowings, settle its obligations under finance leases and settle its finance instruments liability. The Company will use £63.6 million of net offer proceeds and £8.9 million of net borrowings under the New Term Loan Facility (£10.0 million less £1.1 million of finance costs), together £72.5 million, to redeem the existing loans (outstanding bank facilities offset by £8.9 million of net borrowings under the New Loan Term Facility for a net outflow of £37.1 million; shareholder loans of £21.9 million) and settle the finance lease obligations (current portion of £4.0 million and non-current portion of £6.1 million) and financial instruments (£0.8 million) in full. The £72.5 million includes £1.5 million of unamortised financing costs, £0.6 million of finance lease break fees and £0.5 million of finance lease transfer of title fees. In addition, there is a consequential deferred tax liability of £0.2 million. The unamortised financing costs, finance lease break fees and deferred tax charge (together £2.2 million) reduces the net assets. The finance lease transfer of title fees are capitalised to property, plant and equipment. No adjustment has been made for interest accrued or movement in the finance leases or financial instruments since 30 June 2015.
- (4) Other than the adjustments detailed above, no other adjustments have been made for events occurring after 30 June 2015.

SECTION B—ACCOUNTANT’S REPORT ON THE UNAUDITED FINANCIAL INFORMATION



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The Directors
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9 November 2015

Dear Sirs

We report on the pro forma financial information (the “**Pro Forma Financial Information**”) set out in Part 12 of the prospectus of The Gym Group plc (the “**Company**”) dated 9 November 2015 (the “**Prospectus**”), which has been prepared on the basis described in notes 1 to 4, for illustrative purposes only, to provide information about how the Offer and the Refinancing might have affected the net assets of the Company and its subsidiaries as of 30 June 2015 on the basis of the accounting policies adopted by the Company in preparing the Historical Financial Information for the period ended 30 June 2015. This report is required by item 7 of Annex II of Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) No 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with item items 1 to 6 of Annex II of Commission Regulation (EC) No 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office. Ernst & Young LLP is a multi-disciplinary practice and is authorised and regulated by the Institute of Chartered Accountants in England and Wales, the Solicitors Regulation Authority and other regulators. Further details can be found at <http://www.ey.com/UK/en/Home/Legal>.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) No 809/2004.

Yours faithfully

Ernst & Young LLP

PART 13
DETAILS OF THE OFFER

1. Ordinary Shares subject to the Offer

The Offer comprises an offer of: (i) 46,113,007 New Ordinary Shares to be issued by the Company raising primary proceeds of approximately £81.0 million (net of underwriting commissions, other estimated Offer-related fees and expenses and VAT of approximately £8.9 million); (ii) 14,399,525 Existing Ordinary Shares to be sold by the Institutional Selling Shareholders, raising aggregate proceeds of approximately £27.0 million (net of underwriting commissions, other estimated Offer-related fees and expenses, VAT, stamp duty and/or SDRT of approximately £1.1 million); and (iii) 3,555,714 Existing Ordinary Shares to be sold by the Individual Selling Shareholders, raising aggregate proceeds of approximately £6.7 million (net of underwriting commissions, other estimated Offer-related fees and expenses, VAT, stamp duty and/or SDRT of approximately £0.3 million). The Company will not receive any proceeds from the sale of Existing Ordinary Shares (all of which will be paid to the Selling Shareholders).

The existing Ordinary Share capital will be diluted by the issue of 46,113,007 New Ordinary Shares pursuant to the Offer. The New Ordinary Shares to be issued pursuant to the Offer will represent approximately 56.2 per cent. of the existing Ordinary Share capital of the Company, and approximately 36.0 per cent. of the enlarged Ordinary Share capital of the Company immediately following Admission.

2. The Offer

The Offer is being made by way of: (i) an offer of the Offer Shares to certain institutional and professional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S; and (ii) in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

The Offer is subject to the satisfaction of conditions which are customary for transactions of this type as set out in the Underwriting Agreement, including, among others, Admission occurring and becoming effective by no later than 8:00 a.m. on 12 November 2015 or such later time and/or date as the Company and the Joint Global Co-ordinators may agree, and the Underwriting Agreement not having been terminated in accordance with its terms.

The distribution of this Prospectus and the offer and sale of the Offer Shares are subject to the restrictions set out in this Part 13: “*Details of the Offer—Selling Restrictions*” below.

When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00BZBX0P70 and SEDOL number BZBX0P7 and it is expected that the Ordinary Shares will be traded under the ticker symbol “GYM”.

The Offer Shares being issued or sold pursuant to the Offer will, on Admission, rank equally in all respects with the Ordinary Shares in issue, including for all dividends and other distributions thereafter declared, made or paid on the share capital of the Company. The Offer Shares will, immediately on and from Admission, be freely transferable, subject to the Articles. The rights attaching to the Offer Shares will be uniform in all respects and they will form a single class for all purposes.

Immediately following Admission, it is expected that at least 33.3 per cent. of the Company’s issued Ordinary Share capital will be held in public hands (within the meaning of paragraph 6.1.19R of the Listing Rules).

No stabilisation will be carried out in connection with the Offer.

3. Reasons for the Offer and Admission

The principal uses of the net proceeds of the Offer received by the Company are as follows:

- £74.6 million to facilitate the Refinancing; and
- for general corporate purposes.

The Directors believe that the Offer and Admission will:

- (a) together with the Refinancing, strengthen The Gym’s capital structure and support and position the Group for the continued implementation of its growth strategy;

- (b) give the Company access to a wider range of capital-raising options which may be of use in the future to support its roll out of new gyms or to support possible future acquisitions, if any;
- (c) further improve the ability of the Company to recruit, retain and incentivise its key management and employees;
- (d) create a liquid market in the Ordinary Shares for existing and future shareholders; and
- (e) provide the Institutional Selling Shareholders and the Individual Selling Shareholders with an opportunity for a partial realisation of their respective shareholdings in the Company.

The total net proceeds receivable by the Company from the Offer are estimated to be approximately £81.0 million, after bearing underwriting commissions, other estimated Offer-related fees and expenses and VAT of £8.9 million. The Company will not receive any proceeds from the sale of Existing Ordinary Shares by the Selling Shareholders in the Offer.

4. Selling Shareholders

The following table sets out the interests of each of the Selling Shareholders (all of which, unless otherwise stated, are beneficial or are interests of a person connected with the Selling Shareholders), immediately prior to and immediately following Admission and the number of Ordinary Shares the Selling Shareholders are selling in the Offer:

Selling Shareholders	Number of Ordinary Shares owned immediately prior to Admission ⁽¹⁾	Ordinary Shares to be sold in the Offer	Ordinary Share capital owned immediately following Admission	
			No	%
Phoenix Advised Funds ⁽²⁾	45,623,079	9,632,213	35,990,866	28.1%
Adams Street 2009 Direct Fund, L.P.	1,008,599	212,941	795,658	0.6%
Adams Street 2010 Direct Fund, L.P.	572,937	120,962	451,975	0.4%
Adams Street 2011 Direct Fund LP	460,275	97,176	363,099	0.3%
Adams Street 2012 Developed Markets Fund LP	1,020,853	215,528	805,325	0.6%
Adams Street 2013 Developed Markets Fund LP	544,468	114,951	429,517	0.3%
Adams Street Co-Investment Fund II, L.P.	7,798,614	1,646,487	6,152,127	4.8%
Phoenix Equity Partners 2010 L.P.	33,531,206	7,079,309	26,451,897	20.6%
Phoenix Equity Partners 2010 GP, L.P.	686,127	144,859	541,268	0.4%
Bridges Community Development Venture Fund II LP ⁽³⁾	22,580,402	4,767,312	17,813,090	13.9%
John Treharne	6,211,080	1,700,143	4,510,937	3.5%
Paul Gilbert	1,711,950	491,461	1,220,489	1.0%
Andrew Mathews	1,210,126	241,909	968,217	0.8%
Jonathan Spaven	1,294,319	372,366	921,953	0.7%
Jim Graham ⁽⁴⁾	1,522,729	380,682	1,142,047	0.9%
Jasper McIntosh	132,224	23,800	108,424	0.1%
David Melhuish	109,129	19,643	89,486	0.1%
Kerry Kuster	81,212	14,618	66,594	0.1%
Andrew Robinson ⁽⁵⁾	81,212	14,617	66,595	0.1%
Richard Darwin ⁽⁶⁾	1,065,911	106,590	959,321	0.7%
Wendy Kershaw	50,758	27,030	23,728	0.0%
Jon Baker	50,758	27,151	23,607	0.0%
Marcus Tester	50,758	27,198	23,560	0.0%
Jim Frith	50,758	27,214	23,544	0.0%
Mark Tuddenham	50,758	27,187	23,571	0.0%
Matt Fowler	50,758	27,193	23,565	0.0%
John Foy	50,758	26,912	23,846	0.0%
Total	81,978,679	17,955,239	64,023,440	50.0%

- (1) The interests of Ordinary Shares as at the date of this document have been stated on the basis that the steps described in paragraph 2.3 of this Part 14: “Additional Information” have been completed in full.
- (2) The legal title to the Ordinary Shares to which the Phoenix Advised Funds are beneficially entitled is held by Phoenix Equity Nominees Limited on behalf of the Phoenix Advised Funds.
- (3) The legal title to the Ordinary Shares to which Bridges Community Development Venture Fund II LP is beneficially entitled is held by Bridges Community Ventures Nominees Limited on behalf of Bridges Community Development Venture Fund II LP.
- (4) Jim Graham also has an indirect investment in the Company as an investor in Phoenix Equity Partners 2010 GP, L.P.

- (5) The total number of ordinary shares in which Andrew Robinson or persons connected with him is or are interested includes 15,227 Ordinary Shares and 7,919 Ordinary Shares immediately prior to Admission and immediately following Admission, respectively, which are owned by Lara Robinson.
- (6) The total number of Ordinary Shares in which Richard Darwin or persons connected with him is or are interested includes 50,758 Ordinary Shares and 35,758 Ordinary Shares immediately prior to Admission and immediately following Admission, respectively, which are owned by Charlotte Darwin.

The business addresses of the Selling Shareholders are:

Selling Shareholders

Business address

Adams Street 2009 Direct Fund, L.P., Adams Street 2010 Direct Fund, L.P., Adams Street 2011 Direct Fund LP, Adams Street 2012 Developed Markets Fund LP, Adams Street 2013 Developed Markets Fund LP and Adams Street Co-Investment Fund II, L.P.	c/o Adams Street Partners, LLC, One North Wacker Drive, Suite 2200 Chicago, IL 60606-2823, United States
Phoenix Equity Partners 2010 L.P. and Phoenix Equity Partners 2010 GP, L.P.	c/o Phoenix Equity Partners 2010 Guernsey Limited, 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL
Bridges Community Development Venture Fund II LP	38 Seymour Street, London W1H 7BP
John Treharne, Paul Gilbert, Andrew Mathews, Jonathan Spaven, Jim Graham, Jasper McIntosh, David Melhuish, Kerry Kuster, Andrew Robinson, Richard Darwin, Wendy Kershaw, Jon Baker, Marcus Tester, Jim Frith, Mark Tuddenham, Matt Fowler and John Foy	c/o The Gym Group plc, Woodbridge House, Woodbridge Meadows, Guildford GU1 1BA

5. Pricing

Under the Offer, all the Offer Shares will be sold, payable in full at the Offer Price. The latest time and date for indications of interest in acquiring Offer Shares is set out in Part 4: “*Expected Timetable of Principal Events and Offer Statistics*” but that time may be extended at the discretion of the Company and the Institutional Selling Shareholders (with the agreement of the Joint Global Co-ordinators).

Participants in the Offer will be advised verbally or by electronic mail of their allocation as soon as practicable following pricing and allocation. Prospective investors in the Offer will be committed to acquiring the number of Ordinary Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment.

6. Dealing arrangements

Application will be made to the FCA for all of the Ordinary Shares to be admitted to the premium listing segment of the Official List and application will be made to the London Stock Exchange for those Ordinary Shares to be admitted to trading on the main market for listed securities of the London Stock Exchange. It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8:00 a.m. on 9 November 2015. The earliest date for settlement of such dealings will be 12 November 2015, being the third trading day after the commencement of conditional dealings. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8:00 a.m. on 12 November 2015. Settlement of dealings from that date will be on a two-trading day rolling basis.

All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a “when issued basis”, will be of no effect if Admission does not take place, and will be at the sole risk of the parties concerned. The above mentioned dates and times may be changed without further notice.

Each investor will be required to undertake to pay the Offer Price for the Offer Shares sold to such investor in such manner as shall be directed by the Underwriters. Pricing information and other related disclosures will be made available by the Company on the Company’s website at www.tggplc.com.

It is intended that, where applicable, definitive share certificates in respect of the Offer Shares will be despatched on the week commencing 16 November 2015 or as soon thereafter as is practicable. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account(s) shall be at the sole risk of the persons concerned.

Following Admission, the Ordinary Shares held by the Institutional Selling Shareholders, the Individual Selling Shareholders and the Directors will, in each case, be subject to the lock-up arrangements described in this Part 13: “*Details of the Offer—Lock-up arrangements and exceptions*”.

7. CREST

CREST is a paperless settlement system enabling securities to be transferred from one person’s CREST account to another person’s CREST account without the need to use share certificates or written instruments of transfer. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission and, also with effect from Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

8. Underwriting arrangements

The Company (for itself and as agent for and on behalf of each Individual Selling Shareholder pursuant to the Share Sale Election Deeds), the Directors, the Institutional Selling Shareholders and the Banks have entered into the Underwriting Agreement pursuant to which, on the terms and subject to certain conditions contained therein (which are customary in agreements of this nature), the Underwriters have severally agreed to use their reasonable endeavours to procure purchasers and/or subscribers for the Offer Shares, failing which the Underwriters will purchase and/or subscribe for such Offer Shares.

The Underwriting Agreement contains provisions which entitle the Underwriters to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and these arrangements will lapse. The Offer is conditional upon, *inter alia*, Admission occurring not later than 8:00 a.m. on 12 November 2015 (or such later date and time as the Company and the Joint Global Co-ordinators may agree) and the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms. Certain conditions contained in the Underwriting Agreement are related to events which are outside the control of the Company, the Directors, the Institutional Selling Shareholders and the Underwriters.

The Underwriting Agreement provides for the Underwriters to be paid a commission in respect of the Offer Shares sold. Any commissions received by the Underwriters may be retained and any Offer Shares acquired by them may be retained or dealt in, by them, for their own benefit.

All Offer Shares issued or sold pursuant to the Offer will be issued or sold at the Offer Price. Further details of liability for UK stamp duty and SDRT are set out in Part 14: “*Additional Information—UK taxation*” of this Prospectus. Further details of the terms of the Underwriting Agreement are set out in Part 14: “*Additional Information—Underwriting arrangements*” of this Prospectus.

9. Lock-up arrangements and exceptions

9.1 Lock-up in relation to the Company

Pursuant to the Underwriting Agreement, the Company has entered into certain lock-up arrangements with the Joint Global Co-ordinators (for themselves and on behalf of the Lead Manager) pursuant to which it has agreed that, subject to the exceptions described below, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, allot, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue options in respect of, or otherwise dispose of, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing.

The restrictions described in the preceding paragraph shall not apply in respect of:

- (a) the issue of Ordinary Shares pursuant to the Offer; or

- (b) the issue of Ordinary Shares pursuant to the grant, vesting or exercise of options under share option schemes described in paragraph 7 of Part 14: “*Additional Information—Employee share plans*” of this Prospectus.

9.2 Lock-up in relation to Directors and Individual Selling Shareholders

Pursuant to the Underwriting Agreement in respect of the Directors and the Share Sale Election Deeds in respect of the Individual Selling Shareholders, each of the Directors and Individual Selling Shareholders has entered into certain lock-up arrangements with the Joint Global Co-ordinators (for themselves and on behalf of the Lead Manager) pursuant to which he or she has agreed that, subject to the exceptions described below, during the period of 365 days from the date of Admission (with the exception of the former non-executive chairman Paul Gilbert, who is subject to a 180-day lock-up period as Senior Independent Non-executive Director) he or she will not, without the prior written consent of the Joint Global Co-ordinators (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue options in respect of or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing.

The restrictions described in the preceding paragraph shall not:

- (a) apply in respect of any Shares issued pursuant to the grant or exercise of options under share option schemes described in paragraph 7 of Part 14: “*Additional Information—Employee share plans*” of this Prospectus.; or
- (b) prohibit a Director or Individual Selling Shareholder from:
 - (i) selling Ordinary Shares pursuant to, and subject to the terms and conditions of, the Offer;
 - (ii) accepting a general offer made to all holders of allotted and issued Ordinary Shares for the time being (other than Ordinary Shares held or contracted to be acquired by the Company or its associates within the meaning of the Act) in accordance with the City Code on terms which treat all such holders alike;
 - (iii) executing and delivering an irrevocable commitment or undertaking to accept a general offer (without any further agreement to transfer or dispose of any Ordinary Shares or any interest therein) as is referred to in sub paragraph (ii) above;
 - (iv) selling or otherwise disposing of Ordinary Shares pursuant to any offer by the Company to purchase its own Ordinary Shares which is made on identical terms to all holders of Ordinary Shares in the Company;
 - (v) transferring or disposing of Ordinary Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its members or any class of them which is agreed to by the creditors or members and (where required) sanctioned by the court under the Act;
 - (vi) taking up Ordinary Shares or other rights granted in respect of a rights issue or other pre-emptive share offering by the Company;
 - (vii) transferring Ordinary Shares to any connected person (as defined in the Act) (provided that prior to any such transfer, the relevant transferee has entered into a deed of adherence);
 - (viii) transferring Ordinary Shares for bona fide purposes in the form of a gift to a trust whose beneficiaries (including any named discretionary beneficiaries) comprise connected persons (as defined in the Act) (provided that prior to any such transfer, the relevant transferee has entered into a deed of adherence); or
 - (ix) transferring or disposing of Shares where required to do so by law or by any competent authority or by order of a court of competent jurisdiction.

9.3 Lock-up in relation to the Institutional Selling Shareholders

Pursuant to the Underwriting Agreement, the Institutional Selling Shareholders have entered into certain lock-up arrangements with the Joint Global Co-ordinators (for themselves and on behalf of the Lead

Manager) pursuant to which they have agreed that, subject to the exceptions described below, during the period of 180 days from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing.

The restrictions described in the preceding paragraph shall not prohibit an Institutional Selling Shareholder from:

- (a) selling Ordinary Shares pursuant to, and subject to the terms and conditions of, the Offer;
- (b) accepting a general offer made to all holders of allotted and issued Ordinary Shares for the time being (other than Ordinary Shares held or contracted to be acquired by the Company or its associates within the meaning of the Act) in accordance with the City Code on terms which treat all such holders alike;
- (c) executing and delivering an irrevocable commitment or undertaking to accept a general offer (without any further agreement to transfer or dispose of any Ordinary Shares or any interest therein) as is referred to in sub paragraph (ii) above;
- (d) selling or otherwise disposing of Ordinary Shares pursuant to any offer by the Company to purchase its own Ordinary Shares which is made on identical terms to all holders of Ordinary Shares in the Company;
- (e) transferring or disposing of Ordinary Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its members or any class of them which is agreed to by the creditors or members and (where required) sanctioned by the court under the Act;
- (f) taking up Ordinary Shares or other rights granted in respect of a rights issue or other pre-emptive share offering by the Company;
- (g) transferring Ordinary Shares to any affiliate or connected person (as defined in the Act) (provided that prior to any such transfer, the relevant transferee has entered into a deed of adherence); or
- (h) transferring or disposing of Shares where required to do so by law or by any competent authority or by order of a court of competent jurisdiction.

10. Conditionality of the Offer

The Offer is subject to the satisfaction of conditions which are customary for transactions of this type contained in the Underwriting Agreement, including Admission becoming effective by no later than 8:00 a.m. on 12 November 2015 and the Underwriting Agreement not having been terminated prior to Admission. See Part 14: “*Additional Information—Underwriting arrangements*” for further details about the underwriting arrangements.

The Company, the Directors and the Selling Shareholders expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Offer will be returned to applicants without interest.

11. Withdrawal rights

If the Company is required to publish any supplementary prospectus, applicants who have applied for Offer Shares under the Offer shall have at least two clear business days following the publication of the relevant supplementary prospectus within which to withdraw their application to acquire Offer Shares in its entirety. The right to withdraw an application to acquire Offer Shares in these circumstances will be available to all investors under the Offer. If the application is not withdrawn within the stipulated period, any application for Offer Shares under the Offer will remain valid and binding.

Details of how to withdraw an application will be made available if a supplementary prospectus is published. Any supplementary prospectus will be published in accordance with the Prospectus Rules (and

notification thereof will be made to a Regulatory Information Service) but will not be distributed to investors individually.

12. Allocations under the Offer

The allocation of Offer Shares among prospective investors will be determined jointly by the Company and the Institutional Selling Shareholders after consultation with the Joint Global Co-ordinators. All Ordinary Shares sold pursuant to the Offer will be sold, payable in full, at the Offer Price. No commissions, fees, expenses or taxes will be charged to investors by the Company or the Selling Shareholders under the Offer. Liability for UK stamp duty and SDRT is described in Part 14: “*Additional Information—UK taxation*” of this Prospectus.

Upon accepting any allocation, prospective investors will be contractually committed to acquire the number of Offer Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from such commitment. Dealing may not begin before notification is made. A number of factors have been considered in determining the Offer Price and basis of allocation, including the prevailing market conditions, the level and nature of demand for the Offer Shares, the prices bid to acquire the Offer Shares and the objective of establishing an orderly and liquid after-market in the Ordinary Shares. The Offer Price and the number of Offer Shares have been established at a level determined in accordance with these arrangements, taking into account indications of interest received from prospective investors.

13. Selling Restrictions

The distribution of this Prospectus and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Ordinary Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

13.1 European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) no Ordinary Shares have been offered or will be offered pursuant to the Offer to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Ordinary Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Co-ordinators for any such offer;
or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed with the Banks, the Selling Shareholders and the Company that it is a qualified investor within the meaning of the law of the Relevant Member State implementing Article 2(1)(c) of the Prospectus Directive or any measure implementing the Prospectus Directive in any Relevant Member State.

For the purposes of this provision, the expression an “offer to the public” in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to subscribe for or purchase any Ordinary Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression “Prospectus Directive” means Directive 2003/71/EC as amended including by Directive 2010/73/EU and includes any relevant implementing measure in each Relevant Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Global Co-ordinators has been obtained to each such proposed offer or resale. The Company, the Selling Shareholders, the Banks and their affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Banks of such fact in writing may, with the prior consent of the Joint Global Co-ordinators, be permitted to acquire Ordinary Shares in the Offer.

13.2 United States

The Ordinary Shares have not been and will not be registered under the US Securities Act or under any applicable securities laws or regulations of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Ordinary Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer of the Ordinary Shares an offer or sale of Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

The Underwriting Agreement provides that the Underwriters may directly or through their respective United States broker-dealer affiliates arrange for the offer and resale of Ordinary Shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

Each acquirer of Ordinary Shares within the United States, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that:

- (a) it is (i) a QIB within the meaning of Rule 144A, (ii) acquiring the Ordinary Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (iii) acquiring the Ordinary Shares for investment purposes, and not with a view to further distribution of such Ordinary Shares, and (iv) aware, and each beneficial owner of the Ordinary Shares has been advised, that the sale of the Ordinary Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;
- (b) it understands that the Ordinary Shares are being offered and sold in the United States only in a transaction not involving any public offering within the meaning of the US Securities Act and that the

Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (i) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available) or (iv) pursuant to an effective registration statement under the US Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. It further (A) understands that the Ordinary Shares may not be deposited into any unrestricted depositary receipt facility in respect of the Ordinary Shares established or maintained by a depositary bank, (B) acknowledges that the Ordinary Shares (whether in physical certificated form or in uncertificated form held in CREST) are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Ordinary Shares and (C) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Ordinary Shares made other than in compliance with the abovementioned restrictions;

- (c) it understands that the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE ORDINARY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “US SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE US SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR REALES OF THE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE ORDINARY SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF ORDINARY SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS; and

- (d) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Ordinary Shares while they remain “restricted securities” within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

The Company, the Banks and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

13.3 Australia

This document (i) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (“Corporations Act”); (ii) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; (iii) has not been, nor will it be, lodged as a disclosure document with the ASIC, the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia and (iv) may not be provided in Australia other than to select

investors who are able to demonstrate that they (A) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (B) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The Ordinary Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Ordinary Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Ordinary Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Ordinary Shares, each subscriber or purchaser of Ordinary Shares represents and warrants to the Company, the Selling Shareholders, the Banks and their affiliates that such subscriber or purchaser is an Exempt Investor.

As any offer of Ordinary Shares under this document, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Ordinary Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Ordinary Shares each subscriber or purchaser of Ordinary Shares undertakes to the Company, the Selling Shareholders, the Banks that such subscriber or purchaser will not, for a period of 12 months from the date of issue or purchase of the Ordinary Shares, offer, transfer, assign or otherwise alienate those Ordinary Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

13.4 Japan

The Ordinary Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the “**FIEL**”). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

13.5 Hong Kong

This Prospectus has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been approved by any regulatory authority in Hong Kong. Accordingly the Ordinary Shares have neither been offered or sold nor will be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”), and any rules made under that Ordinance; or (b) in other circumstances which do not result in this document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and no advertisement, invitation or document relating to the Ordinary Shares has been or will be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Ordinary Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

13.6 Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Ordinary Shares may not be circulated or distributed, nor may Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor as defined under Section 275(2) and under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), (ii) to a relevant person as defined under Section 275(2) and under Section 275(1), or any person under Section 275(1A), and in accordance with the conditions specified in Section 275 of the

SFA, or (iii) otherwise under, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Ordinary Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(A) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(B) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Ordinary Shares under an offer made under Section 275 of the SFA except:

(1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person under an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than US\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

13.7 United Arab Emirates (Excluding the Dubai International Financial Centre)

The Offer has not been approved or licensed by the UAE Central Bank or any other relevant licensing authority in the United Arab Emirates, and does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. Accordingly, the Ordinary Shares may not be offered to the public in the United Arab Emirates.

The Ordinary Shares may be offered, and this Prospectus may be issued, only to a limited number of investors in the United Arab Emirates who qualify as sophisticated investors under the relevant laws of the United Arab Emirates. Each of the Company and the Banks represents and warrants that the Ordinary Shares will not be offered, sold, transferred or delivered to the public in the United Arab Emirates.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

13.8 Dubai International Financial Centre (the "DIFC")

This document relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorised financial advisor.

In relation to its use in the DIFC, this document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Ordinary Shares may not be offered or sold directly or indirectly to the public in the DIFC.

13.9 Switzerland

The Ordinary Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (the “SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Ordinary Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the Offer, the Company or the Ordinary Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Ordinary Shares will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of Ordinary Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes (the “CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Ordinary Shares.

PART 14
ADDITIONAL INFORMATION

1. Incorporation

- 1.1 The Company was incorporated and registered in England and Wales on 14 May 2013 as a private company limited by shares under the Act with the name Project Galaxy Topco Limited and with the registered number 8528493. The Company subsequently changed its name to The Gym Group Holdings Limited on 5 July 2013, and to The Gym Group Limited on 15 October 2015. On 2 November 2015, the Company was re-registered as a public limited company and changed its name to The Gym Group plc.
- 1.2 The Company's registered office and principal place of business is at Woodbridge House, Woodbridge Meadows, Guildford, GU1 1BA (telephone number: +44 (0) 844 384 3106).
- 1.3 The principal legislation under which the Company operates and under which the Ordinary Shares have been and will be created is the Act.

2. Share capital

- 2.1 The share capital of the Company on incorporation was £1 divided into 1 ordinary share of £1 (the "**Subscriber Share**") which was issued to the subscriber to the Company's memorandum of association.
- 2.2 The following changes have occurred in the share capital of the Company since 1 January 2012 (being the date of commencement of the period for which historical financial information has been provided in this Prospectus):
- (a) On 13 June 2013, in connection with the acquisition of a majority shareholding in The Gym by the Phoenix Advised Funds, the Company:
- (i) sub-divided the Subscriber Share into 100 ordinary shares of £0.01 each and redesignated such ordinary shares as A ordinary shares;
 - (ii) issued and allotted 257,821 A ordinary shares of £0.01 each to Phoenix Equity Nominees Limited;
 - (iii) issued and allotted 127,654 A ordinary shares of £0.01 each to Bridges Community Ventures Nominees Limited;
 - (iv) issued and allotted 20,486 B ordinary shares of £0.01 each to John Treharne and Paul Gilbert, directors of the Company, and Andrew Mathews, an employee of the Company;
 - (v) issued and allotted 87,642 C1 ordinary shares of £0.04 each to John Treharne, Paul Gilbert and Andrew Mathews;
 - (vi) issued and allotted 35,463 C2 ordinary shares of £0.01 each to John Treharne;
 - (vii) issued and allotted 6,895 C3 ordinary shares of £0.01 each to Paul Gilbert and Andrew Mathews;
 - (viii) issued and allotted 30,738,846 preference shares of £0.000001 each to Phoenix Equity Nominees Limited;
 - (ix) issued and allotted 15,213,663 preference shares of £0.000001 each to Bridges Community Ventures Nominees Limited; and
 - (x) issued and allotted 2,441,430 preference shares of £0.000001 each to John Treharne, Paul Gilbert and Andrew Mathews.
- (b) On 29 November 2013, the Company issued and allotted 22,500 C2 ordinary shares of £0.01 each to Jonathan Spaven, a member of Senior Management.
- (c) On 23 July 2014, the Company issued and allotted 30,000 C2 ordinary shares of £0.01 each to Jim Graham, a director of the Company.
- (d) On 3 March 2015, the Company issued and allotted 5,350 C2 ordinary shares of £0.01 each to Kerry Kuster, Andrew Robinson and David Melhuish, who are each employees of the Company.

- (e) On 22 April 2015, the Company:
 - (i) issued and allotted 50 C4 ordinary shares of £1.00 each to Andrew Mathews; and
 - (ii) issued and allotted 2,150 C2 ordinary shares of £0.01 each to Jasper McIntosh, a member of Senior Management.
- (f) On 30 October 2015, in connection with the re-registration of the Company as a public limited company, the Company issued and allotted 48,000 Deferred Shares to John Treharne, Paul Gilbert and Andrew Mathews.
- (g) As at the date of this Prospectus, the issued share capital of the Company is £56,688.263939 comprising:
 - (i) 385,575 A ordinary shares of £0.01 each (all of which are fully paid up or credited as fully paid up);
 - (ii) 20,486 B ordinary shares of £0.01 each (all of which are fully paid up or credited as fully paid up);
 - (iii) 87,642 C1 ordinary shares of £0.04 each (all of which are fully paid up or credited as fully paid up);
 - (iv) 95,463 C2 ordinary shares of £0.01 each (all of which are fully paid up or credited as fully paid up);
 - (v) 6,895 C3 ordinary shares of £0.01 each (all of which are fully paid up or credited as fully paid up);
 - (vi) 50 C4 ordinary shares of £1.00 each (all of which are fully paid up or credited as fully paid up);
 - (vii) 48,393,939 preference shares of £0.000001 each (all of which are fully paid up or credited as fully paid up); and
 - (viii) 48,000 Deferred Shares of £1.00 each (all of which are fully paid up or credited as fully paid up).
- (h) The Reorganisation (as defined below) will take effect on Admission. Following Admission, the nominal value of the Company's issued Ordinary Shares will be £12,810.5275 divided into 128,105,275 Ordinary Shares (all of which will be fully paid). In addition, the nominal value of the issued Deferred Shares will be £48,050 divided into 48,050 Deferred Shares (all of which are fully paid).

2.3 Immediately prior to Admission, a reorganisation of the share capital of the Company will take place as follows (the “**Reorganisation**”):

- (a) the Company will issue and allot, in aggregate, 10,000 C2 ordinary shares of £0.01 to Jonathan Spaven, a member of Senior Management, and certain employees of the Company.
- (b) each C1 ordinary share of £0.04 in the Company will be sub-divided and re-designated into one C1 ordinary share of £0.01 each and one deferred share of £0.03 each;
- (c) the sum of £3,073.711461, being part of the share premium account of the Company, will be capitalised and appropriated as capital to the holders of preference shares of £0.000001 each in the capital of the Company and the Directors will be authorised to apply such sum in paying up in full 3,073,711,461 preference shares of £0.000001 each and to allot and issue such new shares, credited as fully paid up, to the holders of preference shares of £0.000001 each in such proportions to their existing holdings of preference shares as the Directors consider practicable for the purpose of giving effect to the bonus issue of preference shares;
- (d) every 100 preference shares of £0.000001 existing immediately prior to Admission will be consolidated and re-designated into one Ordinary Share of £0.0001 each;
- (e) each A ordinary share of £0.01 each will be sub-divided and re-designated into 100 Ordinary Shares of £0.0001 each;
- (f) each B ordinary share of £0.01 each will be sub-divided and re-designated into 100 Ordinary Shares of £0.0001 each;

- (g) the 87,642 C1 ordinary shares of £0.01 each will be sub-divided and re-designated into 4,448,500 Ordinary Shares of £0.0001 each and 4,315,700 deferred shares of £0.0001 each in such proportions to the shareholders' existing holdings of C1 ordinary shares as the Directors consider practicable for the purpose of giving effect to the sub-division of C1 ordinary shares;
- (h) the 105,463 C2 ordinary shares of £0.01 each will be sub-divided and re-designated into 5,353,051 Ordinary Shares of £0.0001 each and 5,193,249 deferred shares of £0.0001 each in such proportions to the shareholders' existing holdings of C2 ordinary shares as the Directors consider practicable for the purpose of giving effect to the sub-division of C2 ordinary shares;
- (i) the 6,895 C3 ordinary shares of £0.01 each will be sub-divided and re-designated into 349,974 Ordinary Shares of £0.0001 each and 339,526 deferred shares of £0.0001 each in such proportions to the shareholders' existing holdings of C3 ordinary shares as the Directors consider practicable for the purpose of giving effect to the sub-division of C3 ordinary shares;
- (j) each of the C4 ordinary shares of £1.00 in the Company will convert into Deferred Shares;
- (k) each deferred share of £0.0001 in the Company arising under paragraph (d) above will be repurchased by the Company in accordance with the articles of association of the Company for £1 in aggregate and cancelled;
- (l) each of the deferred shares of £0.03 each arising under paragraph (c) above will be repurchased by the Company in accordance with the articles of association of the Company for £1 in aggregate and cancelled; and
- (m) each Deferred Share will be repurchased by the Company for £1 in accordance with the articles of association of the Company and will be held in treasury. This is to ensure that, at Admission, the aggregate nominal value of the Company's share capital (which, at Admission, will comprise Deferred Shares and Ordinary Shares) will be not less than £50,000, the minimum level of nominal share capital required by the Act for a company to be established as a public limited company. As a result, and following Admission, 48,050 Deferred Shares will be held in treasury by the Company. The Company intends that these Deferred Shares will continue to be held in treasury for the foreseeable future and will not be transferred to any third party. In addition, and as set out in the articles of association adopted on Admission becoming effective (and pursuant to the provisions of the Act relating in respect of shares held in treasury), the Deferred Shares will have no voting or dividend rights and, on a return of capital on a winding up, will have no valuable economic rights. No application has been made or is currently intended to be made for the Deferred Shares to be admitted to the Official List or to trading on the London Stock Exchange or any other investment exchange.

2.4 By resolutions of the Company in general meetings, passed on 6 November 2015, in each case subject to, and conditional upon, Admission becoming effective:

- (a) the Directors were authorised to allot 10,000 C2 ordinary shares of £0.01 each in the Company to Jonathan Spaven, a member of Senior Management, and certain employees of the Company;
- (b) conditional on the resolution described in paragraph 2.4(a) above being approved:
 - (i) each C1 ordinary share of £0.04 in the Company be sub-divided and re-designated into one C1 ordinary share of £0.01 each and one deferred share of £0.03 each;
 - (ii) the sum of £3,073,711,461, being part of the share premium account of the Company, be capitalised and appropriated as capital to the holders of preference shares of £0.000001 each in the capital of the Company and that the Directors be authorised to apply such sum in paying up in full 3,073,711,461 preference shares of £0.000001 each and to allot and issue such new shares, credited as fully paid up, to the holders of preference shares of £0.000001 each in such proportions to their existing holdings of preference shares as the Directors consider practicable for the purpose of giving effect to the bonus issue of preference shares;
 - (iii) every 100 preference shares of £0.000001 be consolidated and re-designated into one Ordinary Share of £0.0001 each;
 - (iv) each A ordinary share of £0.01 each be sub-divided and re-designated into 100 Ordinary Shares of £0.0001 each;

- (v) each B ordinary share of £0.01 each be sub-divided and re-designated into 100 Ordinary Shares of £0.0001 each;
 - (vi) the 87,642 C1 ordinary shares of £0.01 each be sub-divided and re-designated into 4,448,500 Ordinary Shares of £0.0001 each and 4,315,700 deferred shares of £0.0001 each in such proportions to the shareholders' existing holdings of C1 ordinary shares as the Directors consider practicable for the purpose of giving effect to the sub-division of C1 ordinary shares;
 - (vii) the 105,463 C2 ordinary shares of £0.01 each be sub-divided and re-designated into 5,353,051 Ordinary Shares of £0.0001 each and 5,193,249 deferred shares of £0.0001 each in such proportions to the shareholders' existing holdings of C2 ordinary shares as the Directors consider practicable for the purpose of giving effect to the sub-division of C2 ordinary shares; and
 - (viii) the 6,895 C3 ordinary shares of £0.01 each be sub-divided and re-designated into 349,974 Ordinary Shares of £0.0001 each and 339,526 deferred shares of £0.0001 each in such proportions to the shareholders' existing holdings of C3 ordinary shares as the Directors consider practicable for the purpose of giving effect to the sub-division of C3 ordinary shares;
- (c) conditional on the resolutions described in paragraphs 2.4(a) and (b) above being approved, (and in addition to the authorities granted pursuant to the resolutions described in paragraphs 2.4(a) and (b)(ii) above) the Directors were generally and unconditionally authorised, in accordance with section 551 of the Act, in substitution for any prior authority conferred upon the Directors, without prejudice to the continuing authority of the Directors to allot shares, or grant rights to subscribe for or convert any security into shares pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made, to exercise all powers of the Company to:
- (i) allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company up to an aggregate nominal value of £4,611.3007 in connection with the Offer, such authority expiring on the earlier of (i) Admission and (ii) 31 December 2015;
 - (ii) allot shares in the Company and grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal value of £1.3589, in connection with the proposed subscription by Penny Hughes for 13,589 Ordinary Shares of £0.0001 in the Company, such authority expiring on the earlier of (i) Admission; and (ii) 31 December 2015;
 - (iii) following Admission, in addition to the authorities granted under subparagraph (i) above, allot shares in the Company, and to grant rights to subscribe for, or to convert any security into, shares in the Company, for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company after the date on which the general meeting at which the resolution was passed (or, if earlier, at the close of business on 30 June 2016):
 - (A) up to an aggregate nominal amount of £4,270.1758 (or, if lower, such amount in pounds Sterling as is equal to one-third of the nominal value of the Company's issued Ordinary Share capital immediately following Admission) (such amount to be reduced by the nominal amount of any equity securities (as defined in the Act) allotted under paragraph (B) below in excess of £4,270.1758 (or, if lower, such amount in pounds Sterling as is equal to one-third of the nominal value of the Company's issued Ordinary Share capital immediately following Admission)); and
 - (B) comprising equity securities (as defined in the Act) up to an aggregate nominal amount of £8,540.3516 (or, if lower, such amount in pounds Sterling as is equal to two-thirds of the nominal value of the Company's issued Ordinary Share capital immediately following Admission) (such amount to be reduced by any shares allotted or rights granted under paragraph (A) above) in connection with an offer by way of a rights issue to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of

those securities, and so that the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter; and

- (iv) make an offer or agreement, before this authority expires, which would or might require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after expiry of this authority and the directors may allot shares and grant rights in pursuance of that offer or agreement as if this authority had not expired,
- (d) the Directors were authorised, conditional on the resolution in paragraphs 2.4(a), (b) and (c) being approved, for a period expiring (unless previously renewed, varied or revoked by the Company in a general meeting) at the end of the next annual general meeting of the Company after the date on which this resolution was passed (or, if earlier, at the close of business on 30 June 2016), but without prejudice to any allotments made pursuant to the terms of an offer or agreement which would or might require equity securities to be allotted after such equity, to allot equity securities (as defined in the Act) for cash pursuant to the resolution referred to in paragraph 2.4(b) above, as if section 561 of the Act did not apply to the allotment, such power being limited to:
- (i) the proposed allotment of C2 ordinary shares up to an aggregate nominal value of £100.00 pursuant to the subscription referred to in paragraph 2.3(a) above;
 - (ii) the proposed allotment of Ordinary Shares up to an aggregate nominal value of £1.3589 pursuant to the subscription referred to in paragraph 2.4(c)(ii) above;
 - (iii) the proposed allotment of equity securities up to an aggregate nominal amount of £4,611.3007 in connection with the Offer;
 - (iv) following Admission, in addition to the authorities granted under subparagraphs (i), (ii) and (iii) above, the allotment of equity securities in connection with an offer or fresh issue to or in favour of (but in the case of the authority granted under subparagraph 2.4(c)(iii)(B), by way of a rights issue only):
 - (A) to holders of Ordinary Shares in proportion (as nearly as practicable) to their existing holdings;
 - (B) to holders of equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities,and so that the Directors may impose any limits, exclusions or restrictions or make other arrangements as they consider appropriate in relation to treasury shares, fractional entitlements, record dates, legal or practical problems under the laws in any territory or the requirements of any regulatory body or stock exchange or any other matter; and
- in the case of an authority granted under subparagraph 2.4(c)(iii)(A) above, the allotment of equity securities for cash (otherwise than pursuant to subparagraphs (i) and (ii) above) up to a maximum nominal amount of £640.526375.
- (e) the Company was authorised, conditional on the resolutions in paragraphs 2.4(a), (b), (c) and (d) being approved, for a period expiring at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on 30 June 2016):
- (i) to enter into a contract with the holders of the deferred shares of £0.03 each and £0.0001 each; and
 - (ii) to enter into a contract with the holders of the Deferred Shares,
- the forms of which were provided to the meeting, for the purchase by the Company of (i) all deferred shares of £0.03 each and all deferred shares of £0.0001 each for a total consideration of £1.00 in aggregate and (ii) all Deferred Shares for a total consideration of up to £48,050;
- (f) in accordance with section 366 of the Act, the Company and all companies that are subsidiaries of the Company at any time during the period to which this resolution has effect were authorised to:
- (i) make political donations to political parties and/or independent election candidates;

- (ii) make political donations to political organisations other than political parties; and
- (iii) incur political expenditure,

provided that the aggregate amount of such donations and expenditure shall not exceed £500,000 during the period beginning with the date of the passing of this resolution and ending on 31 December 2016 or, if sooner, the conclusion of the annual general meeting of the Company to be held in 2016.

For the purposes of this authority the terms “political donation”, “political parties”, “independent election candidates”, “political organisation” and “political expenditure” have the meanings given by sections 363 to 365 of the Act;

- (g) the Company was generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Act) of its Ordinary Shares on such terms and in such manner as the directors of the Company may determine subject to the following conditions:
 - (i) the maximum number of Ordinary Shares authorised to be purchased is 12,810,527 representing 10 per cent. of the Company’s existing share capital immediately following Admission;
 - (ii) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is £0.0001 (being the nominal value of the Ordinary Shares);
 - (iii) the maximum price (exclusive of expenses) which may be paid for each ordinary share purchased under this is authority is the higher of:
 - (A) an amount equal to 105 per cent. of the average of the middle market price shown in the quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; and
 - (B) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; and
 - (iv) the authority shall expire at the close of the next annual general meeting of the Company after the passing of this resolution or, if earlier, on 30 June 2016; and
 - (v) the Company may make a contract or contracts to purchase Ordinary Shares under this authority before its expiry which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract
- (h) the Company was authorised to call a general meeting of the Company, other than an annual general meeting, on 14 clear days’ notice; and
- (i) the Articles (a summary of which is included at paragraph 3 below (*Summary of the Company’s Articles of Association*)) were adopted with effect from Admission in substitution for, and to the exclusion of the articles of association that are in place immediately prior to Admission.

2.5 Save as disclosed in this Prospectus:

- (a) no share or loan capital of the Company or any of its subsidiaries has within the period covered by the historical financial information set out in this Prospectus (other than intra group issues by wholly owned subsidiaries or pursuant to the Offer) been issued or been agreed to be issued fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed;
- (b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries within the period covered by the historical financial information set out in this Prospectus in connection with the issue or sale of any share or loan capital of any such company; and
- (c) no share or loan capital of the Company or any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option.

- 2.6 The Ordinary Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of shares in any class of shares in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first-class post.
- 2.7 When admitted to trading, the Ordinary Shares will be registered with the ISIN GB00BZBX0P70 and SEDOL number BZBX0P7.
- 2.8 The Company will be subject to the continuing obligations of the FCA with regard to the issue of shares for cash. The provisions of section 561(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash otherwise than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Act) apply to the issue of shares in the capital of the Company except to the extent that such provisions have been disapplied as referred to in paragraph 2.4 (j) above.

3. Summary of the Company's Articles of Association

The articles of association of the Company adopted on 6 November 2015, conditional upon Admission being effective, include provisions to the following effect.

3.1 Articles of Objects

The objects of the Company, in accordance with section 31(1) of the Act, are unrestricted.

3.2 Limited liability

The liability of the members is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

3.3 Rights attaching to shares

- (a) Voting rights of members—subject to the articles of association and to any special rights or restrictions as to voting for the time being attached to any shares (as to which there are none at present), the provisions of the Act shall apply in relation to voting rights. On a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.
- (b) Dividends—subject to the rights attached to any shares issued on any special terms and conditions (as to which there are none at present), dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls should be treated for these purposes as paid up on the share.
- (c) Return of capital—if the Company is in liquidation, the liquidator may, with the sanction of a special resolution of the Company and any other authority required by any applicable statutory provision (A) divide among the members *in specie* the whole or any part of the assets of the Company; or (B) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.
- (d) Capitalisation of reserves—the Board may, with the authority of an ordinary resolution of the Company: (A) resolve to capitalise any sum standing to the credit of any reserve account of the Company (including share premium account and capital redemption reserve) or any sum standing to the credit of profit and loss account not required for the payment of any preferential dividend (whether or not it is available for distribution); and (B) appropriate that sum as capital to the holders of shares in proportion to the nominal amount of the share capital held by them

respectively and apply that sum on their behalf in paying up in full any shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions or in paying up the whole or part of any amounts which are unpaid in respect of any issued shares in the Company held by them respectively, or otherwise deal with such sum as directed by the resolution provided that the share premium account and the capital redemption reserve, any redenomination reserve and any sum not available for distribution in accordance with the Act, the Uncertificated Securities Regulations 2001, and every other statute, statutory instrument, regulation or order concerning the Company may only be applied in paying up shares to be allotted credited as fully paid up.

3.4 Transfer of shares

Save as described below, the Ordinary Shares will be freely transferable upon Admission.

A member may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and is from time to time approved by the Board. The Company shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any instrument of transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) or on which the Company has a lien. The Board may also refuse to register any instrument of transfer of a certificated share unless it is left at the registered office, or such other place as the Board may decide, for registration, accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove title of the intending transferor or his right to transfer shares; and it is in respect of only one class of shares. If the Board refuses to register a transfer of a certificated share it shall, as soon as practicable and in any event within two months after the date on which the instrument of transfer was lodged, give to the transferee notice of the refusal together with its reasons for refusal. The Board must provide the transferee with such further information about the reasons for the refusal as the transferee may reasonably request. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

3.5 Alteration of share capital

The Company may exercise the powers conferred by the applicable statutory provisions to:

- (a) increase its share capital by allotting new shares;
- (b) reduce its share capital, any capital redemption reserve and any share premium account in any way;
- (c) subdivide or consolidate and divide all or any of its share capital;
- (d) redenominate all or any of its shares and reduce its share capital in connection with such redenomination;
- (e) issue redeemable shares; and
- (f) purchase all or any of its own shares including any redeemable shares.

3.6 Authority to allot shares and grant rights and disapplication of pre-emption rights

The Company may from time to time pass an ordinary resolution authorising, in accordance with section 551 of the Act, the Board to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to the maximum nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years from the date on which the resolution is passed).

Subject (other than in relation to the sale of treasury shares) to the Board being generally authorised to allot shares and grant rights to subscribe for or to convert any security into shares in the Company

in accordance with section 551 of the Act, the Company may from time to time resolve, by special resolution, that the Board be given power to allot equity securities for cash as if section 561 of the Act did not apply to the allotment but that power shall be limited: (A) to the allotment of equity securities in connection with a rights issue; and (B) to the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution.

3.7 Variation of rights

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares in issue may from time to time (whether or not the Company is being wound up) be varied in such manner as those rights may provide or (if no such provision is made) either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the authority of a special resolution passed at a separate general meeting of the holders of those shares. At any separate general meeting, the quorum is two members present in person or proxy holding at least one-third in nominal amount of the issued shares of the class in question (but at any adjourned meeting, the quorum is one member present in person or by proxy holding shares of the class).

3.8 Disclosure of interests in shares

If the holder of, or any person appearing to be interested in, any share has been given a notice requiring any of the information mentioned in section 793 of the Act (a “**section 793 notice**”) and, in respect of that share (a default share), has been in default for a period of 14 days after the section 793 notice has been given in supplying to the Company the information required by the section 793 notice, the following restrictions shall apply: (A) if the default shares in which any one person is interested or appears to the Company to be interested represent less than 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares, to attend or to vote, either personally or by proxy, at any general meeting of the Company; or (B) if the default shares in which any one person is interested or appears to the Company to be interested represent at least 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares:

- (a) to attend or to vote, either personally or by proxy, at any general meeting of the Company;
- (b) to receive any dividend or other distribution; or
- (c) to transfer or agree to transfer any of those shares or any rights in them.

3.9 Uncertificated shares—general powers

In relation to any uncertificated share, the Company may utilise the relevant system in which it is held to the fullest extent available from time to time in the exercise of any of its powers or functions under any applicable statutory provision or the articles of association or otherwise in effecting any action. Any provision in the articles of association in relation to uncertificated shares which is inconsistent with any applicable statutory provision shall not apply. The Company may, by notice to the holder of an uncertificated share, require the holder to change the form of that share to certificated form within such period as may be specified in the notice. For the purpose of effecting any action by the Company, the Board may determine that shares held by a person in uncertificated form and in certificated form shall be treated as separate holdings but they shall not be treated as separate classes of shares.

3.10 Directors

- (a) The directors (other than alternate directors) shall not, unless otherwise determined by an ordinary resolution of the Company, be less than two nor more than 12 in number.
- (b) A director need not be a member of the Company.
- (c) At each annual general meeting, a director shall retire from office. A retiring director shall be eligible for re-election, and a director who is re-elected will be treated as continuing in office without a break. A retiring director who is not re-elected shall retain office until the close of the meeting at which he retires. If the Company, at any meeting at which a director retires in accordance with the articles of association, does not fill the office vacated by such director, the

retiring director, if willing to act, shall be deemed to be re-elected, unless at the meeting a resolution is passed not to fill the vacancy or to elect another person in his place or unless the resolution to re-elect him is put to the meeting and lost.

- (d) The directors shall be paid such fees not exceeding in aggregate £1,000,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine) as the directors may decide to be divided among them in such proportion and manner as they may agree, or failing agreement, equally.
- (e) The Board may grant special remuneration to any director who performs any special or extra services to or at the request of the Company. Such special remuneration may be paid by way of lump sum, salary, commission, participation in profits or otherwise as the Board may decide in addition to his ordinary remuneration (if any) as a director.
- (f) The directors shall also be paid out of the funds of the Company all expenses properly incurred by them in and about the discharge of their duties, including their expenses of travelling to and from the Board meetings, committee meetings and general meetings. Subject to any guidelines and procedures established from time to time by the Board, a director may also be paid out of the funds of the Company all expenses incurred by him in obtaining professional advice in connection with the affairs of the Company or the discharge of his duties as a director.
- (g) The Board may exercise all the powers of the Company to:
 - (i) pay, provide, arrange or procure the grant of pensions or other retirement benefits, and death, disability or sickness benefits, health, accident and other insurances or other such benefits, allowances, gratuities or insurances, including in relation to the termination of employment, to or for the benefit of any person who is or has been at any time a director of the Company or in the employment or service of the Company or of any body corporate which is or was associated with the Company or of the predecessors in business of the Company or any such associated body corporate or the relatives or dependants of any such person. For that purpose the Board may procure the establishment and maintenance of, or participation in, or contribution to, any pension fund, scheme or arrangement or the payment of any insurance premiums;
 - (ii) establish, maintain, adopt and enable participation in any profit-sharing or incentive scheme including shares, share options or cash or any similar schemes for the benefit of any director or employee of the Company or of any associated body corporate, and to lend money to any such director or employee or to trustees on their behalf to enable any such schemes to be established, maintained or adopted; and
 - (iii) support and subscribe to any institution or association which may be for the benefit of the Company or of any associated body corporate or any directors or employees of the Company or associated body corporate or their relatives or dependants or connected with any town or place where the Company or an associated body corporate carries on business, and to support and subscribe to any charitable or public object whatsoever.
- (h) If a situation (a “**Relevant Situation**”) arises in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company but which does not arise in relation to a transaction or arrangement with the Company, the director must declare the nature and extent of his interest to the other directors and the directors (other than the director, and any other director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may: (i) if the Relevant Situation arises from the appointment or proposed appointment of a person as a director of the Company, resolve to authorise the appointment of the director and the Relevant Situation on such terms as they may determine; and (ii) if the Relevant Situation arises in other circumstances, resolve to authorise the Relevant Situation and the continuing performance by the director of his duties on such terms as they may determine. Any terms of such authorisation may be imposed at the time of the authorisation or may be imposed or varied subsequently and may include (without limitation):
 - (i) whether the interested directors may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;

- (ii) the exclusion of the interested directors from all information and discussion by the Company of the Relevant Situation; and
 - (iii) (without prejudice to the general obligations of confidentiality) the application to the interested directors of a strict duty of confidentiality to the Company for any confidential information of the Company in relation to the Relevant Situation.
- (i) Any authorisation of a Relevant Situation may provide that, where the interested director obtains (other than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.
 - (j) If a director is in any way, directly or indirectly, interested in a proposed or an existing transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other directors.
 - (k) Subject to any applicable statutory provisions and to having declared his interest to the other directors, a director may:
 - (i) enter into or be interested in any transaction or arrangement with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company, or as vendor, purchaser or otherwise;
 - (ii) hold and be remunerated in respect of any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director;
 - (iii) act by himself or through his firm in a professional capacity for the Company (except as auditor) and be entitled to remuneration for professional services as if he were not a director;
 - (iv) be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any holding company or subsidiary undertaking of that holding company or any other company in which the Company may be interested; and
 - (v) be or become a director of any other company in which the Company does not have an interest if that cannot reasonably be regarded as likely to give rise to a conflict of interest at the time of his appointment as a director of that other company.
 - (l) A director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment (including fixing and varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, those proposals may be divided and considered in relation to each director separately; and in such case each of the directors concerned (if not otherwise debarred from voting under the articles of association) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment or the termination of his own appointment.
 - (m) A director shall not vote (or be counted in the quorum at a meeting) in respect of any transaction or arrangement with the Company in which he has an interest which may reasonably be regarded as likely to give rise to a conflict of interest. Notwithstanding the above, a director may vote (and be counted in the quorum) on: (A) any transaction or arrangement in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company; (B) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security; (C) indemnification (including loans made in connection with it) by the Company in relation to the performance of his duties on behalf of the Company or of any of its subsidiary undertakings; (D) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity

as holder of any such securities or as an underwriter or sub underwriter; (E) any transaction or arrangement concerning any other company in which he does not hold, directly or indirectly as shareholder, or through his direct or indirect holdings of financial instruments (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) voting rights representing 1 per cent. or more of any class of shares in the capital of such company; (F) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and (G) the purchase or maintenance of insurance for the benefit of directors or for the benefit of persons including directors.

3.11 General meetings

An annual general meeting shall be held in accordance with the applicable statutory provisions at such place as may be determined by the Board. Other general meetings shall be held whenever the Board thinks fit or on the requisition of shareholders in accordance with the Act.

Subject to the applicable statutory provisions, an annual general meeting shall be called by at least 21 clear days' notice and all other general meetings shall be called by not less than 14 clear days' notice or by not less than such minimum notice period as is permitted by the applicable statutory provisions.

The requisite quorum for general meetings of the Company shall be two qualifying persons, representing different members and entitled to vote on the business to be transacted at the meeting. A qualifying person is an individual who is a member of the Company; a corporate representative; or a proxy.

3.12 Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.13 Change of name

The Board may change the name of the Company.

3.14 Dividends

- (a) Declaration of dividends—the Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.
- (b) Fixed and interim dividends—the Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, none of the directors shall incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.
- (c) Calculation and currency of dividends—except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide: (A) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; (B) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and (C) dividends may be declared or paid in any currency and the Board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for the Company or any other person to bear any costs involved.

- (d) Dividends not to bear interest—no dividend or other moneys payable by the Company on or in respect of any share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.
- (e) Calls or debts may be deducted from dividends—the Board may deduct from any dividend or other moneys payable to any person (either alone or jointly with another) on or in respect of a share all such sums as may be due from him (either alone or jointly with another) to the Company on account of calls or otherwise in relation to shares of the Company.
- (f) Dividends *in specie*—with the authority of an ordinary resolution of the Company and on the recommendation of the Board, payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company.
- (g) Scrip dividends—the Board may, with the authority of an ordinary resolution of the Company, offer any holders of shares the right to elect to receive further shares by way of scrip dividend instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution.
- (h) Unclaimed dividends—any dividend unclaimed for a period of 12 years after having been declared shall be forfeited and cease to remain owing by the Company.

3.15 Forfeiture of shares

If the whole or any part of any call or instalment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or instalment as remains unpaid, together with any accrued interest.

If the requirements of a notice are not complied with, any share in respect of which it was given may (before the payment required by the notice is made) be forfeited by a resolution of the Board. The forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

Every share which is forfeited or surrendered shall become the property of the Company and (subject to the applicable statutory provisions) may be sold, reallocated or otherwise disposed of, upon such terms and in such manner as the Board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

3.16 Communications by the Company

Subject to the applicable statutory provisions, a document or information may be sent or supplied by the Company to any member in electronic form to such address as may from time to time be authorised by the member concerned or by making it available on a website and notifying the member concerned (in accordance with the applicable statutory provisions) of the presence of a document or information on the website. A member shall be deemed to have agreed that the Company may send or supply a document or information by means of a website if the applicable statutory provisions have been satisfied.

3.17 Directors' indemnity, insurance and defence

As far as the applicable statutory provisions allow, the Company may:

- (a) indemnify any director of the Company (or of an associated body corporate) against any liability;
- (b) indemnify a director of a company that is a trustee of an occupational pension scheme for employees (or former employees) of the Company (or of an associated body corporate) against liability incurred in connection with the Company's activities as trustee of the scheme;
- (c) purchase and maintain insurance against any liability for any director referred to in (a) or (b) above; and
- (d) provide any director referred to in (a) or (b) above with funds (whether by loan or otherwise) to meet expenditure incurred or to be incurred by him in defending any criminal, regulatory or civil

proceedings or in connection with an application for relief (or to enable any such director to avoid incurring such expenditure).

3.18 Disclosure of shareholding ownership

The Disclosure and Transparency Rules require a member to notify the Company if the voting rights held by such member (including by way of certain financial instruments) reach, exceed or fall below 3 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. Under the Disclosure and Transparency Rules, certain voting rights in the Company may be disregarded.

3.19 Changes in capital

The provisions of the articles of association governing the conditions under which the Company may alter its share capital are no more stringent than the conditions imposed by the Act.

4. Directors' and Senior Management's interests in the Company

4.1 The interests in the share capital of the Company of the Directors and Senior Management (all of whom, unless otherwise stated, are beneficial or are interests of a person connected with a Director or a member of Senior Management) were as follows:

Director / Member of Senior Management	Immediately prior to Admission ⁽¹⁾		Immediately following Admission	
	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital
Penny Hughes ⁽²⁾	0	0.0%	13,589	<0.1%
John Treharne ⁽³⁾	6,211,080	7.6%	4,510,937	3.5%
Jim Graham ⁽⁴⁾	1,522,729	1.9%	1,142,047	0.9%
Richard Darwin ⁽⁵⁾	1,065,911	1.3%	959,321	0.7%
Paul Gilbert ⁽³⁾	1,711,950	2.1%	1,220,489	1.0%
David Burns ⁽⁶⁾	0	0.0%	0	0.0%
Philip Newborough	0	0.0%	0	0.0%
Jasper McIntosh	132,224	0.2%	108,424	0.1%
Jonathan Spaven	1,294,319	1.6%	921,953	0.7%

- (1) The interests of Ordinary Shares as at the date of this document have been stated on the basis that the steps described in paragraph 2.3 of this Part 14: "Additional Information" have been completed in full.
- (2) Penny Hughes will on Admission be entitled to receive a fee of £50,000 for services provided to the Company prior to the date of this Prospectus and has agreed, conditional on Admission, to subscribe for an amount equal to the net amount of such fee, being 13,589 new Ordinary Shares of the Company at the Offer Price. Such new Ordinary Shares will be allotted by the Company to Penny Hughes outside of the Offer and will not comprise Offer Shares.
- (3) In connection with the re-registration of the Company as a public limited company, on 30 October 2015 John Treharne subscribed for 34,597 Deferred Shares and Paul Gilbert subscribed for 6,786 Deferred Shares. In each case, it is anticipated that the Deferred Shares subscribed for by John Treharne and Paul Gilbert will be repurchased by the Company at Admission and held in treasury pursuant to the steps described in paragraph 2.3 of this Part 14: "Additional Information".
- (4) Jim Graham also has an indirect investment in the Company as an investor in Phoenix Equity Partners 2010 GP, L.P.
- (5) The total number of ordinary shares in which Richard Darwin or persons connected with him is or are interested includes 50,758 Ordinary Shares and 35,758 Ordinary Shares immediately prior to Admission and immediately following Admission, respectively, which are owned by Charlotte Darwin.
- (6) David Burns has an indirect investment in the Company as an investor in Phoenix Equity Partners 2010 GP, L.P.

4.2 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were affected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

4.3 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

- 4.4 The interests of the Directors and Senior Management together are expected to represent approximately 14.6 per cent. of the issued Ordinary Share capital of the Company immediately following the Re-organisation but immediately prior to Admission and are expected to represent approximately 6.9 per cent. of the issued share capital of the Company immediately following Admission.
- 4.5 Save as set out in this section 4, it is not expected that any Director or member of Senior Management will have any interest in the share or loan capital of the Company on Admission and there is no person to whom any capital of any member of the Group is under award or option or agreed unconditionally to be put under award or option.

5. Significant Shareholders' Interests in the Company

Insofar as is known to the Directors, the following are the interests (within the meaning of Part VI of the Act) (other than interests held by the Directors) which represent, or will represent, directly or indirectly, 3 per cent. or more of the issued share capital of the Company:

Shareholder	Immediately prior to Admission ⁽¹⁾		Immediately following Admission	
	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital
Phoenix Advised Funds ⁽²⁾	45,623,079	55.7%	35,990,866	28.1%
Phoenix Equity Partners 2010 L.P.	33,531,206	40.9%	26,451,897	20.6%
Adams Street Co-Investment Fund II, L.P.	7,798,614	9.5%	6,152,127	4.8%
Other Phoenix Advised Funds ⁽³⁾	4,293,259	5.2%	3,386,842	2.6%
Bridges Community Development Venture Fund II LP ⁽⁴⁾	22,580,402	27.5%	17,813,090	13.9%
Soros Fund Management LLC	—	—	7,400,000	5.8%
FIL Investments International	—	—	7,000,000	5.5%
Hargreave Hale Ltd	—	—	6,850,000	5.3%
Standard Life Investments Limited	—	—	6,000,000	4.7%
Threadneedle Asset Management Limited	—	—	4,500,000	3.5%

- (1) The interests of Ordinary Shares as at the date of this document have been stated on the basis that the steps described in paragraph 2.3 of this Part 14: "Additional Information" have been completed in full.
- (2) The legal title to the Ordinary Shares to which the Phoenix Advised Funds are beneficially entitled is held by Phoenix Equity Nominees Limited on behalf of the Phoenix Advised Funds.
- (3) The other Phoenix Advised Funds are Phoenix Equity Partners 2010 GP, L.P., Adams Street 2009 Direct Fund, L.P., Adams Street 2010 Direct Fund, L.P., Adams Street 2011 Direct Fund LP, Adams Street 2012 Developed Markets Fund LP and Adams Street 2013 Developed Markets Fund LP, each of which will not, immediately prior to or immediately following Admission, alone hold 3 per cent. or more of the issued share capital of the Company.
- (4) The legal title to the Ordinary Shares to which Bridges Community Development Venture Fund II LP is beneficially entitled is held by Bridges Community Ventures Nominees Limited on behalf of Bridges Community Development Venture Fund II LP.

Save as disclosed above, insofar as is known to the Directors, there is no other person who is or will be immediately following Admission, directly or indirectly, interested in 3 per cent. or more of the issued share capital of the Company, or any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. None of the Company's major shareholders have or will have different voting rights attached to the shares they hold in the Company.

In so far as is known to the Directors, the following intend to subscribe for Ordinary Shares representing more than five per cent. of the Offer:

<u>Shareholder</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of the Offer</u>
Soros Fund Management LLC	7,400,000	11.6%
FIL Investments International	7,000,000	10.9%
Hargreave Hale Ltd	6,850,000	10.7%
Standard Life Investments Limited	6,000,000	9.4%
Threadneedle Asset Management Limited	4,500,000	7.0%
Legal & General Investment Management Limited	3,250,000	5.1%

6. Directors' terms of employment

The Directors and their functions are set out in Part 7: “*Directors, Senior Management and Corporate Governance*”. On 6 November 2015 each of the Non-Executive Directors other than the Chairman entered into letters of appointment with the Company. On 5 September 2015, the Chairwoman entered into a letter of appointment with the Company.

6.1 Executive Directors

- (a) On and from the date of Admission, John Treharne will receive a salary of £240,000 per annum, Richard Darwin will receive a salary of £180,000 per annum and Jim Graham will receive a salary of £180,000 per annum. Salaries are subject to annual review as part of the Company’s annual review process.
- (b) Executive Directors are eligible to be considered for (i) a discretionary annual bonus award (of up to 47.5 per cent. of salary for 2016 and up to 75 per cent. of salary for 2017); and (ii) long term incentive awards (for 2016 over shares having a value of 87.5 per cent. of salary for John Treharne and 75 per cent. of salary for Richard Darwin and Jim Graham, rising to 175 per cent. and 150 per cent. of salary respectively for 2017) but have no contractual right to receive such awards.
- (c) The Executive Directors receive defined contribution pension provision (or a cash supplement) which, on Admission, will equal 15 per cent. of salary for John Treharne and 10 per cent. of salary for Richard Darwin and Jim Graham. The Executive Directors also receive private family medical insurance.
- (d) Each Executive Director’s service agreement is terminable on six months’ notice given by either party. The Company is entitled to terminate an Executive Director’s employment by making a payment in lieu of notice of a cash sum equal to the salary otherwise payable during the notice period. The Company is entitled to dismiss an Executive Director without notice in certain circumstances such as serious misconduct or following any serious or persistent breach of duties.
- (e) In addition to normal bank and public holidays, each Executive Director is entitled to 25 days’ paid holiday during each calendar year.
- (f) Each of the Executive Directors is subject to a confidentiality undertaking without limit in time and to non-compete, non-solicit, non-dealing and non-hiring restrictive covenants for a period of 12 months after the termination of their respective service agreements.
- (g) Each Executive Director will have the benefit of a qualifying third party indemnity from the Company (the terms of which are in accordance with the Act) and appropriate directors’ and officers’ liability insurance.

6.2 Non-Executive Directors

- (a) Penny Hughes is entitled to receive an annual fee of £130,000 as non-executive Chairwoman. Her appointment is terminable on 1 months’ notice given by either party. The Chairwoman’s appointment is for an initial period of three years and is subject to re-election at each annual general meeting of the Company.

- (b) Paul Gilbert as Senior Independent Director will receive an annual fee of £50,000. His appointment is terminable on 1 months' notice given by either party and is subject to re-election at the annual general meeting of the Company.
- (c) David Burns is appointed to the Board by the Phoenix Advised Funds pursuant to the terms of the Relationship Agreement. He will not receive a fee for the appointment. His appointment is terminable on 1 months' notice given by either party, subject to the terms of the Relationship Agreement.
- (d) Philip Newborough is appointed to the Board for up to 12 months after Admission. He will not receive a fee for the appointment. His appointment is terminable on 1 months' notice given by either party.
- (e) The Non-Executive Directors are also entitled to reimbursement of reasonable expenses.
- (f) The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in the Company's share, bonus or pension schemes.
- (g) The Company has appropriate directors' and officers' indemnity insurance in place in respect of the Non-Executive Directors. Each of the Non-Executive Directors will have the benefit of a qualifying third party indemnity (the terms of which are in accordance with the Act).
- (h) The Non-Executive Directors are subject to confidentiality undertakings without limit in time.

Save as set out in this paragraph 6 of this Part 14: "*Additional Information*" there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.

6.3 Remuneration policy

(a) Overview

In anticipation of Admission, the Company undertook a review of the Group's remuneration policy for senior management, including the Executive Directors, to ensure that it is appropriate for the listed company environment.

Following this review, a new policy has been established, the principal objectives of which are to attract, retain and motivate the Group's Executive Directors and senior management, provide incentives that align with, and support, the Group's business strategy as it evolves, and align incentives with the creation of long-term shareholder value.

The remuneration committee will oversee the implementation of this policy and will seek to ensure that the Executive Directors are fairly rewarded for the Group's performance over the short- and long-term. A significant proportion of potential total remuneration is therefore performance-related.

The remuneration committee is very aware that the policy must be capable of being operated so as to take account of the Company's evolution following Admission and to reflect the fact that the Company's pay arrangements need to transition over time from ones that are reflective of a non-listed private equity-backed entity in which senior executives have material stakes to a more standard listed public limited company ("**listed PLC**") structure. The table below compares

typical pay practice in these two scenarios (although actual practice will vary based on the particular circumstances):

Element of Pay	Private equity-backed pay practice	Listed PLC pay practice
Base salary	Lower than listed PLC norms	Higher levels typically offered
Pension and benefits	Lower than listed PLC norms	Higher levels typically offered
Annual bonus	Lower bonus opportunity than listed PLC norms. Often less formulaic/more discretionary. Payable in cash	Higher bonus opportunity typically offered. More formulaic, with a broader range of financial and non-financial measures. Often payable in cash and deferred shares
Long-term incentives	Potentially most valuable element of the package. Large “one-off” equity-based awards granted, linked to a successful exit event	Smaller (but still significant) element of the package. Regular annual grants made which vest over at least three years subject to achievement of performance targets

As a result, an appropriate degree of flexibility must be included in the policy. For example, and as described below, the Executive Directors’ remuneration packages on Admission have been structured so that annual bonus and long-term incentive opportunity increases over the years following Admission towards a more market standard listed company level (albeit with additional headroom in terms of maximum reward opportunity reserved in both the annual bonus and long-term incentive plan to offer higher incentive opportunity in later years if considered appropriate). Also, a conservative approach has been taken to salary on Admission on the basis that, as the Company develops in the years following Admission, there may be a need to make above inflationary salary increases to move fixed pay to levels consistent with those of a more mature business.

In accordance with the regulations set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, shareholder approval will be sought at the first annual general meeting of the Company following Admission (to be held in 2016) for the remuneration policy, the main features of which are described below (and which may be subject to amendment following Admission to the extent the remuneration committee considers appropriate and in the interests of shareholders):

(b) Base salary

Base salaries will be reviewed as appropriate following Admission, but not typically more frequently than annually. In reviewing base salaries (and overall levels of remuneration more generally), the remuneration committee will consider the performance of the Company and the individual, any changes in responsibilities or scope of the role, as well as pay practices in relevant comparator companies of a broadly similar size and complexity (with due account taken of both market capitalisation and turnover). In particular, the remuneration committee will, as stated above, ensure that base salary levels and annual increases take due account of the Company’s development following, and the conservative base salary positioning on, Admission.

Base salaries for the Executive Directors from Admission will be £240,000 for John Treharne, £180,000 for Jim Graham and £180,000 Richard Darwin.

(c) Pension and benefits

The Executive Directors will receive defined contribution pension provision (or cash supplement) which, on Admission, will equal 15 per cent. of base salary for John Treharne and 10 per cent. for Jim Graham and Richard Darwin.

Benefits in kind comprising private family medical cover, insurance benefits and such other market competitive benefits as the remuneration committee considers appropriate may also be provided up to an aggregate value of £10,000 (or such higher amount as the remuneration committee considers appropriate).

(d) Annual bonus

As at the date of Admission, the Executive Directors participate in a discretionary annual bonus plan. Bonuses are payable at the discretion of the remuneration committee, with no Executive Director likely to receive a bonus in excess of £100,000 in any year. This structure will continue for the remainder of the current financial year.

For 2016 and onwards, the Executive Directors will be eligible to participate in an annual bonus plan which will be structured in a manner more reflective of listed company practice. Bonuses will be payable subject to the achievement of stretching performance conditions which will be set by the remuneration committee at the beginning of each financial year. For 2016, it is currently envisaged that 70 per cent. of bonus will be based on financial targets, with the remaining 30 per cent. based on personal/strategic targets (although the remuneration committee can vary this weighting to take account of business priorities). It is anticipated that the financial targets will have a significant profit-based element. The remuneration committee will provide appropriate levels of disclosure on a retrospective basis of the bonus target used in the prior year in the Directors' Remuneration Report, subject to issues of commercial sensitivity.

While the overall bonus plan maximum will be 100 per cent. of salary, for 2016 the bonus cap will be 47.5 per cent. of salary, with it currently envisaged that the cap for 2017 will be 75 per cent. of salary (although actual bonus opportunity each year will be kept under regular review, albeit subject to the 100 per cent. overall cap). For a target level of performance, no more than 60 per cent. of bonus opportunity will be payable. Annual bonus outcomes will be paid in cash and will not be pensionable.

(e) Long-term incentives

Following Admission, long-term incentives will be delivered through a new Performance Share Plan ("PSP"), which will be established before Admission.

Awards will be in the form of market standard conditional free shares or nil/nominal cost options. While the normal individual plan maximum grant level will be shares equal in value to 200 per cent. of base salary, it is currently intended that the first award made to John Treharne in 2016 will be over shares worth 87.5 per cent. of salary, with Jim Graham and Richard Darwin receiving an award over shares worth 75 per cent. of salary. It is currently intended that the first awards will be made following the announcement of the Company's preliminary results in 2016. Award levels for 2017 and subsequent years are currently intended to be 175 per cent. of salary for John Treharne and 150 per cent. of salary for Jim Graham and Richard Darwin (although actual participation levels will be kept under regular review).

Performance conditions will be set for each award made to Executive Directors which will measure performance over a period of no less than three years. It is currently intended that initial awards will be subject to a performance condition based on adjusted earnings per share targets and relative total shareholder return versus the constituents of the FTSE SmallCap. The performance conditions for each award to Executive Directors will be disclosed in the Directors' Remuneration Report. Individuals may receive a dividend equivalent in cash or shares equal to the value of dividends which would have accrued during the vesting period.

A summary of the principal terms of the PSP is set out at paragraph 7.4 of this Part 14: "*Additional Information*".

(f) Malus/Clawback

Consistent with best practice, malus/clawback provisions may be operated at the discretion of the remuneration committee in respect of awards granted under the PSP in certain circumstances (which are more fully described in the summary of the PSP below).

(g) All-employee share plans

The Executive Directors and senior management will be entitled to participate in any all-employee share plans adopted by the Company, for example the proposed new Share Incentive Plan and Sharesave Plan, on the same terms as other employees. A summary of the proposed terms of these plans are set out at paragraphs 7.2 and 7.3 of this Part 14: "*Additional Information*".

(h) Share ownership guidelines

While the current Executive Directors have significant shareholdings in the Company, the remuneration committee wishes to ensure that a shareholding guideline is in place to cater for future Executive Directors who may not hold shares. Accordingly, the remuneration committee has adopted formal shareholding guidelines to encourage Executive Directors to build or maintain (as appropriate) a shareholding in the Company. For the current Executive Directors, the required shareholding will be to 300 per cent. of base salary, reflecting their existing large holdings. For any future Executive Director, the required holding will be 200 per cent. of salary. If an Executive Director does not meet the guideline, they will be expected to retain a proportion of the shares vesting under the Company's PSP until the guideline is met.

(i) Service Agreements

Each of the Executive Directors has entered into a service agreement with the Company which is effective upon Admission. The policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination by the Company or the individual on six months' notice. The service agreements of all Executive Directors comply with that policy. The contracts contain a payment in lieu of notice clause which is limited to base salary only. A summary of the principal terms of these service agreements is set out at paragraph 6.1 of this Part 14: "*Additional Information*".

(j) Recruitment remuneration policy

New Executive Director and senior management hires (including those promoted internally) will be offered remuneration packages in line with the Company's remuneration policy in force at the time. In addition to the above elements of remuneration, the Committee may, in exceptional circumstances, consider it appropriate to grant an award under a different structure in order to facilitate the buyout of outstanding awards held by an individual on recruitment. Any buyout award would be limited to what the remuneration committee considers to be a fair estimate of the value of awards foregone when leaving the former employer and will be structured, to the extent possible, to take into account other key terms (such as vesting schedules and performance targets) of the awards which are being replaced. For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

(k) Termination policy

The remuneration committee will consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination (see paragraph 6.1 of this Part 14: "*Additional Information*" relating to Service Agreements) and any treatments that the Committee may choose to apply under the discretions available to it under the terms of the annual bonus plan and PSP, which will take account of typical practice regarding, for example, the treatment of "good" and "bad" leavers (with paragraph 7.4 of this Part 14: "*Additional Information*" providing further detail of the relevant leaver provisions in the PSP).

(l) Chairwoman and Non-Executive director' Letters of Appointment

Other than the Chairwoman, the independent Non-Executive Directors are appointed by letters of appointment of no fixed term and are subject to annual re-election. The Chairwoman is appointed by a letter of appointment for an initial period of three years and is subject to annual re-election. Details of each Non-Executive Directors' appointment with the Company are set out below (with biographies set out in Part 7: "*Directors, Senior Management and Corporate Governance*").

The Chairwoman's and the other Non-Executive Directors' fees will be set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its committees, and to attract and retain Non-Executive Directors of the highest calibre with relevant commercial and other experience. Fee levels are set by reference to non-executive director fees at companies of similar size and complexity. The fee paid to the Chairwoman is determined by the remuneration committee, while the fees for other Non-Executive Directors are determined by the Board as a whole. On Admission, a single all-inclusive fee will be paid to the Chairwoman and Non-Executive Directors. However, the

Company may review the structure of these fee arrangements following Admission so that fees could comprise a “basic fee” plus additional fees for acting as Senior Independent Director and as Chairman of the Board’s audit and risk and remuneration committees. The Chairwoman will, from Admission, receive an annual fee of £130,000. Paul Gilbert will receive a fee of £50,000. The Company has agreed to pay Phoenix a fee of £30,000 per annum (payable monthly) for so long as a non-executive director appointed by the Phoenix Advised Funds pursuant to the Relationship Agreement remains on the Board. The Company has agreed to pay Bridges Ventures a fee of £30,000 per annum (payable monthly) for as long as Philip Newborough remains a non-executive director. The maximum aggregate annual fee for Non-Executive Directors provided in the Company’s Articles is £500,000 per annum.

The Chairwoman and other Non-executive Directors are not eligible to participate in any of the Company’s incentive arrangements following Admission, and do not receive pension contributions.

(m) External appointments

The Company’s policy is to permit an Executive Director to serve as a non-executive director elsewhere when this does not conflict with the individual’s duties to the Company, and where an Executive Director takes such a role they may be entitled to retain any fees which they earn from that appointment.

(n) Statement of consideration of employment conditions elsewhere in the Group

Pay and employment conditions generally in the Group will be taken into account when setting Executive Directors’ remuneration. The remuneration committee will receive regular updates on overall pay and conditions in the Group, including (but not limited to) changes in base pay and any staff bonus pools in operation. There is also oversight of the all-employee share plans which Executive Directors and all other Group employees can participate in on the same terms and conditions. Reflecting standard practice, the Company will not consult with employees in drawing up the Company’s annual remuneration report.

(o) Statement of consideration of shareholder views

The 2016 annual general meeting will be the first occasion on which the Company will seek the support of its shareholders for matters relating to the remuneration of Executive Directors. The remuneration committee will ensure that it considers all of the feedback which it receives from its shareholders during this process.

6.4 Directors’ and Senior Management’s Remuneration

- (a) Under the terms of their service contracts and letters of appointment, in the year ended 31 December 2014, the aggregate remuneration and benefits to the Directors and the Senior Management of the Group who served during the year ended 31 December 2014, consisting of 9 individuals, was £0.8 million.
- (b) Under the terms of their service contracts and letters of appointment, in the year ended 31 December 2014, the Directors were remunerated as set out below:

<u>Name</u>	<u>Position</u>	<u>Annual Salary (£)</u>	<u>Other Benefits (£)</u>
Paul Gilbert	Chairman ⁽¹⁾	12,000	2,551
John Treharne	Chief Executive Officer	185,000	18,696
Jim Graham	Chief Operating Officer	108,000	33,718
David Burns	Non-Executive Director	0	0
Richard Darwin	N/A	N/A	N/A
Penny Hughes	N/A	N/A	N/A
Philip Newborough	N/A	N/A	N/A

(1) Prior to the appointment of Penny Hughes as Chairwoman.

- (c) There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

6.5 Directors' and Senior Management's current and past directorships and partnerships

Set out below are the directorships and partnerships held by the Directors and members of Senior Management (other than, where applicable, directorships held in the Company and/or in any subsidiaries of the Company), in the five years prior to the date of this document:

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
Penny Hughes	The Royal Bank of Scotland PLC The Royal Bank of Scotland Group PLC Wm Morrison Supermarkets PLC (until 31 December 2015) SuperGroup PLC National Westminster Bank PLC	The Advertising Association Home Retail Group PLC The British Museum Company Limited The British Museum Friends Hughes Business Consulting Ltd Cable & Wireless Worldwide PLC None
John Treharne	Jigsaw (Southeast)	Phoenix Equity Partners Holdings LLP
Jim Graham	None	Amazon Group Limited Expotel Group Limited Project Cresta Limited Porthaven Care Homes Limited Porthaven Finance Limited Porthaven Group Holdings Limited Porthaven Management Limited Porthaven Properties Limited Copper Bidco Limited Copper Midco 1 Limited Copper Midco 2 Limited Signum Technology Limited Global Navigation Solutions Holdings Limited Phoenix Equity Nominees Limited Key Group Topco Limited Innovia Group (Holding 1) Limited Innovia Group (Holding 2) Limited Innovia Group (Holding 3) Limited Innovia Films (Commercial) Limited Securrency International Pty Ltd Nonlinear Thinking Limited
Richard Darwin	None	Essenden Limited Georgica Ltd Georgia Holdings Ltd Georgica Lewisham Ltd Tenpin Ltd Tenpin Halifax Ltd Tenpin Widnes Ltd Tenpin Sunderland Ltd GNU 5 Ltd
Paul Gilbert	LEAP Advisory Ltd Clothingsites.co.uk Ltd The Hiringhub Holdings Ltd Sykes Cottages Holdings Ltd The Invicta Film Partnership LLP	Betterbathrooms (UK) Ltd Matalan Ltd Matalan Group Limited Matalan Quest Trustee Limited Matalan Finance PLC Matalan Holding Company Limited Matalan Investments Limited Matalan Retail Ltd. Matalan Travel Limited Edwards Designer Menswear Limited HPO1 Nominees Limited

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
David Burns	L.K. Bennett Group Limited Phoenix Equity Nominees Limited Phoenix Equity Partners Limited Phoenix Equity Partners Holdings LLP Phoenix Thistle General Partners Limited RTL Topco Limited	Jonmar Limited Wolsey Limited Expotel Group Limited Busaba Eathai Holdings Limited Musto Topco Limited Bridge Leisure Bidco Limited Bridge Leisure Finco Limited Bridge Leisure Midco Limited Bridge Leisure Topco Limited RTL Bidco Limited RTL Cleanco Limited RTL Midco Limited
Philip Newborough .	Bridges Ventures LLP Craven Hill Management LLP Bridgesven Property 1 Limited ⁽¹⁾ Colourful Life Foundation The Prince's Regeneration Trust Cheriton Parc Hotel Limited ⁽²⁾ Bagnall Court Limited Bridges Ventures, Inc.	United Kingdom Historic Building Preservation Trust QBIC Hotels Limited The Careplaces (General Partner) Limited UK Healthcare Property (Scotland) Limited B&C2013 Limited National Osteoporosis Society Bridges Community Ventures (General Partner) Limited Bridges Capital Limited Bridges CDV Fund II (General Partner) Limited Bridges Social Entrepreneurs Fund (Scotland) Limited Bridges SP Fund (General Partner) Limited Bridges Social Entrepreneurs Fund (General Partner) Limited National Osteoporosis Society Trading Company Limited Bridges SP Fund (Scotland) Limited Bridges CDV Fund II (Scotland) Limited The Hoxton (Shoreditch) Limited WS Hotels Limited Bridges Community Ventures Nominees Limited Bridges Community Ventures (Scotland) Limited
Jasper McIntosh . . .	Ralphs McIntosh Ltd	Collingwood House Limited 20-22 Lewes Crescent Limited Stripe Digital Services Limited
Jonathan Spaven . . .	None	Matalan Quest Trustee Limited

(1) A receiver was appointed in respect of Bridgesven Property 1 Limited on 1 April 2014.

(2) Cheriton Parc Hotel Limited entered into a voluntary arrangement pursuant to the Insolvency Act 1986 on 6 August 2014.

As at the date of this Prospectus, none of the Directors or members of the Senior Management has, at any time within the last five years:

- (a) had any prior convictions in relation to fraudulent offences;
- (b) been declared bankrupt or been the subject of any individual voluntary arrangement;
- (c) been associated with any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or of a senior manager;

- (d) been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including designated professional bodies);
- (e) been disqualified by a court from acting in the management or conduct of the affairs of any issuer;
- (f) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer;
- (g) been a partner or senior manager in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership voluntary arrangement;
- (h) owned any assets which have been subject to a receivership or been a partner in a partnership subject to a receivership where he was a partner at the time or within the 12 months preceding such event; or
- (i) save as set out above, been a director or senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he was a director or senior manager of that company or within 12 months of his ceasing to be a director or senior manager.

7. Employee share plans

Before Admission, the Company will adopt the following equity-settled incentive arrangements (the “**Gym Group Share Plans**” or the “**Plans**”) which are to be operated after Admission:

- (a) the Gym Group PLC Share Incentive Plan (the “**SIP**”);
- (b) the Gym Group PLC Savings-Related Share Option Scheme (the “**Sharesave**”); and
- (c) the Gym Group PLC Performance Share Plan (the “**PSP**”).

A summary of the principal terms of the Gym Group Share Plans is set out below.

7.1 Gym Group Share Plans—Common terms

(a) General

The Gym Group Share Plans will be administered by the remuneration committee.

Awards under the Plans are not pensionable benefits and may not be transferred, assigned, charged or otherwise encumbered except that, on the death of a participant, an award may be transmitted to the participant's personal representatives.

(b) Grant of awards

Awards will normally be granted within 42 days commencing on the day after the announcement of the Company's results for any period. However, awards may also be granted at any other time if the remuneration committee determines that there are exceptional circumstances. Other than under the Sharesave or the SIP no award may be granted during a close period of the Company.

No awards can be granted under a Gym Group Share Plan more than ten years after the Plan was adopted by the Company.

(c) Plan limits

The number of Ordinary Shares which may be newly issued or transferred from treasury on any day under the Gym Group Share Plans must not, when added to the aggregate of the number of Ordinary Shares which have been so issued or transferred in the previous 10 years under the Plans and any other employee share plan operated by the Company, exceed 10 per cent of the Ordinary Share capital of the Company in issue at that time. For the purposes of this limit, no account will be taken of any Ordinary Shares where the right to acquire them was released or lapsed without being exercised. Any Ordinary Shares acquired by market purchase by, or for the purpose of, an employees' share scheme operated by the Company will not be counted for this purpose and any Ordinary Shares subject to options or awards granted before Admission will also be disregarded for the purposes of this limit. The use of Ordinary Shares transferred from treasury may be disregarded if institutional investor guidelines are amended to permit this.

Within this 10 per cent. limit, not more than 5 per cent. of the issued share capital of the Company from time to time may be used under the PSP and any other employees' share plan operated by the Company on a selective basis.

(d) Rights attaching to Ordinary Shares

Shares issued to satisfy awards under the Plans will rank equally in all respects with the Ordinary Shares in issue on the date of allotment. They will not rank for any rights attaching to Ordinary Shares by reference to a record date preceding the date of allotment. Where Ordinary Shares are transferred on the vesting of awards or the exercise of an option under the Plans participants are entitled to all rights attaching to the shares by reference to a record date after the transfer date, but will not be entitled to rights before that date.

(e) Termination

The Company may resolve to terminate any of the Plans at any time. Termination of any Plan will be without prejudice to any awards outstanding under the Plan at the date of its termination.

7.2 The Gym Group PLC Share Incentive Plan

(a) Eligibility

All employees of the Company or the Group who are UK resident taxpayers will be eligible and must be invited to participate in the SIP if it is operated, provided they have been employed for a qualifying period determined by the Board which may not exceed 18 months. An employee will not be eligible to participate if, in any tax year, the employee participates at the same time in another tax-advantaged share incentive plan.

(b) How the SIP may be operated

The SIP will be operated at the discretion of the Board or a duly authorised committee of the Board.

The Board can operate the SIP in a number of ways. It can:

- (i) make an award of free shares (the “**Free Shares**”); and/or
- (ii) give employees the opportunity to acquire partnership shares (the “**Partnership Shares**”); and
- (iii) make an award of matching shares (the “**Matching Shares**”) to those employees who acquire Partnership Shares (Free Shares, Partnership Shares and Matching Shares together, the “**Plan Shares**”); and/or
- (iv) require or allow employees to re-invest dividends paid on their Plan Shares in further shares (“**Dividend Shares**”).

The SIP operates through a trust which will acquire shares by purchase or subscription and will hold the shares on behalf of employees.

(c) Free Shares

The SIP provides that each participant may be awarded Free Shares worth up to the statutory maximum (currently £3,600) each year. The allocation can be based on the achievement of individual, team, divisional or corporate performance targets which must be notified to all employees. Otherwise, Free Shares must be awarded to employees on the same terms, although awards can vary by reference to remuneration, length of service or hours worked. Free Shares must be held in trust for the period specified by the Board of between three and five years. If a participant ceases employment within three years from the award day, the Free Shares will cease to be subject to the SIP and may be forfeited as determined by the Board.

(d) Partnership Shares

Participants may be offered the opportunity to purchase Partnership Shares out of pre-tax salary contributions up to the maximum set by the legislation (currently £1,800, or 10 per cent. of salary if less). The Company may set a minimum monthly deduction from an employee's salary which may not be greater than £10. The Partnership Shares may be acquired immediately or the salary contributions accumulated for any period of up to 12 months before they are used to buy

Partnership Shares. The Board can scale down applications for Partnership Shares relative to any limit on the number which may be acquired and the contribution limits prescribed in any application.

Partnership Shares can be withdrawn from the SIP by the participant at any time and are not subject to forfeiture provisions.

(e) Matching Shares

Where participants acquire Partnership Shares, they may be awarded Matching Shares by the Company, up to a current statutory maximum of two Matching Shares for each Partnership Share. The award of Matching Shares cannot be subject to performance targets. Matching Shares will be of the same class and carry the same rights as Partnership Shares. Each award of Matching Shares will be subject to a holding period of not less than three years nor more than five years (or any other periods required by the relevant legislation from time to time), beginning with the award date and which will be the same for all participants who receive an award at the same time. If a participant ceases employment or a participant withdraws their corresponding Partnership Shares within three years of purchase or such other forfeiture period as determined by the Board, the Matching Shares will cease to be subject to the SIP and may be forfeited.

(f) Dividend Shares

The Board may determine that some or all of the cash dividends paid in respect of Plan Shares will be re-invested in the purchase of additional Ordinary Shares. Alternatively, participants may be permitted to re-invest cash dividends paid in respect of Plan Shares in the purchase of Dividend Shares. Dividend Shares are subject to a three year holding period, but are not subject to forfeiture. The Board may impose a limit on the amount of dividends which may be reinvested in Dividend Shares to be held on behalf of any participant, although there is no statutory maximum. To the extent that the cash dividends exceed any limit imposed, the trustee must pay over cash dividends to the relevant participant as soon as practicable.

(g) Corporate events

The participant may direct the trustee on the appropriate action to take in relation to any right relating to a participant's SIP shares to receive other shares, securities or rights of any description, or an offer of cash, or to agree to a transaction pursuant to a compromise, arrangement or scheme in relation to a reconstruction or takeover.

(h) Leavers

In general, and subject to any applicable forfeiture provisions, if a participant ceases employment with the Company or any associated company, the participant's shares will cease to be subject to the SIP.

Participants will not be liable to income tax or National Insurance contributions on their shares ceasing to be subject to the plan on leaving employment on account of injury or disability, redundancy, by reason of a transfer to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 applies, the company by which the participant is employed ceasing to be an associated company of the Company, retirement or the participant's death.

(i) Alterations

The Board, together with the trustee, may at any time amend the SIP. However, any amendments to the advantage of participants in relation to (i) the persons to or for whom Ordinary Shares may be acquired under the SIP; (ii) the limit on the number of shares which may be issued; (iii) the maximum entitlement for each participant and the basis for determining a participant's entitlement to shares; (iv) the basis of any adjustment if there is a capitalisation or rights issue, an open offer, a sub-division, consolidation or reduction or any other variation of share capital, must be approved in advance by shareholders in general meeting, unless the alteration or addition is minor in nature and is made to the benefit of the administration of the SIP; or is to comply with or take account of the provisions of any proposed or existing legislation or any changes to that legislation; and to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company, the trustees or any subsidiary.

(j) Termination

The Company may resolve to terminate the SIP at any time. On termination, the trustee must remove each participant's shares from the SIP and transfer the shares or distribute the proceeds of their sale to the participants as soon as practicable.

7.3 The Gym Group PLC Savings-Related Share Option Scheme

(a) General

The Sharesave is an all-employee share option scheme administered by the Board under which eligible employees can acquire options over Ordinary Shares on a tax-favoured basis and at a discount of up to 20 per cent of their market value at the date of grant. To exercise these options, participants must save out of contributions from their salary under a 3 or 5 year HMRC-approved savings contract. Savings contributions are subject to a statutory limit, currently £500 per month. The Board has discretion to determine whether and, if so, when the Sharesave will operate.

The Ordinary Shares required for the Sharesave may be new issue and/or market purchase.

(b) Invitations

If the Board resolves to operate the Sharesave, invitations must be sent to all eligible employees of a participating company and those participating company directors who are required to work a minimum of 25 hours per week. Employees are eligible provided they have been employed for any qualifying period determined by the Board which cannot exceed five years. The Board also has discretion to include any other employee or executive director of a participating company.

Invitations will normally be made within 42 days of an announcement of results, but may also be made if there is a change to the relevant scheme legislation or the announcement of a new savings contract prospectus.

(c) Option price

The option price will be determined by the Board and must not be less than (i) 80 per cent. of the market value of an Ordinary Share on the invitation date or on the date specified in the invitation and derived from the middle market quotation taken from the daily official list of the London Stock Exchange for the dealing day (or, if so determined by the Board, the average of such quotations for the three dealing days) immediately preceding the specified date; and (ii) in the case of an option to subscribe for shares, the nominal value of a share.

(d) The savings contract

To participate in the Sharesave, an eligible employee must enter into a savings contract of 3 or 5 years agreeing to make contributions of between £5 and £500 per month (or any other maximum amount as amended by the Board under the terms of the Sharesave subject to any limit permitted by the relevant legislation from time to time).

(e) Grant of options

Employees who enter into savings contracts are granted options to acquire Ordinary Shares at the option price using the amount saved, including any bonus or interest. Options must be granted within 30 days (or 42 days if the applications are scaled down) of the first day by reference to which the option price was set.

A participant is not required to pay for the grant of an option. Options are not transferable (other than on the death of a participant), assignable or chargeable and will lapse immediately in the event of any breach of the transfer prohibition.

(f) Exercise of options

Options must normally be exercised in whole or in part within six months after the completion of the related savings contract, provided the participant remains a director or employee of a participating company, and may be exercised only once. Following the date of exercise, Ordinary Shares must be issued or transferred to the participant within 30 days.

Options may be exercised early in the event of a participant ceasing employment with the Group because of death, retirement, injury, disability, redundancy, a relevant transfer under the Transfer

of Undertaking (Protection of Employment) Regulations 2006 or the individual's employing company or employing part of a business being sold out of the Group. On death, options may be exercised by the participant's personal representatives.

Options may also be exercised early in the event of a voluntary winding-up of the Company. On cessation of employment for other reasons or if a participant ceases to pay contributions under the related savings contract, options will normally lapse.

(g) Change of control

Options may normally be exercised early if:

- (i) any person obtains control of the Company as a result of a general offer to acquire Ordinary Shares;
- (ii) a person (or a group of persons acting in concert) becomes bound or entitled to acquire Ordinary Shares by serving a notice under sections 979-982 or 983-985 of the Companies Act 2006; or
- (iii) a scheme of arrangement in connection with the acquisition of Ordinary Shares is sanctioned.

Options may be exercised up to 20 days before the relevant event or within six months of the event, or in the case of a section 979 notice, within six weeks, after which time the options will lapse, unless the Board determines otherwise. Alternatively, with the consent of the acquiring company, options may be exchanged for equivalent rights to acquire shares in the acquiring company.

In the event of a Company reorganisation or merger, where the shareholders of the acquiring company are substantially the same as the Company shareholders immediately before the change of control no options will be exercisable but will be exchanged for equivalent rights.

(h) Variation of capital

In the event of a variation in the equity share capital of the Company including a capitalisation or rights issue, sub-division, consolidation or reduction, the Board may adjust the number of Ordinary Shares subject to the option and the option price, provided that the total option price and total market value of the Ordinary Shares under option must remain substantially the same. The aggregate option price must not exceed the expected proceeds of the related savings contract at the bonus date.

(i) Alterations

The Sharesave may at any time be altered by the Board in any respect. However, any alterations to the advantage of participants in relation to (i) the persons to or for whom Ordinary Shares may be issued under the Sharesave; (ii) the limit on the number of Ordinary Shares which may be issued or transferred out of treasury; (iii) the maximum contribution for each participant; (iv) the basis for determining the option price; (v) any rights attaching to the options and the Ordinary Shares or the basis for determining a participant's entitlement on a variation of capital, must be approved in advance by Company shareholders in general meeting, unless the alteration or addition is minor in nature and is made to the benefit of the administration of the Sharesave; is to maintain its tax-advantaged status; is to comply with or take account of the provisions of any proposed or existing legislation or any changes to that legislation; or, is to obtain or maintain favourable tax, exchange control or regulatory treatment of the Company, any subsidiary or any present or future participant.

7.4 The Gym Group PLC Performance Share Plan

(a) General

The PSP will permit the grant of conditional share awards or nil-cost options over Ordinary Shares to eligible employees ("Awards"). Awards will normally be made on an annual cycle. The remuneration committee may grant Awards outside this cycle in appropriate circumstances (primarily for recruitment or retention). It is currently anticipated that the first grant of Awards under the PSP will be made following the preliminary announcement of the Company's results in early 2016.

The Ordinary Shares required for the PSP may be sourced by new issue and/or market purchase.

(b) Eligibility

All Group employees, including executive directors, are eligible to participate in the PSP. The remuneration committee will determine which employees are granted awards under the PSP.

(c) Nature of Awards

Awards may be granted as conditional share awards or nil-cost options or in any combination. No consideration is payable by participants on the grant of an Award and a nominal payment only is required to exercise a nil-cost option.

Until a participant acquires any Ordinary Shares subject to an Award, the participant has no rights to the Ordinary Shares subject to an Award. Awards are not pensionable benefits and may not be transferred, assigned, charged or otherwise encumbered except that, on the death of a participant, an Award may be transmitted to the participant's personal representatives.

(d) Individual limits on the grant of Awards

The maximum value of Ordinary Shares which may normally be subject to an Award granted to an individual in any financial year is 200 per cent. of the individual's salary (as at the date of grant). This value may be exceeded if the remuneration committee determines that there are exceptional circumstances, such as the recruitment or retention of a key individual.

(e) Performance conditions

The vesting of Awards granted to executive directors will be subject to the satisfaction of performance conditions which will be determined by the remuneration committee and will be stated at the date of grant.

The vesting of Awards to participants below executive director level may be subject to the satisfaction of performance conditions at the determination of the remuneration committee.

(f) Normal vesting

Under normal circumstances, Awards will vest, subject to the satisfaction of the relevant performance condition, on the third anniversary of their date of grant, provided that the participant is still employed by the Group at that time. Once a nil-cost option has vested, it will normally remain exercisable until the tenth anniversary of its date of grant.

Where the delivery of Ordinary Shares to a participant is restricted by local securities laws, the remuneration committee may determine that a participant will receive cash instead of Ordinary Shares following the vesting of a conditional share award or the exercise of a nil-cost option. The cash amount would be equal to the value of the Ordinary Shares they would have received.

(g) Delivery of Ordinary Shares

Under normal circumstances, the Ordinary Shares in respect of which an Award has vested (or in respect of which a nil-cost option has been exercised, as applicable) will be delivered to the participant within 30 days of vesting (or exercise). Any post-vesting holding period applicable to the Ordinary Shares will be notified to the participant and will be stated at the date of grant.

(h) Payment on account of dividends

Following the vesting of Awards or the exercise of a nil-cost option, participants may receive further cash or Ordinary Shares (at the discretion of the remuneration committee) equal in value (so far as possible) to any dividends paid or payable in respect of the Ordinary Shares acquired between the date of grant of the Award and its vesting date.

(i) Leavers

If, during the performance or vesting period, a participant:

- (i) resigns or is dismissed for cause, an Award will be forfeited in full;
- (ii) dies, all of the Ordinary Shares subject to an Award will be transferred to the participant's personal representatives as soon as practicable following the date of death (in the case of a nil-cost option, the option may be exercised by the participant's personal representatives for a period of 12 months following the date of death);

- (iii) ceases to be employed due to injury, ill health or disability, or the participant's employing company or employing part of a business being sold out of the Group, an Award will be retained and will vest in the normal course subject to the performance conditions, or, if the remuneration committee so decides, immediately on the participant ceasing to be in employment. The Award will be pro-rated by reference to the proportion of the performance period for which the participant remained employed, unless the remuneration committee determines otherwise; or
- (iv) ceases to be employed in any other circumstance, an Award will be forfeited unless the remuneration committee decides otherwise. If a participant ceases employment after the vesting date of a nil-cost option in any circumstances other than where they are dismissed for gross misconduct the option may be exercised during the period of 12 months following cessation and will then lapse.

(j) Corporate events

If there is a change of control or winding up of the Company (other than in the case of an internal reorganisation), Awards will vest to the extent that the relevant performance conditions have been satisfied at that time and the number of Ordinary Shares in respect of which the Award will vest will be pro-rated to take account of the proportion of the performance period that has elapsed between the date of grant of the Award and the date of the change of control or winding up (unless the remuneration committee determines a different basis of vesting). Alternatively, in the event of a change of control, the remuneration committee may decide that Awards will not vest but will continue unaffected (save that they may be exchanged for equivalent awards over shares in an acquiring company).

(k) Malus and clawback

The remuneration committee may apply malus and clawback to an award where there are circumstances which would justify such action. The relevant circumstances include but are not limited to:

- (i) the Company materially misstated its financial results for any reason and that misstatement would result or resulted either directly or indirectly in an Award being granted or vesting to a greater extent than would have been the case had that misstatement not been made;
- (ii) the extent to which any performance target and/or any other condition was satisfied was based on an error, or on inaccurate or misleading information or assumptions which resulted either directly or indirectly in an award being granted or vesting to a greater extent than would have been the case had that error not been made; and
- (iii) circumstances arose (or continued to arise) during the vesting period of an Award which would have warranted the summary dismissal of the participant.

The remuneration committee has discretion to determine the circumstances in which malus and clawback may apply and the post-vesting period of awards during which clawback may be imposed.

(l) Variation of capital

If there is a variation in the equity share capital of the Company (including a capitalisation or rights issue, sub-division, consolidation or reduction), a demerger, a special dividend or distribution or any other corporate event which might affect the current or future value of any Award, the remuneration committee may adjust the number or class of Ordinary Shares or securities subject to an Award and, in the case of a market value option, the option price.

(m) Amendment

The Board may amend the rules of the PSP, provided that no amendment to the advantage of participants may be made to provisions relating to (i) who is eligible to be a participant under the PSP; (ii) the limits on the number of Ordinary Shares which can be allocated under the PSP; (iii) the maximum entitlement for any one participant; (iv) the rights attaching to Awards and Ordinary Shares; and (v) the rights of participants in the event of a variation of capital, without the prior approval of Shareholders in general meeting, unless the amendment is minor and made to benefit the administration of the PSP, or is made to take account of any proposed or existing

legislation or any changes to that legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for any present or future participants, the Company or any subsidiary.

(n) Overseas jurisdictions

The remuneration committee may establish additional schedules to operate the PSP outside the UK. These schedules may vary the rules of the PSP to take account of any securities, exchange control or taxation laws or regulations in those overseas jurisdictions. Any Ordinary Shares made available under the schedules will count towards the overall limit of Ordinary Shares which may be used under the PSP.

8. Pensions

The Company operates a defined contribution group personal pension scheme for employees employed in the United Kingdom to which the relevant employer makes matching contributions based on the employee's level of contributions.

The Company does not operate a defined benefit pension scheme for the benefit of its Directors or members of Senior Management.

9. Underwriting arrangements

9.1 Underwriting agreement

On 6 November 2015 the Company (for itself and as agent for and on behalf of the Individual Selling Shareholders pursuant to the Share Sale Election Deeds), the Directors, the Institutional Selling Shareholders and the Banks entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement:

- (a) the Company has agreed, subject to certain conditions, to allot and issue the New Ordinary Shares in the Offer at the Offer Price;
- (b) the Institutional Selling Shareholders have agreed, subject to certain conditions, to sell the Existing Ordinary Shares to be sold by the Institutional Selling Shareholders in the Offer at the Offer Price;
- (c) the Company (as agent for and on behalf of the Individual Selling Shareholders pursuant to the Share Sale Election Deeds) has agreed, subject to certain conditions, to sell the Existing Ordinary Shares to be sold by the Individual Selling Shareholders in the Offer at the Offer Price;
- (d) the Underwriters have severally agreed, subject to certain conditions, to procure subscribers or purchasers for (or, failing which, to subscribe for or purchase themselves) the Offer Shares pursuant to the Offer;
- (e) The Company, the Individual Selling Shareholders and the Institutional Selling Shareholders have agreed that BCSL will deduct from their respective proceeds of the Offer a commission of 2.00 per cent. of the product of the Offer Price and the number of Ordinary Shares allotted or sold, as the case may be, pursuant to the Offer;
- (f) in addition, the Company (for itself and as agent for and on behalf of the Individual Selling Shareholders) and the Institutional Selling Shareholders may, at their absolute discretion, pay an additional commission of up to 1.25 per cent. of the product of the Offer Price and the number of Shares issued or sold in the Offer. To the extent paid, such additional commission will be determined and paid within 60 days of Admission;
- (g) the obligations of the parties pursuant to the Underwriting Agreement are subject to certain conditions. These conditions include the absence of any breach of representation or warranty under the Underwriting Agreement (or by the Individual Selling Shareholders under the Share Sale Election Deeds) and Admission occurring on or before 12 November 2015 (or such later time and/or date as the Joint Global Co-ordinators and the Company may agree in writing). In addition, the Joint Global Co-ordinators have the right to terminate the Underwriting Agreement, exercisable in certain customary circumstances, prior to Admission, including the occurrence of any material adverse change in or affecting the business, condition (financial, operational, legal or otherwise), results of operation, earnings or assets of the Group and certain changes in political, market and economic conditions;

- (h) the Institutional Selling Shareholders have agreed to pay stamp duty and/or SDRT arising on the sale of Shares by them;
- (i) the Company has agreed to pay the costs, charges, fees and expenses of the Offer (together with any related value added tax);
- (j) each of the Company, the Directors, and the Institutional Selling Shareholders have given certain representations, warranties and undertakings, subject to certain limits (in the case of the Directors and the Institutional Selling Shareholders only), to the Banks;
- (k) the Company has given an indemnity to the Banks on customary terms; and
- (l) the parties to the Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions.

10. Subsidiaries, investments and principal establishments

The Company is the holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company are as follows:

Subsidiaries and subsidiary undertakings

Name	Country of incorporation and registered office	Class and percentage of ownership interest and voting power	Field of activity
The Gym Group Midco1 Limited	England and Wales	100 per cent.	Intermediate holding company
The Gym Group Midco2 Limited	England and Wales	100 per cent.	Intermediate holding company
The Gym Group Operations Limited	England and Wales	100 per cent.	Intermediate holding company
The Gym Limited	England and Wales	100 per cent.	Health and fitness

Principal establishments

The following are the principal establishments of the Group as at 30 September 2015. All properties are located in the United Kingdom.

Name and location	Type of facility	Tenure
Guildford: First Floor, Woodbridge House, Woodbridge Meadows, Guildford, GU1 1BD	Office	Leasehold
Alperton: The Atlip Centre, 197 Ealing Road, Alperton, HA0 4LW	Gym	Leasehold
Angel: 265-269 Goswell Road, London, EC1V 7AH	Gym	Leasehold
Ashford: Unit 1, New Street Retail Park, New Street, Ashford, Kent, TN24 8TN	Gym	Leasehold
Barking: The Clock House, East Street, Barking, IG11 8EQ	Gym	Leasehold
Bedford: Unit 2A, Alban Retail Park, London Rd, Bedford, Bedfordshire, MK42 0NW	Gym	Leasehold
Birmingham City Centre: 79-84 High Street, Birmingham, West Midlands, B4 7TE	Gym	Leasehold
Bolton: Unit 9, Bolton Gate Retail Park, Turton Street, Burton, Burton, BL1 2SL	Gym	Leasehold
Bournemouth: First Floor, 29-36 Westover Road, Bournemouth, BH1 2BZ	Gym	Leasehold
Bracknell: Beneficial House, Easthampstead Road, Bracknell, RG12 1NS	Gym	Leasehold
Brighton London Road: 97-104 London Road, Brighton, BN1 4LB	Gym	Leasehold
Brighton Madeira Drive: Unit 9, The Terraces, Madeira Drive, Brighton, BN2 1AY	Gym	Leasehold
Bristol: Unit LS4A & LS4B, Quakers Friars, Cabot Circus, Bristol, BS1 3BU	Gym	Leasehold
Cardiff: Unit 2, 360 Newport Road, Penylan, Cardiff, CF23 9AE	Gym	Leasehold
Chadwell Heath: Unit 1 High Road, Goodmayes Retail Park, Chadwell Heath, Essex, RM6 4HX	Gym	Leasehold
Charing Cross: 17-21 Northumberland Avenue, London, WC2N 5EA	Gym	Leasehold

<u>Name and location</u>	<u>Type of facility</u>	<u>Tenure</u>
Chelmsford: 35 New London Road, Chelmsford, Essex, CM2 0ND	Gym	Leasehold
Colchester: 20-28 Queen Street, Colchester, Essex, CO1 2PJ	Gym	Leasehold
Colindale: Zenith House, Colindale, NW9 6DB	Gym	Leasehold
Crawley: First Floor, Unit 2-3, The Pavilions, Queens Square, Crawley, RH10 1DE	Gym	Leasehold
Ealing: 96-122 Uxbridge Road, Ealing, London, W13 8RA	Gym	Leasehold
East Croydon: 6 Suffolk House, George Street, Croydon, CR0 1PE	Gym	Leasehold
Eastbourne: Unit 4C Sovereign Harbour Retail Park, Eastbourne, East Sussex, BN23 6JH	Gym	Leasehold
Edinburgh: Lower Ground 2, Waverley Gate, Edinburgh, EH1 3EG	Gym	Leasehold
Farnborough: Unit 14a, The Meads Shopping Centre, 12 Queensmead, Farnborough, GU14 7RT	Gym	Leasehold
Glasgow City: Second Floor, Unit 9, 167-201 Argyle Street, Glasgow, G2 8BU	Gym	Leasehold
Glasgow Quay: Springfield Quay Leisure Park, Paisley Road, Glasgow, G5 8NP	Gym	Leasehold
Glasgow South: 501 Cathcart Road, Glasgow, G42 8SG	Gym	Leasehold
Gloucester: Unit 111 Gloucester Quays Outlet, Gloucester, Gloucestershire, GL1 5SH	Gym	Leasehold
Hamilton: Unit 3, Palace Grounds Retail Park, Palace Grounds Road, Hamilton, ML3 6AD	Gym	Leasehold
Hemel Hempstead: Unit 3, Leisure World, Jarman Way, Hemel Hempstead, HP2 4JS	Gym	Leasehold
Hounslow: The Blenheim Centre, Prince Regent Road, Hounslow, TW3 1NL	Gym	Leasehold
Ilford: Roding House, 970 Romford Road, Ilford, E12 5LP	Gym	Leasehold
Kingston: Eve House, Adams Walk, Eden Street, Kingston, KT1 1DF	Gym	Leasehold
Leeds: SU4.2 Level 3, The Core, The Headrow, Leeds, LS1 6JD	Gym	Leasehold
Leicester: 4 Causeway Lane, Leicester, LE1 4AP	Gym	Leasehold
Liverpool: One Park West—Liverpool ONE, 39 Strand Street, Liverpool, L1 8LT	Gym	Leasehold
Luton: C1-C2 The Galaxy, Bridge Street, Luton, Bedfordshire, LU1 2NB	Gym	Leasehold
Manchester Ashton Old Road: Unit 22 Lime Square, Ashton Old Road, Openshaw, Manchester, M11 1DA	Gym	Leasehold
Manchester Portland Street: Floor 2, Bank Chambers, Faulkner Street, Manchester, Greater Manchester, M1 4ET	Gym	Leasehold
Milton Keynes: Phoenix House, Elder Gate, Milton Keynes, MK9 1BE	Gym	Leasehold
Newcastle East: 24 Benton Road, Newcastle, NE7 7DT	Gym	Leasehold
Newcastle Gosforth: 169 High Street, Gosforth, Newcastle, NE3 1DB	Gym	Leasehold
Newport: The Cambrian Centre, Station Quarter, Cambrian Road, Newport, NP20 4AD	Gym	Leasehold
North Harrow: Units 1-3, 354-366 Pinner Road, North Harrow, HA2 6DZ	Gym	Leasehold
Norwich: 15-23 London Street, Norwich, NR2 1JE	Gym	Leasehold
Nottingham: Unit 4a, Trinity Square, Nottingham, NG1 4AF	Gym	Leasehold
Peterborough: Unit 2 Westfield Leisure Park, Lime Kiln Close, Westwood, Peterborough, PE3 9TA	Gym	Leasehold
Plymouth: 1st & 2nd Floor, Derrys Cross, Plymouth, PL1 2SW	Gym	Leasehold
Reading Central: Broad Street Mall, 3 St Marys Butts, Reading, RG1 2LN	Gym	Leasehold
Sheffield: Units J&K, Brookshaw Park, Gibraltar Street, Sheffield, S3 8RW	Gym	Leasehold
Shirley: 23 Parkgate Shopping Centre, Stratford Road, Shirley, Solihull, B90 2EL	Gym	Leasehold
Southampton Central: First Floor, 176-178 High Street, Southampton, SO14 2BY	Gym	Leasehold
Southampton East: Antelope Park, Bursledon Road, Southampton, Hants, SO19 8NE	Gym	Leasehold
Stockwell: The Printworks, 131-143 Clapham Road, Stockwell, London, SW9 0HP	Gym	Leasehold
Swansea: 36a Princess Way, Swansea, SA1 5HE	Gym	Leasehold

<u>Name and location</u>	<u>Type of facility</u>	<u>Tenure</u>
Tottenham: Emily Bowes Court, Lebus Street, Tottenham, London, N17 9FD	Gym	Leasehold
Vauxhall: 6a St George Wharf, Vauxhall, London, SW8 2LE	Gym	Leasehold
Walworth Road: 332-334 Walworth Road, Newington, London, SE17 2NA	Gym	Leasehold
Waterloo: Barons Place, 195-203 Waterloo Road, Waterloo, London, SE1 8UX	Gym	Leasehold
Watford: Unit 15, Imperial Park, Imperial Way, Watford, WD24 4PP	Gym	Leasehold
Wealdstone: 35-43 High Street, Wealdstone, Harrow, HA3 5DE	Gym	Leasehold
Wembley: Unit 11 & 12 Central Square, High Road, Wembley, HA9 7AJ	Gym	Leasehold
West Hampstead: Unit D2, 41 Fortune Green Road, West Hampstead, London, NW6 1DR	Gym	Leasehold
Wolverhampton: Alexandra Street, Wolverhampton, WV3 0TE	Gym	Leasehold
Wood Green: 725-731 Lordship Lane, Wood Green, London, N22 5JZ	Gym	Leasehold

11. Statutory auditor

By resolution of the Directors, Ernst & Young LLP whose registered address is at 1 More London Place, London SE1 2AF, has been appointed as the statutory auditor to the Company. The financial information contained in this Prospectus does not constitute statutory accounts as referred to in section 434(3) of the Companies Act.

Ernst & Young LLP is registered to perform audit work by the Institute of Chartered Accountants in England and Wales.

12. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this document which are, or may be, material to the Company or any member of the Group; and (b) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this document:

12.1 Underwriting Agreement

For information on the Underwriting Agreement, see “—*Underwriting arrangements*” above.

12.2 Relationship Agreement

The Relationship Agreement is described in Part 7: “*Directors, Senior Management and Corporate Governance—Relationship Agreement*”.

12.3 New Facilities

The Group’s financing arrangements are described in Part 9: “*Operating and Financial Review—External sources of funding and indebtedness*”.

13. UK taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. They are based on current or announced UK legislation and what is understood to be the current practice of HMRC (which may not be binding on HMRC) as at the date of this Prospectus, both of which may change, possibly with retroactive effect.

They apply only to Shareholders who are resident and, in the case of individuals, domiciled for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than in an individual savings account) and who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

The statements in paragraph 12.3 apply to any holders of Ordinary Shares irrespective of their residence.

13.1 Taxation of dividends

The Company is not required to withhold UK tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

(a) UK resident individual Shareholders

As of the date of this Prospectus, an individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received, which is equivalent to 10 per cent. of the aggregate of the dividend received and the tax credit (the “**gross dividend**”), and will be subject to income tax on the gross dividend.

An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such a Shareholder in full. Where the tax credit exceeds the Shareholder’s tax liability the Shareholder cannot claim repayment of the tax credit from HMRC.

An individual UK resident Shareholder who is subject to income tax at the higher rate or the additional rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. or 37.5 per cent. respectively to the extent that such sum, when treated as the top slice of that Shareholder’s income, falls above the threshold for higher rate or additional rate income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the cash dividend and an additional rate taxpayer will therefore be liable to additional income tax of 27.5 per cent. of the gross dividend, equal to approximately 30.6 per cent. of the cash dividend. Where the tax credit exceeds the Shareholder’s tax liability the Shareholder cannot claim repayment of the tax credit from HMRC.

It was announced at the Budget on 8 July 2015 that the UK government proposes to abolish the tax credit from April 2016 and introduce a new dividend tax allowance of £5,000 a year instead. It is proposed that the new rates of tax on dividend income above the allowance will be 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers. The Government also announced that there will be a consultation in Autumn 2015 on the taxation of company distributions generally, so it is possible that further changes will be made to the rules.

(b) UK resident corporate Shareholders

It is likely that most dividends paid on the Ordinary Shares to UK resident corporate Shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules. If the conditions for exemption are not met or cease to be satisfied, the Shareholder will be subject to UK corporate tax on dividends received from the Company.

(c) UK resident exempt Shareholders

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

(d) Non-UK resident Shareholders

Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to non-UK taxation on dividend income under local law. A

Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

13.2 Taxation of disposals

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident in the UK for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate Shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

An individual Shareholder who has ceased to be resident for tax purposes in the UK or is treated as resident outside the UK for the purposes of a double tax treaty ("**Treaty non-resident**") for a period of five years or less (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five tax years) and who disposes of all or part of his Ordinary Shares during that period may be liable to capital gains tax on his return to the UK, subject to any available exemptions or reliefs.

13.3 Stamp Duty and SDRT

(a) The Offer

The stamp duty and SDRT treatment of the subscription or purchase of Ordinary Shares under the Offer will be as follows:

- (i) The issue of Ordinary Shares direct to persons acquiring Ordinary Shares pursuant to the Offer will not generally give rise to stamp duty or SDRT.
- (ii) The transfer of, or agreement to transfer, Ordinary Shares sold by the Selling Shareholders under the Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5 per cent. of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholders have agreed to meet such liability. An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

(b) Subsequent transfers

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Ordinary Shares. As noted above, an exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. A charge to SDRT will also arise on an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

(c) Ordinary Shares transferred through paperless means including CREST

Paperless transfers of Ordinary Shares (such as those occurring within CREST) are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration given. CREST is obliged to collect SDRT on relevant transactions settled within the system. Persons known as "accountable persons" (such as intermediaries, brokers and custodians) will often deduct SDRT automatically and pay it to HMRC. The charge is generally borne by the purchaser. Under the CREST system, no stamp duty or SDRT will generally arise on a transfer of Ordinary Shares into the system unless such a transfer is made for a

consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

(d) Ordinary Shares held through Clearance Systems or Depositary Receipt Arrangements

Special rules apply where Ordinary Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, under which SDRT (on issue or transfer) or stamp duty (on transfer) may be charged at a rate of 1.5 per cent.

Following litigation HMRC has confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. Stamp duty or SDRT charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. Accordingly, specific professional advice should be sought before incurring a 1.5 per cent. stamp duty or stamp duty reserve tax charge in any circumstances.

The statements in this paragraph 12.3 apply to any holders of Ordinary Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

13.4 Inheritance tax

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift or settlement of such assets by, or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs and depending upon the shareholder's circumstances) give rise to a liability to UK inheritance tax whether or not the holder is resident in the UK for tax purposes. For inheritance tax purposes, a transfer of assets at less than market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

A charge to inheritance tax may arise in certain circumstances where Ordinary Shares are held by close companies and by trustees of settlements. Shareholders of Ordinary Shares should consult an appropriate tax adviser as to any inheritance tax implications if they intend to make a gift or transfer at less than market value or intend to hold Ordinary Shares through a close company or trust arrangement.

13.5 Close Company

It is possible that the Company is a close company within the meaning of Part 10 of the Corporation Tax Act 2010 as at the date of this Prospectus and may continue to be so, or may become such a company, following the Offer.

As a result, certain transactions entered into by the Company or other members of the Group may, in certain circumstances, have tax implications for shareholders (including but not limited to implications related to UK inheritance tax and/or implications related to shareholders' base cost in the Ordinary Shares for the purposes of UK taxation of capital gains). There may also be consequences for certain shareholders in relation to dividends they receive or become entitled to from the Company if they cease to be resident in the UK for tax purposes and then return to the UK.

Shareholders should consult their own professional advisers on the potential impact of the close company rules.

14. US Federal Income Taxation

The following discussion is a general summary based on the present law of certain US federal income tax consequences of the acquisition, ownership and disposition of Ordinary Shares. This summary is based on the US Internal Revenue Code of 1986, final, temporary and proposed US Treasury regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect, as well as on the income tax treaty between the United States and UK as currently in force (the "Treaty").

The discussion is not a complete description of all tax considerations that may be relevant. It applies only to investors that acquire Ordinary Shares in the Offer, hold Ordinary Shares as capital assets and use the US dollar as their functional currency. The discussion is a general summary; it is not a substitute for tax advice. It does not address the tax treatment of investors subject to special rules, such as banks or other financial institutions, tax-exempt entities, insurance companies, dealers, traders in securities that elect to mark-to-market, regulated investment companies, real estate investment trusts, investors liable for alternative minimum tax, US expatriates, investors that directly, indirectly or constructively own 10 per cent. or more of the Company's voting stock, investors that are resident or ordinarily resident or have a permanent establishment outside the US or investors that hold Ordinary Shares as part of a straddle, hedging, conversion or other integrated transaction. It also does not address US state and local tax considerations or Medicare contribution tax on net investment income considerations.

As used here, a “**US Holder**” means a beneficial owner of the Ordinary Shares that is for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court and (iv) an estate the income of which is subject to US federal income tax without regard to its source. A “**Non-US Holder**” means a beneficial owner of the Ordinary Shares that is not a US Holder.

The US federal income tax treatment of a partner in a partnership that holds Ordinary Shares will depend on the status of the partner and the activities of the partnership. Partnerships should consult their tax advisors concerning the US federal income tax consequences to their partners of the acquisition, ownership and disposition of Ordinary Shares.

14.1 Dividends

Subject to the passive foreign investment company (“**PFIC**”) rules discussed below, distributions on Ordinary Shares will generally be dividend income from foreign sources to the extent of the Company's current and accumulated earnings and profits as determined under US federal income tax principles. The dividends will not be eligible for the dividends-received deduction available to US corporations. To the extent the amount of such a distribution exceeds the Company's current and accumulated earnings and profits as so computed, the distribution will be treated first as a non-taxable return of capital to the extent of the US Holder's adjusted tax basis in the Ordinary Shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale of such Ordinary Shares. The Company does not expect to maintain calculations of earnings and profits for US federal income tax purposes. Therefore, US Holders should expect that distributions will generally be treated as dividend income.

Dividends received by eligible non-corporate US Holders, however, should be taxed at the preferential rate applicable to qualified dividend income if (i) the Company qualifies for the benefits of the Treaty, which the Company believes it does, (ii) the Company is not a PFIC in the year of distribution or the preceding year and (iii) the holder has held the Ordinary Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

Dividends paid in foreign currency will be included in income in a US dollar amount based on the exchange rate in effect on the date of receipt of the dividend, whether or not the currency is converted into US dollars at that time. A US Holder's tax basis in the foreign currency will equal the US dollar amount included in income. Any gain or loss on a subsequent conversion or other disposition of the foreign currency for a different US dollar amount will be US source ordinary income or loss. If dividends received in foreign currency are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

14.2 Dispositions

Subject to the PFIC rules discussed below, a US Holder generally will recognise capital gain or loss on the sale or other disposition of Ordinary Shares equal to the difference between the US dollar value of the amount realised and the US Holder's tax basis in the Ordinary Shares. A US Holder's tax basis in the Ordinary Shares will generally be the US dollar cost of the Ordinary Shares. The US dollar cost of an Ordinary Share purchased with foreign currency generally will be the US dollar value of the

purchase price paid in the Offer. Any gain or loss generally will be treated as arising from US sources. The gain or loss will be long-term capital gain or loss if the US Holder's holding period exceeds one year. Deductions for capital loss are subject to significant limitations.

A US Holder that receives foreign currency on the sale or other disposition of the Ordinary Shares will realise an amount equal to the US dollar value of the foreign currency on the date of sale or other disposition (or in the case of Ordinary Shares traded on an "established securities market" that are sold by a cash basis or electing accrual basis taxpayer, the settlement date). A US Holder will recognise currency gain or loss if the US dollar value of the currency received at the spot rate on the settlement date differs from the amount realised. A US Holder will have a tax basis in the foreign currency received equal to its value at the spot rate on the settlement date. Any currency gain or loss realised on the settlement date or on a subsequent conversion of the foreign currency into US dollars will be US source ordinary income or loss.

14.3 Passive Foreign Investment Company Rules

In general, a corporation organised or incorporated outside the United States is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75 per cent. of its gross income is classified as "passive income" or (ii) at least 50 per cent. of the average quarterly value attributable to its assets produces or is held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

The Company believes that it was not in its last taxable year, is not and will not become a PFIC for US federal income tax purposes. The tests to determine whether a company is a PFIC apply annually and a company's status can change depending, among other things, on changes in the composition and relative value of its gross receipts and assets and changes in its operations. The Company therefore cannot assure US Holders that it is not and will not become a PFIC. If the Company were a PFIC in any taxable year, US Holders would be required (i) to pay a special addition to tax on gains on sale and certain distributions and (ii) to pay tax on any gain from the sale of Ordinary Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by the Company would not be eligible for the reduced rate of tax described under "*—Dividends*".

A US Holder subject to the PFIC rules is required to file US Internal Revenue Service ("**IRS**") Form 8621 with respect to its investment in the Ordinary Shares. In addition, a US Holder subject to the PFIC rules may be required to file additional information with the IRS.

14.4 Non-US Holders

A Non-US Holder generally should not be subject to US federal income or withholding tax on any distributions made on the Ordinary Shares or gain from the sale or other disposition of the Ordinary Shares unless: (i) that distribution and/or gain is effectively connected with the conduct by that Non-US Holder of a trade or business in the United States; or (ii) in the case of any gain realised on the sale or exchange of Ordinary Shares by an individual Non-US Holder, that Non-US Holder is present in the United States for 183 days or more in the taxable year of the sale or other disposition and certain other conditions are met.

14.5 Reporting and Backup Withholding

Dividends on Ordinary Shares and proceeds from the sale or other disposition of Ordinary Shares may be reported to the US Internal Revenue Service unless the holder establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting. Any amount withheld may be credited against the holder's US federal income tax liability subject to certain rules and limitations. Non-US Holders may be required to comply with applicable certification procedures to establish that they are not US Holders in order to avoid the application of such information reporting requirements and backup withholding.

14.6 Foreign Financial Asset Reporting

Certain US Holders that own "specified foreign financial assets" that meet certain US dollar value thresholds generally are required to file an information report with respect to such assets with their

tax returns. The Ordinary Shares generally will constitute specified foreign financial assets subject to these reporting requirements unless the Ordinary Shares are held in an account at certain financial institutions. US Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Ordinary Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN ORDINARY SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

15. Enforcement and civil liabilities under US federal securities laws

The Company is a public limited company incorporated under English law. Many of the Directors are citizens of the United Kingdom (or other non-US jurisdictions), and a portion of the Company's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Directors or to enforce against them in the US courts judgments obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgments of the US courts, of civil liabilities predicated upon US federal securities laws.

16. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during the 12 months preceding the date of this Prospectus which may have, or have had, a significant effect on the Company's or the Group's financial position or profitability.

17. Related party transactions

Save as described in note 22 in the Historical Financial Information, there are no related party transactions between the Company or members of the Group that were entered into during the year ended 31 December 2012, the year ended 31 December 2013, the year ended 31 December 2014 and the six months ended 30 June 2015 and during the period between 1 July 2015 and the date of this Prospectus.

18. Working capital

In the opinion of the Company, taking into account the facilities available to the Group and the net proceeds receivable by the Company from the subscription of New Ordinary Shares in the Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

19. No significant change

There has been no significant change in the financial or trading position of the Group since 30 June 2015, the date to which the Historical Financial Information was prepared.

20. Consents

Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion of its reports in Part 11: "*Historical Financial Information*" and Part 12: "*Unaudited Pro Forma Financial Information*", in the form and context in which they appear and has authorised the contents of those parts of this document which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

A written consent under the Prospectus Rules is different from a consent filed with the US Securities and Exchange Commission under Section 7 of the US Securities Act. As the Ordinary Shares have not been paid and will not be registered under the US Securities Act, Ernst & Young LLP has not filed a consent under Section 7 of the US Securities Act.

21. Takeover Regulation

The Company is subject to the UK City Code on Take-overs and Mergers (the “**City Code**”) and therefore its shareholders are entitled to the protections afforded by the City Code.

- 21.1 Under Rule 9 of the City Code, when (i) a person acquires an interest in shares which (when taken together with shares in which he and persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of the voting rights of a company subject to the City Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then, in either case, that person, together with the person acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital, whether voting or non-voting, and also to the holders of any other class of transferable securities carrying voting rights.
- 21.2 For the purposes of Rule 9 of the City Code, the Company understands that the Takeover Panel will presume the Adams Street Funds and the Phoenix Funds to be concert parties (the “**Phoenix Concert Parties**”).
- 21.3 For the avoidance of doubt, the Company understands that the Takeover Panel will not presume the Phoenix Concert Parties and Bridges Community Development Venture Fund II LP to be acting in concert together.
- 21.4 Immediately following Admission, it is expected that the Phoenix Concert Parties will control 28.1 per cent. of the voting rights in the Company.

22. General

- 22.1 The fees and expenses to be borne by the Company in connection with Admission including the FCA’s fees, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £8.9 million (including VAT). In addition the Selling Shareholders have agreed to pay their expenses in connection with the sale of Ordinary Shares including underwriting commissions of up to approximately £1.3 million.
- 22.2 The financial information contained in this document does not amount to statutory accounts within the meaning of section 434(3) of the Act.

23. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission at the offices of Allen & Overy LLP at One Bishops Square, London E1 6AD, United Kingdom and at the Company’s registered office at Woodbridge House, Woodbridge Meadows, Guildford, Surrey GU1 1BA:

- (a) the articles of association of the Company;
- (b) the historical financial information of The Gym Group plc in respect of the three financial years ended and as at 31 December 2012, 2013 and 2014 and for the six month period ended 30 June 2015, together with the related Accountant’s Report from Ernst & Young LLP, which is set out in Part 11: “*Historical Financial Information*”;
- (c) the unaudited pro forma financial information, together with the related Accountant’s Report from Ernst & Young LLP, which is set out in Part 12: “*Unaudited Pro Forma Financial Information*”;
- (d) the consent letter referred to in “Consents” in paragraph 20 above; and
- (e) this document.

PART 15
DEFINITIONS AND GLOSSARY

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

“2005 Mintel Report”	Mintel International Group Ltd., Health and Fitness Clubs, Special Report (April 2005)
“2011 LDC Report”	LDC, 2011 State of the UK Fitness Industry Report (31 March 2011)
“2012 LDC Report”	LDC, 2012 State of the UK Fitness Industry Report (31 March 2012)
“2013 LDC Report”	LDC, 2013 State of the UK Fitness Industry Report (31 March 2013)
“2014 LDC Report”	LDC, 2014 State of the UK Fitness Industry Report (31 March 2014)
“2014 Reclassification”	the reclassification from debt to equity of certain preferred shares as a result of an amendment to The Gym’s articles of association in July 2014 as described under Part 9: “ <i>Operating and Financial Review</i> ”
“2015 LDC Report”	LDC, 2015 State of the UK Fitness Industry Report (31 March 2015)
“2015 Mintel Report”	Mintel Group Ltd., Health and Fitness Clubs UK, July 2015
“ACORN data”	CACI Ltd.’s ACORN consumer classification data
“Act”	the Companies Act 2006, as amended
“Adams Street Funds”	Adams Street 2009 Direct Fund, L.P., Adams Street 2010 Direct Fund, L.P., Adams Street 2011 Direct Fund LP, Adams Street 2012 Developed Markets Fund LP, Adams Street 2013 Developed Markets Fund LP and Adams Street Co-Investment Fund II, L.P.
“Adjusted Leverage”	means the ratio of total net debt of the Group to consolidated EBITDA
“Admission”	the admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities
“Articles”	the Articles of Association of the Company to be adopted upon Admission
“ASIC”	the Australian Securities and Investments Commission
“Average Mature Gym Site EBITDA”	means operating profit before depreciation and amortisation, central costs and exceptional items attributable to the Mature Gym portfolio divided by the number of gyms in the Mature Gym portfolio
“Average Mature Gym Site EBITDA Margin”	means Average Mature Gym Site EBITDA for the relevant period divided by the average revenue attributable to the Mature Gym portfolio for the same period
“Average Mature Gym Site ROCE” . .	means the Average Mature Gym Site EBITDA divided by the average initial site investment attributable to the Mature Gym portfolio

“Average New Gym Site EBITDA” . . .	means operating profit before depreciation and amortisation, central costs and exceptional items attributable to the New Gym portfolio divided by the average number of gyms in the New Gym portfolio
“Average New Gym Site EBITDA Margin”	means Average New Gym Site EBITDA for the relevant period divided by the average revenue attributable to the New Gym portfolio for the same period
“Average Revenue per Member per Month”	means the Group’s revenue for the period divided by the number of months in that period and further divided by the average number of members during that period
“Awards”	conditional share awards or nil-cost options under the PSP
“Banks”	the Underwriters and BCSL
“Barclays”	Barclays Bank PLC
“BCSL”	Barclays Capital Securities Limited
“Board”	the board of directors of the Company
“Bridges Ventures”	Bridges Ventures LLP
“CAGR”	compound annual growth rate
“central costs”	the costs incurred in administering the Group’s estate which includes head office costs, such as central staff costs and their associated administration costs, technology and website, professional fees and central office costs
“CISA”	the Swiss Federal Act on Collective Investment Schemes
“City Code”	the UK City Code on Take-overs and Mergers
“Company”	The Gym Group plc
“Corporations Act”	the Corporations Act 2001 of the Commonwealth of Australia
“CPI”	the consumer price index
“CREST”	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator
“Deferred Shares”	the deferred shares of £1.00 in the capital of the Company
“DFSA”	the Dubai Financial Services Authority
“DIFC”	the Dubai International Financial Centre
“Directors”	the Executive Directors and the Non-Executive Directors
“Dividend Shares”	cash dividends paid in respect of Plan Shares re-invested in the purchase of additional Ordinary Shares
“DPA”	the UK Data Protection Act 1998
“EEA”	the European Economic Area
“EU”	the European Union
“EuropeActive Report”	Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, EuropeActive European Health & Fitness Market Report 2015 (31 December 2014)
“Executive Directors”	the executive Directors of the Company

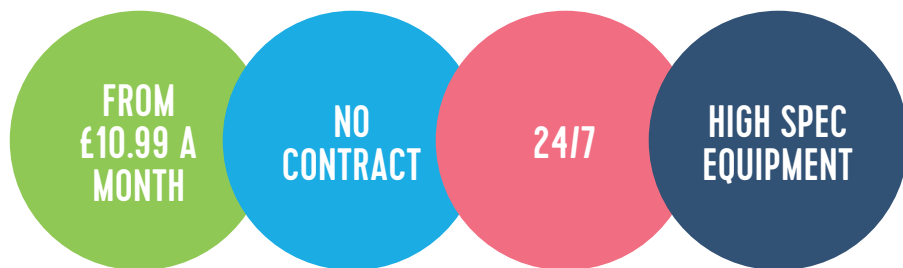
“Existing Ordinary Shares”	17,955,239 Ordinary Shares being sold as part of the Offer by the Selling Shareholders
“Feefo”	an independent global ratings and reviews provider
“Financial Conduct Authority” or “FCA”	the Financial Conduct Authority
“Finance Documents”	means the finance documents relating to the New Facilities
“FIEL”	the Financial Instruments and Exchange Law, as amended (Japan)
“Fixed Charge Cover”	means the ratio of consolidated EBITDAR (which is EBITDA after adding back rental payments paid or payable by any member of the Group) to net finance charges payable for the Group
“Free Shares”	means free shares under the SIP
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Governance Code”	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
“gross dividend”	the aggregate of the dividend and the tax credit “gross dividend”
“Group” or “The Gym”	the Company and its combined subsidiaries and subsidiary undertakings
“Group Adjusted EBITDA”	means the Group’s operating profit before depreciation and amortisation and exceptional items
“Group Adjusted EBITDA Margin”	means Group Adjusted EBITDA for the relevant period divided by Group revenue for the same period
“Group Adjusted Net Income”	means profit before tax excluding amortisation of intangibles and exceptional items, and excluding tax on the excluded items
“Group Operating Cash Flow”	means Group Adjusted EBITDA less net working capital and less maintenance capital expenditures
“Group Operating Cash Flow Conversion”	means Group Operating Cash Flow expressed as a percentage of Group Adjusted EBITDA
“Gym Group Share Plans” or the “Plans”	means the Company’s equity-settled incentive arrangements to be operated after Admission
“Historical Financial Information”	means the Group’s historical financial information set out in Part 11: “ <i>Historical Financial Information</i> ” of this Prospectus
“HMRC”	HM Revenue & Customs
“ICO”	the Information Commissioner’s Office
“IFRS”	International Financial Reporting Standards, as adopted by the European Union
“IHRSA Report”	International Health, Racquet & Sportsclub Association, The IHRSA Global Report 2015 (May 2015)
“Individual Selling Shareholders”	certain of the Directors, Senior Management and employees of the Company, and certain connected persons (as defined in the Act) of such Directors, Senior Managers and employees
“Institutional Selling Shareholders”	Bridges Community Development Venture Fund II LP and the Phoenix Advised Funds

“Investors”	means, for purposes of the New Facilities, the Phoenix Advised Funds or Bridges Community Development Venture Fund II LP
“IRS”	the US Internal Revenue Service
“Joint Global Co-ordinators”	Barclays and Numis
“Joint Sponsors”	Barclays and Numis
“LDC”	The Leisure Database Company
“LDC Reports”	the 2011 LDC Report, the 2012 LDC Report, the 2013 LDC Report, the 2014 LDC Report and the 2015 LDC Report
“Lead Manager”	Peel Hunt
“Listing Rules”	the listing rules of the FCA made under section 74(4) of the FSMA
“London Stock Exchange”	London Stock Exchange plc
“LTA”	the Landlord and Tenant Act 1954
“Matching Shares”	matching shares under the SIP
“Mature Gyms”	The Group’s gyms that have been open for 24 months or more prior to the end of the relevant reporting period
“Member State”	a Member State of the European Economic Area
“Net Promoter Score”	a customer loyalty metric developed by Fred Reichheld, Bain & Company and Satmetrix Systems, Inc.
“New Capex Facility”	the £25 million capital expenditure described in Part 9: “ <i>Operating and Financial Review</i> ”
“New Facilities”	the facilities provided under the £40 million facilities agreement described in Part 9: “ <i>Operating and Financial Review</i> ”
“New Facilities Agreement”	the £40 million facilities agreement described in Part 9: “ <i>Operating and Financial Review</i> ”
“New Gyms”	The Group’s gyms that have been open for less than 24 months prior to the end of the relevant reporting period
“New Ordinary Shares”	new Ordinary Shares in the Company to be allotted and issued as part of the Offer
“New RCF”	the £5 million revolving credit facility described in Part 9: “ <i>Operating and Financial Review</i> ”
“New Term Loan Facility”	the £10 million term loan facility described in Part 9: “ <i>Operating and Financial Review</i> ”
“Non-Executive Directors”	the non-executive Directors of the Company
“Numis”	Numis Securities Limited
“Offer”	the issue of New Ordinary Shares by the Company and the sale of Existing Ordinary Shares by the Selling Shareholders described in Part 13: “ <i>Details of the Offer</i> ”
“Offer Price”	the price at which each Ordinary Share is to be issued or sold pursuant to the Offer
“Offer Shares”	the Ordinary Shares to be issued by the Company and to be sold by the Selling Shareholders pursuant to the Offer as described in Part 13: “ <i>Details of the Offer</i> ”
“Offer Size”	the number of Ordinary Shares to be sold in the Offer
“Official List”	the Official List of the FCA

“Order”	the Financial Services and Markets Act 2000, as amended
“Ordinary Shares”	the ordinary shares of the Company, having the rights set out in the Articles
“Partnership Shares”	partnership shares under the SIP
“PCAOB”	the Public Company Accounting Oversight Board (United States)
“PCAOB Standards”	the auditing standards of the Public Company Accounting Oversight Board (United States)
“PCI DSS”	the UK Payment Card Industry Data Security Standard
“Peel Hunt”	Peel Hunt LLP
“Penetration Rate”	the number of health and fitness club members in a given period divided by the total population
“PFIC”	a passive foreign investment company
“Phoenix”	Phoenix Equity Partners Limited
“Phoenix Advised Funds”	the Phoenix Funds and the Adams Street Funds
“Phoenix Funds”	Phoenix Equity Partners 2010 L.P. and Phoenix Equity Partners 2010 GP, L.P.
“Phoenix Investment”	the transactions described in Part 2: “ <i>Presentation of Financial and Other Information—Presentation of Financial Information—Phoenix Investment</i> ”.
“Phoenix Manager”	Phoenix Equity Partners 2010 Guernsey Limited
“PIN”	personal identification number
“Plan Shares”	Free Shares, Partnership Shares and Matching Shares
“POS”	point-of-sale
“Pre-Opening Costs”	means the costs associated with new site openings, which primarily consists of staff costs, marketing and rent
“Principles”	the data protection principles set out in the UK Data Protection Act 1998
“Prospectus”	the final prospectus approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the FSMA
“Prospectus Directive”	Directive 2003/71/EC as amended including by Directive 2010/73/EU, and includes any relevant implementing measure in each Relevant Member State
“PSP”	the Gym Group PLC Performance Share Plan
“qualified institutional buyers” or “QIBs”	has the meaning given by Rule 144A
“Qualified Investors”	persons who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive
“Refinancing”	the repayment by the Group of all of its outstanding debt, including shareholder loans and finance leases, and accrued interest thereon, using £10 million of borrowings under the New Term Loan Facility (less fees and expenses) and the net proceeds of the Offering
“Registrars”	Capita Registrars Limited
“Regulation S”	Regulation S under the US Securities Act

“Relationship Agreement”	the relationship agreement entered into between the Company and the Phoenix Advised Funds as described in Part 14: “ <i>Additional Information—Material Contracts—Relationship Agreement</i> ”
“Relevant Member State”	each Member State of the European Economic Area which has implemented the Prospectus Directive
“Relevant Persons”	persons who have professional experience in matters relating to investments falling within article 19(5) of the Order, persons who are high net worth entities falling within article 49(2)(a) to (d) of the Order, or other persons to whom the Prospectus may otherwise lawfully be communicated
“Relevant Situation”	a situation in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company but which does not arise in relation to a transaction or arrangement with the Company
“Reorganisation”	the reorganisation of the share capital of the Company in preparation for the Offer as described in Part 14: “ <i>Additional Information—Share Capital</i> ”
“ROCE”	return on capital employed
“RPI”	the retail prices index
“Rule 144A”	Rule 144A under the US Securities Act
“SDRT”	stamp duty reserve tax
“section 793 notice”	a notice requiring any of the information mentioned in section 793 of the Act
“Selling Shareholders”	the Individual Selling Shareholders and the Institutional Selling Shareholders
“Senior Management” and each a “Senior Manager”	the Executive Directors together with Jasper McIntosh and Jonathan Spaven
“SFA”	the Securities and Futures Act, Chapter 289 of Singapore
“SFO”	the Securities and Futures Ordinance (Cap. 571) of Hong Kong
“Shareholders”	the holders of Ordinary Shares in the capital of the Company
“Share Sale Election Deeds”	the share sale election deeds pursuant to which each of the Individual Selling Shareholders has irrevocably instructed the Company to agree the sale of Ordinary Shares as agent for and on behalf of that Individual Selling Shareholder
“Sharesave”	the Gym Group PLC Savings-Related Share Option Scheme
“SID”	senior independent director
“SIP”	the Gym Group PLC Share Incentive Plan
“SIX”	the SIX Swiss Exchange
“Settlement Manager”	BCSL
“Subscriber Share”	has the meaning given in paragraph 2.1 of Part 14: “ <i>Additional Information</i> ”
“Termination Date”	the date falling five years after the date of Admission on which the New Facilities mature
“Treaty”	the income tax treaty between the United States and UK as currently in force

“Treaty non-resident”	has the meaning given in Part 14: “ <i>Additional Information—Taxation of disposals</i> ”
“UK”	the United Kingdom of Great Britain and Northern Ireland
“Underwriters”	the Joint Global Co-ordinators and Peel Hunt
“Underwriting Agreement”	the underwriting agreement entered into between the Company, the Directors, the Institutional Selling Shareholders and the Banks described in Part 14: “ <i>Additional Information—Underwriting arrangements</i> ”
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
“US Exchange Act”	the United States Securities Exchange Act of 1934, as amended
“US GAAP”	accounting principles generally accepted in the United States
“US GAAS”	auditing standards generally accepted in the United States
“US Securities Act”	the United States Securities Act of 1933, as amended



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