



The Gym Group plc

Annual Report and Accounts 2023

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



For more information go to tggplc.com

Overview
2023 highlights

Financial

Revenue

£204.0m

2022: £172.9m

Group Adjusted EBITDA
Less Normalised Rent¹

£38.5m

2022: £38.0m

Statutory loss for the year

£8.4m

2022: loss of £19.3m

Non-Property
Net Debt¹

£66.4m

2022: £76.0m

¹ See page 167 for definition and cross-reference to reconciliation to statutory measure.

Business and operational

- Six new sites opened in 2023, enhancements made in over 100 sites and launch of HYROX fitness programme collaboration
- Successful implementation of three-tier price product architecture, rolling out Off-peak membership throughout the entire estate
- High levels of member engagement, with 92% of our members rating The Gym Group 4 or 5 out of 5 for overall satisfaction
- Board strengthened in the year with the appointment of Will Orr as CEO and Simon Jones as Non-Executive Director
- Next Chapter three-fold growth plan for the next stage of The Gym Group's development announced

Average membership increase

+8%

872,000 (vs 808,000 in 2022)

Overall member satisfaction

92%

scoring 4 or 5 out of 5

Investment in

>100

sites in 2023

Social Value²
generated in 2023

£890m

(vs £756m in 2022)

² See footnote on page 03 for information on what Social Value is and how it is calculated.

See Progress against 2023 strategy on pages 16 to 21

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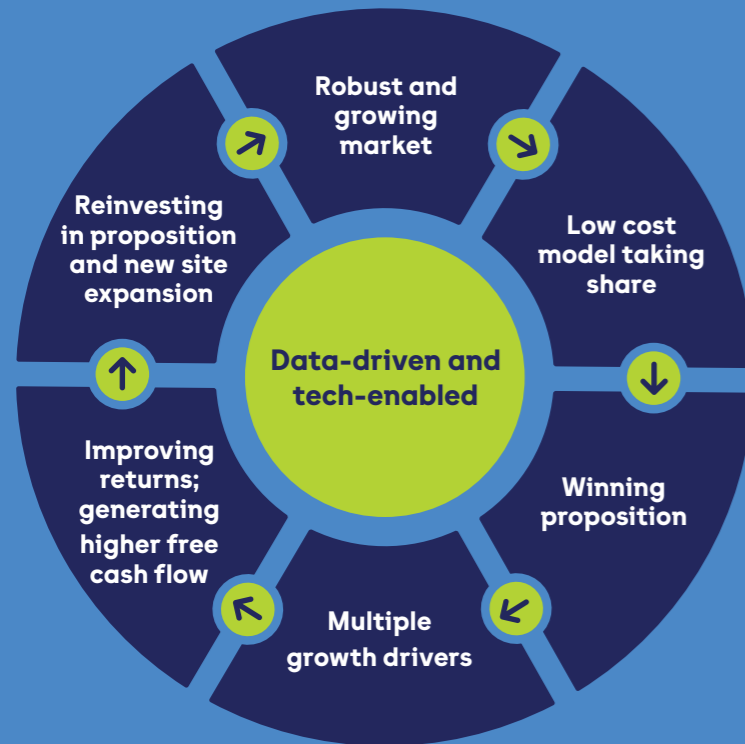
Overview

Introduction to our business

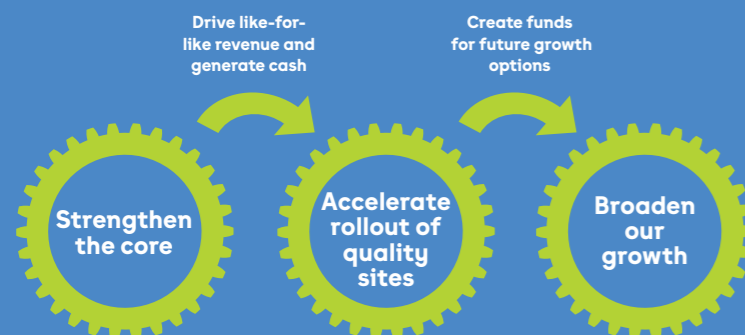
Our purpose

Breaking down barriers to fitness for all

Our business model



Next Chapter growth plan



See the Next Chapter growth plan on pages 32 to 37



What we deliver

Accessible fitness for all

233

high quality gyms affording access to over 50% of the UK population

Social Value for communities¹

£3.2bn

created through member exercise over the last five years

Sustainable long term growth

20%

site growth per year for last ten years with an average of 20 new sites added per year

Strong return on capital²

19%

delivered in 2023

¹ Social Value is a measure of the value we are creating through regular exercise in the communities in which we operate. It is derived using a model created by Sheffield Hallam University and used extensively by Sport England, local authorities, and the UK Government.
² Return on invested capital of mature gym sites. See pages 166 and 167 for more information.

See the Sustainability report on pages 38 to 53

Our key stakeholders

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

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



Overview

Introduction to our business continued

As at 31 December 2023, we operated 233 sites in the UK with 850,000 members. We are consistently rated excellent on Trustpilot, score highly on member satisfaction and have over 60 million gym visits per annum.

Member proposition

- 

Market-leading
low price membership
- 

High quality
gym equipment and exercise facilities
- 

Friendly, helpful staff
and access to personal trainers
- 

24/7
access and unlimited training
- 

Free
group exercise classes
- 

No
contract
- 

Convenient locations
+50% of UK population live within 15 minutes' drive of at least one of our gyms
- 

Flexible membership options
Ultimate, Standard, Off-peak and Saver
- 

Free Fiit
on-demand digital fitness classes for Ultimate members



Growing gym network

We focus on operating high quality, low cost gyms that have widespread appeal, breaking down barriers to fitness for all.

In 2023, we opened six new gyms, predominantly in urban residential areas. We also closed two gyms in Manchester and Leeds.

233
Number of gyms

850,000
Number of members

£23.16
Average headline price in December 2023 - Standard membership



* Note: All figures correct as at 31 December 2023. Average monthly membership relates to Standard rate. Standard membership is a membership for one specified gym.

Strategic report
Market review

Well placed

in a growing market

The low cost gym segment continues to drive the growth of the UK health and fitness market. Our position as a leading operator means we are well placed to take advantage of the long term structural growth within the sector.

Consumer demand

The macro consumer environment is showing early signs of improvement, but spending remains suppressed and there is continued uncertainty about the outlook for interest rates and employment trends which puts pressure on consumers to prioritise their spending.

However, engagement in health and fitness is high, with consumers increasingly recognising the importance exercise has on both physical and mental health. As a result, spend on gym membership is no longer considered to be a discretionary item for many, but value-for-money is an important factor in deciding how to engage.

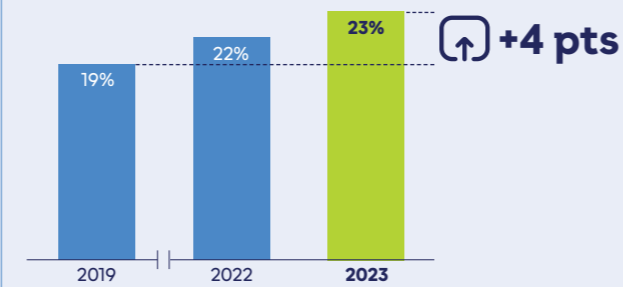
In addition, the ongoing growth of social media usage and development of self-produced video content, together with the continuing evolution of fashion to look 'Fit not Thin' is driving a shift from cardio to strength and functional fitness.

As a result, demand for gym memberships remains strong, (as can be seen in the charts opposite) with more people considering joining a gym and younger generations (where we perform strongly) particularly highly engaged (86% of Gen Z exercise or want to, 5% more than Millennials)¹.

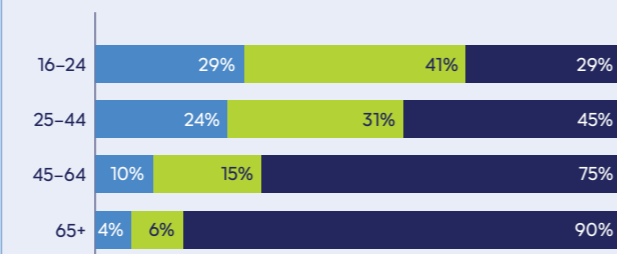
Alongside this trend, there is a growing preference for convenient solutions that are on-demand and readily available, amplifying the appeal of 'round the clock' opening hours and no-contract models.

As a result, low cost gyms remain strategically advantaged, particularly in the current environment. As one of the lowest cost, nationwide, 24/7 gym operators in the UK with an average standard headline rate of £23.16 in December 2023, we are well placed not only to retain the members that have already chosen us as their preferred health and fitness provider, but also to attract new members, including those gym-goers who want to switch from premium and mid-market fitness clubs in search of better value-for-money.

Gym consideration, % UK 16+ population¹



Membership by age 2023¹



■ Current member ■ Non-member – Would consider
■ Non-member – Would not consider

¹ Source: Kantar Profiles / Mintel Health & Fitness Clubs August 2023. Survey: Base: 2,000 internet users aged 16+, June 2023. Private health and fitness clubs only.

Industry supply

The health and fitness market in the UK has shown structural growth for over a decade and continued to grow in 2023, reaching a market size of £5.4bn and an estimated 10.3 million gym members. A significant proportion of that growth has been driven by low cost gyms, which now account for 15% of the market value (up from 2% in 2012) and 28% of the membership (up from 4% in 2012), according to data from State of the UK Fitness Industry Report 2023 published by Leisure DB ('LDC').

The leisure market has seen significant turbulence since 2019, with large and long-lasting changes in consumer behaviour. Within this environment, the low cost sector has continued to roll out at pace, and whilst membership levels (per site) on average remain below 2019 levels, revenue per site has returned to 2019 levels.

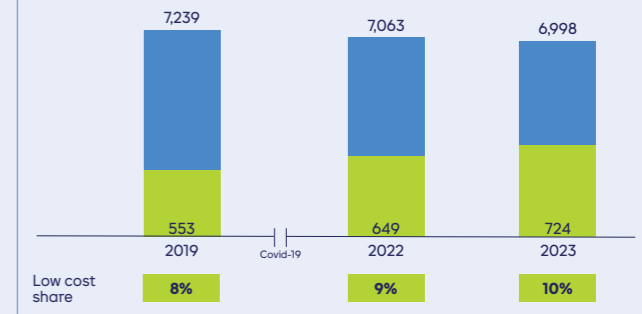
Barriers to organic entry into the low cost market remain high, with the three largest players having considerable structural advantage.

In this trading environment, the benefit of economies of scale, competitive pricing and a highly cost-efficient operating model, enabled us to strengthen our position further as a market leader with six new sites opened in 2023.

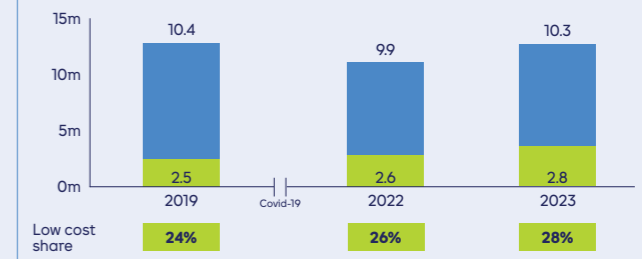
Market size
Low cost gaining share, from 2% in 2012, to **15%** in 2023

Gym members
Low cost gaining share, from 4% in 2012, to **28%** in 2023

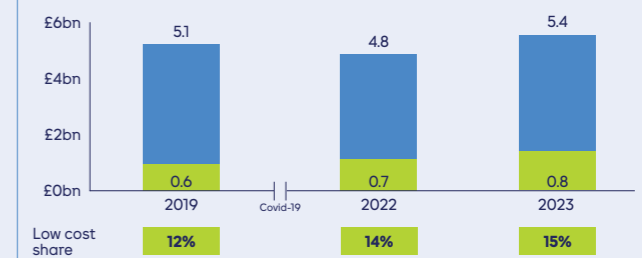
Total gyms (number)²



Total members (m)²



Market value (£bn)²



² Source: LDC State of the UK Fitness Industry Reports, 2019-23. Adjusted low cost sector: 2023 numbers as reported by LDC. 2022 removes Energie Fitness, TruGym, and ActiveFitness. 2019 removes Sports Direct/Everlast, Fitness4Less, Energie Fitness, TruGym and ActiveFitness. All figures as at March each year.

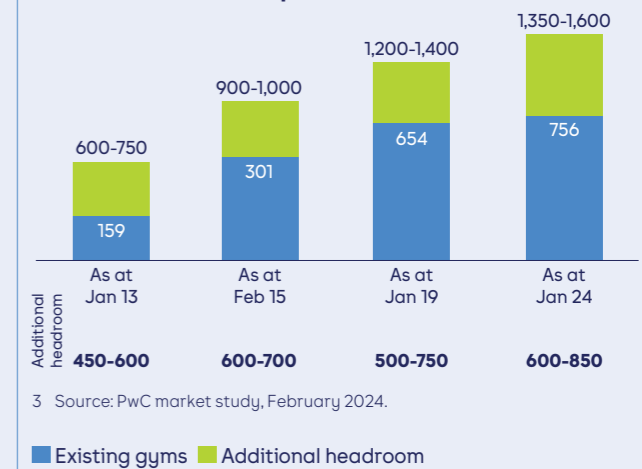
Growth potential

A PwC market study commissioned by The Gym Group and published in February 2024 assesses the current total market capacity for low cost gyms to be between 1,350 and 1,600 gyms, suggesting additional growth potential in the market of 600-850 gyms.

This headroom assessment confirms the continued expansion of the low cost market potential driven by a combination of increased consumer demand, expansion in the wider health and fitness market and low cost gyms entering smaller catchment areas.

At recent rates of site expansion by all low cost gym operators, the analysis suggests there is scope for 10-15 years of further growth.

Total low cost market potential³



³ Source: PwC market study, February 2024.

In summary

Our covenant and reputation, alongside a highly experienced property acquisition team and sophisticated location appraisal process, have enabled our successful growth to date; they remain key to our expansion programme over the coming years and securing our share of the potential growth.

In addition, we see additional headroom for membership and revenue growth in our current sites through delivering on our strategic priorities under the Next Chapter growth plan.

See Next Chapter growth plan on pages 32 to 37

Strategic report

Chair of the Board's statement



Strengthening the team

to deliver progress

“2023 posed some macroeconomic challenges for the UK, but I am delighted The Gym Group has been able to demonstrate positive momentum through the year and now has the leadership in place to move forward with a strong growth plan.”

“The actions we have taken to strengthen management, our financial position and the Group’s customer proposition will enable us to continue to take advantage of the many growth opportunities in our market.”

John Treharne | Chair of the Board

Health and wellbeing remains a consumer priority

We have continued to offer our members great value for money and this has enabled us to withstand the pressures on discretionary spending from the cost-of-living crisis. UK consumers continue to value their health and wellbeing above many other spending priorities, but their focus on value has seen the low cost gym sector continue to take share in a market that has grown consistently over the past decade.

Strong growth in revenue offset cost inflation

We chose to moderate the rate of site openings last year, after a record rate of expansion in 2022, but delivered strong like-for-like progress, driven by increasing both our members and yield. This was sufficient to offset a sharp increase in cost inflation, in particular related to energy costs, enabling us to deliver a slight increase in profitability.

We are continuing to open high quality sites and, as the PwC report referenced in the Market review shows, there remains significant headroom opportunity for low cost gyms. Therefore, we’ll be stepping up the rate of growth again in 2024 and beyond.

See Market review on pages 6 to 7

Strengthened financial position

Our business generated strong free cash flow in 2023, leading to a £10m reduction in our net debt and leverage falling further towards the lower end of our guidance range.

This reduction in net debt came despite us stepping up the rate of enhancement spend in our existing gyms, to make sure we are offering our members the best quality equipment and group exercise classes.

Sustainable progress

ESG metrics are discussed as part of our regular reviews of business performance so that all areas of the business are engaged in achieving our sustainability objectives.

We aim to continue to lead our sector for sustainability, delivering on our founding mission to break down barriers to fitness with a welcoming, accessible experience. Fitness facilities have an increasingly important role to play in the communities around them.

We are very proud to have grown Social Value by 18% in 2023, which reflects the frequency of usage by our members as well as our expansion. We have also become the first fitness operator in the world to have its science-based net zero targets validated by the Science Based Targets initiative (‘SBTi’), a milestone achievement for the Group.

£890m
of Social Value generated in 2023

Strengthened Board and Executive

We began our search for a new CEO following Richard Darwin’s announcement that he would step down in January 2023, and were delighted to welcome Will Orr to our Board as CEO on 1 September 2023. Most recently MD of Times Media Ltd, Will brings a wealth of experience in branded consumer businesses, in particular with subscription-type models, and with a strong track record of delivering growth.

Upon Will’s arrival I stepped back to a non-executive role. We have also seen some non-executive departures this year. Both David Kelly and Emma Woods stepped down after seven years of service and we thank them both for their immense contribution over this period.

Elaine O’Donnell, who joined the Board in 2022, succeeds Emma as Senior Independent Director, bringing broad governance experience to this role. Simon Jones also joined our Board in February 2023, and his multi-site leisure and consumer expertise from his former role as MD of Premier Inns and current role as CEO of Away Resorts is proving invaluable.

Finally, Ann-marie Murphy, formerly Chief Operating Officer and an Executive Board Director, stepped down from the Board and left the business on 31 January 2024. She leaves with our good wishes for her new role at SSP Group plc.

Looking forward

The Board is confident that with new leadership now in place, and a strong growth plan to move forward, The Gym Group is well placed for the ‘Next Chapter’ of its development, and in a strong position to seize the opportunity of the significant long term sector growth ahead.

See Next Chapter growth plan on pages 32 to 37

John Treharne
Chair of the Board
13 March 2024



Strategic report

Q&A with the Chief Executive

An introduction to our new CEO, Will Orr

Q&A

“We are a growth business in a growing market, with a proposition that delivers and a purpose that really motivates our people.”

Will Orr | Chief Executive Officer



Q
Why did you want to join The Gym Group?

A
The Gym Group has a strong high value, low cost proposition that meets a clear customer need. This, combined with our business model and our scale, made me believe – as I do more than ever six months in – that we can create sustained growth. We are a growth business in a growing market, with a proposition that delivers and a purpose (accessible fitness) that really motivates our people. I could see that sense of engagement and energy in our gyms right from the beginning of the interview process. In essence, we have strong foundations and great upside potential. I believe I have the right experience to help unlock that potential.

Q
What skills and experience do you bring to the role of CEO?

A
I've had a 30-year career, working with branded consumer businesses – and most of that experience has been in subscription-type models. I've built a strong track record of growth by focusing on value drivers: data, digital marketing, digital product development, new propositions, pricing and retention. I've also had good experience in 'people-intensive', operational businesses, where a great customer experience is delivered by highly-engaged, expert teams on the front line.

Q
What were your priorities when you first joined?

A
The first thing was to really understand our business, our people and our stakeholders. Having done so, I'm more excited than ever about the opportunity. The second was trading – it's important for The Gym Group to establish a sustained track record of doing what we say we're going to do, so a key priority for me in the final quarter of 2023 was to support the team on trading and delivering full year results in line with market expectations.

I also worked with the teams to develop a strong plan for our key January recruitment period. Another priority was to work with the Board and the team on the strategy for the 'Next Chapter' of The Gym Group's story, which we have announced with our results. Finally, I have been looking to build on the strong commercial capabilities we have with the appointment of a new Chief Commercial Officer, Alison Sagar.

Q
What are the key elements of the Next Chapter strategy?

A
There are three inter-relating elements to our strategy. It starts with 'Strengthen the core': working on measures to continually improve returns on the mature estate. This creates cash to fuel our expansion: 'Accelerate rollout of quality sites'. That in turn will deliver future growth, giving us options to 'Broaden our growth' in the longer term. The focus right now is to execute relentlessly in the first two areas, and do some more strategic work on 'Broaden our growth'. Some of the key elements are discussed in more detail later.

Q See Next Chapter growth plan on pages 32 to 37

Q
Does the business have the capabilities and resources to deliver the Next Chapter strategy?

A
I have been very impressed with our people and we've worked hard to make sure everyone is clear on their role in the growth plan. Our teams are highly engaged (with a score of 8.5/10 in our latest employee engagement survey) and delivering strong member satisfaction as well as growing revenue and membership. To complement our strong capability, we're making investments in areas like technology (including the recruitment of our experienced CTO Milan Juzo), data, pricing and digital marketing to further support growth. In that context, I'm pleased to note that recently I have hired a new Chief Commercial Officer, Alison Sagar. Alison brings a wealth of experience when it comes to driving sustainable customer and revenue growth.

Q
How easy will it be to accelerate new site openings while meeting the requirement of 30% ROIC?

A
We have identified the key characteristics of high-returning sites, with Greater London and urban residential locations delivering the best returns for us. That is where we are concentrating our site opening programme for the time being. We have set our teams the priority of achieving a Return on Invested Capital on maturity of at least 30% for all new site openings, and this will take precedence over delivering a specific number of site openings in the year. That said, our ambition is to open circa 50 sites over the next three years. The benefit of improving the performance of the mature estate is that this will unlock a greater number of future opportunities.

Q
What is the long term opportunity in the UK for The Gym Group?

A
Health and fitness is a long term growth market – it's more of a priority than ever for our members and target customers. We expect the market will polarise further between the premium and low cost sectors like other consumer models have done, with low cost gyms continuing to take share. A report published by PwC, has identified potential for a further 600-850 low cost sites across the UK, so there is plenty of runway. Our 24/7, flexible no contract model suits the needs of today's consumers and with Off-peak pricing starting at £13.99 per month, we are more accessible than ever.

Q
What are your strategic priorities for 2024?

A
I am committed to building a sustained track record of doing what we say we are going to do! But we as a team are working on progressing our Next Chapter growth strategy – the first year of a five year journey. This in turn will generate the cash to pay for the acceleration in our growth plans. I am really excited about the future for this business.

Strategic report

Chief Executive's review



“It’s a pleasure to provide my first report to our shareholders. I joined The Gym Group at the beginning of September 2023. One of my first priorities was to support the team with trading in the final quarter, ensuring we delivered a strong performance, building on the progress that was delivered in the first half and carrying that into 2024.”

Driving growth

“These are strong foundations on which to build our Next Chapter growth plan.”

Will Orr | Chief Executive Officer

Positive trading trends through 2023

The financial outcome for 2023 was in line with the guidance given earlier in the year, with revenue growth of 18% offsetting the cost inflation, especially in utilities prices, that we experienced. Despite the cost inflation challenges, we grew EBITDA slightly compared with the prior year and reduced our net debt levels by £10m, whilst expanding the business, which is encouraging.

We built on the momentum of the first half of the year, with good growth in both membership and yield, supporting like-for-like revenue growth of 8%. After opening a record number of gyms in 2022, we took the proactive decision to moderate site openings in 2023, to ensure we could fund them out of free cash flow. We added a net four gyms to give a year end total of 233. We closed the year with 850,000 members, up 4% on 2022, while average members through the year were 8% ahead of the prior year.

Continued strength in yield

Average revenue per member per month (‘ARPM’) rose 9% in the year to £19.50 as we continued to optimise our headline rate and drive penetration of our premium subscription product.

We trialed a three-tier pricing model in 64 sites through the Summer and early Autumn and rolled this out to all sites in November 2023. We now offer an Off-peak product, starting from as little as £13.99 per month; Standard membership (replacing ‘DO IT’); and an Ultimate premium product (replacing ‘LIVE IT’).

This will give us significant future flexibility in marketing and yield management, as well as offering an even more accessible price point, in line with our aim to lower the barriers to fitness for everyone. The uptake of our Ultimate membership has continued to rise, reaching a penetration rate of 31.7% in December 2023.

See Next Chapter growth plan on pages 32 to 37



Friendly, helpful staff and access to personal trainers

850,000

members at 31 December 2023

Enhancement investment in 2023

>100

sites

Providing a great member experience

Our members are visiting our gyms more frequently, making more than 60 million visits to our gyms in 2023; and average visits per member per month were up 10% year on year. This means that the average member visited almost six times per month in 2023.

See Sustainability review on pages 38 to 53

We have sustained our industry-leading customer satisfaction levels, with 57% of our members rating The Gym Group 5 out of 5 in overall satisfaction measures¹, and a massive 92% rating us at least 4 out of 5. Our Trustpilot and Google ratings also remain strong at 4.4. This is testament to the great work put in by our gym teams.

Maintaining a winning proposition that delivers results

As well as great value and convenience, one of the key factors which our members rate The Gym Group for is the quality of our equipment. We have been investing around 5% of our revenue annually in repairing, maintaining and upgrading our gyms. We have done this within our existing capital discipline, whilst maintaining the guidelines that continue to underpin our carbon-neutral status and commitment to net zero. This includes reusing, renewing and recycling of equipment where possible. In 2023, we refurbished 14 sites that were typically more than ten years old and made some form of enhancement investment in over 100 sites, including rolling out new equipment such as SkiErgs, air bikes and 50kg dumbbells, to ensure we are continuing to offer relevant and high quality equipment.

In addition, in 2023 we launched a new fitness programme collaboration offering HYROX training classes, initially in select London gyms in March, before expanding regionally in Manchester, Birmingham and Glasgow.

¹ Overall Satisfaction score surveys undertaken by Service Management Group.

Strategic report

Chief Executive's review
continued

We are the only UK nationwide low cost operator to offer this popular workout programme, which is free to our members. From 17 gyms at the end of 2023, we will extend HYROX to a total of over 50 sites in 2024.

We have also made good progress with our proposition for corporate members, which gives us substantial additional reach potential. We aim to work with companies to support their employee wellbeing strategy, with bespoke packages, discounts and wellness activities via employee benefit platforms. From small beginnings, corporate memberships have almost doubled and now account for more than 2% of our overall membership.

Data-driven and tech-enabled

The technology investment made in 2022 has supported an increase in online member engagement. Downloads of The Gym Group app rose 7% in 2023, and usage has jumped 25%, with an average across the year of almost 700,000 members using it, taking penetration levels to around 80% of our member base. Again, satisfaction levels are high with Apple rating the app 4.7 out of 5 and Android 4.6 out of 5.

We are planning significant additional enhancements to the app in 2024 in line with our drive to increase member retention. We will also step up our use of advertising technology ('AdTech') and use our growing data analytics capability to optimise across all areas of activity, from pricing and marketing ROI, to site selection and opening.

See Next Chapter growth plan on pages 32 to 37

App usage in 2023

+25%

vs 2022



Sustainability

During the year, we continued to make progress with our sustainability goals. The SBTi approved the Group's near and long term carbon reduction commitments and we are proud to be Prime-rated by the Institutional Shareholder Services Inc. ('ISS') for Corporate Responsibility. We also delivered £890m of Social Value in 2023, up 18% on 2022, reflecting the increase in frequency of visits by our members.

Introducing the 'Next Chapter' growth plan

Today we have announced the framework and strategic priorities of our 'Next Chapter' growth plan for the next stage of The Gym Group's development. The Q&A on pages 10 to 11 explains the rationale and gives an overview of our plans.

The Next Chapter growth plan aims to 'Strengthen the core' of our business by continuing to increase like-for-like revenue from our existing sites, and you can see more detail of our planned activity in the Next Chapter growth plan on pages 32 to 37. This will generate the cash for us to 'Accelerate rollout of quality sites' – doubling to 10-12 openings this year; and in the longer term to 'Broaden our growth' as we develop our proposition into new channels, new adjacencies and/or new markets.

I look forward to reporting on our progress later in the year, but in the meantime, we have made a promising start to 2024, with like-for-like revenue in the first two months of the year up 12%.

Shaping a great team

Earlier in the year, we welcomed Milan Juza to the Company and Executive Committee as our Chief Technology Officer, bringing significant technology leadership experience, most recently at TUI Group where he was responsible for e-commerce technology globally. Ruth Jackson also joined our Executive Committee in late 2023 as Chief People Officer, having been promoted from People and Development Director.

I'm delighted that Alison Sagar will join the Company and Executive Committee in March, in the new role of Chief Commercial Officer. Alison brings a wealth of experience as a commercial and marketing leader, from roles at British Airways, Booz Allen, Amex and Paypal, as well as two digital scale-ups. She has also consulted extensively in the leisure sector.

I'd like to thank Ann-marie Murphy (former Chief Operating Officer) and Emily Kortlang (former Chief Marketing Officer), who have left the Company. They have both left a legacy of strong operational and marketing teams respectively.

Finally, I'd like to extend my thanks to all our colleagues for their fantastic efforts in 2023 and for making my first months so stimulating and enjoyable. We have a really energised and capable team and I am delighted to see how the whole Company is getting behind our growth plan. The early fruits of all that effort can be seen in the progress we have made in the key member recruitment period this year.

Will Orr
Chief Executive Officer
13 March 2024



High quality gym equipment and exercise facilities



Strategic report

Progress against 2023 strategy

High quality estate

Highlights in 2023

- The Group opened six gyms and closed two, taking the total in operation at the year end to 233.
- There was continued investment in the existing estate, with 14 major gym enhancements completed and over 100 sites receiving investment in facilities or equipment upgrades.
- The footprint and fitout of sites continues to be managed closely to underpin our carbon-neutral status and pathway to net zero.
- We continued to maintain a strong financial covenant and good relations with landlords, to secure prime locations.

See **page 18** for further details

Performance measure

233

Total number of gyms as at 31 December 2023

Aligned to Sustainable Development Goals ('SDGs')



See Sustainability report on **pages 38 to 53**

Compelling member experience

Highlights in 2023

- We grew average members by 8% in 2023, to 872,000, and closed the year with 850,000 members, up 4% on the prior year.
- We have sustained high satisfaction scores, including our highest score ever achieved for 'friendliness of staff'
- Penetration of our multi-site Ultimate membership reached 31.7% in December 2023.
- We launched a new fitness programme collaboration by offering HYROX training classes, the only UK nationwide low cost operator to offer this popular branded workout.

See **page 19** for further details

Performance measure

92%

of members rated us 4 or 5 out of 5 for overall satisfaction

Aligned to Sustainable Development Goals ('SDGs')



See Sustainability report on **pages 38 to 53**

Innovative technology and marketing

Highlights in 2023

- We averaged 691,000 app users in 2023, with downloads up by 7% and usage increasing by 25% versus 2022.
- Our app remains highly rated on both Apple (4.7) and Android (4.6). This supports visit frequency which helps to build Social Value.
- We successfully trialled three-tier pricing across 64 sites, introducing a new Off-peak price point across the estate by November 2023, supported by robust data analysis.
- Brand search increased year on year by 38%, showing we remain highly optimised for search and sales conversion¹.

See **page 20** for further details

Performance measure

25%

More app users in 2023 vs 2022

Aligned to Sustainable Development Goals ('SDGs')



See Sustainability report on **pages 38 to 53**

Unique team and culture

Highlights in 2023

- We achieved top quartile levels of employee engagement measured by our new engagement survey platform, with 90% completion rate.
- We remain committed to supporting a diverse and inclusive team culture and in 2023 launched a Female Health First programme; were the first in the sector to be accredited as a Menopause Friendly Employer; and reported a 2.7 percentage point reduction in our 2023 gender pay gap.
- In 2023, we enhanced our early careers pathways, creating more job opportunities for PTs and inspiring careers in fitness – including through our 'Accelerate PT' programme.
- We launched further development and engagement programmes for our teams, including Women in Leadership and mentoring programmes.

See **page 21** for further details

Performance measure

8.5/10

Employee engagement survey result

Aligned to Sustainable Development Goals ('SDGs')



See Sustainability report on **pages 38 to 53**

Underpinned by growing sustainably

This continues to underpin the framework of our strategy. In 2023, we became the world's first fitness chain to have our net zero emission reduction targets validated by the SBTi.

The Social Value generated through our operations increased to a total of £890m in 2023 as we continue to deliver on our mission of breaking down barriers to fitness.

Strategic report

Progress against 2023 strategy
continued

High quality estate


New site openings moderated in 2023 after a record number of openings in 2022, with six new openings in Edinburgh Corstorphine, Accrington, Wimbledon, Uxbridge, Stafford, and Coventry.



 **>100**
sites had some form of investment in 2023

We invested in our mature estate in 2023, delivering 14 major gym enhancement projects, plus facilities and kit upgrades across over 100 sites. Through our rigorous standards and maintenance regimes, we continued to provide a safe environment, deliver an exceptional member experience, and ensure our gyms are highly energy efficient and up-to-date.

We completely refitted Hounslow, the first gym to open in 2008, which has resulted in a 9 ppts increase in overall satisfaction ('OSAT') score year on year.

 Energy reduction programmes led to consumption savings of **12.6%** per gym in 2023 versus 2019

We remain committed to energy-efficient design and to evolving and improving the energy and sustainability performance in our gyms. We delivered a number of projects across our energy reduction programme in the year, including introducing air source heat pump ('ASHP'), solar panels and voltage optimisers.

 See Sustainability report on pages 38 to 53

Coventry
16,285sq. ft.
Opened November 2023

Compelling member experience

We continued to prioritise the member experience in 2023, investing in existing sites and equipment and launching new products, which is reflected in our high member satisfaction scores.



In aggregate, there have been more than 60 million visits to our gyms in 2023. Members have also been making more frequent use of our gyms, with average visits per member per month up 10% year on year, which is an important driver of Social Value.

 See Sustainability report on pages 38 to 53

 **Ultimate membership**
31.7%
of total members in December 2023

 **Overall satisfaction**
92%
of members rated us 4 or 5 out of 5

Our premium Ultimate membership offering multi-site access and other benefits, reached 31.7% in December 2023. With new Off-peak and Saver memberships, we are further broadening choice and access to more members.

We continued to prioritise a great member experience which is reflected in the high OSAT scores, increasing scores for both 'Inclusive Atmosphere' and 'Friendliness of Staff' by 2 ppts each.

Our high quality gym equipment is at the heart of our value proposition for members, and in 2023 we upgraded facilities and equipment at over 100 sites, including introducing SkiErgs and Air Bikes, as well as rolling out 50kg dumbbells to 88 gyms.

We launched a new fitness programme collaboration by offering HYROX training classes at no extra cost to members and we remain the only UK nationwide low cost operator to offer this popular branded workout. Initially, we offered this class in select London gyms in March, before expanding regionally to Manchester, Birmingham and Glasgow with plans to roll it out further in 2024.

Strategic report

Progress against 2023 strategy
continued

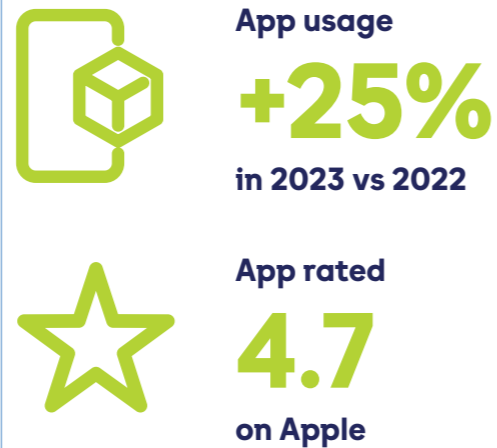
Innovative technology and marketing

We continued to build on the brand and technology investments made in 2022 to drive member engagement and promote our high value, low cost proposition.



Most significantly, we trialled and rolled out a new Off-peak membership product and rebranded our premium multi-site membership to Ultimate (formerly 'LIVE IT'), and Standard (formerly 'DO IT'), introducing a three-tier price product architecture – providing even greater choice and broader accessibility for members.

We applied robust data analysis for the three-tier price product architecture trial ahead of the full membership rollout and will continue to monitor pricing on a local site level.



Our updated visual identity and advertising creative meant we could continue to drive brand distinction, particularly focusing on the areas local to our gyms where brand awareness is highest.

We also experienced an increase in online member engagement with app downloads increasing by 7% in 2023, taking penetration to around 80% of our member base. With an average of almost 700,000 members using the app across the year, usage jumped 25%. This further supports visit frequency which, in turn, helps to build Social Value. Satisfaction levels are high, with Apple rating the app 4.7 out of 5 and Android 4.6 out of 5.

Unique team and culture

We remain focused on our commitment to providing development opportunities and career pathways, supporting employee wellbeing and nurturing a friendly and inclusive culture.

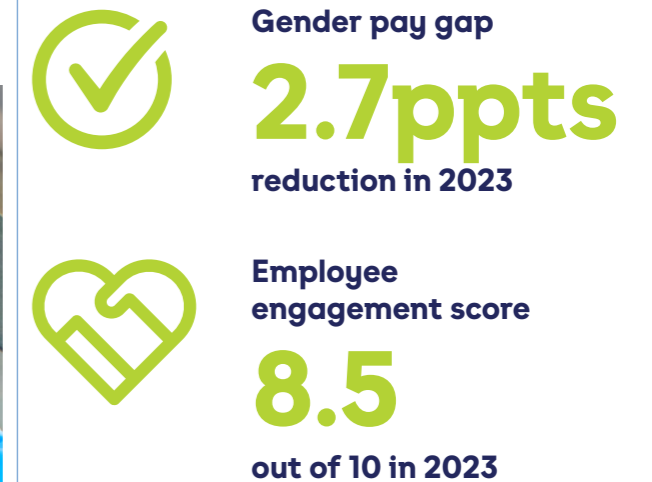
The Gym Group employs over 1,800 people across 233 gyms and the Central Support Office, and our friendly, inclusive, and people-centred culture, continues to be a key part of our success.



In early 2023, we introduced a more flexible operating structure in our gyms, which has helped us continue to attract and retain the best people. Our commitment to reducing administrative and office based tasks to allow our front line teams to focus on member engagement, has ensured we deliver a compelling experience for both our members and our teams. This is evidenced by our highest levels of employee engagement and member experience metrics, all against the backdrop of driving a more cost effective and lean operating model.

Also in 2023, we launched more early careers, development and engagement programmes, including our 'Accelerate PT', 'Women in Leadership' and mentoring programmes.

We are committed to providing good jobs and lifelong learning, for which we are proud to hold several Investors In People awards.



We scored 8.5 out of 10 in the employee engagement survey, which puts The Gym Group in the top 25% of engaged businesses in Peakon's Consumer Services benchmarking.

Following the success of our participation in the 2022 government Kickstarter scheme, we have continued to develop our early careers pathway initiatives and have welcomed 45 trainees through our 'Accelerate PT' programme since launching in May.

We are working towards our targets of 50/50 gender balance by 2030 and 40% female leaders by 2025. As part of our commitment to gender diversity and business purpose of breaking down barriers to fitness, we launched our Female Health First ('FHF') programme in partnership with The Well HQ, providing employees with specialist knowledge in women's health and making us the first gym chain to focus on the differing training and wellbeing needs of our female members.

See Sustainability report on pages 38 to 53

Strategic report
Financial review



Investing and strengthening

£13.3m

Operating profit
2022: operating loss of £2.3m

£27.0m

Free cash flow¹
2022: £16.7m

£66.4m

Non-Property Net Debt¹
2022: £76.0m

¹ See page 167 for definition and cross-reference to reconciliation to statutory measure.

“Trading in 2023 was robust despite the ongoing cost-of-living pressures on consumers, demonstrating the continued resilience of the low cost gym model.”

Luke Tait | Chief Financial Officer

Presentation of results

This Financial review uses a combination of statutory and non-statutory measures to discuss performance in the year. The definitions of the non-statutory key performance indicators can be found in the 'Definition of non-statutory measures' section on page 167.

To assist stakeholders in understanding the financial performance of the Group, aid comparability between years and provide a clearer link between the Financial review and the Consolidated

financial statements, we have also adopted a three-column format for presenting the Group income statement in which we separately disclose underlying trading and non-underlying items.

Non-underlying items are income or expenses that are material by their size and/or nature and are not considered to be incurred in the normal course of business. They are classified as non-underlying items on the face of the Group income statement within their relevant category.

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

Summary

	Year ended 31 December 2023	Year ended 31 December 2022	Movement
Total number of gyms at year end	233	229	+2%
Total number of members at year end ('000)	850	821	+4%
Revenue (£m)	204.0	172.9	+18%
Group Adjusted EBITDA (£m)	75.5	71.3	+6%
Group Adjusted EBITDA Less Normalised Rent (£m)	38.5	38.0	+1%
Adjusted Loss before tax (£m)	(5.5)	(5.5)	0%
Statutory Loss before tax (£m)	(8.3)	(19.4)	+57%
Statutory Loss after tax (£m)	(8.4)	(19.3)	+56%
Net cash inflow from operating activities (£m)	79.5	65.4	+22%
Free cash flow (£m)	27.0	16.7	+62%
Non-Property Net Debt (£m) (as at year end)	(66.4)	(76.0)	+13%

Results for the year

	Year ended 31 December 2023			Year ended 31 December 2022		
	Underlying result £m	Non- underlying items £m	Total £m	Underlying result £m	Non- underlying items £m	Total £m
Revenue	204.0	–	204.0	172.9	–	172.9
Cost of sales	(2.8)	–	(2.8)	(2.0)	–	(2.0)
Gross profit	201.2	–	201.2	170.9	–	170.9
Other income	0.3	–	0.3	0.8	–	0.8
Operating expenses (before depreciation, amortisation and impairment)	(128.4)	(1.5)	(129.9)	(101.8)	(4.4)	(106.2)
Depreciation, amortisation and impairment	(57.5)	(0.8)	(58.3)	(59.3)	(8.5)	(67.8)
Operating profit/(loss)	15.6	(2.3)	13.3	10.6	(12.9)	(2.3)
Finance costs	(21.4)	(0.5)	(21.9)	(16.1)	(1.0)	(17.1)
Finance income	0.3	–	0.3	–	–	–
Loss before tax	(5.5)	(2.8)	(8.3)	(5.5)	(13.9)	(19.4)
Tax (charge)/credit	(0.6)	0.5	(0.1)	(1.4)	1.5	0.1
Loss for the year attributable to shareholders	(6.1)	(2.3)	(8.4)	(6.9)	(12.4)	(19.3)
Loss per share						
Basic and diluted (p)	(3.4)		(4.7)	(3.9)		(10.9)

Strategic report

Financial review

continued

Revenue

Trading in 2023 was robust despite the ongoing cost-of-living pressures on consumers, demonstrating the continued resilience of the low cost gym model. Revenue increased by 18% to £204.0m (2022: £172.9m), reflecting 8% higher average membership numbers throughout the year and a 9% increase in yield.

The average membership number in the year was 872,000 compared with 808,000 in the prior year; we closed the year with 850,000 members which was up 4% on 31 December 2022.

The average headline price of a Standard membership increased to £23.16 in December 2023 compared with £21.49 in December 2022, largely as a result of higher joining fees and price increases for new members, as well as some repricing of the base membership. In addition, the proportion of members taking our premium membership reached 31.7% in December 2023 compared with 29.6% in December 2022. As a result, Average Revenue Per Member Per Month ('ARPM') in 2023 was up 9% to £19.50 compared with £17.82 in 2022.

Like-for-like revenue (based on all sites open as at 31 December 2020) increased by 8% year on year.

Cost of sales

Cost of sales, which includes the costs associated with the generation of ancillary income as well as call centre costs and payment processing costs, were £2.8m (2022: £2.0m) with the increase year on year mirroring the revenue and membership growth.

Underlying operating expenses (before depreciation, amortisation and impairment)

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

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Site costs before Normalised Rent	105.0	85.0
Site Normalised Rent	36.6	32.9
Site costs including Normalised Rent	141.6	117.9
Central Support Office costs	21.0	15.4
Central Support Office Normalised Rent	0.4	0.4
Central Support Office costs including Normalised Rent	21.4	15.8
Share based payments	2.4	1.4
	165.4	135.1
Less: Normalised Rent	(37.0)	(33.3)
Underlying operating expenses (before depreciation, amortisation and impairment)	128.4	101.8

Site costs including Normalised Rent

In 2023, site costs including Normalised Rent increased by 20% to £141.6m (2022: £117.9m).

The fixed costs associated with running the sites (predominantly building rates and service charges) increased by £5.9m year on year as a result of the increased estate size, inflationary increases in building rates costs (new three year assessment period starting April 2023), and the end of the Covid-19 related rates relief which reduced costs in the first quarter of 2022.

Controllable site costs increased by £14.1m with higher utilities costs accounting for £8.2m of this increase. Staff costs were also £1.1m higher, reflecting the increased estate size, inflationary pay increases and increased site bonuses. Other increases in controllable costs predominantly reflect the larger estate size.

Site Normalised Rent, which is defined as the contractual rent payable, recognised in the monthly period to which it relates, increased by £3.7m in the year, again reflecting the larger estate size.

Central Support Office costs including Normalised Rent

Central Support Office costs in the year increased to £21.4m (2022: £15.8m), reflecting an increase in headcount, pay inflation and the resumption of bonuses.

Share based payments

Share based payments in the year amounted to £2.4m (2022: £1.4m), reflecting a more regular run rate following a year in which the charge was lower than expected due to share price volatility and a number of adjustments for leavers.

In January 2024, the Group established an Employee Benefit Trust ('EBT'). The EBT will be used to purchase shares in order to minimise dilution associated with the share based payments.

Underlying depreciation and amortisation

Underlying depreciation and amortisation charges in the year amounted to £57.5m (2022: £59.3m). The reduction year on year reflects a return to more normal levels as the prior year charge included accelerated depreciation and amortisation on a number of assets that were replaced following the launch of the new consumer website and brand.

Group Adjusted EBITDA Less Normalised Rent

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

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Operating profit/(loss)	13.3	(2.3)
Non-underlying operating items (see page 26 for further details)	2.3	12.9
Share based payments	2.4	1.4
Underlying depreciation and amortisation	57.5	59.3
Group Adjusted EBITDA	75.5	71.3
Normalised Rent ¹	(37.0)	(33.3)
Group Adjusted EBITDA Less Normalised Rent	38.5	38.0

¹ Normalised Rent is the contractual rent payable, recognised in the monthly period to which it relates. A reconciliation of property lease payments to Normalised Rent has been included in Note 21 to the Consolidated financial statements.

Group Adjusted EBITDA Less Normalised Rent was slightly ahead of the prior year at £38.5m (2022: £38.0m), as the increased revenue was offset by increased operating costs.

Underlying finance costs

Underlying finance costs increased in the year by £5.3m to £21.4m (2022: £16.1m). The finance costs associated with our bank borrowings (comprising interest payable and fee amortisation less capitalised interest) increased by £3.2m to £6.0m (2022: £2.8m), reflecting the increases in SONIA rates during the year. Funds borrowed under the Revolving Credit Facility ('RCF') bear interest at a minimum rate of 2.85% above SONIA.

The implied interest relating to the lease liabilities was £15.5m (2022: £13.3m) with the increase largely reflecting the increased estate.

Strategic report

Financial review

continued

Non-underlying items

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

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Affecting operating expenses (before depreciation, amortisation and impairment)		
Costs of major strategic projects and investments	0.9	4.6
Restructuring and reorganisation costs/(income) (including site closures)	0.6	(0.2)
	1.5	4.4
Affecting depreciation, amortisation and impairment		
Impairment of property, plant and equipment, right-of-use assets and intangible assets	0.6	8.3
Amortisation of business combination intangible assets	0.2	0.2
	0.8	8.5
Affecting finance costs		
Remeasurement of borrowings	0.1	0.9
Refinancing costs	0.4	0.1
	0.5	1.0
Total all non-underlying items before tax	2.8	13.9
Tax on non-underlying items	(0.5)	(1.5)
Total non-underlying charge in income statement	2.3	12.4

Non-underlying items affecting operating expenses (before depreciation, amortisation and impairment) amounted to £1.5m in the year (2022: £4.4m).

The costs of major strategic projects and investments of £0.9m (2022: £4.6m) include the costs incurred in relation to introducing the three-tier price product architecture, as well as consultancy and other costs incurred in shaping the Group's strategic plan.

Restructuring and reorganisation costs in the year of £0.6m (2022: credit of £0.2m) include the costs associated with the change of Group CEO and other Board and Executive Committee changes, as well as restructuring costs incurred in relation to the Central Support Office.

Non-underlying costs affecting depreciation, amortisation and impairment in the year amounted to £0.8m (2022: £8.5m), of which £0.6m (2022: £8.3m) relates to the impairment of two sites (2022: 13 sites). The majority of the charge in 2023 relates to one site which was impaired in 2022 but where the value-in-use estimate has fallen, partly driven by an increase in the discount rate. The remaining £0.2m (2022: £0.2m) of non-underlying costs affecting depreciation, amortisation and impairment relates to the amortisation of business combination intangibles acquired as part of the Lifestyle, easyGym and Fitness First acquisitions.

Non-underlying items affecting finance costs amounted to £0.5m (2022: £1.0m), of which £0.4m (2022: £0.1m) relates to costs incurred in relation to the amendments to the Group's RCF which were agreed with the banks in September; and £0.1m (2022: £0.9m) relates to the remeasurement of the RCF following those agreed changes.

Taxation

The tax charge for the year was £0.1m (2022: credit of £0.1m).

The net deferred tax asset recognised at 31 December 2023 was £16.3m (31 December 2022: £16.3m). This comprised deferred tax assets in respect of tax losses and other temporary differences where the Directors believe it is probable that these will be recovered within a reasonable period. Short term timing differences are generally recognised ahead of losses on the basis that they are likely to reverse more quickly.

The trading losses incurred as a result of the Covid-19 pandemic and the subsequent cost-of-living crisis, together with the introduction in March 2021 of the temporary enhanced capital allowances regime ('super-deduction tax break'), have resulted in significant tax losses to carry forward. Losses for which no deferred tax asset is recognised equate to £23.0m, resulting in an unrecognised deferred tax asset of £5.8m using a 25% tax rate. There is no time limit for utilising trade losses in the UK.

Earnings

As a result of the factors discussed above, the statutory loss before tax was £8.3m (2022: loss of £19.4m) and the statutory loss after tax was £8.4m (2022: loss of £19.3m).

Adjusted loss before tax is calculated by taking the statutory loss before tax and adding back the non-underlying items. Adjusted loss before tax was £5.5m (2022: loss of £5.5m). Adjusted loss after tax was £6.1m (2022: loss of £6.9m).

The basic and diluted loss per share was 4.7p (2022: loss of 10.9p), and the basic and diluted adjusted loss per share was 3.4p (2022: loss of 3.9p).

Dividend

We are a growth company, in a growth market, with a clear capital allocation policy. Whilst dividends and other returns of capital to shareholders will be considered by the Directors in the future, we are not proposing a dividend for the current year as we continue to see significant opportunities, with attractive returns, to invest our free cash flow in growing the business. In addition, there is a remaining condition in the RCF agreement that the Company shall not declare or pay a dividend if the £10m additional facility is drawn and, although this facility is currently undrawn, the Directors would like to continue to have access to it as necessary.

Cash flow

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Group Adjusted EBITDA Less Normalised Rent	38.5	38.0
Movement in working capital	5.0	(5.2)
Maintenance capital expenditure	(10.3)	(8.8)
Free cash flow before non-underlying items, interest and tax	33.2	24.0
Non-underlying items	(1.0)	(5.3)
Net interest paid	(5.2)	(2.8)
Taxation	-	0.8
Free cash flow¹	27.0	16.7
Expansionary capital expenditure	(16.4)	(43.0)
Refinancing fees	(1.0)	(0.7)
Proceeds from disposal of equipment	-	0.4
Net consideration paid on acquisition	-	(5.4)
Net proceeds from issue of Ordinary shares	-	0.1
Cash flow before movement in debt	9.6	(31.9)
Net (decrease)/increase in non-property lease indebtedness	(2.5)	5.0
Net (repayment)/drawdown of borrowings	(11.0)	25.0
Net cash flow	(3.9)	(1.9)

¹ A reconciliation of Net cash inflow from operating activities to Free cash flow has been included in Note 24 to the Consolidated financial statements.

Strategic report

Financial review

continued

Free cash flow generated in the year was £27.0m (2022: £16.7m). The increase year on year is largely driven by improved working capital, including an increased uptake of pay-up-front and student products and the normalisation of rent payments. The prior year working capital outflow included £2.1m in relation to the unwind of deferred rents from 2020 and 2021.

Fixed asset additions in respect of maintenance capital expenditure in the year amounted to £8.7m (2022: £11.9m). However, the timing of settlement of some maintenance capital creditors brought forward from the prior year has meant that the cash outflow in respect of maintenance capital expenditure in the year was £10.3m (2022: £8.8m), including £1.5m funded by leases (2022: nil).

Fixed asset additions in respect of expansionary capital expenditure in the year amounted to £14.2m (2022: £46.5m) and relate to the fit-out of the six new gyms we opened in the year; refurbishments and enhancements in existing gyms; and spend on technology projects, including the rollout of the three-tier price product architecture. Adjusting for the movement in capital creditors, the cash outflow in respect of expansionary capital expenditure was £16.4m (2022: £43.0m), including £1.5m funded by leases (2022: £8.0m).

Balance sheet

	At 31 December 2023 £m	At 31 December 2022 £m
Non-current assets	558.5	580.4
Current assets	13.0	15.2
Current liabilities	(72.3)	(64.7)
Non-current liabilities	(371.2)	(396.9)
Net assets	128.0	134.0

At 31 December 2023, non-current assets were £21.9m lower than at 31 December 2022, as the lower level of new site openings meant that depreciation on property, plant and equipment and right-of-use assets more than offset the costs incurred on new sites and enhancements of existing sites.

Net current liabilities at 31 December 2023 increased by £9.8m, reflecting a lower level of cash holding at year end 2023 and an increase in the proportion of lease liabilities being payable within one year.

Non-current liabilities decreased by £25.7m, as payments made in relation to existing leases more than offset the recognition of lease liabilities in relation to new sites.

Revolving Credit Facility

In September 2023, the Group agreed with its lenders certain changes to the Group's RCF. As a result, the Group now has access to a combined £80m facility which matures in October 2025. The RCF is subject to quarterly financial covenant tests on Adjusted Leverage (Non-property Net Debt divided by Group Adjusted EBITDA Less Normalised Rent must not exceed 3.0 times) and Fixed Charge Cover (Adjusted EBITDAR to Net Finance Charges plus Normalised Rent must be greater than 1.5 times). The previously reported liquidity covenant was removed as part of the revised RCF agreement.

As at 31 December 2023, the Group had Non-Property Net Debt of £66.4m (31 December 2022: £76.0m) comprising drawn facilities of £59.0m and non-property leases of £8.9m, less cash of £1.5m. The Directors believe that this measure of net debt best reflects the financial health of the business. In addition, it is a key constituent of the Adjusted Leverage covenant included in the Group's banking agreement. At 31 December 2023, Adjusted Leverage was 1.72 times (2022: 2.0 times), significantly below the banking covenant threshold of 3.0 times; and Fixed Charge Cover was 1.73 times (2022: 1.94 times).

Going concern

The Board has reviewed the financial plan and downside scenarios of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2025. As a result, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Group's current and forecast liquidity position and the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios. Further detail is provided in Note 2 to the Consolidated financial statements.

Current trading and outlook

Trading in the first two months of the new financial year shows continued positive momentum, in line with Board expectations. Revenue after two months has grown by 16% year on year, reflecting a 3% increase in average members and 13% yield growth. Like-for-like revenue for the two months was up 12%, driven largely by price increases implemented at the start of 2024. Membership at the end of February 2024 was 909,000, up 7% versus the end of 2023.

We expect like-for-like revenue in 2024 to increase by 4-5% overall as the impact of the early price increases normalises later in the year. Utility rates will moderate slightly in 2024 resulting in like-for-like site cost growth of c.2%. Central Support Office costs are expected to increase year on year as we invest to deliver the Next Chapter growth plan.

We plan to open 10-12 sites in 2024, with all new sites continuing to be financed from free cash flow. As a result, Adjusted Leverage is expected to remain within the range of 1.5 to 2.0 times. The Next Chapter growth plan aims to deliver circa 50 site openings with average ROIC of 30% over three years, funded from free cashflow.

Luke Tait

Chief Financial Officer
13 March 2024

Strategic report

Key performance indicators ('KPIs')

We use a number of non-financial and financial KPIs to measure our performance over time.

We select KPIs that demonstrate the operational and financial performance underpinning our strategic drivers.

Non financial

Total number of gyms **+4 sites**



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

Link to 2023 strategy
High quality estate

2023 performance
Increased by a net four during 2023, as the Group opened six new sites and closed two city centre workforce-dependent sites.

Average Revenue per Member per Month ('ARPM') £¹ **+9%**



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

Link to 2023 strategy
High quality estate
Compelling member experience
Innovative technology and marketing

2023 performance
Increased by 9.4% in 2023, driven by an increase in the average headline price of a Standard membership of £1.67 and an increase in the take-up of our premium product, Ultimate, (from 29.6% of total members in 2022 to 31.7% in 2023).

Total number of members '000 **+4%**



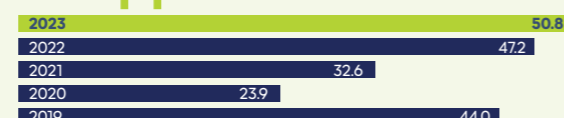
Definition
Total gym memberships at the end of the year.

Link to 2023 strategy
Compelling member experience

2023 performance
Closed the year with 850,000 members, an increase of 4% on 2022, and reflecting the full year impact of sites opened in 2022, as well as the incremental volume from new sites opened in 2023.

During the year, we have updated our key cash measure to focus on 'Free cash flow' as opposed to 'Group operating cash flow' as the Directors believe that this measure better reflects the amount of cash available for investing in new sites and technology and enhancing existing sites. The 'Leverage' KPI was also previously called 'Non-Property Net Debt to Group Adjusted EBITDA'.

Members that visit 4+ times in a month % **+3.6ppts**



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

Link to 2023 strategy
Compelling member experience
Sustainability

2023 performance
Increased again in 2023, demonstrating that members continue to get significant value from their gym membership.

Research shows that people who visit the gyms 4+ times per month are also more likely to continue their membership and gain significant health benefits from it which, in turn, drives increased Social Value.

Employee engagement score %² **10bps**



Definition
A measure of how committed and enthusiastic employees are about their work and the organisation.

We use four engagement categories (Engagement, Belief, Loyalty, Satisfaction) to calculate a score on a 0-10 scale, and all responses are averaged out to give a score out of 10.

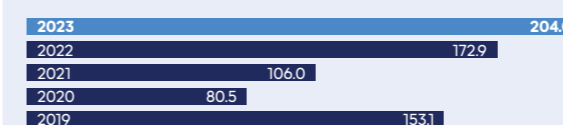
In 2023, we changed the way we measure employee engagement. We partnered with Peakon, an engagement specialist, and adopted a more accurate and comprehensive approach using a 0-10 scale rating system, moving away from a percentage score (Top Box).

Link to 2023 strategy
Unique team and culture

2023 performance
In 2023, we continued to make progress with employee engagement and achieved an engagement score of 8.5 out of 10, with a 90% survey completion rate. The score of 8.5 puts us in the top 25% in Peakon's consumer services benchmarking for overall engagement.

Financial

Revenue £m **+18%**

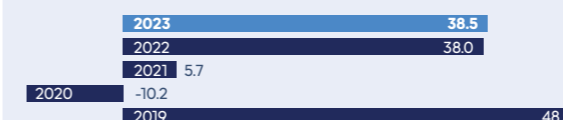


Definition
Revenue is generated from membership fees, non-refundable joining fees, rental income from personal trainers and other ancillary services, including the sale of goods through vending machines, advertising through the use of media screens and the sale of day memberships.

Link to 2023 strategy
High quality estate
Compelling member experience
Innovative technology and marketing

2023 performance
Increased by 18% in year, with average members up 8% to 872,000 (2022: 808,000), and average revenue per member per month ('ARPM') up 9% to £19.50 (2022: £17.82). Like-for-like revenue grew 8% year on year.

Group Adjusted EBITDA Less Normalised Rent £m **+1%**



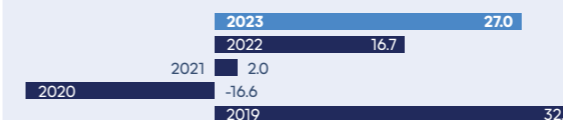
Definition
Operating profit before depreciation, amortisation, long term employee incentive costs and non-underlying items and after deducting Normalised Rent.

Link to 2023 strategy
High quality estate
Compelling member experience
Innovative technology and marketing

Normalised Rent is the contractual rent payable, recognised in the monthly period to which it relates. See page 122 for a reconciliation to Operating profit.

2023 performance
Increased by 1% in the year as the increase in revenue noted above was largely offset by cost inflation, particularly in utilities and staff.

Free cash flow £m **+62%**

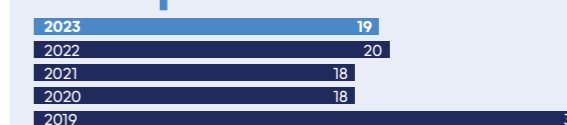


Definition
Group Adjusted EBITDA Less Normalised Rent and movement in working capital, less maintenance capital expenditure, cash non-underlying items, bank and non-property lease interest and tax. See Note 24 to the Consolidated financial statements for a reconciliation to Net cash inflow from operating activities.

Link to 2023 strategy
High quality estate
Compelling member experience
Innovative technology and marketing

2023 performance
Increased by 62% in year, reflecting an increased uptake of pay-up-front and student products and the normalisation of rent payments.

Return on Invested Capital ('ROIC') %³ **-60bps**

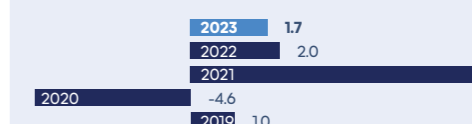


Definition
Group Adjusted EBITDA Less Normalised Rent contributed by mature sites, divided by total capital initially invested in the mature sites. Mature sites are defined as those sites that have been open for 24 months or more at the period end and exclude acquisition sites. See page 166 for details of number of mature sites and Group Adjusted EBITDA Less Normalised Rent contributed by mature sites.

Link to 2023 strategy
High quality estate
Compelling member experience
Innovative technology and marketing

2023 performance
Declined slightly in the year as utilities and fixed cost increases more than offset revenue growth in the mature sites.

Adjusted Leverage x **improved by 0.3x**



Definition
Non-Property Net Debt divided by Group Adjusted EBITDA Less Normalised Rent.

Link to 2023 strategy
High quality estate
Compelling member experience
Innovative technology and marketing

Non-Property Net Debt is defined as bank and non-property lease debt less cash and cash equivalents and is the leverage measure used in the Group's banking covenants. See Note 23 to the Consolidated financial statements for a breakdown.

2023 performance
Improved in the year as a result of higher free cash flow (see opposite) and fewer new site openings.

See Financial review on pages 22 to 29

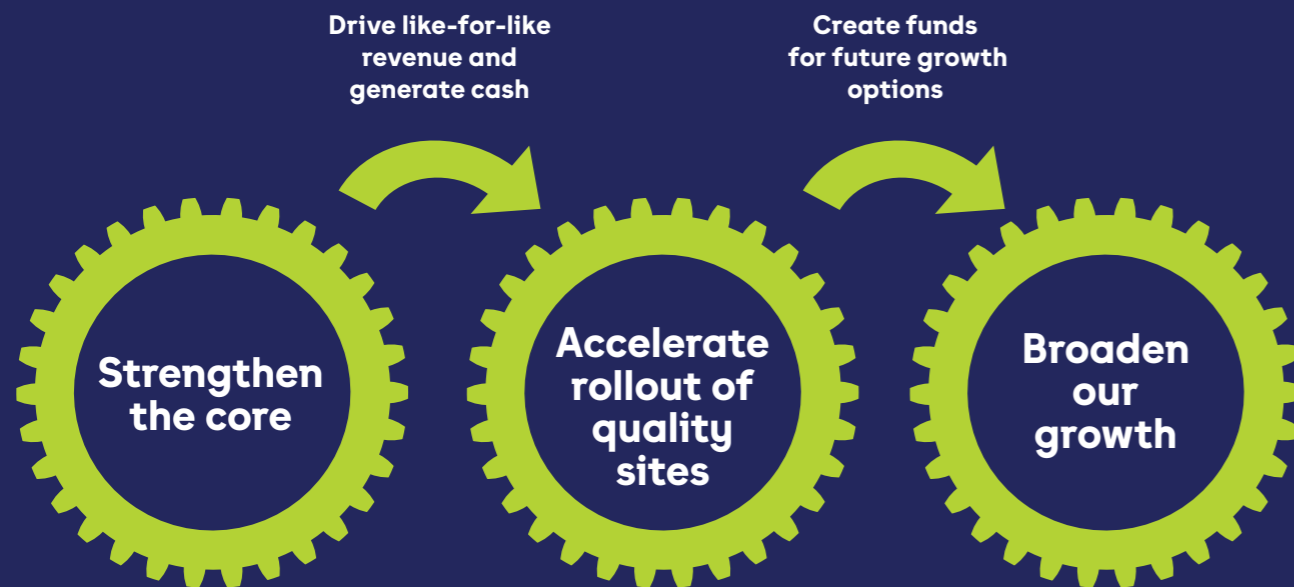
1 In order to provide better year on year comparability for yield, the figures presented for 2021 and 2020 have been adjusted to exclude the impact of UK Government-enforced closure periods as a result of the Covid-19 pandemic. The 2021 figure is calculated for the period from July 2021 to December 2021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

2 Due to the change in methodology for calculating the engagement score, a precise comparison to 2022 and prior cannot be made. These are therefore included for indicative purposes only.

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

Strategic report
Next Chapter growth plan

How we seize our market opportunity: The Next Chapter



The framework and strategic priorities of our Next Chapter growth plan for the next stage of The Gym Group's development are outlined in this section.

Our investment case is to deliver sustained growth from free cash flow and the Next Chapter growth plan is focused on how we will deliver this, within the highly resilient and growing market that is health and fitness.

The framework is to 'Strengthen the core' of our business to increase returns from the existing estate, funding 'Accelerate rollout of quality sites', in turn creating optionality to 'Broaden our growth' as we develop our proposition into new channels, new adjacencies and/or new markets.

Robust and growing market

Low cost gyms have disproportionately grown their share of the market and of gym members rapidly over the past decade. The gym market itself has grown by 40%, while the share of low cost gyms has grown at a compound annual growth rate ('CAGR') of 25%, from 2% to 15% of the overall market.

See Market review on pages 6 to 7

Encouragingly, and notwithstanding the pressures of the cost-of-living crisis, it is clear that gym members are continuing to prioritise health and fitness spending, including gym memberships, over other areas of spend, and there are a number of long-run trends that will continue to drive growth in our market. These include a much greater awareness of health, fitness and body image; increasing demand for convenience and flexibility; and a polarisation of spend towards luxury and low cost, squeezing middle market operators.

No. of 16-24 year olds considering joining a gym
>40%

A winning proposition

The Gym Group's high quality, low cost and flexible proposition is well placed to exploit these trends. Industry analysis (Mintel: Health and Fitness Clubs UK, 2023) shows that since before Covid-19, there has been a 21% increase in those who are not currently gym members considering joining a gym – now at 23% of UK adults (16+). Gym consideration rises to over 40% when looking at those aged 16-24 specifically, an area in which we are strongly represented in both our teams and members.

As our performance in 2023 demonstrates, our proposition is highly rated by existing members, who are visiting more frequently and scoring The Gym Group very highly in satisfaction metrics. When it comes to the prospect of new members, our analysis shows that within the catchment of our existing 233 sites, there are a further circa 5 million people within our target age range, who are either members of another gym or considering joining a gym.

Potential additional reach in our target age range is a further
circa 5m
people within the catchment of our existing 233 sites



Strategic report

Next Chapter growth plan

continued



Strengthen the core

Under our plan to ‘Strengthen the core’, we have identified a number of growth drivers that will deliver increased returns in our existing estate and underpin the attractive returns we continue to drive from our new sites.

The key initiatives under this plan fall into three core categories:

- **Yield and revenue management;**
- **Member acquisition; and**
- **Improving retention.**

Each of these categories will contribute to like-for-like growth in our mature estate and provide an opportunity to access some of the potential new members we have identified. They are summarised as follows:

Yield and revenue management Closing the pricing gap...

Analysis from Simon-Kucher (quantitative pricing experts used widely in digital subscription businesses) shows that members of our own and competing low cost gyms ascribe a higher value to their gym membership than they currently pay. Although we have increased the average headline rate of a Standard membership by 8% in December 2023 (vs December 2022), we remain on average around £2 per month cheaper than our closest competitors (within a one mile radius). We aim to continue to narrow that gap in 2024, as well as improving yield by focusing on more profitable promotions and continuing to improve the penetration of premium memberships, for example.

...whilst still offering great value

The introduction of three-tier pricing and fixed term Saver memberships has given us increased flexibility both in terms of recruitment and promotional activity.

A lower entry-level price point (Off-peak membership from £13.99 per month) has the potential to attract more members who would prefer to work out at less busy times, as well as underpinning the value of the Standard and Ultimate products. In addition, with the fixed term Saver product, we can also offer the trade-off of cancellation flexibility for even better value.

Member acquisition Maximising returns from member acquisition

The primary choice factor for joining a gym is convenience, and 80% of our membership base lives within three miles of their gym. Within the catchment area of our existing estate, there remains a potential additional circa 5 million people in our target age range who are not currently a member of one of our gyms - a substantial untapped market opportunity.

Given this opportunity, we will geo-target our marketing activity to focus in the places where our sites are, and focus messaging on the key drivers of choice – convenient location, great equipment and affordable price. We will also have distinct acquisition strategies for our core product (Standard/Ulimate), Off-peak and students to maximise incremental volume. We'll harness advertising technology and data science to optimise returns on marketing investment.

Improving retention Organisational focus on retention

The no contract model remains an important contributory factor to the attractiveness of our proposition. That said, there is a significant opportunity to improve member retention, which will in turn drive both yield and membership volume.

The highest rate of churn occurs in the first 45 days of a membership, before a habit has formed. We will therefore focus on the 'early life' of a new member, starting with the way they are acquired - because certain types of promotion increase churn, we are reducing the number of days on promotion and using data analytics to determine which promotional offers have the best retention rates. Having acquired through the right promotion, there is then an organisational focus on helping 'early life' members to build lasting habits, whether that's via our expert teams in the gyms or through digital channels like our App. Used by around 80% of our members and highly rated, we will invest in the App as a channel for engagement, information, encouragement and ultimately retention.

Across these and other related initiatives, we will drive like-for-like growth through our existing estate, which will help to improve returns and generate more cash to reinvest in expansion.



Strategic report

Next Chapter growth plan
continued

Accelerate rollout of quality sites

Analysis from PwC shows that the opportunity in the UK extends to potential for between 600 and 850 additional sites in the low cost gym segment alone. At recent rates of site expansion by all low cost gym operators, this suggests there is scope for 10-15 years of further growth.

We have identified the key characteristics of high-returning sites and it is clear that Greater London and urban residential locations deliver the best returns for us. This, therefore, is where we are concentrating our site opening programme for the time being. Disciplined rollout of high quality and high-returning sites will deliver attractive returns and create significant value for shareholders. Retaining discipline in selecting the right sites – in terms of location, footprint and local market – is critical to maintaining the attractive 30% target Return on Invested Capital ('ROIC') that the Group's new site pipeline delivers.

Our ambition is to open circa 50 new sites over the next three years, but we have set our teams the priority of achieving the 30% ROIC target on new sites, and this will take precedence over delivering a specific number of site openings in any given year.

See Market review on **pages 6 to 7**



Broaden our growth

'Strengthen the core' and 'Accelerate rollout of quality sites' are where our executional focus is today.

However, successful execution in these areas will create further options to 'Broaden our growth' for the mid and long term. We are currently making a strategic assessment of these options and will return with more details at the appropriate time. Illustratively, these options may include further developments to our existing proposition; format innovation; investigating new channels to market; and introducing new adjacent revenue streams to complement our existing business.



The Next Chapter growth plan aims to create significant value over the medium term.

'Strengthen the core', underpinned by both membership and ARPMM increases, will deliver like-for-like revenue growth which, combined with tight control of central costs, will drive sustainable profit and cash generation. In turn, this will fund both the continuing investment of 5-6% of revenue in maintenance capital expenditure and the disciplined opening of circa 50 new sites over the medium term, whilst maintaining our target leverage.

We expect that the combined impact of 'Strengthen the core' and 'Accelerate rollout of quality sites' will improve our ROIC back towards historic levels. This will generate funds to invest in 'Broaden our growth'.

The principal risks relating to the Next Chapter growth plan are as follows:

Principal risk	Description and impact	Mitigations and controls	Strategic link
1 Operational gearing 	As we look to narrow the pricing gap with competitors we risk impacting the volume of members per gym	<ul style="list-style-type: none"> Regular monitoring of site performance Active yield and retention management at site level Revised price product architecture to offer Off-peak 	Strengthen the core Accelerate rollout of quality sites
3 Trading environment 	The cost-of-living crisis and/or geo-political environment may cause financial hardship for our members	<ul style="list-style-type: none"> Monitoring of relative price positioning versus competitors Introduce measures to reduce operating costs and discretionary spending Strengthened financial position with extension of bank facility and cash generation 	Strengthen the core Accelerate rollout of quality sites
5 IT dependency 	Ability to enrol and support members, carry out online marketing activity, process payments and control gym access	<ul style="list-style-type: none"> Primary data systems hosted by specialist providers Primary IT infrastructure fully managed by specialist IT companies Robust disaster recovery and business continuity plans in place 	Strengthen the core Accelerate rollout of quality sites Broaden our growth

See Principal risks and uncertainties on **pages 54 to 63**



Strategic report
Sustainability report



Providing everyone with the opportunity to start their journey towards a fitter, healthier and happier life is our mission.

Delivering positive health outcomes is dependent on providing a healthy environment in which we all want to live. At The Gym Group, our comprehensive sustainability strategy has continued to deliver in all of these areas, built on the foundation of our purpose: breaking down barriers to fitness for all.



Sustainability

at The Gym Group

Sustainability has become a defining factor in today's business landscape, with increasing demand from consumers and enhanced regulatory compliance requirements. The actions required to meet these rising expectations produce multiple benefits, including risk mitigation, business resilience, market competitiveness, talent recruitment and direct cost reduction through energy efficiency.

We strive to be sustainability leaders within the health and fitness industry and demonstrate our value to building a sustainable economy by publishing the Social Value generated by our members. As members of ukactive and EuropeActive we engage and contribute to building a cross-sector approach on sustainability issues.

David Melhuish | Chief Development & Sustainability Officer



2023 performance highlights

Social impact

The increase of Social Value generated through our operations to a total of £890m is a reflection of our ability to make health and fitness more accessible and engaging for our members, delivering positive health outcomes.

In November 2023, we launched a charity partnership with NHS Charities Together, to further deliver on our commitment to supporting better health outcomes through fundraising and volunteering for NHS charities around the UK.

Good jobs and quality education

In October, we transferred to a new platform to measure employee engagement, supporting a more comprehensive approach to measuring and benchmarking.

We achieved our highest response rate to date at 90% survey completion. We were also proud to be shortlisted for the Investors in People UK Employer of the Year Award in recognition for our commitment to our people and culture.

Good health and wellbeing

The safety of our employees and members is of paramount importance to us. In 2023, we became the UK's first national gym chain to achieve accreditation to ISO 45001, the international standard for occupational health and safety management.

Diversity and equal opportunity

We remain committed to ensuring our culture and practices are inclusive, supportive and create the best environments for people to thrive.

We have continued to deliver actions to support our gender parity ambitions and launched several family-friendly policies to enhance flexibility and work-life balance.

Responsibility to the environment

A highlight of our year has been the validation of our target for net zero by the Science Based Targets initiative ('SBTi'); we're proud to be the first gym business in the world to achieve this and hope others will quickly follow. We are committed to reducing our carbon footprint and have outlined our ongoing initiatives to enable progress towards our net zero target within this Annual Report.



Strategic report
Sustainability report
 continued

Good health and wellbeing



“Through a rigorous evaluation process, The Gym Group demonstrated their unwavering commitment to health, safety and wellbeing, ultimately earning the coveted ISO 45001 certification. Organisations could benefit from understanding the importance of adopting a Health and Safety Management System in the way that The Gym Group has done.”

Jonathan Yates | Enterprise Account Manager at Alcumus ISOQAR (external certification body)

See Progress against 2023 strategy on **pages 16 to 21**

Our approach

Delivering positive health and wellbeing benefits to our members is at the heart of our business. The benefits of physical activity include a reduced risk of noncommunicable disease and improved mental health, sleep, and cognitive function. In 2020, the World Health Organisation (‘WHO’) published guidelines on physical activity and sedentary behaviour, which acknowledge and endorse these and other benefits.

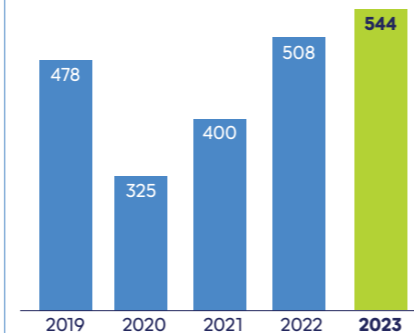


Our social impact

Measuring the social impact we have on the communities we serve is central to understanding whether we are fulfilling our purpose of breaking down barriers to fitness for all. Our wide-ranging and growing network of affordable, high quality gyms are accessible to over 53% of the UK population, and our services contribute to target 3.4 of SDG3 – Good health and wellbeing: to reduce premature mortality and promote mental health and wellbeing.

Since 2019, we have been reporting on the Social Value our business generates using an internationally recognised model created by Sheffield Hallam University and 4Global, focused on member participation and health outcomes of regular exercise. The model calculates the monetary value derived from reduced GP visits, improved mental wellbeing and individual development, as well as social and community development (see tggplc.com/Sustainability/Strategy for more details).

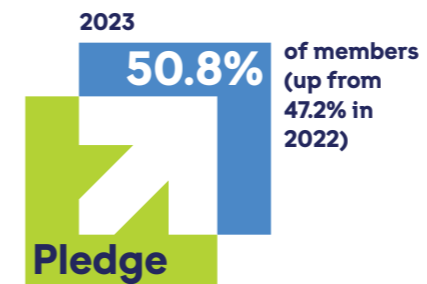
Social Value/member £



We have made great strides this year towards our goal to create £900m of Social Value by the end of 2025 and will work towards exceeding this target. Our 2023 contribution translates to £544 per member, therefore creating double the average membership fee in community benefits. This is not only driven by increased membership numbers, but also by record member engagement, with 50.8% of our members visiting our gyms at least four times per month.

These results indicate that our priorities of ensuring our members derive value from their memberships and supporting them on their journey to a healthy lifestyle are resonating with our base.

Targets and KPIs
Good health and wellbeing



Increasing the percentage of members visiting our gyms 4x or more per month



Delivering at least £900m in Social Value by end of 2025

Safety at our gyms

Protecting the health and safety of our members and employees is a key priority. We have a mature health and safety management system underpinned by digital solutions for risk management and training, as well as robust strategic and operational crisis management plans which are overseen by our Sustainability Committee.

In 2023, we successfully certified our health and safety management system to the international standard, ISO 45001, demonstrating our commitment to ensuring member and employee safety through continual evaluation and improvement.

Additionally, we also successfully certified to Level 3 of the FITcert[®] scheme and the new European standard for fitness centres, EN17229.

The European quality standard sets out requirements for operators to optimise health, safety and hygiene standards. We became the UK's first 24/7 operator to achieve certification to this level and are working on attaining Level 4 (full) certification in 2024.



We have seen great value from Wakefield Council, our Primary Authority partner for health, safety and environmental matters. This year, we successfully onboarded East Sussex Fire and Rescue as our second Primary Authority partner with a focus on fire safety and regulation. Both partnerships will support us in ensuring that matters are considered from a regulatory perspective.



Positive impact of exercise on health and wellbeing

Interview with Shilpa, member of The Gym Group Oadby

Why did you join our gym?

In 2022 I had very high blood pressure, was overweight, diagnosed with stage 2 diabetes and had severe back pain. I had also been diagnosed with MGUS the previous year, a precursor to myeloma which required me to go for quarterly screenings. I was devastated and felt like I needed to take back control. The Gym Group Oadby opened nearby and was offering everything I was looking for.

What is your experience at the gym?

The staff are incredibly friendly and helpful and the members are from all walks of life so I never felt out of place. I started working out with Tom, a Personal Trainer, and he helped me not only with a great exercise regime but also with nutrition advice. Now that I feel confident in what I am doing, I continue to exercise regularly without a PT.

How has exercise impacted your health?

My blood pressure is normal, I am now pre-diabetic rather than diabetic and I have lost a lot of weight. My back pain is under control and I no longer need an operation. Because my health has improved so much, the quarterly check-ups for MGUS have now been moved to annual. It has really changed my life.



* Public Health England Physical Activity: applying all our health, March 2022.

¹ Bull F, Al-Ansari SS, Biddle S, et al. World Health Organization 2020 Global Guidelines on physical activity and sedentary behaviour. Br J Sports Med. 2020;54(24). doi:10.1136/bjsports-2020-102955.

Strategic report
Sustainability report
 continued

**Good jobs,
 high quality
 education
 and lifelong
 learning**



“People across the country are discovering new careers as personal trainers, thanks to The Gym Group’s Accelerate PT programme backed by the Department for Work and Pensions.”

Jo Churchill MP | Minister for Employment

See Progress against 2023 strategy on **pages 16 to 21**

Our approach

The Gym Group’s ‘people first’ culture remains essential to our success, helping us to achieve our strategic priorities. Our commitment to delivering against our ‘people promise’ ensures that we provide career adventures, opportunities and a supportive environment.

Sustaining healthy and engaged teams remains a business priority for The Gym Group. Throughout the year, we delivered diverse development opportunities across all organisational levels with a focus on female health, personal growth, wellbeing and career progression. Furthermore, we have continued to evolve our approach to early careers, supporting equal opportunities and accessible pathways into a career in fitness.

Leaders in employee engagement

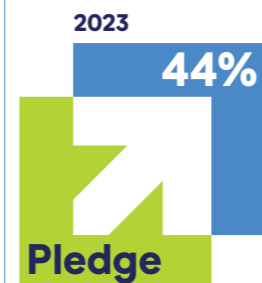
Our new employee engagement survey has provided a deeper level of insight into how our employees feel working at The Gym Group. Our overall engagement score was 8.5 out of 10, putting us in the top 25% compared to the benchmark data set of consumer services (hotels, restaurants and leisure). We also reported high satisfaction levels, with an overall diversity and inclusion score of 8.9 out of 10, measuring 0.5 above the benchmark for consumer services. Inclusiveness and sense of belonging was identified as a strength, with a score of 9.4 out of 10. Feedback and insights from the engagement survey will inform our actions for 2024 and beyond.



Targets and KPIs



Supporting 500 people to gain Level 3 Personal Trainer qualification between 2023 and 2030



Achieve and maintain a minimum of 60% internal progression rate by 2025

Accelerate Personal Training

Through the launch of our ‘Accelerate PT’ framework, we aim to provide equal opportunities through supporting people to achieve their Level 3 Personal Training qualification. Within the Accelerate PT framework, we created partnerships with the Department for Work and Pensions, The Prince’s Trust and The Shaw Trust to design a sector-based work academy programme to reach the long-term unemployed. The employability programme includes work experience, interview practice, skills-based learning and the opportunity to enrol onto our Accelerate PT programme.

Since its launch in May 2023, we have enrolled 45 trainees, providing them with a funded Level 3 Diploma in Personal Training and employment opportunities within our gyms.

We have made a positive start to investing in our local communities and building a pipeline of talent to support our workforce requirements. We look forward to rolling out further cohorts in 2024.

Career progression

To measure the career development opportunities at The Gym Group, we aim for 60% of our operational management team to be working in roles they have progressed into. We are pleased to report a 44% internal progression rate of our current workforce, including:

47%
of Assistant General Managers started as Fitness Trainers

42%
of Fitness Managers were Fitness Trainers

41%
of General Managers were Assistant General Managers

Throughout 2023, we delivered further cohorts of our ‘Emerging Talent’ management development programmes, providing Assistant General Managers and Fitness Trainers with the skills required to progress their careers. We continue to report high employee promotion rates following programme participation.

66%
promotion rate – Emerging Talent management development programme

41%
promotion rate – Emerging Talent Fitness Trainer programme

Alongside core programmes, we have provided upskilling and personal development sessions. These have included senior management development focused on leadership skills, wellbeing and enhancing expertise.

Our ‘Impossible is Nothing’ self-development workshops, ‘Women in Leadership’ programme and the continuation of apprenticeship-development and mentoring opportunities have broadened the availability of learning within our Central Support Office function.



“I joined The Gym Group in 2022 as an Assistant General Manager and have always enjoyed leading a team to deliver the best service possible.

Supporting women in health and fitness has been a passion of mine, and the ‘Female Health First’ (‘FHF’) programme allowed me to gain new knowledge and practical skills to support my team, members and clients.

The course has helped me develop myself as a manager and as a Personal Trainer. It has opened up new opportunities, including teaching bespoke classes in pelvic health and female functional fitness to England Netball at Loughborough University. I also collaborate with local health experts on creating a safe environment in our gym for women to thrive, feel seen and be heard.

Open discussions about female health are now a regular occurrence in The Gym Group classes and during my personal training sessions with clients.

Through the FHF programme, I have discovered my niche as a trainer and manager. It has enabled me to develop new expertise and will support our female members’ health.”

Laura Travis
 Assistant General Manager



Strategic report
Sustainability report
 continued

Diversity and equal opportunity



“Since collaborating in 2019, The Gym Group have progressed their EDI strategy and goals, placing importance on being data-driven in their approach to targets and accountability frameworks for gender and ethnicity. They remain hugely active in their commitment to WiHTL & DiR.”

Tea Colaianni | Founder/Chair of WiHTL & DiR

See Progress against 2023 strategy on pages 16 to 21

Our approach
 Driving an inclusive and friendly culture that breaks down barriers to progression remained a fundamental focus of our equality, diversity and inclusion (‘EDI’) strategy in 2023.

Aligning to our ‘people promise’, we continue to support our teams, ensuring equal opportunities to succeed. To deliver against this, we prioritised a focus on the following:

- improving employee wellbeing support,
- driving an inclusive culture, and
- providing equitable development opportunities.

We have continued to work towards the EDI targets established through our sustainability strategy, reporting quarterly to the Sustainability Committee. Our Chief Development and Sustainability Officer remains our Executive sponsor for the Equality, Diversity and Inclusion Group, playing a crucial role in raising the agenda and enabling positive action on diversity.

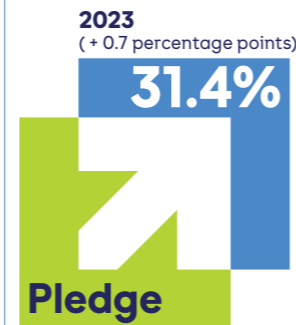
Gender

In 2023, we saw the female representation among our senior leaders decrease by 4.2 percentage points to 30.9%. This was impacted by female turnover within our leadership team and a higher percentage of male hires at this level. We have reported a small increase in female representation across our wider business and, overall, female turnover reduced by 12 percentage points from 72% in 2022 to 60% in 2023.

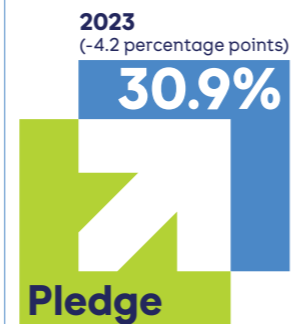
Implementation of our ‘Women in Leadership’ development programme, along with mentoring and apprenticeship opportunities, will support in developing our internal pipeline of future female leaders.

* Women in Hospitality, Travel and Leisure & Diversity in Retail.

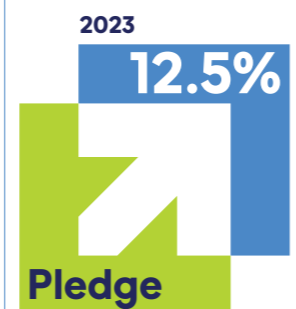
Targets and KPIs



50/50 gender balance by 2030



40% female senior leaders by 2025



20% leaders of ethnically diverse origin by 2030

Gender pay gap

We are pleased to report a significant reduction in our mean gender pay gap as of April 2023 which reduced to 0.6% (a decrease of 2.7 percentage points from 2022 reporting). Our median pay gap remains at 0%.

Ethnicity

Whilst our workforce is representative of the communities we serve, we have identified a lack of representation within senior levels of the organisation – with 12.5% identifying as Black, Asian, Mixed or Other Ethnic Background; we have therefore introduced an ethnic diversity Senior Leadership Team pledge of 20% representation by 2030 to drive greater focus and commitment to addressing this imbalance.

In support, we launched our reverse mentoring scheme, pairing eight culturally diverse mentors with members of our Senior Leadership Team to increase diversity of thought and elevate the experiences of our diverse talent.

Ethnicity pay gap

Our pay gap reporting is based on data collected from 98% of our employees. As of April 2023, our mean ethnicity pay gap was 22.7%, this is a 7.9 percentage point increase from 2022 reporting. Our median ethnicity pay gap remains at 0%.

Our full ethnicity and gender pay gap reports provide further detail and the actions we are taking (www.tggplc.com/sustainability).

Employee inclusion and retention

In May 2023, we concluded our ‘Mental Health Ambassador’ (‘MHA’) programme which provided refresher training and upskilling to 22 mental health champions, expanding MHA support to all operational regions and our Gym Support functions. Additional training was provided to 18 of our Cluster General Managers, strengthening the mental health knowledge, skills and support available within our operational teams.

Aligning employee health and wellbeing with our gender parity ambitions, we implemented the following family-friendly policies, giving greater opportunities for flexibility, and work-life balance through enhanced periods of leave for:

- Fertility treatment
- Pregnancy loss
- Carers
- Neonatal care

In December 2023, we were proud to be awarded the Menopause Friendly Employer Accreditation in recognition of our commitment to driving menopause awareness and inclusion.

Female health first

To support gender diversity, we launched our ‘Female Health First’ (‘FHF’) pilot programme in partnership with The Well HQ, providing employees with specialist knowledge in women’s health and focusing on the specific training and wellbeing needs of our female members. This eight-week programme upskilled 51 employees across 18 of our gyms and our Gym Support functions on topics such as menopause, midlife health and pelvic health, providing Gym Managers and Trainers with knowledge and practical skills to support female members’ health and wellbeing.

We have begun implementing female-specific classes within these gyms, such as pelvic health workshops and female functional health classes. We will continue to roll out further FHF cohorts in 2024, expanding this unique offering to 120 employees across 60 gyms.



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Responsibility to the environment

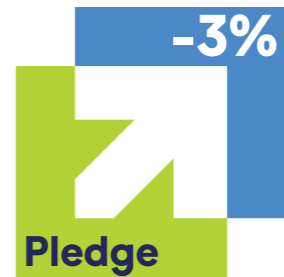


“We are the world’s first fitness operator to have a net zero emissions target validated by The Science Based Targets Initiative (‘SBTi’) in line with a 1.5°C trajectory.”

See Progress against 2023 strategy on **pages 16 to 17**

Our Commitment to net zero
 We are committed to reducing our carbon emissions, and we recognise the importance of the Paris Agreement to limit global warming to 1.5°C. Our near term and long term targets below demonstrate our commitment to ambitious short term reductions and steady progress towards net zero.

Targets and KPIs 2023



Scope 1 and 2 emissions compared to 2019



Reduction in energy consumption per gym from 2019 base year

Near term targets¹

- Reduce absolute Scope 1 and 2 greenhouse gas (‘GHG’) emissions by 50% by 2030
- Reduce Scope 3 GHG emissions covering purchased goods and services, capital goods, fuel

and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, and employee commuting by 55% per gym by 2030

- 25% of our suppliers by spend, covering purchased goods and services and capital goods, will have science-based targets by 2028.

Long term targets¹

- Reduce absolute Scope 1 and 2 GHG emissions by 90% by 2045
- Reduce Scope 3 GHG emissions by 97% per gym by 2045

Transition planning

The International Sustainability Standards Board (‘ISSB’) issued its first sustainability disclosure standards, IFRS S1 and S2, in June 2023. By continuing to report with reference to the Global Reporting Initiative and in alignment with the SASB Standards, we strive to ready our business for the reporting requirements of the ISSB.

Furthermore, the Transition Plan Taskforce (‘TPT’) Disclosure Framework was launched to develop a gold standard for best practice climate transition plans, building on IFRS S2 requirements. Our reporting aligns with the TPT Framework’s three principles: Ambition, Action and Accountability.

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

2030

and decarbonising these emissions by

2035

We have committed to achieve net zero GHG emissions across the value chain by

2045

Ambition

Our science-based commitment to a net zero pathway aligned with a 1.5°C trajectory demonstrates our ambition to decarbonise. We have outlined our climate-related risks and opportunities within our TCFD schedule.

Alongside our net zero target and carbon neutrality status, we have four carbon reduction commitments:

Suppliers
 Engage with our key suppliers to set their own emission reduction targets, aligned with climate science, by the end of 2028

Members
 Develop a member engagement plan by the end of 2025 to drive our net zero ambition forward

Renewable energy
 Increase and maintain our annual sourcing of renewable electricity to 100% by the end of 2025

Abatement
 Develop our plan to remove and store carbon from the atmosphere. This will offset the impact of our unabated emissions; the maximum 10% of our carbon footprint, which will remain once we have achieved our 2045 target

Action

To support our transition to a net zero aligned economy, we are continuing to invest in decarbonising our operations. Our annual budgeting process includes allocation for sustainability initiatives within our maintenance capital expenditures, forming part of our climate-related transition plan.

This includes funding for both carbon and water-related initiatives, some of which are detailed below.

- Development of a high efficiency **air source heat pump (‘ASHP’)** solution for use in all new sites and to replace failed gas-fired boilers; 39 of our gyms now operate with an ASHP, while 78% of the estate operates with gas-fired hot water.
- We have two sites operating **photovoltaic (‘PV’) solar panels** as we continue developing our on-site power generation strategy. PV solar enables up to 30% of the required power to be generated on-site.
- Procurement of **100% renewable energy** across our gyms at all sites where we control the purchase of energy.
- **Voltage optimisation** was installed in 10 gyms in 2023 and, on average, delivered an 8% reduction in gym electricity consumption; we will continue the rollout in 2024 through an investment of over £1m.
- We are rolling out a system to automatically **capture and report gym water consumption** with a central reporting system, identifying any excessive consumption to prompt rapid action.

We recognise that our climate action must create deep emission reductions in the coming years, and we will continue to innovate and invest across our operations. With 67% of our emissions associated with our Scope 3 activities, engaging our extended value chain will be a significant step as we continue along our net zero pathway.

To this end, all new supply agreements will include contractual requirements for environmental performance.

In addition to the actions we take to decarbonise, our business model also includes natural climate resilience; we lease, rather than own the buildings we operate, limiting our liability in the case of climate-related physical impacts and providing enhanced flexibility to move locations as needed.

By closely monitoring climate change’s evolving effects, we aim to maintain this resilience in the years to come.

Accountability

Our sustainability strategy captures material ESG performance data, including energy consumption, GHG emissions, and waste production. We calculate our Scope 1, 2 and 3 GHG emissions following the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. We will further develop our suite of climate-related metrics to include cross-industry metrics that inform our understanding of our climate impact and exposure to climate-related risks and opportunities.

Our plans for 2024 include the development of a detailed transition plan to provide an outline of the actions, timeframes, and potential costs required to achieve our net zero targets. We are also further evaluating the adaptation costs necessary to enhance our overall resilience to the physical impacts of climate change.

As we continue our transition to net zero, we have chosen to offset our Scope 1, 2, and operational Scope 3 emissions to achieve carbon-neutral certification for our business through Climate Impact Partners. Putting a price on carbon helps to incentivise emissions reductions across our business operations and investment decisions while, in the meantime, contributing to credible emission reduction projects that are independently validated to recognised global carbon standards. We will, however, prioritise direct carbon abatement over purchasing carbon credits.



Carbon neutral since

2021



¹ Base year 2019.

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2023 carbon emissions

Our Scope 1 direct emissions for 2023 are 1,884 tCO₂e, associated with natural gas combustion and estimated refrigerant leakage. This represents a consumption decrease of 8.4% from 2019, primarily as a result of our efforts to reduce gas consumption across our estate.

Scope 2 indirect emissions for this year are 8,701 tCO₂e, resulting from the consumption of 41,154,605 kWh of electricity and 995,005 kWh of direct heat, purchased and consumed in day-to-day business operations. This represents a decrease of 1.1% from 2019.

Whilst our energy consumption per gym decreased by 12.6% vs 2019, an increase in the number of gyms in our estate and higher UK grid carbon conversion factors contributed to a smaller decrease in carbon emissions.

Our operations have intensity metrics of 138 tCO₂e per gym and 519 tCO₂e per million visits for this reporting year. This represents a reduction in operational carbon intensity of 33% and 34%, respectively, from our base year.

Our Scope 2 emissions have been calculated utilising location-based emission factors, as published by the Department for Business, Energy and Industrial Strategy.

Due to the renewable electricity procurement contract in place since 2019, our Scope 2 emissions calculated using market-based emissions would equal 1,305 tCO₂e.

The significant reduction in our Scope 3 emissions is largely due to a reduced number of new site openings in 2023 resulting in a 55% reduction in CO₂ emissions from capital goods.

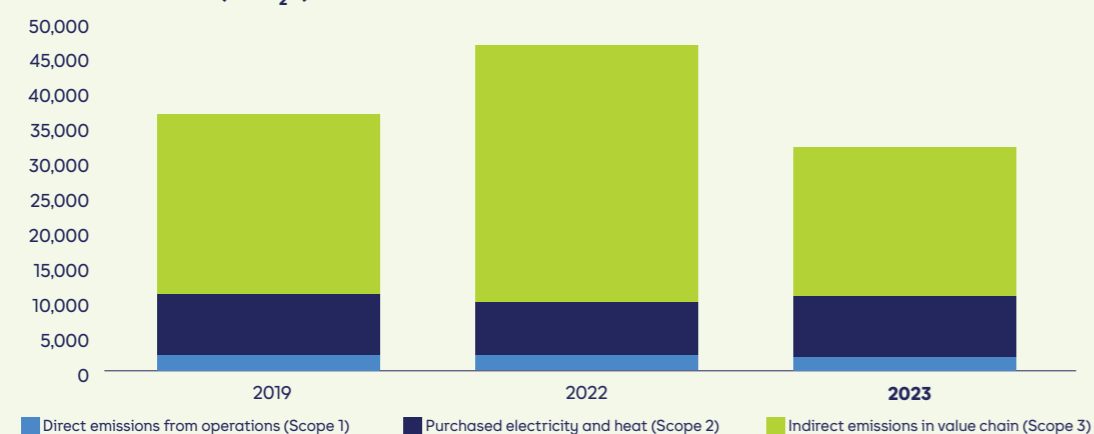
100%
 renewable energy for all sites where we control the purchase of energy

Emissions year ended 31 December 2023

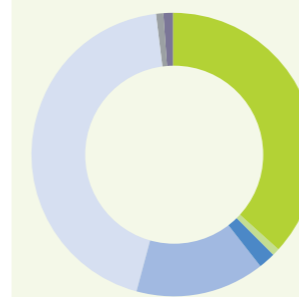
Total emissions (tCO ₂ e)	2019	2022	2023
Direct emissions from operation (Scope 1)	2,157	2,138	1,884
Purchased electricity and heat (Scope 2)	8,797	7,633	8,701
Indirect emissions in value chain (Scope 3)	25,660	36,837	21,657
Total emissions (tCO₂e)	36,614	46,608	32,242
% Change from base year Scope 1 and 2		-11%	-3%
% Change from base year Scope 1, 2 and 3		27%	-12%
Intensity metric (tCO ₂ e per gym)	206	203	138
% Change from base year		-1.5%	-33%
Intensity metric (tCO ₂ e per million member visit)	785	871	519
% Change from base year		11%	-34%

Total consumption (kWh)	2019	2022	2023
Scope 1 (Gas)	11,071,196	10,960,970	10,137,976
Scope 2 (Electricity)	34,409,373	39,435,614	41,154,605
Scope 2 (Heat)	10,907	38,880	995,005
Total (kWh)	45,491,476	50,435,464	52,287,586

Total emissions (tCO₂e)



Scope 3 emissions



Scope 3 Category	Emissions (tCO ₂ e)				
	2019	2022	2023	to base	Contr.
Capital goods	17,544	21,856	7,948	-55%	36.7%
Business travel	272	205	224	-78%	1.0%
Employee commuting and homeworking	402	385	423	5%	2%
Fuel and energy related	2,343	3,031	3,140	34%	14.5%
Purchased goods and services	4,488	11,064	9,501	112%	43.9%
Upstream transport	375	80	184	-57%	0.9%
Water and Waste	236	216	237	0%	1.7%
Total	25,660	36,837	21,657	-16%	

Waste management

In 2023, we generated 816 tonnes of general and mixed recycling waste. This is a decrease of 23% despite the growth of our estate. This result was mainly achieved by a reduction of blue-roll waste. The average weight per gym has dropped to 4.4 tonnes per gym, a reduction of 27% but just short of our 4.3 tonnes per gym target.

We improved our landfill diversion from 95% in 2022 to 97% in 2023 and achieved 100% landfill diversion from September to December 2023.

100%
 landfill diversion from September to December 2023

Landfill diversion	2019	2022	2023
Total weight (in tonnes)	750	1,066	816
Average tonnes/gym	4.3	6	4.4
Diverted from landfill	90%	95%	97%

Water management

We recognise that water stress is expected to increase in the coming years, and we acknowledge our role in minimising consumption through our operations. As we do not operate any pools, saunas, steam rooms, or similar wet facilities, toilet and wash facilities are The Gym Group's primary source of water use.

We completed the replacement of legacy shower heads with low-volume units during 2023, potentially saving over half a million litres of water a week. We will continue to explore water reduction measures across our operations.



Strategic report

Our progress on TCFD

The Task Force on Climate-related Financial Disclosures ('TCFD') recommendations support the identification and assessment of our climate-related risks and opportunities; these inform how we respond to the physical risks of climate change and the transition risks associated with the UK progressing to a low carbon economy.

This is our third report in line with the recommendations of the TCFD, and includes disclosures across the four areas of governance, strategy, risk management, and metrics and targets. We assess that we are fully compliant with the Listing Rules (Disclosure of Climate-Related Financial Information) (No 2) Instrument 2021. The 2023 TCFD analysis further determines that while climate-related risks and opportunities do not currently impact the financial performance or position of the business, they have the potential to do so in the coming years.

We acknowledge the iterative nature of the TCFD, and we will continue to refine our approach as we develop our understanding of the climate-related financial risks and opportunities to our business.

Governance

Our Sustainability Committee ('the Committee') is one of four Board Committees delegated to manage associated responsibilities. The Sustainability Working Group, informed by the ESG workstream, works closely with the Committee to provide oversight at senior management level, ensuring the comprehensive governance of the business and successful execution of our strategy.

Management of climate-related risks and opportunities is included in the mandate of the ESG workstream.

Our Chief Development and Sustainability Officer, David Melhuish, continues to lead the management and oversight of The Gym Group's sustainability strategy and is responsible for monitoring and overseeing our climate-related progress. Our Business Development and Sustainability Director supports the integration of sustainability across the business, overseeing the development of The Gym Group's net zero targets as well as engaging leaders from across the business to provide insight on the climate-related risks and opportunities in different areas, such as finance, procurement and facility management. Further details relating to climate and sustainability governance are found in the Sustainability Committee Report on pages 90 to 91.

Strategy

We undertook climate scenario analysis, examining climate and weather projections, socioeconomic trends and operating environment predictions to understand how The Gym Group's operations may be affected due to the impacts of climate change and the transition to a lower carbon economy. This included consideration of existing and future potential regulations and what risks they may pose to The Gym Group. The analysis enabled us to assess the resilience of our strategy to climate change.

This year, we enhanced our approach to climate scenario analysis in line with best-practice physical climate projections from the Intergovernmental Panel on Climate Change ('IPCC'). We also analysed three new transition scenarios from the International Energy Agency ('IEA'). The selected scenarios present a sharp contrast between potential futures, which allows us to plan for a range of possible climate impacts.

We assessed climate impacts over three time horizons: short term (present to 2039 with a 2030 milestone), medium term (2040 to 2059 with a 2050 milestone) and long term (2060 to 2079 with a 2070 milestone). Our near term emissions reduction target and the current business strategy align with our short term milestone, while the UK Government's net zero target date aligns with our medium term milestone. Considering that climate-related impacts often occur across longer time horizons (IPCC projections go up to 2100), the long term milestone considers potential impact materialisation as varying scenarios increasingly diverge from one another.

The scenario analysis assessed potential impacts for all our operations across the UK. Predictions regarding which regions are most at risk were documented where applicable, informed by the physical climate projections.

The Met Office's UK Climate Projections 2018 (UKCP18) Report and IPCC's Sixth Assessment Report (AR6) (IPCC, 2023) were used as the basis for the physical scenario analysis. AR6 introduces enhanced climate scenarios called Shared Socioeconomic Pathways ('SSPs'). Compared to the previously used Representative Concentration Pathways ('RCPs'), SSPs look at climate change projections alongside socioeconomic circumstances to better evaluate climate impacts and adaptation measures.

The three physical climate scenarios chosen are outlined below.

SSP1-2.6	A low greenhouse gas ('GHG') emissions scenario where emissions decline to net zero around 2070. Warming: 1.3°C–2.4°C by 2100.
SSP2-4.5	An intermediate GHG emissions scenario where emissions remain around current levels until 2050. Warming: 2.1°C–3.5°C by 2100.
SSP5-8.5	A very high GHG emissions scenario where emissions roughly double from current levels by 2050. Warming: 3.3°C–5.7°C by 2100.

Three new transition scenarios from the IEA's World Energy Outlook report (2022) provided the basis for transition scenario analysis and are outlined below.

Net zero emissions by 2050 Scenario ('NZE')	A scenario that maps out a way to achieve a 1.5°C stabilisation in the rise in global average temperatures, alongside universal access to modern energy by 2030.
Announced pledges scenario ('APS')	A scenario that assumes that all aspirational targets announced by governments are met on time and in full, including net zero and energy access goals.
Stated policies scenario ('STEPS')	A pragmatic exploratory scenario showing the trajectory implied by today's policy settings.

The most significant risks and opportunities are summarised on pages 52 to 53. Through our scenario analysis, SSP5-8.5 is recognised as the scenario in which the identified physical risks are the most significant for The Gym Group. By contrast, the identified transition risks and climate opportunities are most significant under the NZE scenario.

Risk management

The information identified through the scenario analysis was used to update our climate-related risks and opportunities register. Two collaborative workshops were subsequently held, during which the potential business and financial impacts of the risks and opportunities were evaluated.

The workshops were attended by senior leaders and key stakeholders from across the business who provided insights and supported the assessment of our risks and opportunities. The collective insight provided by this group meant that potential climate-related risks and opportunities could be assessed effectively across the areas they were projected to impact.

The output of these workshops included the identification of control measures already in place as well as areas where further work is needed to better understand risk exposures. Potential business impacts associated with each risk and opportunity were reviewed to support the evaluation of the risks.

Risks were evaluated in line with The Gym Group's corporate risk methodology. Our TCFD register assesses both the impact and likelihood of each climate-related risk, with an outline of current and future control measures. The risk scores were then calculated by multiplying impact, likelihood and control environment ratings together, each scored from 1 to 3. The risk management process is defined in more detail in the 'Principal Risks and Uncertainties' section of the Strategic Report.

Financial impacts were then evaluated. For our first year of financial impact reporting, the evaluation focused on key qualitative information rather than quantified financial impacts. The potential impacts to financial position (assets, liabilities, capital and financing) and performance (revenue and expenditures) were described for each risk and opportunity. Relative financial impact was evaluated to help determine which risks and opportunities are the most material to the organisation. This will enable us to focus our management and reporting of financial impacts on those risks and opportunities with the highest potential for financial materialisation.

Findings from the consolidated TCFD risks and opportunities register have been communicated to the Audit and Risk Committee and the Board. Our Finance Director is responsible for reviewing our Company-wide risk register and assigns ownership of risks and opportunities to the relevant senior managers. This assessment takes place twice per year, with the support of the Executive Committee, to ensure that actual and potential climate-related impacts are controlled, mitigated or transferred as appropriate and integrated into business decision-making.



Strategic report

Our progress on TCFD

continued

Climate-related risks and opportunities

Risk	Potential financial impact	Control measures	Emissions scenario	Materialisation
Physical climate-related risks:				
<p>Flooding: Increased frequency and intensity of extreme rainfall may lead to increased river and surface water flood events. Surface water flooding is predicted to pose the highest risk in the urban areas where The Gym Group operates.</p> <p>Flooding may also occur due to increased sea levels, putting gyms in some coastal regions at risk of flooding. Sea level rise is most likely to impact gyms in South East England.</p>	<ul style="list-style-type: none"> Revenue: Decreased revenue due to business disruption and/or closure of premises. Expenditures: Increased insurance costs; increased costs for flood mitigation updates. Assets and liabilities: Decreased asset value or write-offs due to water damage. 	<p>We lease our premises, providing flexibility to exit leases in flood-prone areas.</p> <p>Our corporate insurance includes flood coverage, and flood risk mapping is assessed at policy renewal. It is standard due diligence practice to determine any potential physical risks, including flood risks, during the acquisition of new sites.</p> <p>Our nationwide network allows members to use alternative locations should their primary gym be closed.</p>	Low emissions (SSP1-2.6)	Short term (2023-2040)
			Medium emissions (SSP2-4.5)	Short term (2023-2040)
			High emissions (SSP5-8.5)	Short term (2023-2040)
<p>Prolonged water stress: Changing precipitation patterns may lead to prolonged drought conditions in summer months.</p> <p>This could lead to potential water restrictions impacting The Gym Group's ability to provide shower facilities to customers.</p>	<ul style="list-style-type: none"> Revenue: Decreased revenues due to water restrictions impacting demand. Expenditures: Increased water costs. 	<p>Remote water monitoring has been introduced at selected sites, and this may be expanded in the future.</p> <p>Our approach to water management and current initiatives are detailed on page 49.</p>	High emissions (SSP5-8.5)	Short term (2023-2040)
			High emissions (SSP5-8.5)	Short term (2023-2040)
<p>High temperatures: Sustained increase in median temperature, leading to increased cooling requirements at gyms and offices and a potential decline in appetite for fitness.</p> <p>This risk is most likely to impact gyms in South East England.</p>	<ul style="list-style-type: none"> Expenditures: Increased costs associated with the installation and/or additional repair of air conditioning/cooling mechanisms. Assets and liabilities: Reduced lifetime of air conditioning equipment. 	<p>Our '20 is Plenty' model ensures gyms are operating at no lower than 20°C.</p> <p>Building insulation minimises the cooling demand. The Gym Group is working to attain a minimum EPC rating of 'C' across all gyms by 2025.</p>	High emissions (SSP5-8.5)	Medium term (2040-2059)
			High emissions (SSP5-8.5)	Medium term (2040-2059)

Risk	Potential financial impact	Control measures	Emissions scenario	Materialisation
Transition climate-related risks:				
<p>Supply chain costs: Increased supply chain cost of raw materials for constructing and refurbishing gyms.</p>	<ul style="list-style-type: none"> Expenditures: Increased costs due to changing input prices and output requirements. 	<p>The control measures for this risk are outlined in our Principal risks and uncertainties section – Risk 8: Reliance on key suppliers – on page 59.</p>	Net zero emissions ('NZE')	Short term (2023-2040)
			Low emissions (APS)	Short term (2023-2040)

Opportunity	Potential financial impact	Control measures	Emissions scenario	Materialisation
Climate-related opportunities:				
<p>Onsite energy generation: Implementing on-site energy generation (e.g., solar panels) at gyms may reduce grid dependency and lower exposure to fluctuating fossil fuel prices.</p>	<ul style="list-style-type: none"> Expenditures: Reduced operating costs (e.g., through efficiency gains and cost reductions). 	<p>Onsite energy generation has the potential to enhance energy efficiency and lower operating costs. Our approach to onsite energy generation and current initiatives are detailed on pages 46 to 47.</p>	NZE	Short term (2023-2040)
			Low emissions (SSP1-2.6)	Short term (2023-2040)
			Medium emissions (SSP2-4.5)	Short term (2023-2040)
<p>Indoor exercise demand: Increased demand for indoor exercise in climate-controlled gyms may occur during extreme heat events (chronic and acute).</p>	<ul style="list-style-type: none"> Revenue: Increased revenue from gym memberships. Capital and financing: Increased investment from shareholders and higher share price. 	<p>Outdoor workouts may become less viable due to storms, heat waves, hotter summers, and wetter winters. Thus, there is an opportunity to attract more customers who previously exercised outdoors.</p>	High emissions (SSP5-8.5)	Medium term (2040-2059)
			High emissions (SSP5-8.5)	Medium term (2040-2059)

Metrics and targets

Metrics and targets play a significant role in climate-related risk and opportunity management, with linkages to governance, strategy and risk management. They enable the Board and senior management to make informed, data-driven decisions and communicate to stakeholders how we track and manage climate performance. Metrics and targets also measure and describe the impact of climate-related risks and opportunities on strategy and financial planning, helping to enhance the resilience of the business against different scenarios.

Lastly, they help with the measurement of risk exposure as part of the business's broader risk management processes.

Through our sustainability strategy, we capture material ESG performance data that informs our understanding of transition risk exposure and enables us to track the effectiveness of the climate-related initiatives detailed within the 'Strategy' section above.

We have established climate-related targets, headlined by our commitment to achieving net zero emissions by 2045, which has been validated by the SBTi. Further details about our climate-related metrics and targets are outlined on pages 46 to 47. In 2024 and subsequent years, we will further develop our suite of climate-related metrics to include additional cross-industry metrics that inform our understanding of our climate-related risks and opportunities.



Strategic report

Principal risks and uncertainties

Managing our risk

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

Approach to risk management

The Board and senior management take very seriously their responsibility for operating a robust risk management and internal controls process, and for reviewing their effectiveness at least annually.

The Board has overall responsibility for ensuring there is an effective risk management process in place which is designed to identify the principal risks that the business faces and to provide reasonable assurance that they are fully understood and managed. The Audit and Risk Committee provides oversight and challenge on the effectiveness of risk management and mitigating controls.

Risk appetite

The UK Corporate Governance Code requires companies to determine their risk appetite. This is an expression of the amount and types of risk that the Group is willing to take in order to achieve its strategic and operational objectives. A risk that can seriously affect the performance, prospects or reputation of a company is deemed to be a principal risk. The Group's risk management process aims to strike a balance between identifying, monitoring and mitigating risks whilst maximising potential opportunities and returns to ensure we deliver against our strategy.

Our commitment to delivering a compelling member experience and operational excellence will not be delivered at the expense of price competitiveness. We are willing to accept the risk of partnering with third parties to deliver our core business activities. However, contracts and relationships with critical suppliers must be well monitored, value-for-money and regularly reviewed. In addition, third parties must comply with appropriate regulatory and ethical standards.

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

Risk management process

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

Each area of the business maintains a functional risk register in which functional leads identify and document the risks that their business area faces. Areas covered include: People; Operations; Marketing; Property Acquisition; Property Maintenance and Facilities; Finance; Technology; Data; and Sustainability.

A review of the functional risk registers is performed twice yearly by the Executive Committee. In addition, the Executive Committee also considers and identifies strategic risks at least annually – i.e. those risks that they believe would have the most significant impact on the Group's ability to achieve its strategic goals.

The output of the above reviews is discussed with the Audit and Risk Committee (on behalf of the Board).

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

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

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

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

Key roles and responsibilities

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

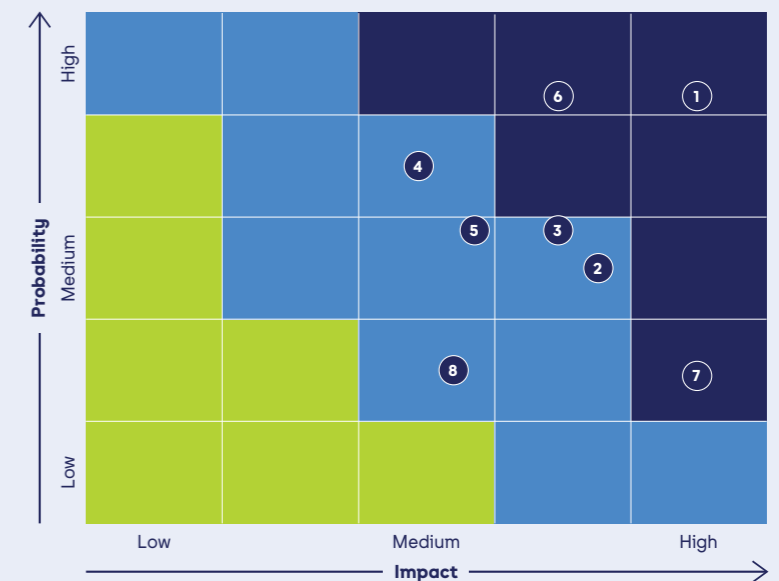
Functions and employees	Executive Committee	Board	Audit and Risk Committee
First line of defence	Second line of defence	Third line of defence	
<ul style="list-style-type: none"> • Manage day-to-day risk in their own areas guided by Group policies, procedures and control frameworks. • Identify and report on functional risks to the Executive Committee and ensure mitigations are in place. • Deliver the actions associated with managing risk. 	<ul style="list-style-type: none"> • Promotes and supports the embedding of risk management throughout the business. • Ensures there is active management of identified and emerging risks. • Formally reviews the functional risk registers at least twice yearly and the strategic risks at least annually. • Reports to the Audit and Risk Committee on the internal control environment and principal and emerging risks identified. 	<ul style="list-style-type: none"> • Has overall responsibility for strategy, governance, performance, internal control and risk management. • Sets the tone and culture for managing risk and embedding risk management controls, providing strategic direction on the appropriate balance between risk and reward. • Ensures the most significant risks facing the Group are properly managed. • Evaluates the risk implications of planned investments. 	<ul style="list-style-type: none"> • Monitors and reviews the overall effectiveness of the Group's system of internal control and risk management. • Makes recommendations to the Board for improvements or developments. • Defines and reviews the Group's risk appetite. • Monitors compliance with internal control systems and oversees the external audit.

Principal risks

Through its 2023 reviews, the Board and Executive Committee have identified eight principal risks which are set out on the following pages. These are the risks which we believe to be the most material to our business model, which could adversely affect the operations, revenue, profit, cash flow or assets of the Group, and which may prevent us from achieving our strategic objectives. Additional risks and uncertainties currently unknown to us, or which we currently believe are immaterial, may also have an adverse effect on the Group.

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

Risk heat map (before mitigations)



Key

- 1 Operational gearing
- 2 Member experience
- 3 Trading environment
- 4 Our people
- 5 IT dependency
- 6 Cyber and data security
- 7 Reputation, brand and trust
- 8 Relationships with key suppliers



Strategic report

Principal risks and uncertainties

continued

Principal risk	Description and impact	Mitigations and controls	Strategic link
<p>1</p> <p>Operational gearing</p> <p> </p>	<p>The high operational gearing of the business, as a result of the largely fixed cost base, limits the number of corrective actions that could be made to mitigate any under-performance in membership numbers, which could adversely impact profitability.</p> <p>In addition, the current macroeconomic and geopolitical environment has led to significant increases in utilities costs and wage inflation.</p> <p>An increase in the frequency of extreme weather events, leading to flooding and extreme heat events could also impact on our operations with damage to gyms and equipment and potential increased costs for repair or replacement.</p> <p>The Group may be unable to attract sufficient members and/or increase prices to sufficiently cover the cost increases, leading to reduced margins.</p>	<ul style="list-style-type: none"> Regular monitoring and reforecasting of business performance at site level Active yield and retention management on a gym-by-gym basis Revised price product architecture rolled out estate-wide in 2023, including Off-peak and Saver membership options Ongoing financial management by the Executive Committee and the Board and continuous review of the low cost operating model Measures identified to reduce operating costs, preserve cash and reduce discretionary spend where necessary Option to slow down new site openings to preserve cash Energy-efficient investment into our sites Energy costs for FY24 fully hedged Insurance policies in place to mitigate any costs or business interruption from extreme weather events 	<p>Strengthen the core</p> <p>Accelerate rollout of quality sites</p>
<p>2</p> <p>Member experience</p> <p> </p>	<p>Failure to provide members with a high quality product and service due to internal or external factors could result in a loss of membership and reputational damage.</p> <p>A decrease in membership numbers, as a result of a fall in actual or perceived customer service or confidence, would adversely impact revenue and profitability.</p>	<ul style="list-style-type: none"> Tracking of gym utilisation, cleanliness and member satisfaction scores through enhanced monitoring and feedback processes Ongoing review of equipment usage and appropriate investment in repairs and maintenance to ensure we meet member requirements Significant investment programme to enhance gym equipment and kit mix and refurbish older sites Gym staffing model allows control over staffing deployment to ensure peak periods are adequately covered Fitness product innovation to enhance the member experience e.g. introduction of HYROX and small group training classes Strong member communication plan in place Crisis and incident management plans developed 	<p>Strengthen the core</p> <p>Accelerate rollout of quality sites</p>

Key

Risk movement in 2023:

 Risk increase  No change  Risk decrease  Included in Viability assessment, see page 63

Principal risk	Description and impact	Mitigations and controls	Strategic link
<p>3</p> <p>Trading environment</p> <p> </p>	<p>The UK continues to experience a cost-of-living crisis and there is significant economic and geopolitical uncertainty. We need to respond appropriately to external market conditions while maintaining focus on delivering on our strategic objectives. Members may choose to cancel their membership due to financial hardship.</p> <p>Existing competitors may make decisions around capital deployment, location and/or pricing which could impact the ability of the Group to achieve membership and EBITDA targets.</p> <p>New competitors could enter the fitness market offering an alternative to the low cost gym model e.g. digital fitness out-of-home offerings and/or aggregators.</p> <p>This could lead to sub-optimal membership levels, an increase in the number of under-performing sites and substantially lower revenue/profitability.</p> <p>This risk is believed to be trending upwards as a result of increased competition and the ongoing cost-of-living pressures for our members.</p>	<ul style="list-style-type: none"> Well placed to operate successfully in a challenging economic environment as we are one of the lowest price gym operators in the UK market with prices that are significantly lower than those charged by mid-market and premium operators Revised price product architecture rolled out estate-wide in 2023, including Off-peak and Saver membership options Highly experienced management team in place Fitness product innovation to ensure we continue to meet the evolving needs of members and prospective members e.g. introduction of HYROX and small group training classes Ongoing partnership with Fiit and enhancements to the app to develop the digital fitness offering Active yield and retention management Rigorous site selection process Current bank facility agreement in place until October 2025, and strong underlying operating cash generation before investment in growth 	<p>Strengthen the core</p> <p>Accelerate rollout of quality sites</p>
<p>4</p> <p>Our people</p> <p> </p>	<p>The success of the business is dependent on talent attraction, development and retention, as well as culture and wellbeing.</p> <p>A lack of experienced and motivated staff could have a detrimental impact in all areas of the business, from Operations to Gym Support.</p> <p>Increased demand and competition for staff could impact on our ability to support the gyms, deliver a good member experience and execute on our strategy. Stretched resources could see staff distracted from performing their core roles or failing to deliver on key projects.</p> <p>Lack of adequate succession planning and dependency on a small number of key staff could also result in loss of knowledge and weakening of supplier relationships, which in turn could impact operational performance.</p>	<ul style="list-style-type: none"> Use a variety of tools to attract, retain and motivate staff at all levels of the business, including: <ul style="list-style-type: none"> Competitive remuneration and benefits packages Opportunity to own shares in the Company Opportunities for training and progression Short, clear reporting lines Succession planning Launch of a new engagement survey platform in 2023, improving data analysis and insights and providing staff with the opportunity to provide feedback and ideas Engagement surveys carried out every six months e-learning platform, internal communication and recognition platform, CORE Wellbeing programmes, Employee Diversity and Inclusion Group and other employee forums Employee assistance programme providing 24/7 telephone counselling service Extensive work on gym staff recruitment, including trialling new gym operating models Growth of Gym Support and cross-training to reduce dependencies on key individuals 	<p>Strengthen the core</p> <p>Accelerate rollout of quality sites</p> <p>Broaden our growth</p>

Strategic report

Principal risks and uncertainties

continued

Principal risk	Description and impact	Mitigations and controls	Strategic link
<p>5</p> <p>IT dependency</p> 	<p>Our ability to enrol and support members, carry out online marketing activity, process payments and control gym access and other services is dependent on the performance of our IT systems.</p> <p>By increasing the level of sophistication and breadth of our products and developing new innovations, we create more opportunities for growth in the longer term. However, this also means that we have to manage and deal with greater technology and process complexity and increasing platform load.</p> <p>Disruption to our critical IT systems could adversely impact member experience and/or our ability to collect revenue and grow the business.</p> <p>This risk is believed to be trending upwards as we seek to implement more complexity and change in an ageing system in the pursuit of our strategic goals and improved member offering.</p>	<ul style="list-style-type: none"> Primary data systems hosted by specialist hosting providers in suitable data centres Primary IT infrastructure fully managed by specialist IT companies which provide best-practice architecture and support All membership and business information backed up regularly using third-party locations Robust disaster recovery and business continuity plans in place Additional capacity added to our infrastructure to cope with large spikes in usage and regular programme of load testing on critical member-facing platforms Increasing and upskilling the internal technology team 	<p>Strengthen the core</p> <p>Accelerate rollout of quality sites</p> <p>Broaden our growth</p>
<p>6</p> <p>Cyber and data security</p> 	<p>The Group holds business critical and confidential information electronically. A breach of security or data protection controls due to unauthorised access, loss or disclosure of this information could lead to legal claims, regulatory penalties, disruption of operations and/or reputational damage.</p> <p>The level of overall cyber risk remains high due to the current geopolitical instability and an increased number of threat actors and attack vectors (including AI); and over time, we believe our increased brand recognition will increase our vulnerability to such attacks.</p> <p>Data protection legislation brings potentially wide-reaching effects and consequences for all businesses, with penalties for breaches attracting fines of up to 4% of annual turnover, or £17.5m – whichever is the higher.</p>	<ul style="list-style-type: none"> Networks and systems protected by firewalls, industry-leading authentication management and security software and strong passwords All sensitive data is captured and presented using SSL encryption and access restricted by role Two-factor authentication enabled on most critical systems PCI Level 2 compliance achieved All customer payment data is stored externally on systems that are PCI-DSS and/or BACS certified Ongoing programme of security review and upgrades for key platforms Continuous assessment of new and innovative products for security Mandatory cyber security and data protection training for all employees Data Protection Manager in place to oversee and optimise our control environment in this area Senior leadership briefs the Board on information security matters at least annually when the CTO presents the Group's IT strategy Cyber security insurance in place 	<p>Strengthen the core</p>

Key

Risk movement in 2023:

 Risk increase
  No change
  Risk decrease
  Included in Viability assessment, see page 63

Principal risk	Description and impact	Mitigations and controls	Strategic link
<p>7</p> <p>Reputation, brand and trust</p> 	<p>The Gym Group brand is built on trust, inclusion and strong sustainability credentials. The relaunch of the brand in FY22 and its growth and promotion in FY23 brings increased media coverage of The Gym Group as brand recognition increases.</p> <p>A health and safety or other serious incident in any of our gyms could result in reputational damage, particularly if misinformation is spread on social media.</p> <p>There is also a risk that an inappropriate social media post by a member of staff is interpreted as the view of The Gym Group, which could have a wide-reaching impact on our brand and reputation, leading to loss of membership. This increases as the estate and workforce grows and brand recognition increases.</p>	<ul style="list-style-type: none"> Group policies and procedures set out the expectations and behaviours that enable all colleagues to make the right decisions and communicate appropriately Communication and engagement programmes in place to listen to our members and stakeholders to help ensure we reflect their needs in our plans, which include health, community, climate and sustainability initiatives Promotion of our values and high standards of doing business should ensure we become a trusted brand which boosts our reputation Clear, documented procedures in place for managing health and safety incidents; staff regularly trained to ensure all incidents are effectively managed Robust business response plan in place to deal with brand and reputational issues, including the retention of a specialist PR agency and media training for key executives Central control of social media posts 	<p>Strengthen the core</p> <p>Accelerate rollout of quality sites</p> <p>Broaden our growth</p>
<p>8</p> <p>Reliance on key suppliers</p> 	<p>Where possible, we employ a policy of using multiple suppliers to minimise business interruption should one supplier fail. However, standardising equipment, materials and processes across our estate, allows us to benefit from economies of scale, reducing initial site fit-out costs and ongoing maintenance and other controllable costs. At the same time, we provide consistency of member experience.</p> <p>As a result, we have key supplier dependencies in areas such as equipment provision, gym access and payment processing.</p> <p>With the continuing macroeconomic challenges in the UK economy and the wider geopolitical conflicts, there is an increased risk of critical supplier failure caused by financial exposure and/or cyber attacks.</p> <p>In addition, as our business grows, there is a risk that key suppliers' processes and procedures do not keep pace with our requirements.</p>	<ul style="list-style-type: none"> The Gym Group maintains good relationships with its key suppliers and seeks to treat all suppliers ethically and professionally Solid procurement process in place to assess the quality of suppliers Business continuity plans for critical suppliers are in place and reviewed regularly Stronger supplier assessments added as part of PCI Level 2 Key supplier contracts updated and renewed in 2023 with additional data protection and other provisions included Our main gym equipment supplier has a number of manufacturing facilities around the world to ensure supply should geopolitical tensions threaten production and availability of kit 	<p>Strengthen the core</p> <p>Accelerate rollout of quality sites</p>

Strategic report

Principal risks and uncertainties

continued

Changes in principal risks in 2023

In the 2022 Annual Report and Accounts, 'Significant business interruption' and 'Structural change in the industry' were included as Group principal risks.

'Significant business interruption' has been removed from the Group Principal risks in 2023 as the Board believes that the factors that were described in this risk in 2022 have either reduced in threat level or are adequately captured in the other principal risks. For example, failure of a key supplier is captured in the 'Reliance on key suppliers' and 'IT dependency' risks, and climate change has been captured in the emerging risks section below. It was also felt that whilst the risk of a Covid-19 resurgence has not completely disappeared, the threat of a total lockdown of all sites during the Group's planning horizon felt less likely.

'Structural change in the industry' has been removed from the Group Principal risks as the Board believes that hybrid working patterns post-Covid-19 have now stabilised and, whilst consumers may have changed their patterns and routines in terms of fitness, demand for low cost gyms remains as strong as ever and the Group's strategy and business model have been adapted to operate in this new environment. The threat of competition from new entrants into the fitness market has been captured in the 'Trading environment' risk.

'Reliance on key suppliers' has been renamed from 'Relationships with key suppliers' to focus more on the threat posed by relying on a small number of key suppliers for critical parts of the business.

Emerging risks

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



Climate change

Climate change continues to be included in our emerging risks register.

Extreme weather events are increasing in frequency in the UK, and flooding and extreme heat events could impact on our operations, leading to damage to gyms and equipment (resulting in increased costs for repair or replacement) and poor customer experience. However, the geographic distribution of our gyms means that, over the time horizon covered by our strategic planning and Group principal risks assessment (three years), these are expected to impact only a small number of sites and do not threaten closure of a substantial part of the estate for a prolonged period of time. In addition, insurance policies are in place to mitigate any costs or business interruption, although it is acknowledged that such policies will become more expensive and less available over the longer term. Therefore, the Board has concluded that climate change is not a principal risk, but it can and does impact other principal risks such as 'Operational gearing' and 'Member experience'.

Our TCFD report on pages 50 to 53 contains a comprehensive discussion about the climate-related physical and transition risks that the Group faces and the measures we are taking to address these risks both now and in the future. The report includes a range of scenarios and mitigating actions.

Artificial intelligence ('AI')

The Board has added Artificial intelligence ('AI') to its emerging risks register for 2023. We are currently evaluating how the business could benefit from the use of AI as well as what risk AI could potentially pose in relation to possible data and/or system breaches or loss of competitive advantage should existing or new competitors use AI to innovate or reduce operating costs.

Going concern

In assessing the going concern position of the Group for the year ended 31 December 2023, the Directors have considered the following:

- the Group's trading performance in FY23 and throughout the traditional January and February 2024 peak period;
- future expected trading performance to June 2025 (the going concern period), including membership levels and behaviours in light of the continued difficult macroeconomic environment; and
- the Group's financing arrangements and relationship with its lenders and shareholders.

2023 was a year of solid membership and revenue growth for The Gym Group, with membership at the end of December 2023 reaching 850,000, an increase of 4% from the end of December 2022. Average revenue per member per month ('ARPM') for the year was £19.50, up 9% from £17.82 in the prior year. Ultimate, the premium price product, ended the year at 31.7% of total membership compared with 29.6% in December 2022.

As a result, revenue for the year at £204.0m was 18% up on the prior year. Group Adjusted EBITDA Less Normalised Rent at £38.5m was £0.5m better than in 2022, as the growth in revenue was largely offset by cost inflation, particularly in utilities and staff costs.

The Group also reported strong cash generation in the year, with free cash flow of £27.0m (see Note 24 to the Consolidated financial statements for a reconciliation to Net cash inflow from operating activities) being generated and used to fund six new site openings and a number of major refurbishments, as well as significant investment in technology.



Strategic report

Principal risks and uncertainties

continued

In September 2023, the Group agreed with its lenders certain changes to the Group's Revolving Credit Facility ('RCF'). As a result, the Group now has access to a combined £80m facility which matures in October 2025. The Group also currently has access to £12.4m of finance lease facilities (£15m permitted under the RCF).

The RCF is subject to quarterly financial covenant tests on Adjusted Leverage (Non-property Net Debt divided by Group Adjusted EBITDA Less Normalised Rent must not exceed 3.0 times) and Fixed Charge Cover (Adjusted EBITDAR to Net Finance Charges plus Normalised Rent must be greater than 1.5 times). The previously reported liquidity covenant was removed as part of the revised RCF agreement.

As at 31 December 2023, the Group had Non-Property Net Debt (including non-property leases) of £66.4m, consisting of £59.0m drawn debt under the RCF, £8.9m of non-property leases and £1.5m of cash. Headroom under the RCF (drawn debt less cash) was £22.5m. Adjusted Leverage was 1.72 times and Fixed Charge Cover was 1.73 times.

Whilst the going concern assessment covers the period to the end of June 2025, the Directors have considered the fact that the Group's RCF facility is currently expected to expire in October 2025 and concluded that, based on regular discussions with participating banks and financial advisors, there is a realistic prospect that this will be extended or refinanced before that time.

Following the January and February 2024 peak trading period, closing membership at 29 February 2024 was 909,000 members, an increase of 7% on the position at 31 December 2023, demonstrating that consumers consider gym memberships to be a high priority purchase, despite the ongoing difficult economic environment; and that the low cost gym model remains resilient.

Despite the above, the Directors have continued to take a cautious approach to planning. The base case forecast for the period to 30 June 2025 anticipates continued growth in yields across the whole estate as a result of pricing optimisation actions that have already been taken and the impact of the new three-tier price product architecture rolled out in FY23. Modest increases in membership levels are driven largely by the sites opened in 2022 and 2023, and not by growth in the mature estate.

In addition, the Directors have continued to take a measured approach to new site openings throughout the plan period, with all new sites assumed to be self-financed. Under this scenario, the financial covenants are passed with headroom and the Group can operate comfortably within its financing facilities.

The Directors have also considered a severe downside scenario in which membership numbers in the mature estate decline by approximately 5% during 2024 and 3% thereafter. Yields continue to increase as a result of pricing optimisation actions already taken, but they do so at a lower level than under the base case. In addition, the number of new site openings is reduced to conserve cash and discretionary performance-related bonuses are removed.

Under this scenario, the financial covenants continue to be passed and the Group continues to operate within its financing facilities.

The Directors have also considered a reverse stress test scenario to ascertain the extent of the downturn in trading that would be required to breach the Group's banking covenants or liquidity requirements. Mitigating actions assumed in this scenario include moving to a minimum level of maintenance and technology capital expenditure; reducing controllable operating costs and marketing expenditure; and pausing the new site opening programme in order to preserve cash.

In this scenario, the closing membership would need to decline by 16% from February 2024 before the Fixed Charge Cover covenant would be breached in June 2025. The Group would, however, continue to operate within its current level of debt capacity and the Adjusted Leverage ratio would not be breached.

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

Conclusion

The Board has reviewed the financial plan and downside scenarios of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2025. As a result, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

In making this assessment, consideration has been given to the current and future expected trading performance; the Group's current and forecast liquidity position and the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios.

Viability

As stated in the going concern assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2025. However, in accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have also assessed the longer term viability of the Group, taking into account the Group's current position and the potential impact of the principal and emerging risks documented earlier in this report (including climate change risk) that would threaten its business model, future performance, solvency or liquidity.

The Directors have determined that the three year period to 31 December 2026 is an appropriate period over which to assess the Group's viability as:

- the Directors review a three year financial plan with management each year as part of an annual strategy review and the viability analysis is based primarily on this plan; and
- the period is sufficient to reflect the maturation of new sites opened in 2022 and 2023.

Whilst the viability review has considered all the principal risks identified by the Group, the Directors have concluded that the risks that would most materially threaten the Group's growth drivers, future performance, solvency or liquidity were operational gearing, member experience, the trading environment, our people, IT dependency and reliance on key suppliers.

Severe but plausible downside scenarios based on these risks were therefore created against which liquidity and debt covenant headroom analysis was performed. The Directors considered the fact that the Group's RCF facility of £80m is currently expected to expire in October 2025 and concluded that, based on regular discussions with participating banks and financial advisors, there is a realistic prospect that this will be extended to cover the whole of the viability assessment period.

The downside scenarios included modelling a severe but plausible decline in membership numbers compared with the base case plan and a significant increase in costs over and above that included in the base case plan. The Directors have also considered a reverse stress test scenario to ascertain the extent of the downturn in trading that would be required to breach the Group's banking covenants or liquidity requirements.

In the downside scenarios, the number of new site openings is reduced and discretionary performance-related bonuses are removed to ensure that all financial covenants continue to be passed and the Group continues to operate within its financing facilities.

In the reverse stress test scenario, additional mitigating actions assumed include moving to a minimum level of maintenance and technology capital expenditure; reducing controllable operating costs and marketing expenditure; and pausing the new site opening programme in order to preserve cash.

Having completed the above assessment, the Directors have concluded that the Group remains viable.

Strategic report
Stakeholder information

Non-financial and sustainability information

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



Reporting requirement	Where to find further information	Pages	Summary of relevant policies if applicable
Environmental matters	Sustainability report	38-53	Our environmental strategy is set out on page 50.
TCFD disclosures	Sustainability report	50-53	Our updated disclosures with regard to TCFD can be found on pages 50 to 53.
Employees	Sustainability report Chief Executive's review Principal risks and uncertainties - Our people	38-53 12-15 54-63	The Group has relevant training for all employees which is served via a training portal. Our employee-related policies and procedures which include our privacy notice, family-friendly and inclusivity policies and all work-related policies, are available to employees on the intranet.
Human rights	Sustainability report Modern slavery statement	38-53	It is prohibited for any employee or person working on our behalf to offer, give, request or accept any bribe. The Group has an Anti-Bribery and Anti-Corruption policy which sets out the relevant procedures. A copy can be found on our website at www.tggplc.com . The Company also has a Whistleblowing policy.
Social matters	Sustainability report	38-53	Our approach to diversity, equal opportunities and promoting wellbeing are set out on pages 40 to 45. Our Diversity and Inclusion manifesto can be found on our website at www.tggplc.com .
Business model	Business model	2	An explanation of the Group's business model can be found on page 02.
Principal risks	Principal risks and uncertainties	54-63	The Board has a process for considering the principal risks as set out on pages 54 to 55.
Non-financial KPIs	Key performance indicators ('KPIs')	30-31	The Board approves relevant KPIs for use as set out in the Strategic report on page 30.
Relationships with suppliers, members and others	Stakeholder information	64-69	The Group has a number of policies and procedures underpinning its commitment to high standards of business conduct, which are available to all employees on the intranet.



Strategic report

Stakeholder information continued

Engaging

with our stakeholders

Section 172 ('s172') of the Companies Act 2006 imposes on company directors a duty to act in the interests of a broad range of stakeholders including shareholders, employees, suppliers and local communities. A statement in respect of compliance with s172 is on page 110.

Who they are and why they matter	How we engaged during 2023	Outcomes of that engagement	How the Board considers the interests of our stakeholders
<p>Shareholders</p> <p>Our investors provide capital for growth, whilst providing challenge and feedback on our business model and plans for the future.</p>	<ul style="list-style-type: none"> Regular calls and meetings with our current and prospective shareholders. Dialogue with shareholder groups. Presentations given to shareholders upon the release of annual or interim results. Site visits with current and prospective shareholders, as well as for broker education. Feedback from our joint brokers following investor engagement and reports from brokers on market trends. Reporting to the Board as a whole on investor matters. Preparation of investor materials for results announcements. 	<p>The Board did not recommend any dividends in respect of the financial year 2022 and does not recommend any in respect of financial year 2023.</p> <p>The Chair of the Board held a number of one-on-one shareholder meetings to discuss queries on governance and strategic matters. This type of engagement helps our investors and shareholders to be better informed about our business.</p> <p>Shareholders were also keen to understand our remuneration decisions. The Board and Remuneration Committee Chair continued to consult with shareholders, to understand their views on key decisions, and we will continue this dialogue in future years.</p>	<p>The Board is kept informed of all responses received as part of shareholder consultations by management and the brokers.</p> <p>See 2023 dividend on page 27</p> <p>The Board welcomes questions from our shareholders at our Annual General Meeting ('AGM'). The arrangements for our 2024 AGM will be confirmed in the 2024 Notice of Meeting. In addition, John Treharne, the Chair of the Board, is also available to shareholders.</p> <p>The Board has committed to ongoing improvements in sustainability reporting.</p> <p>See Sustainability report on pages 38 to 53 and our website at www.tggplc.com.</p> <p>See Report of the Remuneration Committee on pages 92 to 107</p>

Who they are and why they matter	How we engaged during 2023	Outcomes of that engagement	How the Board considers the interests of our stakeholders
<p>Employees</p> <p>Our employees define our culture and values. Fostering an engaged workforce is central to our strategy, enabling us to deliver the exceptional service that keeps us at the forefront of our sector. Our friendly, inclusive and people-centred culture continues to be a key part of our success.</p>	<ul style="list-style-type: none"> Investment in a new employee engagement survey platform has enabled us to gain greater levels of insight and feedback on employee experiences working at The Gym Group. We launched our first survey in October 2023. Our Accelerate PT programme in partnership with the Department of Work and Pensions and the Prince's Trust enables us to provide the opportunity for people out of work to qualify for a Level 3 PT qualification and apply for a role in our gyms. Our Emerging Talent Programme gives Assistant General Managers and Fitness Trainers the necessary competencies to progress within operational management roles. 	<p>Our 'people first' approach contributed to our high engagement scores. We saw a 90% response rate and a high employee engagement score that placed us in the top 25% of consumer services benchmarking. Engagement feedback is utilised to implement improvement action plans.</p> <p>Accelerate PT outcomes 2023: since launching in May 2023, we have enrolled 45 trainees, 38 have completed their Level 3 Personal Trainer qualification and 39% have converted to Fitness Trainer roles in our gyms.</p> <p>We have continued to see great success with our Emerging Talent programmes, with a 66% promotion rate within the Emerging Talent management development programme and a 41% promotion rate within the Fitness Trainer Emerging Talent programme.</p>	<p>The Board has met regularly to consider, oversee and review progress on people-related actions. The engagement survey results are shared with the Board on a regular basis.</p> <p>All Directors visit several of our sites each year to support our teams and to listen and understand the needs of team in the gyms.</p> <p>In November 2023, we held our annual conference for all gym support and gym managers, enabling leaders to share information about the Company's future plans and engage with, energise and recognise our teams.</p>

<p>Members</p> <p>Being a high quality gym operator, we are the lowest cost 24/7 nationwide gym operator in the market. We continue to work on eliminating gym intimidation and providing comfortable, safe and accessible facilities, delivering on our purpose of breaking down barriers to fitness for all.</p>	<ul style="list-style-type: none"> A key part of our strategy and business model is to ensure we achieve high levels of member satisfaction in our gyms. As such, we measure this through overall satisfaction ('OSAT') scores, but also recognise the importance of additional channels such as Google reviews. Through OSAT scoring, we are able to identify member sentiment with regard to a range of factors including classes, condition of gym equipment, friendliness of staff and overall atmosphere. 	<p>We constantly monitor market trends and member demand; the launch of our three-tier pricing structure, in addition to our flexible gym format and design, ensures we provide facilities closely matched to member usage patterns, demographics and demands. In addition, we continuously innovate our fitness product and are the only UK nationwide low cost provider to offer HYROX training classes included with membership.</p> <p>At the end of 2023 we expanded our fitness product offering with the introduction of small group training, enhancing the support and resources our members can access to achieve their goals. In addition, the launch of a three-tier pricing structure enabled us to further broaden access to gyms and meet consumer demand.</p>	<p>We regularly review our member satisfaction scores at Board meetings.</p> <p>Directors use member feedback to identify ways in which our member experience can be improved or enhanced.</p> <p>The Board has overseen the roll out of a three-tier price product architecture, receiving reports on progress in addition to all other key initiatives.</p>
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Strategic report
Stakeholder information continued

Who they are and why they matter	How we engaged during 2023	Outcomes of that engagement	How the Board considers the interests of our stakeholders
<p>Suppliers</p> <p>Our partnerships with our suppliers ensure we source the best value goods and services for the benefit of our members.</p> <p>High standards of ethics and business conduct is an important part of being a responsible member of the communities in which we operate.</p>	<ul style="list-style-type: none"> We publish our Payment Practices Report twice a year and this is available to download from the government website. We published a Procurement Governance Policy in 2023 outlining the key requirements and guidelines for procurement activities in the business. In addition, we published a Code of Conduct on our website in 2023 which underpins our commitment to responsible procurement practices and the expectations we have on the suppliers we work with. 	<p>We maintained helpful and positive relationships with our suppliers.</p> <p>We maintain our properties to a high standard, maintaining good relationships with property management companies and behaving as responsible tenants.</p>	<p>The Board is committed to high standards of ethical business conduct.</p> <p>The policies and procedures relevant to business conduct are available to all employees.</p> <p>Executive Directors, on behalf of the Board, have worked with key suppliers to develop plans in accordance with business needs.</p> <p>The Board takes a zero-tolerance approach to bribery and corruption. It also reviews the Group's Modern Slavery Act Statement annually.</p>
<p>Communities</p> <p>Being a valuable part of the communities in which we operate is hugely important to us. Providing safe and affordable facilities is the foundation of fulfilling our purpose. Members exercising in our gyms creates Social Value for the communities in which we operate.</p>	<ul style="list-style-type: none"> Our low price model makes fitness more affordable and accessible and enables a larger proportion of the UK population to benefit from exercise. We have partnered with NHS Charities Together to raise funds for NHS charities around the UK. Our employees have two paid volunteer days per year which we encourage them to use either with local NHS charities or to support other community-based projects. We have worked closely with local authorities to ensure our gyms are safe places for communities to visit, partnering with two primary authorities for health, safety and environmental matters and fire safety. We continue to work towards a workforce that is reflective of the communities in which we operate and focus in particular on our leadership, where currently 11% are from BAME communities, with a target to increase this to 20% by 2030. We also have a near term target to increase the percentage of female leaders in our business to 40% by 2025. 	<p>We have set out further information on the outcomes of engagement throughout the report:</p> <p>See Good Health and Wellbeing section on pages 40 to 41</p> <p>In addition, during the period, there were 13 interactions with regulators from local authorities and fire and rescue services, all of which were concluded as satisfactory with no further action required.</p>	<p>The Board recognises the importance of contributing to wider society and considers it a vital part of achieving our purpose.</p> <p>The Board considers the long term impact of its operations as part of its sustainability strategy and has set up a Sustainability Committee that meets at least three times per year and reports directly to the Board.</p> <p>The Board considers diversity to be a focus for succession planning.</p> <p>See the Board's position on diversity on page 82</p>

Who they are and why they matter	How we engaged during 2023	Outcomes of that engagement	How the Board considers the interests of our stakeholders
<p>Environment</p> <p>The quality of our environment is central to society's health and wellbeing. Protecting the environment and minimising climate change is a collective responsibility and we recognise that we have to play our part in achieving this.</p>	<ul style="list-style-type: none"> Our SBTi targets have been validated and we are working towards decarbonising our Scope 1 and 2 emissions by 2035 and achieving net zero by 2045. We have set out our environmental strategy, activities and initiatives. See Sustainability report on pages 38 to 53 During the year, we reviewed the risks and opportunities relating to climate change and expanded on our 2022 TCFD report. See TCFD report on pages 50 to 53 	<p>We are proud to be the first gym chain in the world with a validated SBTi target. As part of our net zero commitment to SBTi we have also committed to:</p> <ul style="list-style-type: none"> reducing Scope 3 GHG emissions covering purchased goods and services, capital goods, fuel and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, and employee commuting by 55% per gym by 2030 (from the 2019 base year); and ensuring that 25% of our suppliers by spend, covering purchased goods and services and capital goods, will have science-based targets by 2028. 	<p>Our Board and Executive Committee remain fully committed to identifying and addressing the immediate and longer term climate-related impacts on our business. Our Board has overall accountability for managing the business risks and opportunities posed by climate change.</p> <p>The Sustainability Committee meets at least three times per year and reports directly to the Board.</p> <p>Responsibility for monitoring and overseeing the Group's climate-related progress is delegated to the Chief Development and Sustainability Officer.</p>
<p>Lending banks</p> <p>Our lending banks provide funds for growth and day-to-day working capital to enable us to operate and grow our business to its full potential.</p>	<ul style="list-style-type: none"> During the year, we provided regular updates on the Group's financial performance, including performance against agreed debt covenants. Management met with the lending banks to discuss the Group's current trading performance and the three year plan, with a view to agreeing an extension to the Revolving Credit Facility ('RCF') and other changes. 	<p>In September 2023, the Group agreed with its lenders certain changes to the Group's RCF, including a one-year extension of the facility to October 2025, the replacement of Sabadell with Barclays in the syndicate, and various amendments to the covenants, including the removal of the liquidity covenant.</p> <p>See Financial review on pages 22 to 29</p>	<p>Management held regular meetings/calls with lending banks during the year to enable them to be updated on the progress and performance of the business.</p> <p>Representatives from the lending banks are invited to our half year and full year results presentations.</p> <p>In financial plans discussed by the Board, analysis is presented on how these plans would impact debt covenants in order to ensure that the interests of the lending banks are protected.</p> <p>The Board's annual going concern and viability assessment is performed with specific reference to the level of borrowings required under different scenarios and the impact of such scenarios on debt covenants.</p>



Governance report

Introduction from the Chair of the Board



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

John Treharne | Chair of the Board

Dear Shareholder

I am pleased to introduce the 2023 Governance report on behalf of the Board. The Governance report forms part of the Directors' report.

Purpose and culture

The Gym Group's purpose is to break down barriers to fitness for all, and the Board fully supports and promotes this by conducting its business according to our core values: taking the first step, realness, friendliness and challenging your limits. In addition, we strive to consider the interests of our stakeholders when making decisions. In a transitional year that involved management and strategic change, the Board and management have worked to ensure that the Group remains focused on its strengths and protects its people and stakeholders. The Board's activities during 2023 are described on page 78.

Board composition

Whilst 2023 has been a year of transition with significant Board and management change, as Chair of the Board, it is my role to ensure that we have the right balance of skills, experience, knowledge and perspectives around the table to ensure robust debate, constructive challenge and positive engagement on strategy. It is also important that all Board members receive a full, formal and tailored induction and receive the information and access to resources they need to carry out their duties and responsibilities. During 2023, our new Board members completed, or are in the process of completing, their inductions, details of which are in the Report of the Nomination Committee on pages 80 to 83.

In September 2023, following a thorough recruitment process, we welcomed Will Orr to the Board as our new Chief Executive Officer. In addition, in February 2023, we also welcomed Simon Jones to the Board as a Non-Executive Director ('NED') and member of our four Committees. As announced in January 2023, Richard Darwin stepped down from the Board in March 2023, David Kelly stepped down from the Board in May 2023 and Emma Woods stepped down in December 2023. Post year-end, Ann-marie Murphy stood down and left the business in January 2024.

Further information on the activities of the Nomination Committee can be found on pages 80 to 83.

Independence and responsibilities

The independence status of the Directors is set out on page 78. To preserve Board balance, all of our Non-Executive Directors have the same responsibilities, which are further explained in this report on pages 76 to 77, and include engaging in Board discussions, making sufficient time available to carry out their roles and responsibilities and acting in accordance with their duties.

Shareholder engagement

With 2023 being a year of transition and significant change, I spent time with shareholders on several occasions, to understand their views on strategy, Board composition and remuneration. Further details of our shareholder engagement activities can be found in our s.172 statement on pages 66 to 69.

Talent, diversity and succession

In 2023, we have increased our focus on succession and talent management for the Board and Executive Committee and throughout the business by focusing on conducting robust talent sessions looking at performance, critical talent, development and succession planning. This is reviewed by the Nomination Committee and by the Board as a whole and any necessary actions are then put in progress. These talent sessions also allow a focus on the progress made with regard to our diversity targets. Progress has been made in 2023 on filling key senior management roles and in ensuring we have the best possible talent and resource within the business.

Sustainability

We continue to improve and enhance our sustainability reporting, as is set out in the Sustainability report on pages 38 to 53. Our Sustainability Committee supports and promotes our sustainability strategy, ensuring that sustainability matters are supported by robust governance streams and the Board considers sustainability matters as central to its discussions and considerations. In 2023, we continued to make further progress on measuring the Social Value generated by our members exercising in our gyms.

AGM

Our AGM is planned for 9 May 2024, and I look forward to meeting shareholders there.

John Treharne

Chair of the Board
13 March 2024

UK Corporate Governance Code compliance statement

The UK Corporate Governance Code 2018 (the 'Code') is the key governance measure to which we referred to during the financial year up to 31 December 2023. The Code can be found at www.frc.org.uk.

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

Provision 5

The Board recognises that, following the departure of Rio Ferdinand in August 2022, it did not have a designated Non-Executive Director, a formal workforce advisory panel or a Director appointed from the workforce in 2023. The Board felt that, with 2023 being a transitional year with regard to inducting a new CEO and CFO, and with significant management and strategic change, the Chief People Officer ('CPO') would be the individual most suited to engaging with the workforce.

During 2023, the CPO regularly reported to the Board on key areas of activity which included: (a) gender diversity; (b) Group culture; (c) talent strategy; and (d) people priorities. The Board considers that this method of reporting was appropriate and effective as the CPO was well connected to the wider business by virtue of her additional role, being that of Chief Operating Officer. In February 2024, the Nomination Committee reviewed the arrangements for engaging with the workforce given that the CPO left the Company in January 2024 and agreed that John Treharne would act as the designated Non-Executive Director for workforce engagement matters supported by Simon Jones. The Committee felt that John, as the founder of the business, would be best placed to take on this role supported by Simon who has extensive experience in people engagement matters.

Provision 9

John Treharne, Executive Chair of the Board from January 2023 to September 2023, was not considered independent on appointment as Chair in July 2022 as he was the founder of The Gym Group and formerly held the positions of CEO until September 2018 and Founder Director until July 2022. Prior to the appointment of Will Orr as CEO in September 2023, the Board believed that it was in the best interests of the Group for John to hold the role of Executive Chair for a limited period of time to support the transition to a new CEO. The Board believed that this exceptional arrangement was appropriate, as John's unrivalled knowledge of The Gym Group and Board tenure offered stability and consistency for the Board and support for the Executive Directors during a period of significant change – no risks associated with non-compliance with the Code were identified as the appointment was short term in nature. In September 2023, with the appointment of Will Orr as CEO, John stood down from the position of Executive Chair.

2023 Governance report

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

Compliance with the Code Board leadership and Company purpose

More information can be found on page 75.

Division of responsibilities

More information can be found on page 76.

Composition, succession and evaluation

More information can be found on pages 80 to 83.

Audit, risk and internal control

More information can be found on pages 84 to 89.

Remuneration

More information can be found on pages 92 to 107.



Governance report
Board of Directors



John Treharne
Chair of the Board

Committees

N S

Career

John founded The Gym Group in 2007 and has over 30 years' experience in the health and fitness industry.

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

John was appointed Chair of the Board and the Nomination Committee in July 2022, and took on the role of Executive Chair in January 2023, with a focus on supporting the transition to a new CEO. John stood down as Executive Chair in September 2023 when Will Orr joined the Board as CEO.

Board skills and experience

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

Other appointments

ukactive
Board member
EuropeActive
Board member



Will Orr
Chief Executive Officer

Committees

S

Career

Will joined The Gym Group as Chief Executive Officer ('CEO') in September 2023. Will was formerly MD of Times Media Limited, publisher of the Times and Sunday Times, and previously held Managing Director roles for RAC and British Gas (Centrica Plc). Will is a Fellow of the Marketing Society and has an MBA from London University.

Board skills and experience

Will brings significant experience developing and delivering sustainable customer growth strategies (including pricing, proposition, digital marketing, and retention strategies) as well as operational expertise in businesses where customer experience is critical.

Other appointments

None



Luke Tait
Chief Financial Officer

Committees

Career

Luke is the Group's Chief Financial Officer ('CFO') and joined The Gym Group in October 2022. Luke was formerly Group CFO of Nando's Group Holdings Limited, the global restaurant business, which he joined in 2017. Prior to this, he held various finance roles at SSP plc, including CFO of the UK and US businesses and Group Corporate Finance Director, finishing his time as Group Financial Controller. Luke is a chartered management accountant.

Board skills and experience

Luke brings a broad experience to the Board from global leisure businesses to lead the finance function. In his first full year as CFO in 2023, Luke has worked with the leadership and stakeholders across the business to ensure the Group is well placed to capitalise on the significant market opportunities ahead.

Other appointments

None



Elaine O'Donnell
Senior Independent Director

Committees

N A R S

Career

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

Board skills and experience

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

Other appointments

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



Wais Shaifta
Non-Executive Director

Committees

N A R S

Career

Wais is currently CEO of PrivateDoc and has substantial e-commerce expertise from a number of leading online businesses. Prior to his current role, Wais was CEO at Push Doctor, one of the leading digital healthcare companies in Europe, working in partnership with the NHS to connect thousands of patients a week with clinicians. Before joining Push Doctor, Wais was Director of Global Operations at Treatwell, and prior to that was International Operations Director at Just Eat.

Board skills and experience

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

Other appointments

PrivateDoc
CEO
Reach plc
Non-Executive Director
Samaipata
Operating Partner
Snappy Group
Non-Executive Director



Richard Stables
Non-Executive Director

Committees

N

Career

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

Board skills and experience

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

Other appointments

Fulcrum Advisory Partners LLP
Partner
Blantyre Capital
Senior Advisor
Archer Ltd
Non-Executive Director



Simon Jones
Non-Executive Director

Committees

N A R S

Career

Simon is CEO of Away Resorts and, prior to this role, was Managing Director for Premier Inn and Restaurants, UK and Global Commercial Director at Whitbread, leading the UK business for Premier Inn and Whitbread's portfolio of restaurant brands since 2016. Simon was also Marketing and Strategy Director at Premier Inn and, before joining Whitbread in 2012, had over 15 years' experience as a strategy consultant, working with a variety of clients across the retail and hospitality space, latterly as a partner at OC&C Strategy Consultants.

Board skills and experience

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

Other appointments

Away Resorts
CEO

During the year, David Kelly and Emma Woods stood down as Non-Executive Directors. Richard Darwin, formerly CEO, stood down on 24 March 2023 and on 31 January 2024, Ann-marie Murphy, formerly COO, also stood down from the Board.

Simon Jones was appointed a Non-Executive Director on 6 February 2023 and Will Orr was appointed CEO and joined the Board on 1 September 2023.

Committees

- N Nomination Committee
- A Audit and Risk Committee
- R Remuneration Committee
- S Sustainability Committee
- C Chair

Governance report
Executive Committee



David Melhuish
Chief Development and Sustainability Officer

Committees

S

Career

David joined The Gym Group in April 2013 and has been critical to the rapid growth of the estate and ongoing strategic expansion. In 2021, David was promoted to Chief Development and Sustainability Officer and is responsible for delivery and support of The Gym Group's high quality gym estate, as well as developing, implementing, and leading our sustainability strategy. David acts as an ambassador for all sustainability-related matters at The Gym Group, both internally and externally. He ensures the business is well positioned to meet its designated sustainability reporting and disclosure obligations, as well as wider corporate targets.

David was previously the Head of Development at Central England Co-operative.



Milan Juza
Chief Technology Officer

Career

Milan joined The Gym Group in March 2023 to lead the Technology and Product function. Prior to joining the Group, Milan led a global e-commerce technology team at TUI Group and also brings a wealth of technology leadership and digital product delivery experience from several industries including telecoms, media, and financial services.

During his career, Milan led and successfully delivered several large-scale technology and business transformation initiatives as well as numerous market-leading innovations and services. Milan is passionate about building and growing high-performing teams and organisations, creating real business advantage through technology, and helping organisations to grow business agility.



Nick Shelmerdine
Director of Strategy and Corporate Development

Career

Nick is The Gym Group's Director of Strategy and Corporate Development. Nick joined The Gym Group in November 2021 and was formerly Associate Partner at OC&C Strategy Consultants and MD of Delivery at The Restaurant Group plc, focused on building a food delivery business and major transformation projects. Nick brings his expertise in growth strategy, M&A, business development and change in the consumer and leisure space to the Executive Committee.

During his time at The Gym Group, Nick has been crucial in the development of the strategic direction of the business. Nick delivers a more forward-looking approach to decision-making to evaluate and seize new growth opportunities.



Ruth Jackson
Chief People Officer

Career

Ruth joined The Gym Group as People and Development Director in October 2022 and was promoted to Chief People Officer in December 2023. Ruth has held a number of senior HR positions in leading leisure and hospitality businesses, including People Director for Zizzi Restaurants (Azzurri Group), People Director at Cote Brasserie and spent over 11 years at Whitbread in a variety of HR roles.

Ruth brings wide HR and operational experience to drive employee engagement and foster a positive team culture to support business growth. During her time at The Gym Group, Ruth has realigned the People team to deliver high value support to all areas of the business, focusing on creating high performing teams through talent performance, development and retention.

During the year, Jasper McIntosh and Emily Kortlang both stood down and Ruth Jackson was appointed as Chief People Officer in December 2023.

How the Board and Executive Committee work together

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

Will Orr, CEO and Luke Tait, CFO, are also members of our Executive Committee, and their biographies are on page 72. Ann-marie Murphy was part of the Executive Committee during 2023 until she left the Company in January 2024.

Committees

- N Nomination Committee
- A Audit and Risk Committee
- R Remuneration Committee
- S Sustainability Committee
- C Chair

Governance report
Corporate Governance report

Board leadership and business purpose

Governance

Role of the Board

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

The Board also carefully considers its wider stakeholders, including colleagues, customers and suppliers, when making decisions. Further information can be found in our s.172 statement on pages 66 to 69.

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

The Board is also responsible for ensuring that effective internal control and risk management systems are in place. The matters reserved for the Board can be found on our website.

Board Committees

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

Governance structures as at 31 December 2023

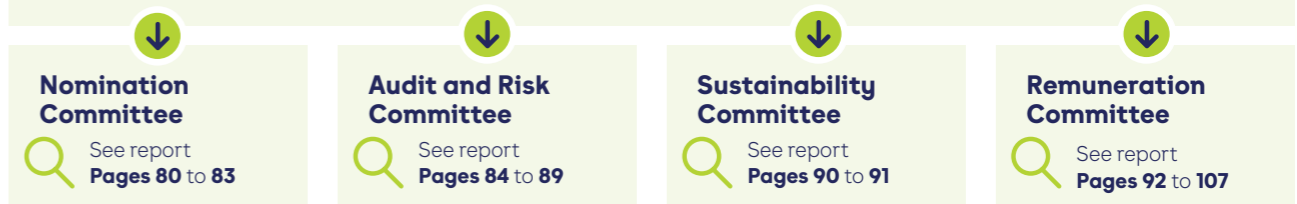
The Board

The schedule of matters reserved for the Board includes the consideration and approval of:

- the Group's strategic aims, objectives and commercial strategy;
- review of performance relative to the Group's business plans and budgets;
- major changes to the Group's corporate structure, including acquisitions and disposals;
- material capital expenditure;
- the financial statements, Group dividend policy and interim results;
- major changes to the capital structure, including tax and treasury management;
- major changes to accounting policies or practices;
- the system of internal control and risk management policy;
- the Group's overall risk appetite; and
- the Group's corporate governance and compliance arrangements.

Board Committees

The Board formally delegates certain matters to one of the Committees set out below.



Governance report

Corporate Governance report

continued

Division of Board responsibilities

The Board and its Committees have a scheduled forward programme of meetings, aligned to the updated strategy, to ensure that sufficient time is allocated to each key area and the Board's time is used effectively. As at 31 December 2023, our Board comprised four Independent Non-Executive Directors, of which one acts as Senior Independent Director, one non-independent Non-Executive Director, three Executive Directors and the Chair. Each of their responsibilities is listed on pages 76 to 77 and more information on their specific contributions to the business can be found in their biographies on pages 72 to 73.

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

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

The Chair of each Committee also provided a detailed summary of the key matters discussed at each of their respective Committee meetings at the Board meeting following the relevant Committee meeting.

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

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

Roles and key responsibilities

Chair of the Board

- John Treharne was appointed Chair of the Board in July 2022, and Executive Chair in January 2023, for a limited period to support the transition to a new CEO. John stood down as Executive Chair in September 2023. John's responsibilities include:
- The leadership, effectiveness and governance of the Board.
 - Setting the agenda, style and tone of Board discussions with a particular focus on strategic matters.
 - Ensuring each Non-Executive Director makes an effective contribution to the Board.
 - Ensuring that the Directors receive accurate, timely and clear information.
 - Chairing the Nomination Committee.
 - Promoting a culture of openness and debate.
 - Facilitating constructive Board relations.

Chief Executive Officer ('CEO')

- Will Orr's responsibilities as Chief Executive Officer include:
- Proposing the strategic objectives of the Group for approval by the Board and delivering the strategic and financial objectives in line with the agreed purpose and strategy.
 - Leading the Executive Committee and senior management in managing the operational requirements of the business.
 - Providing clear and visible leadership of our shared values.
 - Responsible for the effective and ongoing communication with colleagues and shareholders.

Chief Financial Officer ('CFO')

- Luke Tait's responsibilities as Chief Financial Officer include:
- Working with the Executive Directors and Executive Committee to develop and implement the Group's purpose and strategic objectives.
 - Monitoring and reporting on the financial performance of the Group.
 - Ensuring that the Group remains appropriately funded to pursue the strategic objectives.
 - Investor relations activities and communications with shareholders.
 - Financial reporting including the preparation of the Annual Report and Accounts.

Roles and key responsibilities continued

Senior Independent Director ('SID')

- Elaine O'Donnell became the SID in January 2024 when Emma Woods stood down in December 2023. Elaine's responsibilities include:
- Acting as a sounding board for the Chair of the Board and serving as an intermediary for the other Directors as necessary.
 - Acting as lead independent Non-Executive Director.
 - Leading the Non-Executive Directors in the performance evaluation of the Chair of the Board, with input from the Executive Directors.
 - Being available to meet with shareholders in the event that the Chair of the Board or the Executive Directors are unavailable.

Non-Executive Directors

- Responsibilities of the Non-Executive Directors include:
- Constructively challenging management proposals and providing advice in line with their respective skills and experience.
 - Helping develop proposals on strategy.
 - Having a prime role in appointing and, where necessary, removing Executive Directors.
 - Having an integral role in succession planning.

Company Secretary

- The Company Secretary function carries out the following responsibilities:
- Supporting the Chair of the Board and the Non-Executive Directors with their responsibilities.
 - Advising on regulatory, compliance and corporate governance matters.
 - Facilitating individual induction programmes for Directors and assisting with their development as required.
 - Communications with shareholders and organisation of the AGM.
 - Facilitating training for Board members.

Board meetings

The Board's programme of meetings allows key areas of focus to be established and reviewed on a regular basis. Scheduled Board meetings are predominantly held in person, with additional virtual and hybrid meetings facilitated where required. Management teams and colleagues attend to support the Board's assessment of performance, discuss progress and agree key priorities.

When unable to attend a meeting, a Director receives papers and has the opportunity to feed back comments in advance to John Treharne, the Chair of the Board, or the respective Committee Chair. The below table shows the attendance of Directors at scheduled Board meetings in 2023.

	Board	Nomination Committee	Audit and Risk Committee	Remuneration Committee	Sustainability Committee
John Treharne	9/9	2/2			4/4
Will Orr ¹	3/9				2/4
Luke Tait	9/9				
Wais Shaifta	9/9	2/2	3/4		4/4
Emma Woods ²	8/9	2/2	4/4	5/6	
Ann-marie Murphy ³	9/9				
Elaine O'Donnell ⁴	9/9	2/2	4/4	6/6	3/4
Richard Stables	9/9	2/2			
Simon Jones ⁵	8/9	1/2	3/4	4/6	3/4
Richard Darwin ⁶	2/9	1/2			1/4
David Kelly ⁷	2/9	1/2	2/4	3/6	1/4

1 Will Orr joined the Board on 1 September 2023.
 2 Emma Woods stood down from the Board at the close of business on 31 December 2023.
 3 Ann-marie Murphy stood down from the Board on 31 January 2024.
 4 Elaine O'Donnell joined the Sustainability Committee on 3 April 2023.
 5 Simon Jones joined the Board on 6 February 2023.
 6 Richard Darwin stood down from the Board on 24 March 2023.
 7 David Kelly stood down from the Board on 11 May 2023.

Governance report

Corporate Governance report

continued

Director independence

In line with the Code, John Treharne, Chair of the Board, was not deemed independent on appointment having previously been an Executive Director of the Company. Non-Executive Directors Wais Shaifta, Emma Woods, Elaine O'Donnell, David Kelly and Simon Jones all of whom served during the year, were determined to be independent on and during their appointments. As a result of his connections with one of the Company's major shareholders, Richard Stables was not considered independent on appointment to the Board.

The independence of the Non-Executive Directors is closely monitored by the Board on an ongoing basis and the Corporate Governance Code statement which includes information on the Board's decisions on independence is set out on page 71.

Cross directorships

Elaine O'Donnell and David Kelly, who stood down from the Board in May 2023, both serve as Non-Executive Directors on the board of On The Beach plc.

How the Board spent its time

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

Board skills and composition Information and support

An agenda and accompanying pack of detailed papers are circulated to the Board prior to the meeting, usually a week in advance, via a secure digital app. Given the fast-paced nature of the business, certain relevant information, such as latest trading data up to the prior day, is shared with Directors at Board meetings. These include reports from Executive Directors on their areas of responsibility and additional reports from other members of senior management and external advisers. Members of senior management are often invited to present relevant matters to the Board. All Directors have direct access to senior management should they require additional information on any of the items to be discussed, and the Company Secretary, should they wish to discuss governance, procedural or administrative matters. The Board and the Audit and Risk Committee also receive regular and specific reports to allow the monitoring of the adequacy of the Group's system of internal controls.

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

Training and development

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

Re-election of Directors

The Board considers all Directors to be effective, committed to their roles and to have sufficient time to perform their duties. In accordance with the Articles of Association, all Directors will offer themselves for election or re-election at the Company's AGM in May 2024.

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

Directors' conflicts of interest

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

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

Relationship with shareholders

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

The Board is committed to maintaining good communications with existing and potential shareholders based on the mutual understanding of objectives. During the year, the Group had regular dialogue with institutional shareholders in order to develop an understanding of their views which was communicated back to, and discussed with, the Board. These discussions were primarily led by the Chair in the early part of the year with the Chief Financial Officer also taking part where necessary and, once Will Orr joined the Company in September 2023, he also met with several shareholders as part of his induction programme.

These discussions covered strategy, governance matters, business performance, results (at the year-end and half year) and remuneration. Through these meetings, the views of shareholders are brought to the attention of the Board and are discussed at Board meetings when deemed appropriate. Management also conducts meetings with institutions that focus on private clients, as a way of extending the Company's shareholder base.

The Chair, CEO and CFO spoke with shareholders during the year on a number of matters which included executive remuneration and further details of this engagement is set out in the Report of the Remuneration Committee on pages 92 to 107.

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

Presentations were given to analysts and investors as part of the annual and interim results roadshows. Further information for investors is included in the investors' section of the Group's website at www.tggplc.com. The CEO and CFO hold presentations at the half year and full year results, with such presentations being made available as audio recordings on the investor website. Other members of management such as the COO attended where appropriate.

The Group also maintains a holistic timetable of press engagement on commercial and corporate matters, which is managed through Instinctif Partners.

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

Strategy

- Strategy refresh and approval
- Site approvals and pipeline reviews
- Consideration of sustainability matters
- Performance management and talent review of executive management
- Functional reports including People and Operations
- Trading environment reviews and consideration of market conditions
- Stakeholder engagement including updates on feedback received from investors
- Pricing and member plan review

Financial

- Business performance, including trading updates and the market's response to announcements
- Preparation of the Annual Report and Accounts, full and half year announcements
- Engagement with the Group's banks
- Updates on capital markets activities
- Budget and financial planning

Technology

- Improved app and mobile web experience
- Technology investment and improvements

Governance

- Approval of the Annual Report and Accounts
- Annual AGM plans
- Succession planning and Board composition, independence and roles and responsibilities
- Diversity and inclusion matters
- Onboarding and development of new Directors
- Board training and development
- Remuneration policy considerations

Governance report

Report of the Nomination Committee



“We have seen significant changes this year but believe we are building a strong Board that is well placed to continue growth, focus on our unique capabilities and strengthen us for the future.”

John Treharne | Chair of the Nomination Committee

Committee members

Chair of the Committee	John Treharne
Committee members	Wais Shaifta Elaine O'Donnell Richard Stables Simon Jones*

Number of meetings held in 2023 **2**

* Simon Jones joined the Committee in February 2023. Emma Woods stood down in December 2023.

Dear Shareholder

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

The Committee has a key role in ensuring that the Board and the broader business has the right people with the skills and experience needed so that the business is set up for success.

Whilst 2023 has been a positive year, it was also a transitional year which saw significant management change. To that end, I am delighted that the Company welcomed Will Orr as our new CEO in September 2023. Will's appointment has been a crucial step in our strategic journey and he has made significant impact in the short time that he has been with us. Page 81 sets out further details on the process by which Will was identified and appointed.

Roles and responsibilities

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

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

Objectives

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

Committee areas of focus in 2023

- Oversaw the search for and appointment of a new CEO, Will Orr, and oversaw his full, formal and tailored induction programme (see below for further details).
- Oversaw the search for and appointment of a Non-Executive Director in 2023 resulting in the appointment of Simon Jones.
- Reviewed the composition of the Board and its Committees and continued with the ongoing review process of Board rotation and succession which included the Executive Committee and the senior management team.
- Oversaw progress on diversity and inclusion initiatives which included a target of having 20% of senior managers from Black, Asian and minority ethnic backgrounds.
- Reviewed the strategies in place to develop talent, in particular, a newly created reverse mentoring and coaching programme.
- Reviewed the appropriateness of the alternative arrangements in place as regards Provision 5 of the Code (workforce engagement).
- Considered relevant corporate governance matters relating to composition of the Board on an ongoing basis.

- Recommending to the Board the appointment of Elaine O'Donnell as Senior Independent Director following the resignation of Emma Woods in December 2023 after seven years.
- Recommending to the Board the appointment of Wais Shaifta as Remuneration Committee Chair with effect from 1 January 2024 following the resignation of Emma Woods.

Succession planning at Board level

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

In February 2023, Simon Jones joined the Board as a Non-Executive Director. Simon brings extensive commercial, operational and strategic experience, broadening and deepening the Board's overall skillset.

David Kelly and Emma Woods both stood down in 2023 as part of effective succession planning and the rotation of Directors on the Board.

Search for a new CEO

In early 2023, we conducted an extensive market search for a new CEO. A sub-Committee of the Board comprising me; our Senior Independent Director at the time, Emma Woods; and Richard Stables had discussions with various executive search agencies and the sub-Committee agreed that Odgers Berndtson ('Odgers') be appointed to lead the search for a new CEO. The sub-Committee felt that Odgers, having already worked with the Company on Non-Executive Director recruitment previously, had a good understanding of the business and a strong pipeline to draw from.

Odgers led a thorough process based on the requirements set by the Committee, which was overseen by Emma Woods and a Board-approved sub-Committee, which reviewed the shortlist and conducted initial interviews.

Once the first round of interviews was complete, the sub-Committee proposed various candidates for the rest of the Board to meet. Ultimately, the process continued until we had reached a position where there were two strong candidates for the final stage where both candidates were invited to provide a presentation to the Board before a final decision was made. All Board members were engaged in the process and all of them met the two final candidates, some on several occasions. Overall it was felt that Will Orr would be the best fit for the Company for its next stage of growth.

Once Will was appointed, a tailored induction plan was created, which included a 100 day plan, and Will was able to dedicate time, ahead of joining, to meet the team which was an ideal opportunity for him to start to build relationships and understand the culture of the business before commencing. Will formally joined the Company on 1 September 2023.

Succession planning beyond the Board

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

In addition, the CEO regularly briefs the Board about the performance of individual Executive Committee members and any changes that he proposes to make to this team.

Governance report

Report of the Nomination Committee

continued

David Kelly and Emma Woods both stood down in 2023 as part of effective succession planning and the rotation of Directors on the Board.

Whilst this activity does not take place formally within the meetings of the Nominations Committee, it does form part of its work in overseeing Executive Committee development, the overall succession process and the pipeline of talent available for succession to the Board. Board members have regular contact with members of the Executive Committee and the wider senior management team, through formal Board presentations, attendance at annual strategy days, and regular visits to the head office and other Group sites, when Non-Executive Directors meet members of the Executive Committee and senior management team on a less formal basis. Non-Executive Directors also mentor and provide guidance to Executive Committee members as well as members of the senior management team, subject to the specific requirements of the mentee.

During the year, Jasper McIntosh and Emily Kortlang left the business and in January 2024 Ann-marie Murphy also left the business. Ruth Jackson was appointed as Chief People Officer in December 2023.

Workforce representation

As regards Provision 5 of the Code, the Committee recognises that the Company did not comply with this provision in 2023. However, during the year, Ann-marie Murphy as COO ensured that the views of the wider workforce were regularly represented by reporting on People and Operations which is a standing agenda item at each Board meeting – these views are fed into the Board’s decision-making process. In addition, the Sustainability Committee receives reports and information on workforce matters including equality, diversity and inclusion and team development initiatives.

The Committee reviewed the effectiveness of this alternative arrangement in 2023, and concluded that, as Ann-marie Murphy left the Group in January 2024, John Treharne would act as the designated Non-Executive Director for workforce engagement matters supported by Simon Jones.

The Committee felt that John, as the founder of the business, would be best placed to take on this role supported by Simon who has extensive experience in people engagement matters.

Diversity and inclusion

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

We will be publishing our annual Gender Pay Gap report on our website in March 2024. Our mean gender pay gap to is 0.6% (versus 3.3% in 2022). Our median pay gap remains consistent with 2022 reporting as most of our employees undertake the same role and are therefore on the same pay-rate, regardless of whether they are male or female. Our full published gender pay gap report, together with our ethnicity pay gap report, will provide further details on our figures and the actions we are taking to address these gaps.

As at 31 December 2023, the percentage of women on the Board was 33% and the Committee recognises that we did not meet the recommendations in Listing Rule 9.8.6 (9) (a) (i) – the requirement to have at least 40% of Board appointments held by a woman.

However, as 2023 has been a transitional year with significant management and strategic change, the Committee felt that it was right to prioritise the recruitment and on-boarding of a new CEO which would set the strategic direction of the Company.

Since the year-end, the percentage of women on the Board has reduced to 14% as Emma Woods stood down in December 2023 and Ann-marie Murphy left the business in January 2024.

The Committee feels that, after a period of significant change at Board level, a period of continuity and stability is appropriate whilst the new CEO becomes embedded in the business. Having said that, the Committee acknowledges that the composition of the Board is a matter that needs to be kept under constant review, especially in light of the diversity element, and will continue to evaluate the size and balance on the Board throughout 2024. We are pleased to confirm that we have met the recommendations in Listing Rules 9.8.6 (a) (ii) and (iii) in that the Senior Independent Director role was held by a woman throughout 2023, firstly by Emma Woods and, following her resignation in December 2023, Elaine O’ Donnell, and that the Company has a Board member appointed from a minority ethnic background in Wais Shaifta.

The Executive Committee’s direct reports, comprising our senior management team and certain heads of departments, have 44% (eight) female and 56% (ten) male members. We believe we are making progress towards a more diverse leadership in all areas, including gender and cultural diversity, and are working towards a more representative, diverse Board to reflect our workforce. We continue our commitment to diversity and inclusion through reviewing progress against our equality, diversity and inclusion pledges and projects focused on our purpose of breaking down barriers. Details of relevant initiatives can be found on pages 44 to 45.

The Group has collected the following data on the composition of the Board and Executive management relating to gender identity, sex of the individuals and the ethnic background as at 31 December 2023, as set out in the following tables:

Gender identity or sex of Board and Executive Committee members

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
Men	6	67%	3	5	71%
Women	3	33%	1	2	29%

Ethnic background of Board and Executive Committee members

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
White British or other White (including minority-white groups)	8	89%	4	7	100%
Asian/Asian British	1	11%	–	–	–

Governance processes

The Committee meets at least twice a year and at such other times as the Chair of the Committee or any member of the Committee may request. In 2023, the Committee met twice and attendance at the meetings is shown in the table on page 77.

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

In 2023, both Will Orr and Simon Jones worked through their full, formal and tailored induction programmes, which included site visits and gym tours, in-person and virtual Board meetings, a Board off-site meeting, and meetings with senior management and Group advisers. In their first year as Directors, all of our new colleagues have demonstrated great commitment to both learning and sharing the benefit of their extensive experience.

Board effectiveness review

We held an internal Board effectiveness review in November 2023, where a number of actions were identified, reported and discussed at the Board’s meeting in February 2024. The review process comprised the completion of an anonymous questionnaire covering the various aspects of the activities of the Board and its Committees. Board members valued the feedback of their peers and the Board has drawn up a plan to implement appropriate changes based on the recommendations of the report.

In addition, the Non-Executive Directors led by the Senior Independent Director, completed an evaluation of my performance as Chair in December 2023 and concluded that I was effective as Chair.

I look forward to meeting shareholders at the AGM on 9 May 2024.

John Treharne

Chair of the Nomination Committee
13 March 2024

Governance report

Report of the Audit and Risk Committee



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

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

Committee members

Chair of the Committee	Elaine O'Donnell
Committee members	Wais Shaifta Simon Jones*
Number of meetings held in 2023	4

* Simon Jones joined the Committee in February 2023. Emma Woods stood down from the Committee when she left on 31 December 2023.

Dear Shareholder

I am pleased to present the **Audit and Risk Committee (the 'Committee') report for the year ended 31 December 2023. This report is intended to provide shareholders with an insight in to how key topics were considered during the year, the activities of the Committee and how the Committee discharged its responsibilities in 2023.**

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

Whilst the business performed well during the period, 2023 saw ongoing disruption from economic and geopolitical instability. As with many UK consumer businesses, the Group continued to face an increased cost base from utilities, the supply chain and our workforce at a time when our customers faced financial hardship due to the continued cost-of-living crisis. Despite this challenging economic backdrop, the Group has shown good financial performance and has continued to make improvements to its internal controls throughout the year. I am also pleased to report that the full year audit process has been conducted according to plan and on time, and I would like to thank the Finance team and Ernst & Young LLP ('EY') for the planning and commitment that contributed to this.

Composition and Governance of the Committee

The Committee currently comprises three independent Non-Executive Directors (listed below with their appointment dates) who bring a wide range of financial and commercial expertise relevant to our market. Summary biographies of each Committee member are included on pages 72 to 73.

Committee Member	Appointment to the Committee
Elaine O'Donnell (Chair)	30 August 2022
Wais Shaifta	11 May 2021
Simon Jones	6 February 2023

Both David Kelly and Emma Woods were members of the Committee until they stood down in 2023.

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

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

Luke Tait, as Chief Financial Officer, has responsibility for all aspects of financial reporting, internal control and risk management. At the request of the Committee, Luke has attended all Committee meetings and updated the Committee on key matters.

The Company Secretary is Secretary to the Committee.

In 2023, the Committee met four times. Attendance at the meetings is shown in the table on page 77. In March 2023 and 2024, the Committee held a private session with the external auditor without members of management being present.

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

Role and responsibilities of the Committee

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

This includes:

- Reviewing the Group's annual and half year financial statements and accounting policies.
- Monitoring the integrity of the Group's financial statements and related announcements, including reviewing and challenging any significant financial reporting judgements contained therein.

- As requested by the Board, assessing whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- Reviewing the Group's risk management framework, including principles, policies, methodologies, systems, processes, procedures and people; and advising on the Group's risk appetite.
- Monitoring compliance with internal control systems; reviewing the overall effectiveness of the Group's system of internal control and risk management and making recommendations to the Board for improvements or developments.
- Regularly reviewing the need for an internal audit function to help in evaluating the robustness of current internal control systems.
- Agreeing the external auditor's engagement terms, scope and fees; monitoring and reviewing the effectiveness and independence of the external auditors; and ensuring appropriate policies are in place to protect independence.
- Advising on the appointment of the external auditor and the extent and fees for any non-audit services provided.
- Reviewing the effectiveness of the Group's whistleblowing, anti-bribery and fraud prevention processes.

Governance report

Report of the Audit and Risk Committee

continued

Summary of principal activities and focus in 2023

The principal activities since the last report were as follows:

- Review and recommendation for approval by the Board, the 2023 half year results including the investor presentation.
- Review and recommendation for approval by the Board, the 2023 full year results including the investor presentation.
- Consideration of significant accounting matters and judgements in relation to the financial statements. This included consideration of management's approach and the related comments of the external auditor.
- Consideration and recommendation of the Group's going concern and viability statements.
- Evaluation of the reporting requirements of the TCFD framework and agreeing the scope and review of the reporting for climate-related financial disclosures.
- Consideration of the Code requirements concerning fair, balanced and understandable reporting.
- Consideration of the Group's risk management review, including assessment of the principal risks and risk appetite statement, and approval of the principal risks and uncertainties report.
- Assessment of the effectiveness of risk management and internal control systems.
- Review of compliance with, and continuing suitability of, the Committee's terms of reference, approving minor updates.
- Oversight of the operation of the Group's Whistleblowing and Anti-Bribery policies, including training for all staff.

- Verification of the independence of the external auditor and approving the scope of the audit plan and the audit fees.
- Discussions with the external auditors without management present.
- Engagement with the Financial Reporting Council ('FRC') in relation to their review of the Company's Annual Report and Accounts for the year ended 31 December 2022, in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures.

Significant issues and judgements relating to the financial statements

The Committee has the responsibility to monitor the integrity of the Annual Report and Accounts and the Interim Results, including a review of the significant financial reporting matters and judgements contained in them.

At its meeting in September 2023, the Committee reviewed a comprehensive paper prepared by the Finance Director, which analysed the Group's results for the half year and highlighted any significant issues and judgements arising in the preparation of the Group's half year financial statements. In early 2024, an updated paper was prepared and reviewed, which supported the preparation of the Group's Annual Report and Accounts 2023. It also provided information to support the Directors' viability and going concern statements. The Committee also considered a paper prepared by the external auditor, which included their findings in respect of the audit of the full year financial statements and significant reporting and accounting matters therein.

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

Annual impairment testing

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

The CGUs identified by management for both goodwill and other asset impairment testing in 2023 are consistent with those identified in the prior year and discussed in detail in the Committee report that was included in the 2022 Annual Report and Accounts. Nothing has come to light in the year, or fundamentally changed in the way the business operates, to suggest this would no longer be appropriate.

The discount rate applied to the CGU cash flows was calculated by management using internal and external data points and assumptions. As a result of changes in the external rates of interest, the pre-tax discount rate applied increased to 10.4% (2022: 8.5%).

As part of their audit procedures, EY reperformed management's impairment modelling, including the key assumptions and inputs, and concurred with management's assessment.

The impairment testing methodology and key assumptions, including CGU determination and discount rates, were reviewed and considered by the Committee and the Committee is satisfied that the impairment loss of £0.6m that has been recognised in the Group's financial statements for 2023 is appropriate. Please refer to Notes 14 and 15 to the financial statements for further information.

Going concern and viability

The Committee reviewed and considered the paper prepared by management to support the going concern assumption and longer term viability statement in the financial statements. Consideration was given to the assumptions made in both the base case and severe, but reasonable downside case, as well as additional risk-based scenarios and reverse stress tests. The assessment included a review of the principal risks facing the Group, their financial impact and how they are managed, as well as the adequacy and timing of renewal of the Group's bank facilities. Following a detailed review and discussion, the Committee concluded that the Group has adequate resources to continue in operational existence for the period to 30 June 2025 (the going concern assessment period) and that the Group remains viable.

Bank refinancing

In September 2023, the Group agreed with its lenders certain changes to the Group's Revolving Credit Facility ('RCF'), including a one year extension of the facility to October 2025 and the replacement of Sabadell with Barclays in the syndicate. As a result of the changes, the refinancing was assessed by management to determine whether the modification in the year should result in an extinguishment of the old loan and recognition of a new one based on IFRS 9 requirements. The outcome from that assessment was that the changes constituted a modification of the existing loan and the financial statements for 2023 reflect that outcome. EY reperformed management's calculations and concurred with the treatment adopted.

As well as the key judgements noted above, the Committee also reviewed and considered other accounting matters including the presentation of the non-underlying items identified by management and the capitalisation of staff costs. In both instances, EY and Committee were satisfied that they are appropriately classified and disclosed in the financial statements. Please refer to Note 9 to the consolidated financial statements for further information on non-underlying items.

There were no material matters requiring the Committee to make amendments to the consolidated financial statements.

Fair, balanced and understandable

The Board recognises its duty to ensure that the Annual Report and Accounts 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Group.

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

- The process by which the Annual Report and Accounts 2023 was prepared, including detailed project planning and a comprehensive review process.
- The review of the Annual Report and Accounts 2023 by the Committee, placing reliance on the experience of the Committee members.
- Reports prepared by senior management regarding critical accounting judgements and significant accounting policies.
- Discussions with, and reports prepared by, the external auditor.
- Regular financial information received throughout the year, including monthly KPIs.

As detailed in the Directors' responsibility statement on page 111, each of the Directors has confirmed that, to the best of each person's knowledge and belief, the Annual Report and Accounts 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

External auditor effectiveness

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

- Reviewing the 2023 audit plan.
- Discussing the results of the audit, including their views on material accounting issues and key judgements and estimates.
- Meeting the auditor without management present and understanding the extent to which the auditor challenged management.
- Considering the robustness of the audit process.
- Meeting without the auditor present to consider their performance.
- Confirming the independence and objectivity of the auditor through a review of formal reports presented to the Committee and considering whether any other conflicts of interest exist which might impact independence.
- Confirming that no non-audit work was undertaken.

The Committee is satisfied with the performance and independence of EY and therefore recommends their reappointment at the May 2024 AGM.



Governance report

Report of the Audit and Risk Committee

continued

External auditor fees

During 2023, management agreed an increase in the audit fees for the Group and subsidiary Companies to £350,000 for the year ended 31 December 2023 (2022: £300,000). The increase reflected additional regulatory demands and a marginal increase due to inflation.

Non-audit services

In 2023, EY did not provide any non-audit services to the Company or its subsidiaries.

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

External auditor rotation

EY was appointed as auditor on 28 July 2015. It is expected that the external audit be put to tender at least every ten years. As a result, the Company expects to conduct a tender process in 2025.

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

Engagement with regulators

In October 2023, the Chair of the Board received a letter from the FRC's Supervision Committee which has delegated responsibility to keep under review periodic reports produced by issuers of listed securities.

In its letter, the Supervision Committee informed us that they had carried out a review of the Company's Annual Report and Accounts for 2022 in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The letter explained that the review was based solely on our Annual Report and Accounts and did not benefit from detailed knowledge of our business, or an understanding of the underlying transactions entered into. It also explained that it does not provide any assurance that our Annual Report and Accounts are correct in all material respects, as the FRC's role is not to verify the information provided, but to consider compliance with reporting requirements. As a result, the FRC accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

In its letter, the Supervision Committee raised a question to help them to understand how the Board had satisfied the relevant reporting requirements in relation to the recoverability of investments in subsidiaries and amounts owed by Group undertakings. It also set out, in an appendix to the letter, further observations on certain disclosures in the financial statements which we were encouraged to take into account when considering whether any improvements could be made to our future reporting. The Company responded to the FRC's question in November 2023 and the FRC was satisfied with the Company's response and concluded that the matter was closed. Additional disclosures in relation to the recoverability of investments in subsidiaries and amounts owed by Group undertakings have been included in the Company financial statements for the year ended 31 December 2023.

In addition, the further observations made by the Supervision Committee have been considered and, where relevant, addressed through enhanced disclosures in the consolidated financial statements.

Risk management

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

During the year, the Committee reviewed the Group's risk management process and methodology and considered the principal and emerging risks identified by management, together with the adequacy of any mitigating actions put in place to reduce each risk. In addition, the Committee reviewed and approved the risk appetite statement included in the Annual Report and Accounts 2023, which is linked to our corporate purpose and strategic ambitions and embedded into the Group's risk management process.

The Committee discussed the reduction in the number of principal risks from ten to eight as proposed by management and agreed on balance with the removal of 'Significant business interruption' and 'Structural change in the industry' from the Group's principal risks in light of the current external environment and changes to the Group's strategy and business model to allow it to operate successfully following the normalisation of hybrid working patterns and fitness preferences.

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

Internal control

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

- A robust system of financial controls, including appropriate segregation of duties within the Finance team, clear delegation of authority rules, an established balance sheet reconciliations and review process, and a detailed monthly meeting with the Finance Director and CFO to review the monthly management accounts.
- Regular review meetings of various groups, including business functions, senior management, sub-committees and the Board to discuss key issues.
- A thorough budget and three year planning process with outputs reviewed by the Board.
- Circulation of monthly reports to the Board containing detailed information regarding financial performance, rolling forecasts, actual and forecast covenant compliance, and financial and non-financial KPIs.

During the year, the Committee also discussed developments in the Group's internal control environment with management and the auditors.

Internal audit

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

Whistleblowing

The Group encourages staff to report any concerns which they believe need to be brought to management's attention concerning any financial or other impropriety. All employees receive a copy of the employee handbook, which includes whistleblowing arrangements and sets out the procedures to follow should a member of staff wish to raise concerns in confidence in respect of suspicions of wrongdoing or unethical conduct, including anonymously if preferred. The policy confirms that bullying, harassment or other detrimental treatment afforded to a colleague who has made a qualifying disclosure is unacceptable. The Committee approved an updated policy in November 2021, pursuant to which a new whistleblowing reporting function, accessible to all staff, was launched in 2022 to supplement the whistleblowing notification email address which is available on the corporate website. The Committee receives regular reports relating to any whistleblowing-related matters raised under the relevant channels and can consider responses where appropriate. No instances of whistleblowing were reported in 2023.

Elaine O'Donnell

Chair of the Audit and Risk Committee
13 March 2024



Governance report

Report of the Sustainability Committee



“The Committee is delighted that the Group is the world’s first health and fitness business to have its net zero targets validated by SBTi.”

Wais Shaifta | Chair of the Sustainability Committee

Committee members

Chair of the Committee	Wais Shaifta
Committee members	John Treharne Will Orr* Elaine O'Donnell* David Melhuish Simon Jones* Cornelia Woschek*

Number of meetings held in 2023 **4**

Dear Shareholder

I am pleased to present the Report of the Sustainability Committee (the 'Committee') and to highlight some of the developments since last year.

Environmental, Social and Governance ('ESG') matters are crucial to our ability to deliver on our purpose of breaking down barriers to fitness for all. Our sustainability strategy has been developed to advance our purpose and build a resilient business environment.

The worldwide challenge of climate change has local implications for our business. By understanding the risks and opportunities that may arise due to the physical impacts of climate change and the transition to a low carbon economy, we can remain proactive in our approach and continue building a sustainable business model. Building on our 2022 Taskforce on Climate-related Financial Disclosures ('TCFD') report, we have advanced the integration of climate change management across the business and have further developed our disclosures in line with the TCFD's recommendations. As demonstrated within our TCFD disclosures on pages 50 to 53, we believe that our current business strategy is resilient to climate change.

We acknowledge that reducing our own carbon footprint is a critical part of The Gym Group's role in transitioning to a lower carbon economy and are pleased to confirm that we have had our net zero targets validated by the Science-Based Targets initiative ('SBTi'). This validation is another stamp of approval on our journey to reducing our carbon footprint and demonstrates the significant journey that the Group has been on as regards our commitment to building a sustainable business.

Governance

Our Sustainability Committee supports the Group in continually improving its sustainability performance and reporting. ESG-related matters are regularly discussed and reviewed by the Board and its Committees, with the Group always striving to exceed the expectations of our stakeholders. The Committee holds dedicated meetings at least three times a year, escalating relevant matters to the Board directly after each of these meetings. In between Committee meetings, the Board receives reports on key ESG-related matters directly. During the year, we welcomed Simon Jones, Will Orr and Cornelia Woschek to the Committee and all have made impactful contributions.

Climate-related risks and opportunities are a standing agenda item for the Committee, which provides Board-level governance of climate-related issues. As outlined within the Committee's terms of reference, this includes (but is not limited to) reviewing progress against our goals and targets to achieve our science-based net zero emissions target and managing physical and transition risks through our identified control measures. The Board also has final sign-off on annual budget allocations and strategic aims, including the planned expenditures for carbon-related initiatives. Whilst we have developed ESG remuneration for executives, the integration of climate-related performance into remuneration policies remains work in progress.

The Executive Committee and sustainability working group work closely with the Committee and Board to provide oversight at the senior management level, ensuring the comprehensive governance of the business and successful execution of our strategy. The sustainability working group is informed by the ESG workstream, the equality, diversity and inclusion workstream, and the health, safety, and wellbeing workstream.

Management of climate-related risks and opportunities is included in the mandate of the ESG workstream. The sustainability working group and its associated workstreams convene at least four times per year, providing input to the Sustainability Committee at each meeting.

Key responsibilities

- Assisting the Board in its oversight of corporate responsibility, climate, sustainability and reputational matters considering the Group's purpose, strategy and culture.
- Developing, upholding and promoting the Group's sustainability strategy including evaluating materiality and reviewing sustainability targets.
- Monitoring sustainability KPIs to measure delivery against the Group's strategy and targets relating to carbon emissions and the Group's environmental impact.
- Advising on the management of the sustainability and climate-related risks and opportunities for the Group.
- Reviewing and recommending for approval the external statements and disclosures made by the Group concerning sustainability and ESG matters.

Strategy

Sustainability, including the management of climate-related issues, is fully integrated into our business strategy. The environment is recognised as a critical stakeholder to be considered when reviewing and guiding strategy, major plans of action, risk management policies and annual budgets. One of the Committee's responsibilities is to assist the Board in articulating and developing The Group's sustainability strategy.

For more information on our strategy, please visit our website [tggplc/sustainability](https://www.tggplc.com/sustainability). In our Sustainability report on pages 38 to 53, we explain our progress and performance against our sustainability strategy in the areas identified in our materiality assessment.

Risks and opportunities

Our Board, has overall accountability for managing the business risks and opportunities including those presented by climate change. Alongside the Executive Committee, the Board remains fully committed to managing risks and opportunities that have the potential to influence the business.

The Committee supports the Board in developing its understanding of climate and sustainability-related risks and opportunities for the Group. Upon evaluation of the significance threshold for escalating climate risks and opportunities, we have upgraded climate change to an emerging risk for the business. This reflects our understanding that managing climate-related risks and opportunities will have an increasingly important influence on our financial position and performance in the years to come. We outline our full process for the assessment of risks in the Principal risks and uncertainties section on pages 54 to 63.

Activities in the year

- Supporting the Company's SBTi application and TCFD review.
- Monitoring gender and cultural diversity across the Group at different levels of the workforce, understanding how reflective these populations are of our member population.
- Considering reports from the sustainability workstreams: health and safety, governance, equality, diversity and inclusion, environment and climate action and social impact.
- Approving new sustainability targets relating to good jobs and lifelong learning; and equality, diversity and inclusion.

Focus in 2024

The Committee will continue to support the sustainability governance streams to uphold the Group's sustainability strategy matters and keep its objectives at the heart of the Board's agenda. We will continue to develop our understanding of the impact of climate change on our business, managing its risks and opportunities proactively.

Further information relating to our sustainability governance framework and other matters, can be found on the Company's website at <https://www.tggplc.com/sustainability/strategy>.

Wais Shaifta

Chair of the Sustainability Committee
13 March 2024

* Simon Jones joined the Committee in February 2023, Will Orr joined the Committee in September 2023 and Elaine O'Donnell and Cornelia Woschek joined the Committee in April 2023.

Governance report

Report of the Remuneration Committee



“In 2023, the Committee agreed the remuneration package for our new CEO and continued to give thought to our remuneration policies and metrics, and their appropriateness for the Company.”

Wais Shaifta | Chair of the Remuneration Committee

Committee members

Chair of the Committee	Wais Shaifta
Committee members	Elaine O'Donnell Simon Jones*

Number of meetings held in 2023 **5**

* Simon Jones joined the Committee February 2023. Emma Woods stood down from the Committee when she left on 31 December 2023.

Dear Shareholder

I am pleased to introduce my first Report of the Remuneration Committee (the 'Report' and the 'Committee') as Chair of the Committee for the financial year to 31 December 2023.

On behalf of the Committee and the Board, I would like to thank the previous Chair, Emma Woods, for her stewardship of the Committee over the last few years and as well as her thorough handover.

Board changes

As outlined in last year's report, Richard Darwin stepped down as CEO on 24 March 2023 and remained available to support the Company until his employment ended on 12 July 2023. We were delighted to secure a high calibre new CEO in Will Orr, and welcomed him to the Board with effect from 1 September 2023.

As announced on 7 November 2023, Ann-marie Murphy stepped down from the Board and left the business on 31 January 2024 to take up the role of Chief People Officer at SSP Group plc. Both David Kelly and Emma Woods also stood down from the Board in 2023.

Further details of the approach to Will, Richard and Ann-marie's remuneration is set out on page 102.

Performance and remuneration in 2023

The Group continued its positive momentum in 2023 and, whilst there was some restraint in new site openings, there was strong like-for-like progress driven by increasing both membership and yield.

2023 annual bonus outcome

The FY23 annual bonus for Executive Directors was based on EBITDA (60% weighting), transitional leadership (15% weighting), percentage of members visiting four times per month (10% weighting) and personal objectives (15% weighting). Based on performance against these metrics, the 2023 bonus outcome was 82-84% of maximum - in accordance with the Remuneration Policy, the value of the bonus in excess of 75% of salary (applied pro-rata for Will Orr and Richard Darwin) will be deferred into shares for two years. Further details are set out on pages 97 - 98.

2021 PSP outcome

Former Executive Directors Richard Darwin and Mark George were granted awards under the Performance Share Plan ("PSP") on 25 March 2021 which were subject to relative Total Shareholder Return ("TSR") (67% weighting) and absolute TSR (33% weighting) targets. Performance against each of these elements will be assessed after the performance period ends in March 2024. However, based on performance up to 31 December 2023, our current estimate is that the award will lapse in full. Further details are set out on page 99.

Grant of 2023 PSP awards

PSP awards were granted to Luke Tait and Ann-marie Murphy on 29 March 2023 and, following his appointment to the Board, to Will Orr on 13 September 2023. Performance will be measured against relative TSR (40% weighting), absolute TSR (40% weighting) and Social Value (20% weighting). Further details are set out on pages 99 - 100.

Application of discretion for 2023

The Committee carefully considered the performance outcomes under variable pay schemes for 2023. The Committee strongly believes that the bonus outcome appropriately reflects the strong performance delivered during 2023 whilst the expected 2021 LTIP outcome reflects share price performance over a three year period and the shareholder experience. Overall, the Committee concluded that the outcomes were appropriate and did not apply discretion (positive or negative) during 2023.

Implementation of our Remuneration Policy in 2024

The Committee has determined that a higher weighting on financial measures will apply for the 2024 annual bonus (80%). The personal objectives element will be removed and the remainder (20%) will be based on strategic measures. Further details on the expected implementation of the current policy for 2024 is set out on pages 94 to 95.

As highlighted in Emma's statement last year, the level of leadership change over the last 12-18 months as well as feedback from shareholders 2023 means that it was appropriate for the Committee to consider whether our current Directors' Remuneration Policy remains the most appropriate approach for the Company. As such, we have been undertaking a review of the Policy and are currently engaging with major shareholders to determine whether to bring forward a new policy in 2024, which would be a year ahead of the normal three year renewal period.

Closing remarks

Should you have any queries or comments on this report, or more generally in relation to remuneration, then please do not hesitate to contact me via the Company Secretary.

I hope that you find the information in this report helpful and informative, and I look forward to your continued support at the Company's 2024 Annual General Meeting.

Wais Shaifta

Chair of the Remuneration Committee
13 March 2024

Governance report

Report of the Remuneration Committee

continued

At a glance: Remuneration policy and implementation

	Overview of current policy	Remuneration in 2023	Implementation for 2024
Base salary	<p>Reviewed annually.</p> <p>Consideration given to performance of the Group and the individual, responsibilities or scope of the role, as well as pay practices in relevant comparator companies.</p>	<p>Will Orr: £425,000 (from 1 September 2023)</p> <p>Luke Tait: £300,000</p> <p>Ann-marie Murphy: £231,000</p> <p><i>Note: As outlined in last year's report, Ann-marie was paid a responsibility allowance of £5,000 per month for the period from Richard Darwin leaving the business until Will Orr joined the Board.</i></p>	<p>In line with the wider workforce, Luke Tait will receive a 5% salary increase.</p> <p>Will Orr and Ann-marie Murphy will not receive a 2024 salary increase.</p> <p>Effective from 1 January 2024, the resulting salaries will be:</p> <p>Will Orr: £425,000</p> <p>Luke Tait: £315,000</p> <p>Ann-marie Murphy: £231,000</p>
Pension and benefits	<p>Pension – maximum contribution of 10% of salary but aligned with the majority of the workforce from the start of 2023.</p> <p>Benefits consist of car allowance, life insurance, private medical cover, a car parking space and additional mobile telephone contracts (in the case of the Founder Director).</p>	<p>Effective from 1 January 2023, Executive Director pension levels were aligned to the majority of the workforce (4%).</p>	<p>No change.</p>
Annual bonus	<p>Maximum of 100% of salary.</p> <p>Paid in cash up to 75% of base salary and outcomes above this level deferred into shares for two years.</p> <p>Subject to achievement of relevant performance conditions.</p> <p>Subject to malus and clawback provisions.</p>	<p>In 2023, metrics included:</p> <p>Adjusted EBITDA (60%)</p> <p>Transitional Leadership (15%)</p> <p>Percentage of members visiting four times per month (10%)</p> <p>Personal Objectives (15%)</p> <p>Outcome was 83-84% of maximum, with the value of any bonus in excess of 75% of salary (applied pro-rata for Will Orr and Richard Darwin) deferred in shares for two years.</p>	<p>For 2024, the Committee has determined that a higher weighting will be placed on financial metrics. The personal objectives element has been removed.</p> <p>Weightings for 2024:</p> <p>Financial measures (80%)</p> <p>Strategic measures (20%)</p>
Long term incentives	<p>Performance share award, subject to service and performance over a three year period, as well as two year post vesting holding period.</p> <p>Maximum award of 200% of salary (300% in exceptional circumstances).</p> <p>Subject to malus and clawback provisions.</p>	<p>2021 PSP awards:</p> <p>The PSP awards granted in March 2021 are due to vest in March 2024 based on relative TSR (67% weighting) and absolute TSR (33% weighting) performance up to this date. Based on performance up to 31 December 2023, our current estimate is that this award will lapse in full.</p> <p>2023 PSP awards:</p> <p>Quantum: Awards of 175% of salary were granted to Will Orr, Luke Tait and Ann-marie Murphy.</p> <p>Performance conditions: Absolute TSR (40%); Relative TSR (40%); Social Value (20%). Relative TSR is measured against constituents of the FTSE SmallCap (excluding IT and REITs).</p> <p>Note: Will Orr also received a buy-out award in respect of awards from a previous employer that were forfeited on his joining the Group.</p> <p>Further details are set out on pages 99 to 100.</p>	<p>Award levels consistent with 2023.</p> <p>Performance measures and targets to be disclosed in due course.</p>

	Overview of current Policy	Remuneration in 2023	Implementation for 2024
Share ownership guidelines	<p>300% for salary for Executive Directors at Admission (Richard Darwin and John Treharne).</p> <p>200% of salary for Executive Directors appointed after Admission (Will Orr, Luke Tait and Ann-marie Murphy).</p> <p>A two year post employment shareholding guideline of 200% of salary (or actual shareholding at leaving, if lower) applies from leaving.</p>	<p>As at the date he stepped down from the Board, Richard Darwin had not met his shareholding requirement.</p> <p>As at 31 December 2023, the other Executive Directors were working towards meeting their shareholding requirement, noting that:</p> <ul style="list-style-type: none"> Will Orr joined the Board on 1 September 2023 Luke Tait joined the Board on 17 October 2022 Ann-marie Murphy joined the Board on 11 April 2022 	<p>No change.</p>
Non-Executive Director fees	<p>The fees for the Non-Executive Directors may include a basic fee and additional fees for further responsibilities (for example, when chairing Board Committees or holding the office of Senior Independent Director).</p> <p>No benefits are envisaged for the Chair of the Board and Non-Executive Directors but the Company reserves the right to provide benefits including travel and office support.</p>	<p>John Treharne (Founder Non-Executive Director): £138,000</p> <p>Base Non-Executive Director fee: £55,000</p> <p>Additional fee for:</p> <p>Senior Independent Director: £5,000</p> <p>Chair of the Audit & Risk Committee: £8,000</p> <p>Chair of the Remuneration Committee: £8,000</p>	<p>No change.</p>

As disclosed in the Group's announcement made on 30 August 2022, Richard Stables is currently a Partner at Fulcrum Advisory Partners LLP ('Fulcrum Partners'), an independent advisory firm, and a Senior Advisor to Blantyre Capital ('Blantyre'), a c. 11.8% shareholder in the Company as at 31 December 2023. While Richard has not been appointed as a representative of Blantyre or any other shareholder and Fulcrum Partners has ceased to provide advisory services to Blantyre in relation to the Company, Fulcrum Partners is party to an incentive arrangement with Blantyre pursuant to which Fulcrum Partners is entitled to certain cash payments contingent on the share price of the Company achieving various price levels up to 600p per share, with a maximum cash value at those price levels equivalent to 305,641 shares in the Company. For the avoidance of doubt, no payments under this incentive have been made up to the date of this report and the cost of any such payments are met in full by Blantyre i.e. there is no cost to the Company.



Governance report

Report of the Remuneration Committee

continued

Introduction

This report contains the material required to be set out as the Directors' Remuneration Report in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('the DRR Regulations'), as amended in 2013, 2018 and 2019.

Directors' Remuneration Policy

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

As noted in the Chair's statement, we are in the process of reviewing the Directors' Remuneration Policy and expect to present a revised policy to shareholders for approval in due course.

Single total figure table (audited)

The remuneration for Directors of the Company who performed qualifying services during 2023 is detailed below, with prior year information provided for comparison purposes.

(£'000s)	Salary/fees		Taxable benefits ¹		Pension		Total fixed remuneration		Bonus		Long term incentives ²		Other ³		Total variable remuneration		Total remuneration	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Executive Directors																		
Richard Darwin ⁴	337	78	14	4	31	3	382	85	-	65	-	-	-	-	-	65	382	150
Will Orr ⁴	-	142	-	7	-	6	-	155	-	118	-	-	-	300	-	418	-	573
Luke Tait	62	300	2	10	2	12	66	322	19	249	-	-	340	-	359	249	425	571
Ann-marie Murphy ⁵	159	262	9	13	6	8	173	283	48	-	-	-	-	-	48	-	221	283
Chair and Founder Director																		
John Treharne	116	138	10	12	-	-	126	150	-	-	-	-	-	-	-	-	126	150
Non-Executive Directors																		
David Kelly ⁴	55	20	-	-	-	-	55	20	-	-	-	-	-	-	-	-	55	20
Emma Woods ⁴	62	68	-	-	-	-	62	68	-	-	-	-	-	-	-	-	62	68
Wais Shaifta	55	55	-	-	-	-	55	55	-	-	-	-	-	-	-	-	55	55
Elaine O'Donnell	21	63	-	-	-	-	21	63	-	-	-	-	-	-	-	-	21	63
Richard Stables	19	55	-	-	-	-	19	55	-	-	-	-	-	-	-	-	19	55
Simon Jones ⁴	-	50	-	-	-	-	-	50	-	-	-	-	-	-	-	-	-	50

1 Taxable benefits comprise car allowance (£1,849 for Richard Darwin, £2,667 for Will Orr and £8,000 for Luke Tait and Ann-marie Murphy), private medical cover, a car parking space and additional mobile telephone contracts (in the case of John Treharne). Will Orr's benefits include £3,500 for legal advice associated with his appointment.

2 The performance period for the 2021 PSP awards does not end until March 2024. However, based on performance up to 31 December 2023, our current estimate is that this award will lapse in full. Further details are set out on page 99.

3 Will Orr was granted a buy-out award in respect of awards from a previous employer that were forfeited on his joining the Group. Further details are set out on page 102.

4 Richard Darwin and David Kelly stepped down from the Board on 24 March 2023 and 11 May 2023 respectively. Will Orr and Simon Jones joined the Board on September 2023 and 6 February 2023 respectively. Emma Woods stepped down from the Board on 31 December 2023.

5 As outlined in last year's report, Ann-marie was paid a responsibility allowance of £5,000 per month for the period from Richard Darwin leaving the business until Will Orr joined the Board.

2023 annual bonus (audited)

For 2023, the overall bonus plan maximum for the Executive Directors was 100% of salary. Performance was based on four metrics: 60% based on financial targets (Group Adjusted EBITDA Less Normalised Rent), and the remaining 40% based on personal objectives, number of member visits per month, and transitional leadership.

As outlined in last year's report, Richard Darwin was eligible for a pro-rata annual bonus for 2023 up to the date he stepped down from the Board on 24 March 2023. Ann-marie Murphy was not eligible for a 2023 bonus following the announcement in November 2023 that she would be stepping down from the Board in 2024.

Measure	Weighting	Threshold (0%)	Target (60%)	Maximum (100%)	Actual	Outcome (% of maximum)	Weighted Outcome (% of maximum)
EBITDA	60%	£33.6m	£37.3m	£41.0m	£38.5m	73%	44%
<i>Payment under non-financial measures is subject to achieving threshold EBITDA (£33.6m):</i>							
Transitional leadership	15%	See below				100%	15%
Percentage of members visiting 4 times per month	10%	n/a	47.5%	50%	50.8%	100%	10%
Personal objectives	15%	See below				Will Orr: 93% Luke Tait: 93% Richard Darwin: 100%	Will Orr: 14% Luke Tait: 14% Richard Darwin: 15%
Overall	100%						Will Orr: 83% Luke Tait: 83% Richard Darwin: 84%

Executive	Element	Performance targets and assessment
Will Orr	Transitional leadership	<p>For Will Orr, the transitional leadership element of the bonus was based on an assessment of the delivery of a '100 day plan' after joining the Board. In considering the performance under this element, the Committee noted that Will had:</p> <ul style="list-style-type: none"> Engaged effectively and visibly with the Company since joining. Delivered 2023 performance ahead of guidance and drove preparation for peak season. Developed and agreed a refreshed strategy to the Board and rolled this out to the business with clarity of accountability and a new 'value stream' delivery approach. Made a positive impact with shareholders. Established strong working practices and relationships with the Executive Committee. <p>Outcome: 15% out of 15%</p>
	Personal objectives	<p><i>Achieve revenue budget for FY 2023</i></p> <ul style="list-style-type: none"> Driven performance across the trade team and ensured effective commercial decisions were taken Revenue outcome of £204.0m exceeded 2023 target <p><i>Integration</i></p> <ul style="list-style-type: none"> Exceptional integration into the business and culture 2023 employee engagement score exceeded target <p><i>Develop shareholder relationships</i></p> <ul style="list-style-type: none"> Actively engaged with shareholders following appointment Achieved positive feedback via broker and analyst reports, although no significant recovery in share price. <p>Outcome: 14% out of 15%</p>

Governance report

Report of the Remuneration Committee

continued

Executive	Element	Performance targets and assessment
Luke Tait	Transitional leadership	In considering the performance under this element, the Committee noted that Luke had: <ul style="list-style-type: none"> Worked diligently with the outgoing CEO to ensure a smooth handover and transition, recognising the uncertainty of timing for a new CEO joining the business. Took on additional responsibilities over the spring/summer 2023 prior to the appointment of the new CEO, working closely with the Chair to lead, manage and deliver investor roadshow presentations and the HY23 results. Supported the new CEO immediately from appointment, working collaboratively to prepare for the FY23 results. <p>Outcome: 15% out of 15%</p>
		<p>Personal objectives</p> <p><i>Achieve revenue budget for FY 2023</i></p> <ul style="list-style-type: none"> Driven performance across the trade team and ensured effective commercial decisions were taken. Revenue outcome of £204.0m exceeded 2023 target. <p><i>Successful refinancing</i></p> <ul style="list-style-type: none"> Successfully amended and extended the RCF. Strengthened syndicate support. Delivered reduction in financing restrictions. <p><i>Increased shareholder engagement</i></p> <ul style="list-style-type: none"> Engaged with shareholders to improve sentiment. Achieved positive feedback via broker and analyst reports, although no significant recovery in share price. <p>Outcome: 14% out of 15%</p>
Richard Darwin	Transitional leadership and personal objectives	The Committee assessed Richard's performance across both elements, noting that he: <ul style="list-style-type: none"> Managed and led the delivery of the FY22 results. Completed a comprehensive handover to the senior management team. Remained actively available to the management team during the remainder of his notice period for consultation. <p>Transitional leadership outcome: 15% out of 15%</p> <p>Personal objectives outcome: 15% out of 15%</p>

In accordance with the Directors' Remuneration Policy, the Directors' bonus is paid in cash as soon as practicable following the completion of the audit, up to 75% of salary. Any element of annual bonus awarded to the Directors' above 75% of salary will be awarded in shares and deferred for two years, subject to continued employment. The Committee applied the deferral approach on a pro-rata basis for Will Orr and Richard Darwin.

The table below sets out the 2023 bonus awards for the Executive Directors:

Executive	Base salary	2023 bonus opportunity	2023 bonus outcome	2023 bonus		Total
				Cash	Shares	
Will Orr	£425,000	33.3% of salary*	83% of max	£106,250	£11,333	£117,583
Luke Tait	£300,000	100% of salary	83% of max	£225,000	£24,000	£249,000
Richard Darwin	£337,000	23.2% of salary*	84% of max	£58,431	£7,012	£65,443

* Pro-rata for time on the Board.

Vesting outcome of 2020 and 2021 PSP awards

Final vesting outcome for 2020 PSP awards

Richard Darwin and Mark George were granted LTIP awards on 9 September 2020 based on relative TSR and absolute TSR targets assessed over a three year period from this date. The performance period was not complete at the time of preparation of the 2022 Annual Report and Accounts. The final outcome was subsequently confirmed as resulting in nil vesting, as outlined in the table below.

Performance measure	Weighting	Threshold (20% vests)	Maximum (100% vests)	Performance achieved	Outcome (% of maximum)	Outcome (% of award vesting)
Relative TSR vs FTSE Small Cap (excluding Investment Trusts)	67%	Median	Upper quintile	Below median	0%	0%
Absolute TSR (share price adjusted for dividends)	33%	210p	300p	103.1p	0%	0%
Total	100%					0%

Estimated vesting outcomes for 2021 PSP awards

Richard Darwin and Mark George were granted LTIP awards on 25 March 2021 based on relative TSR and absolute TSR targets assessed over a three year period from this date. Although the performance period is not yet complete, based on performance up to 31 December 2023, our current estimate is that this award will lapse in full. Further details are set out below.

Performance measure	Weighting	Threshold (20% vests)	Maximum (100% vests)	Estimated performance ¹	Outcome (% of maximum)	Outcome (% of award vesting)
Relative TSR vs FTSE Small Cap (excluding Investment Trusts)	67%	Median	Upper quintile	Below median	0%	0%
Absolute TSR (share price adjusted for dividends)	33%	285p	335p	106.2p	0%	0%
Total	100%					0%

¹ Based on performance up to 31 December 2023. The final outcome will be disclosed in next year's report.

Grant of 2023 PSP awards

PSP awards were granted to Luke Tait and Ann-marie Murphy on 29 March 2023 and, following his appointment to the Board, to Will Orr on 13 September 2023. Awards were granted in the form of nominal value (0.01p) options.

Executive	Date of grant	Award level	Face value of award	Share price used for grant ¹	Number of shares awarded
Will Orr	13 September 2023	175% of salary	£743,749	£1.0363	717,697
Luke Tait	29 March 2023	175% of salary	£525,248	£1.2388	423,797
Ann-marie Murphy	29 March 2023	175% of salary	£404,248	£1.2388	326,323

¹ Based on the three month average share price up to the day prior to the grant date.

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Awards are subject to the performance conditions and targets set out below. Relative TSR and absolute TSR are measured over the three year period from the grant date. The Social Value measure is based on the Social Value generated in FY2025.

Performance measure	Weighting	Threshold (20% vests)	Maximum (100% vests)
Relative TSR (vs FTSE Small Cap (excluding ITs and REITs))	40%	Median	Upper quintile
Absolute TSR	40%	7.5% pa	15.0% pa
Social Value generated during FY2025	20%	£700m	£900m

Grant of 2022 Deferred Bonus Share Plan ('DBSP') awards

As outlined in last year's report, the 2022 annual bonus awards were delivered fully in shares. On this basis, DBSP awards were granted to Luke Tait and Ann-marie Murphy 29 March 2023. Awards were granted in the form of nominal value (0.01p) options.

Executive	Date of grant	Face value of award	Share price used for grant ¹	Number of shares awarded
Luke Tait	29 March 2023	£18,629	£1.2388	15,037
Ann-marie Murphy	29 March 2023	£65,243 ²	£1.2388	52,666

¹ Based on the three month average share price up to the day prior to the grant date.

² This reflects the full year 2022 annual bonus for Ann-marie Murphy (of which £47,737 relates to her services as an Executive Director during 2022, as disclosed in last year's report).

Participation in the Share Incentive Plan ('SIP')

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

Executive	Total SIP shares at 1 Jan 2023	Partnership shares purchased in 2023	Matching shares awarded in 2023 ¹	Free shares awarded in 2023	Shares forfeited or withdrawn in 2023	Total SIP shares at 31 Dec 2023
Ann-marie Murphy	2,466	569	569	-	3,462	142

¹ Matching shares are awarded on a monthly basis associated with the purchase of partnership shares on a 1:1 basis. The partnership shares were purchased at share prices from £0.85 to £1.35 during 2023, and the total face value matching shares awarded was £600.09.

Participation in the Sharesave Plan

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

Executive Director	Total Sharesave awards at 1 Jan 2023	Awards granted (number)	Exercise price of awards granted (pence)	Awards vested (number)	Awards exercised (number)	Awards lapsed (number)	Total Sharesave awards at 31 Dec 2023	Earliest exercise date
Richard Darwin	16,666	-	108.0	-	-	16,666	-	N/A
Ann-marie Murphy	1,000	-	108.0	-	-	1,000	-	N/A
Luke Tait	Nil	19,526	95.0	-	-	-	19,526	18/10/2026

Statement of Directors' shareholding and share interests (audited)

The table below details, for each Director who served during the year, the total number of Directors' interests in shares at 31 December 2023 or the date the departing Director left the Board:

Director	Ordinary shares ¹	Awards subject to continued employment			Awards subject to performance conditions		Total shareholding and share interests	Shareholding requirement met?
		Matching shares awarded under SIP (shares)	Sharesave awards (options)	PSP/DSBP awards (nominal cost options)	PSP awards (nominal cost options)	Vested but unexercised options		
Executive Directors								
Richard Darwin	727,990	4,172	-	-	288,722	-	1,020,884	No ²
Will Orr ²	-	-	-	246,067	717,697	-	963,764	No ²
Luke Tait	64,210	-	19,526	243,087	775,933	-	1,102,756	No ²
Ann-marie Murphy	71	71	-	98,168	540,936	-	639,246	No ²
Chair and Founder Director								
John Treharne	1,629,053	1,764	-	-	-	170,553	1,801,370	
Non-Executive Directors								
David Kelly	10,000	-	-	-	-	-	10,000	
Emma Woods ²	28,930	-	-	-	-	-	28,930	
Wais Shaifta	-	-	-	-	-	-	-	
Elaine O'Donnell	20,000	-	-	-	-	-	20,000	
Richard Stables	200,000	-	-	-	-	-	200,000	
Simon Jones	-	-	-	-	-	-	-	

¹ Includes shares held by connected persons.

² Executive Directors that joined the Board following the IPO are required to build up a shareholding of at least 200% of salary (300% for Richard Darwin). Shareholding includes all beneficial shareholdings, vested but unexercised options (on a net of tax basis) and unvested shares subject to continued employment only (on a net of tax basis). As at 31 December 2023, Will Orr, Luke Tait and Ann-marie Murphy were still working towards this requirement (having joined the Board in the last two years). As at 24 March 2023, Richard Darwin had not met his shareholding requirement.

Between 31 December 2023 and the date of this report, there were no changes in the Directors' shareholdings and share interests remained unchanged.

The table below sets out the details of the share options exercised by Executive Directors during the year:

Director	Awards exercised during the year	Date of exercise	Exercise price	Share price on date of exercise	Gain on exercise
Ann-marie Murphy	21,512	22 September 2023	£0.0001	£1.198	£25,769

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Departure of Richard Darwin (CEO)

Following mutual agreement with the Board, Richard Darwin stepped down from the Board and as CEO on 24 March 2023 and remained employed until 12 July 2023 (the end of his six month notice period).

Payments up to 24 March 2023 are disclosed in the single figure table of remuneration on page 96. Richard continued to receive his salary, pension and benefits between 24 March 2023 and 12 July 2023, in line with his contractual entitlements, as follows:

- Base salary: £101,462
- Pension: £4,059
- Benefits: £5,084
- Payment in respect of holiday accrued but not taken: £21,975

He also received a contribution of £6,500 plus VAT towards legal fees and £3,000 plus VAT towards the cost of public relations advice incurred in connection with his departure. On stepping down from the Board, Richard also received a ten year gym membership with The Gym Group in recognition of his long term on the Board, in line with the standard approach for retiring long serving Directors from the Board. This is not considered a taxable benefit and therefore there is no associated taxable benefit value.

Richard was entitled to participate in the 2023 bonus scheme on a pro-rata basis for the period worked to reflect his role in leading and setting up the business for the change of CEO. As set out on page 99, he received a bonus of £65,443 (equivalent to 84% of the pro-rated maximum opportunity).

Richard is permitted to retain his unvested PSP awards - the awards will continue to be subject to the performance conditions and will be pro-rated by reference to the proportion of the vesting period for which Richard was employed. Awards will vest on the original timescales and will remain subject to the post vesting holding period.

Richard was not eligible to be granted a 2023 PSP award and he has no unvested Deferred Share Bonus Plan.

Richard's awards under the SIP and SAYE schemes will be treated in accordance with the relevant plan rules and HMRC legislation.

Departures of David Kelly and Emma Woods

On stepping down from the Board, both David Kelly and Emma Woods received a ten year gym membership with The Gym Group in recognition of their long term service on the Board, in line with the standard approach for retiring long serving Directors from the Board. This is not considered a taxable benefit and therefore there is no associated taxable benefit value. David and Emma received no other payments in connection with their departures from the Company.

Departure of Anne-marie Murphy (COO)

As was announced on 7 November 2023, Anne-marie Murphy stepped down from the Board to take up the role of Chief People Officer at SSP Group plc. She is contractually entitled to a six month notice period. However the Committee agreed that she would step down from the Board and cease employment with the Company on 31 January 2024, receiving a further two months' pay in lieu of notice ('PILON').

In line with her contractual entitlement, Ann-marie continued to receive her base salary (£231,000 per annum), pension (4% of salary) and benefits until she stepped down from the Board on 31 January 2024. She received two months' PILON in respect of her fixed pay, and payment in respect of accrued but untaken annual leave.

Ann-marie will not be eligible for a 2023 annual bonus. All unvested PSP will lapse on cessation of her employment with the Company. She will not be eligible for any variable remuneration in respect of 2024. Ann-marie's awards under the SIP and SAYE schemes will be treated in accordance with the relevant plan rules and HMRC legislation.

Full details of the final amounts paid to Ann-marie will be set out in next year's report, in accordance with the requirements of the DRR regulations.

Appointment of Will Orr (new CEO)

On 1 September 2023, Will Orr joined the Board as an Executive Director and CEO. The Committee carefully considered the appropriate remuneration package for the role, taking into account Will's remuneration package at his previous employer, his experience, market practice and relativity to the other Executive Directors. The Committee considered benchmarking data for companies of similar size to The Gym Group plc operating in similar sectors (broadly the 'Consumer Discretion' sector).

Will's base salary was set at £425,000 (between the lower quartile and median of the market benchmarking). His pension is in line with the wider workforce and his variable remuneration opportunities are in line with the current Directors' Remuneration Policy.

Will also received a contribution to his legal fees of £3,500 plus VAT associated with his appointment.

Grant of buy-out award

To compensate Will for awards forfeited on departure from his previous employer, in particular cash bonus and unvested share awards, the Committee agreed to grant a buy-out totalling £300,000 in accordance with the Directors' Remuneration Policy.

The Committee resolved to deliver a higher proportion of the award in shares compared to the forfeited awards. In particular, the Committee determined that £45,000 of the buy-out award would be delivered in cash and the remaining £255,000 would be delivered in shares subject to an extended vesting period to provide further alignment with shareholders - 50% of the shares will vest on the first-year anniversary of the date of grant and the remaining 50% will vest on the second-year anniversary of the date of grant, subject to the rules of the PSP. There is no post vesting holding period applicable to the buy-out award.

Executive	Date of grant	Face value of award	Share price used for grant ¹	Number of shares awarded
Will Orr	13 September 2023	£255,000	£1.0363	246,067

¹ Based on the three month average share price up to the day prior to the grant date.

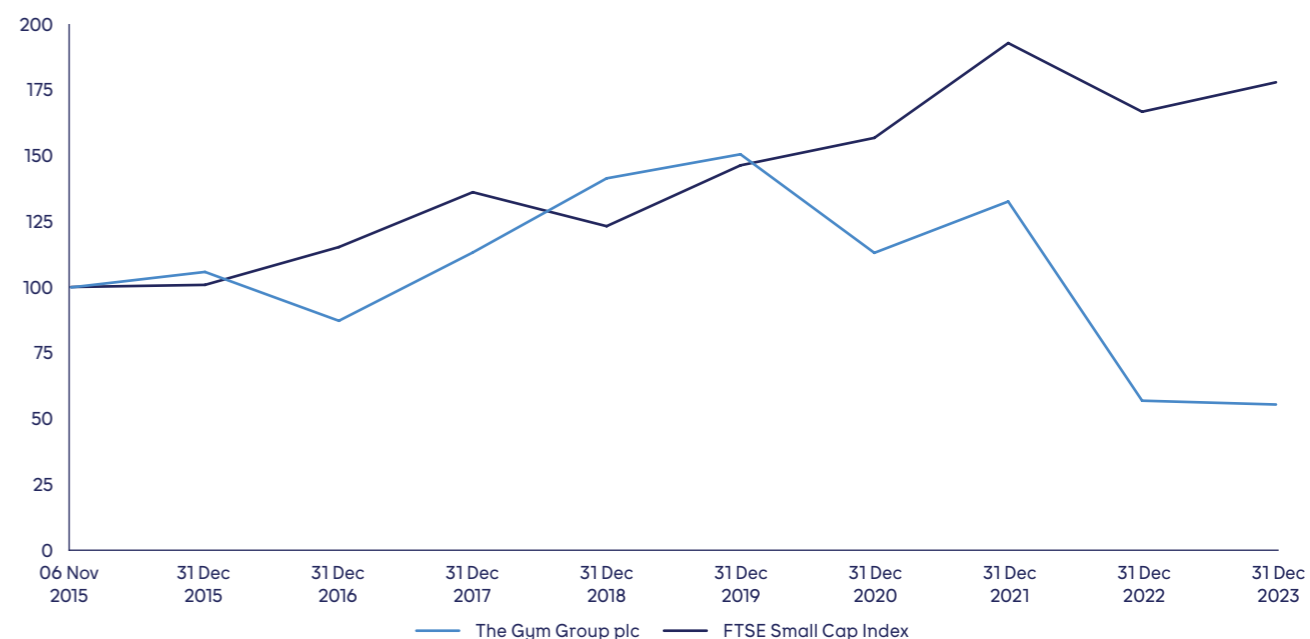
Payments to past Directors

No payments to past Directors were made, other than those set out above in respect of Richard Darwin's exit from the Company.

Performance graph and CEO remuneration table

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

Total Shareholder Return (TSR)



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

	CEO	Single figure of total remuneration (£'000)	Annual bonus outcome (% of maximum)	Long term incentive outcome (% of maximum)
2015	John Treharne	288	£60,000 ²	n/a
2016	John Treharne	314	27.2%	n/a
2017	John Treharne	431	74.3%	n/a
2018 ¹	John Treharne	273	16.0%	41.7%
2018 ¹	Richard Darwin	97	16.0%	41.7%
2019	Richard Darwin	537	35.1%	72.5%
2020	Richard Darwin	336	0%	0%
2021	Richard Darwin	484	44.7%	0%
2022	Richard Darwin	382	0%	0%
2023 ¹	Richard Darwin	150	84%	0%
2023 ¹	Will Orr	573	83%	n/a

¹ The 2018 figures represent the single figure of total remuneration for John Treharne for the period to 17 September 2018, and for Richard Darwin from that date. The 2023 figures represent the single figure of total remuneration for Richard Darwin for the period to 24 March 2023, and for Will Orr from that date.

² The actual bonus paid has been inserted for 2015 as this related to the year of Admission when an uncapped discretionary bonus plan was in operation. No long term incentive awards vested in 2015, 2016 or 2017.

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Annual percentage change in remuneration of Directors and employees

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

The percentage change in remuneration of the Directors and employees of the business between the 2019, 2020, 2021, 2022 and 2023 financial years were as follows:

	% change from 2019 to 2020			% change from 2020 to 2021			% change from 2021 to 2022			% change from 2022 to 2023		
	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
Employees ^{1,2}	5%	(11)%	(100)%	6%	29%	100%	11%	4%	720%	9%	19%	(29)%³
Executive Directors:												
Richard Darwin ⁴	(6)%	3%	(100)%	8%	8%	100%	10%	7%	(100)%	0%	10%	100%
Will Orr ⁴	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Luke Tait ⁴	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	25%	171%
Ann-marie Murphy ⁴	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5%	9%	(100)%
Chair and Founder Director:												
John Treharne	(27)%	(48)%	N/A	36%	42%	N/A	(40)%	23%	N/A	19%	20%	N/A
Non-Executive Directors:												
David Kelly ⁵	(27)%	N/A	N/A	36%	N/A	N/A	0%	N/A	N/A	0%	N/A	N/A
Emma Woods	(27)%	N/A	N/A	36%	N/A	N/A	24%	N/A	N/A	0%	N/A	N/A
Wais Shaifta ⁵	N/A	N/A	N/A	N/A	N/A	N/A	0%	N/A	N/A	0%	N/A	N/A
Elaine O'Donnell ⁵	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	N/A	N/A
Richard Stables ⁵	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	N/A	N/A
Simon Jones ⁵	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 The strict legal requirement is to only provide details of employees of The Gym Group plc. As the listed entity has very few employees, we have decided to voluntarily disclose in respect of all The Gym Group employees.
 2 The average percentage change in employee remuneration was calculated using the movement in mean values (in respect of each element of remuneration) between the relevant years. The relevant mean values were calculated by dividing the aggregate total of each element of remuneration for all Group employees during the year (calculated on an FTE basis) by the total number of Group employees.
 3 This represents a reduction in bonuses paid in 2023 (in respect of 2022) compared to those paid in 2022 (in respect of 2021).
 4 Richard Darwin stepped down from the Board from 24 March 2023. Ann-marie Murphy and Luke Tait joined the Board on 11 April 2022 and 17 October 2022 respectively and Will Orr joined the Board on 1 September 2023.
 5 Wais Shaifta joined the Board on 1 February 2021, Elaine O'Donnell and Richard Stables joined the Board on 30 August 2022 and Simon Jones joined the Board on 6 February 2023. David Kelly stepped down from the Board on 11 May 2023.

CEO to employee pay ratio

The table below shows how the CEO's single figure remuneration (as taken from the single figure remuneration table on page 96) compares to equivalent single figure remuneration for full-time equivalent UK employees, ranked at the 25th, 50th and 75th percentile.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2018	Option C	19:1	13:1	10:1
2019	Option C	30:1	27:1	14:1
2020	Option C	19:1	19:1	13:1
2021	Option C	26:1	25:1	24:1
2022	Option C	20:1	19:1	16:1
2023	Option C	34:1	33:1	27:1

Notes to the CEO to employee pay ratio:

- As the hourly rates for gender pay gap purposes for significant numbers of employees are the same, it is not possible to identify appropriate representative quartile employees from this data alone. Instead, the lower quartile, median and upper quartile employees were initially identified using the approximate full-time equivalent total actual pay of all employees for the financial year (based on employees of the Group as at 31 December 2023). A full-time equivalent total pay and benefits figure for the 2023 financial year was then calculated for each of those employees. This was also sense checked against a sample of employees with full-time equivalent total actual pay either side of the identified individuals to ensure that the appropriate representative employee is selected. A review of the methodology used identified that this was more consistent with Option C and has been relabelled accordingly.
- The pay ratios outlined above were then calculated as the ratio of the CEO's single figure to the total pay and benefits of each of these employees. As required by the regulations, the CEO single figure used to determine the 2023 pay ratios is based on the sum of the total single figures of remuneration for Richard Darwin and Will Orr. This gives a total of £723,000 (which includes Will Orr's buyout award).
- Each employee's pay and benefits were calculated using each element of employee remuneration on a full-time basis, consistent with the CEO.
- Where required, remuneration was approximately adjusted to be full-time and full-year equivalent based on the employee's average full-time equivalent hours for the year and the proportion of the year they were employed. No other adjustments were made.

The total pay and benefits and the salary component of total pay and benefits for the 2023 pay and benefits of the employees at the 25th percentile, median, and 75th percentile are shown below:

	25th percentile	Median	75th percentile
Salary	£21,275	£21,850	£23,683
Total pay and benefits	£21,275	£21,850	£27,282

Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience, and performance in role. The Committee also notes that the CEO's remuneration package is weighted more heavily towards variable pay (including the annual bonus and LTIP) than those of the wider workforce due to the nature of the role, and this means the ratio is likely to fluctuate depending on the performance of the business and associated outcomes of incentive plans in each year.

The 2023 ratios are higher than the prior year. This is primarily attributable to the combined CEO's single figure of remuneration being higher for 2023, primarily due to the buyout award for Will Orr. For reference, the 2023 median pay ratio is 19:1 excluding the buyout award for Will Orr (i.e. in line with the 2022 median ratio). Over the longer term, the CEO pay ratios have moved broadly in line with the CEO's single figure of remuneration.

The Committee notes that the pay ratios for 2023 reflect the nature of the CEO's package being more heavily weighted towards variable pay compared to more junior colleagues, consistent with our reward policies. Furthermore, the Committee is satisfied that our pay and broader people policies drive the right behaviours and reinforce the Group's values which in turn drive our culture. For these reasons, the Committee believes that the ratios are consistent with these policies.

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Report of the Remuneration Committee

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Relative importance of spend on pay

The table below details the change in total staff pay between 2022 and 2023 compared with distributions to shareholders by way of dividend, share buy backs or any other significant distributions or payments:

	2023 (£'000)	2022 (£'000)	% change
Total gross staff pay	35,348	35,403	0%
Dividends/share buy back(s)	-	-	0%

Summary of shareholder voting

The following table shows the results of the advisory vote on the 2022 Directors' Remuneration Report (at the 2023 AGM) and the binding vote on the Directors' Remuneration Policy at the 2022 AGM:

	Approval of the 2022 Directors' Remuneration Report (2023 AGM)		Approval of the Directors' Remuneration Policy (2022 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	105,047,207	89.0%	137,871,527	96.6%
Against	12,936,030	11.0%	4,841,266	3.4%
Votes withheld	200	-	1,287,713	-

Remuneration Committee in 2023

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

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

Director	Member since	Meetings attended
Emma Woods (Chair to 31 December 2023)	November 2016	5 / 5
Elaine O'Donnell	August 2022	5 / 5
Simon Jones ¹	February 2023	4 / 4
David Kelly ²	July 2016	3 / 3

¹ Simon Jones was appointed to the Board on 6 February 2023.

² David Kelly stepped down from the Board on 11 May 2023.

Following Emma's departure from the Board, the Remuneration Committee members are Wais Shaifta (Chair), Elaine O'Donnell and Simon Jones.

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

The Committee does not currently consult with employees specifically on the effectiveness and appropriateness of the Executive Remuneration Policy and framework. However, the Group seeks to promote and maintain good relationships with employees as part of its employee engagement strategy. The whole Board, especially the Chair of the Board and the Chair of the Remuneration Committee, regularly visit our gyms, which facilitates engagement and keeps the Board up to date with gym operations. It is our intention to continue this dialogue in 2024 and to explain to the wider workforce how the pay of Executive Directors and employees is aligned.

During the year, the Committee's key activities included:

- Determining the remuneration package for Will Orr as our new CEO;
- Determining the leaving arrangements for Richard Darwin;
- Assessing the final vesting outcome under the 2020 performance share plan awards;
- Assessing the out-turn of the 2022 annual bonus;
- Setting the performance measures, weightings and targets for the 2023 annual bonus and 2023 PSP awards;
- Commencing a review of the Directors' Remuneration Policy;
- Appointing a new remuneration advisor, PricewaterhouseCoopers LLP;
- Approving a grant of options under the Save As You Earn scheme;
- Reviewing and approving a Company-wide pay review for 2024; and
- Receiving updates on shareholder views on remuneration.

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

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

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

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

Predictability – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. At the time of approving the Policy full information on the potential values of the annual bonus and PSP awards are provided, with strict maximum opportunities and minimum, target and maximum performance scenarios. An indication of the potential impact of a 50% share price appreciation on the value of LTIP awards is also included.

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

Alignment to culture – Our Executive pay policies are fully aligned to The Gym Group's culture through the use of metrics in both the annual bonus and PSP that measure how we perform against key aspects of our strategy, which has the objective of delivering sustainable growth. The Committee oversees consistent workforce reward principles and is satisfied that these policies drive the right behaviours and reinforce the Group's values, which in turn promote an appropriate culture.

The use of annual bonus deferral, LTIP holding periods and our shareholding requirements strengthen the focus on our strategic aims and ensure alignment with the interests and experiences of shareholders, both during and after employment.

Advisers to the Remuneration Committee

The Committee appointed PricewaterhouseCoopers LLP ('PwC') as external independent remuneration advisers to the Committee following a competitive tender process in early 2023. PwC advised the Company on all aspects of the remuneration for Executive Directors and the senior management team. PwC received fees of £65,000 plus VAT for their advice during the year to 31 December 2023, partly on a fixed fee and partly on a time and materials basis.

Prior to the appointment of PwC, FIT Remuneration Consultants LLP ('FIT') served as independent remuneration advisers having been appointed by the Committee prior to IPO. FIT's fees in respect of 2023 were £25,000 plus VAT, charged on a fixed fee basis.

Both PwC and FIT are members of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. The Committee is therefore of the view that both PwC and FIT provided independent remuneration advice to the Committee and do not have any connections with the Group or any Director that may impair their independence.

On behalf of the Board

Wais Shaifta

Chair of the Remuneration Committee
13 March 2024

Governance report Directors' report

The Directors present their report together with the audited financial statements for the period ended 31 December 2023.

Where reference is made to other sections of the Annual Report and Accounts 2023, these sections are incorporated into this report by reference.

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

Corporate structure

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

The Board

The Directors who served during the year were:

John Treharne

Will Orr (appointed with effect from 1 September 2023)

Luke Tait

Elaine O'Donnell

Wais Shaifta

Richard Stables

Simon Jones (appointed with effect from 6 February 2023)

Richard Darwin (resigned with effect from 24 March 2023)

Emma Woods (resigned with effect from 31 December 2023)

David Kelly (resigned with effect from 11 May 2023)

Ann-marie Murphy (resigned with effect from 31 January 2024)

The roles and biographies of the Directors as at the date of this report are on pages 72 to 73. The general powers of the Directors are set out in Articles 64 to 68 of the Company's Articles of Association ('the Articles'). These provide that the Board may exercise all the powers of the Company, subject to applicable legislation, the Articles and any special resolution of the Company, applicable on the date that any power is exercised.

Appointment and replacement of Directors

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

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

Directors' indemnity insurance

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

Compensation for loss of office

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

Dividend

As noted on page 27, the Directors are not proposing a final dividend for the year 2023. It is a condition of the Company's bank facilities that the Company shall not declare or pay a dividend while the £10m additional RCF Facility is in place.

Going concern

As noted on pages 61 to 63, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2025. As a result, they continue to adopt the going concern basis in preparing these consolidated financial statements.

Future developments in the business

The likely future developments in respect of the business can be found in the Strategic report on pages 6 to 69 and forms part of this report by reference.

Corporate governance

A report on corporate governance and compliance with the Code is set out on pages 70 to 79, and forms part of this report by reference.

Health and safety

An overview of health and safety is provided in the Sustainability report on page 41 and forms part of this report by reference.

Greenhouse gas emissions

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

Human rights, anti-bribery and anti-corruption

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

We comply with the Modern Slavery Act and our statement, including further information on our activity to mitigate risks related to modern slavery, can be found on our website: www.tggplc.com/modern-slavery.

Political donations

The Company made no political donations in 2023 (2022: £nil).

Employee involvement and policy regarding disabled persons

The Group operates an equal opportunities policy which aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or on any other basis. The Group's policy and procedures are designed to provide for full and fair consideration and selection of disabled applicants, to

ensure they are properly trained to perform their role safely and effectively and to provide career opportunities which allow them to fulfil their potential. Where an employee becomes disabled in the course of their employment, the Group will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

Directors' interests

The beneficial interests of the Directors of the Company at 31 December 2023, and their connected persons, in the issued Ordinary shares are provided on page 101 within the Report of the Remuneration Committee.

Major interests in shares

As at 31 December 2023, the Company was aware of the following interests representing 3% or more of the issued share capital of the Company (see table below). It should be noted that these holdings may have changed since notified to the Company; however, notification of any change is not required until the next applicable threshold is crossed.

Institution	Number of shares	Percentage
Blantyre Capital	21,059,643	11.78%
Liontrust Sustainable Investments	18,717,293	10.47%
Goldman Sachs Collateral Account	13,406,119	7.50%
Fidelity International	13,039,450	7.30%
Invesco	9,387,741	5.25%
Royal Bank of Canada (previously BlueBay Asset Management)	7,088,847	3.97%
Farringdon Capital Management	7,040,146	3.94%
Gresham House Asset Management	6,922,809	3.87%
Columbia Threadneedle Investments	6,046,201	3.38%
Credit Agricole, Luxembourg (PB)	5,961,727	3.34%
Blackmoor Investment Partners	5,360,000	3.00%
GVQ Investment Management	5,352,855	3.00%

Since 31 December 2023 until 13 March 2024, the Company has been notified of the following interests representing over 3% of the issued share capital:

Institution	Number of shares	Percentage	Date of transaction
Invesco	8,797,380	4.92%	8 January 2024
Royal Bank of Canada	9,463,934	5.30%	9 February 2024
FORUM European Smallcaps GmbH	6,617,840	3.70%	1 March 2024

Share capital

As at 31 December 2023, the Company's issued share capital comprised 178,700,366 Ordinary shares with a nominal value of £0.01 each with one vote per share.

Ordinary shares

The Ordinary shares rank pari passu in all respects with the other Ordinary shares in issue, including for voting purposes, and will rank in full for all dividends and other distributions thereafter declared, made or paid on the Ordinary share capital of the Company. Each Ordinary share ranks equally in the right to receive a relative proportion of shares in case of a capitalisation of reserves.

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

The Ordinary shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary shares on or off market, subject to the Companies Act 2006 and the requirements of the Listing Rules.

Governance report
Directors' report
continued

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

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

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

Amendment to the Company's Articles of Association

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

Authority for the Company to purchase its own shares

At the 2023 AGM, shareholders approved an authority for the Company to make market purchases of its own shares up to a maximum of 17,836,845 shares (being approximately 10% of the issued share capital at that time) at prices not less than the nominal value of each share (being £0.01 each). No use was made of this authority during the period. The Company intends to renew this authority at its 2024 AGM.

Authority to allot shares

At the 2023 AGM, authority was given to the Directors to allot new Ordinary shares up to a nominal value of £5,945.61, equivalent to 33.33% of the issued share capital of the Company. In addition, authority was given to the Directors to allot further new Ordinary shares up to a nominal value of £11,891.23, equivalent to 66.67% of the authorised share capital of the Group. The Company intends to renew this authority at its 2024 AGM.

Significant agreements

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

Financial risk management

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in Note 23 to the consolidated financial statements.

Information presented in other sections

Certain information is required to be included in the Annual Financial Report by Listing Rule 9.8.4. The following table (see below) provides references to where this information can be found in this Annual Report and Accounts 2023. If a requirement is not shown, it is not applicable to the Company.

Section 172 and engagement with suppliers, customers and others

In its decision-making, the Board has regard to each Director's duty to promote the success of the Company on behalf of the Company's stakeholders, to foster the Company's relationships with employees, suppliers, members, and others, and

considers the effect of the principal decisions taken by the Company during the financial year on the Company's stakeholders. This is set out in our s.172 statement on pages 66 to 69.

Auditor

Each of the persons who is a Director at the date of approval of the Annual Report and Accounts 2023 confirms that: a) so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and b) the Director has taken all the steps which he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information. Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM.

AGM

The Notice convening the 2024 AGM will be circulated to shareholders separately with details of the meeting. We will ensure that shareholders are kept informed using the Notice of Meeting, our website, and relevant regulatory announcements in due course.

On behalf of the Board

Krishan Pandit

Company Secretary
13 March 2024

Section	Listing Rule requirement	Location
1	A statement of the amount of interest capitalised by the Group during the period under review with an indication of the amount and treatment of any related tax relief	Note 10 Finance costs (page 141)
4	Details of long term incentive schemes	Report of the Remuneration Committee (pages 92 to 107)
10	Details of contracts of significance	Corporate Governance report (page 79 Directors' conflicts of interest)

Governance report
Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Accounts 2023 in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards ('IFRS'), and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). Under company law, the Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (or in respect of the Parent Company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and performance;

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate Governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Responsibility statement

The Directors confirm, to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with UK-adopted IFRSs, give a true and fair view of the assets, liabilities, financial position and results of the Parent Company and subsidiary undertakings included in the consolidation taken as a whole;
- That the Annual Report and Accounts 2023, including the Strategic report, includes a fair review of the development and performance of the business and the position of the Company and subsidiary undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- That they consider the Annual Report and Accounts 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position, performance, business model and strategy of the Company and subsidiary undertakings included in the consolidation taken as a whole.

On behalf of the Board

Will Orr

Chief Executive Officer
13 March 2024

Financial statements

Independent auditor's report

to the members of The Gym Group plc

Opinion

In our opinion:

- The Gym Group plc's Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Gym Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise:

Group	Parent Company
Consolidated statement of financial position as at 31 December 2023	Company statement of financial position as at 31 December 2023
Consolidated statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 8 to the financial statements including material accounting policy information
Consolidated cash flow statement for the year then ended	
Related notes 1 to 28 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's forecast cash flows and covenant calculations covering the period from the date of signing to 30 June 2025 and we agreed these to the Group's three year financial plan;
- We challenged the appropriateness of the going concern assessment period, taking into consideration events after the going concern period which may have an impact;
- We tested the mathematical accuracy of the cash flows, as well as the calculation of the forecast covenants;
- We assessed, against historic and current membership levels and independent sector forecasts, the plausibility of the reduction in membership numbers that would lead to a covenant breach under the reverse stress test scenario, and the impact this would have on liquidity;
- We corroborated lease costs to agreements; rate forecasts to published rate increases; and benchmarked costs against external industry forecasts;
- We further corroborated the membership impact of the timing / number of new gym openings with management's expansion plans;
- We understood and challenged the Board's controllable mitigation plans, including reduced gym openings, lower marketing spend, deferral of projects and the forecast impact on the ability of the business to operate within its financial covenants. We obtained supporting documentation to evaluate the plausibility of management's mitigation plans considering actions delivered to date;
- We compared forecast future cashflows to historical data, ensuring variations are in line with our expectations and understanding of the business to consider the reliability of past forecasts;
- We considered the results of other audit procedures and other knowledge obtained in the audit and whether it was consistent with or contradicted management's assumptions;
- We performed our own sensitivity analysis on management's forecast cashflows;
- We included management's reverse stress tested model in the work above;
- We obtained evidence of the banks' agreement to the extension of the Group's Revolving Credit Facility to October 2025;
- We agreed available facilities to underlying agreements and the extent of drawings thereunder to external confirmations at 31 December 2023;
- We enquired with management in respect of events beyond the going concern period taking into consideration the planned refinancing in October 2025, made enquiries of our Debt Advisory team and considered the Company's positive experience of support to date from their banks.
- We assessed the adequacy of disclosures within the Annual Report and Accounts.

Going concern has not been determined to be a key audit matter. We observed that membership rose 4% to 850,000 in the year. Under the reverse stress test, it requires a reduction in members of 16% from February 2024 to create a breach of the Fixed Charge Cover covenant in June 2025 (after applying available controllable mitigations) with no liquidity issues.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of 15 months from when the financial statements are authorised for issue.

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

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



Financial statements

Independent auditor's report continued
to the members of The Gym Group plc

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> We performed an audit of the complete financial information of two components and audit procedures on specific balances for a further one component. The components where we performed full or specific audit procedures accounted for 100% of Loss before tax, 100% of Revenue and 100% of Total assets.
Key audit matters	<ul style="list-style-type: none"> Deferral of membership income. Property, plant and equipment and Right-of-use assets impairment testing including cash flow and discount rate assumptions.
Materiality	<ul style="list-style-type: none"> Overall Group materiality of £1,480,000 which represents 2% of Group EBITDA.

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

Tailoring the scope

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the five reporting components of the Group, we selected three components covering entities, which represent the principal business units within the Group.

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

The reporting components where we performed audit procedures accounted for 100% (2022: 100%) of the Group's Loss before tax, Group's Revenue and Group's total assets:

	2023			2022		
	Full scope	Specific scope	Remaining components	Full scope	Specific scope	Remaining components
Number of components	2	1	2	2	1	2
Revenue	100%	0%	-	100%	0%	-
Loss before tax	97.8%	2.2%	-	99.95%	0.05%	-
Total assets	99.98%	0.02%	-	99.98%	0.02%	-

Changes from the prior year

There are no changes in the scoping from prior year.

Involvement with component teams

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

Climate change

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

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

The Group has explained in its Sustainability report how climate change has been reflected in the financial statements, under summary of significant accounting policies how they have reflected the impact of climate change in their financial statements, including how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050 for Scope 1 and 2 emissions and 2045 for Scope 3 emissions. There are no significant judgements and estimates relating to climate change impacting the financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, and the effects of material climate risks disclosed on pages 52 and 53. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern to 30 June 2025 and viability of the Group over the next three years and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

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

Financial statements

Independent auditor's report continued
to the members of The Gym Group plc

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Deferral of membership income – total revenue for the year ended 31 December 2023: £204.0m (31 December 2022: £172.9m), of which £14.4m was deferred at 31 December 2022 (31 December 2020: £11.0m) and presented in the Consolidated statement of financial position as contract liabilities.</p> <p><i>Refer to the Report of the Audit and Risk Committee (pages 84 to 89); Accounting policies (page 129); and Note 5 of the Consolidated financial statements (page 138)</i></p> <p>In preparing the consolidated financial statements, management need to calculate the amount of joining and subscription payments collected, which relate to membership after the year end date and for which the related revenue should be deferred and presented as a contract liability under IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15').</p> <p>Although the calculation of deferred membership fees does not involve significant judgement or estimation, there are a number of inputs including large numbers of members, varying subscription rates and the reliance on outsourced processes which could be open to manipulation. The deferred revenue calculation is automated, driven by manually input reports. There is an increased risk of material error and management override in the inputs to this calculation. Further, consistent with Auditing Standards, the recognition of revenue is assessed as a material fraud risk on every audit engagement with only rare exceptions.</p>	<p>We reconfirmed our understanding of the Group's revenue recognition and deferred membership fee income calculation processes and related controls and performed walkthrough procedures. In addition to making enquiries of management, we also made enquiries of the outsourced membership management service provider (Clubware) to obtain an understanding of the outsourced elements of the membership income process, including the deferred membership fee income calculation;</p> <p>We tested the completeness of the members included in the deferred membership fee income calculation;</p> <p>We agreed a sample of the data used in management's deferred revenue calculation (for example the membership ID, joining / direct debit date and subscription rate) to the members database and the December 2023 membership income reports used to post revenue to test the accuracy of the data. This included sample testing by reference to membership data held by the Group and membership data provided directly to us by the outsourced membership management service provider.</p> <p>We also tested completeness and accuracy of the membership data held by the Group and used to recognise revenue, by comparing the monthly/ weekly income files provided to us from management to the monthly income files provided directly from the outsourced membership management service provider.</p> <p>We tested the appropriateness of manual journal entries recorded in the general ledger in relation to revenue, and in particular those related to deferred income;</p> <p>We re-performed management's deferred membership fee calculation for a sample of members.</p> <p>We considered the risk of management override in the revenue process including the deferred membership income calculation and challenged management on methods and inputs used to calculate deferred revenue.</p>	<p>Based on our procedures, deferral of membership income in the year ended 31 December 2023 is appropriately recognised and presented as contract liabilities as at that date.</p>

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Property, plant and equipment ('PPE') impairment testing - 31 December 2023: £171.6m (31 December 2022: £181.0m); Right-of-use ('ROU') assets 31 December 2023: £278.2 (31 December 2022: £289.4m)</p> <p><i>Refer to the Report of the Audit and Risk Committee (pages 84 to 89); Accounting policies (page 133); and Notes 14 and 15 of the Consolidated financial statements (pages 144 to 147).</i></p> <p>As disclosed in Notes 14 and 15 to the Consolidated financial statements, PPE including ROU of £449.8m is recognised.</p> <p>Management has undertaken an annual impairment review in respect of PPE and ROU assets and has recognised an impairment of £0.6m in the current year.</p> <p>We focused on this area due to both the significance of the carrying value PPE and ROU assets; and the inherent uncertainty involved in an impairment review, which requires management to make significant judgements and estimations as to future outcomes and assumptions of cash flows (for example customer acquisition and retention, changes in subscription rates, operating costs, etc), along with the discount rate to be applied to those cash flows and the determination of CGUs. In addition, such judgements and estimates could be influenced by management bias.</p> <p>The significant assumptions are disclosed in Note 14 for PPE and Note 15 for ROU assets.</p>	<p>We performed a walkthrough of the process and controls to gain an understanding of the Group's impairment process.</p> <p>We considered the appropriateness of the determination of cash generating units, challenging management on this allocation and obtaining supporting evidence.</p> <p>We obtained management's three year plan for 2024 to 2026 and assessed assumptions within this. We also assessed the historical accuracy of management's forecasting by comparing actual financial performance for the year ended 31 December 2023 to management's previous budget.</p> <p>We challenged the reasonableness of these assumptions by reference to historical data, external benchmarks and the risk of management bias.</p> <p>We sought contradictory evidence through other areas of our audit, internal and external information on industry and other macro-economic factors and challenged management on the appropriateness of significant assumptions and cost mitigations used in the impairment calculation.</p> <p>For the impairment test, we assessed whether the assumptions disclosed in Notes 14 and 15 to the Consolidated financial statements were the appropriate key assumptions to be used in the impairment model, being the discount rate, revenue growth and cost inflation, taking into consideration the cost-of-living crisis over the next three years and the long term growth from 2025 onwards.</p> <p>We considered management's sensitivity analysis showing the impact of a reasonably possible change in key impairment assumptions to determine whether an impairment charge would be required. This consideration included performing our own sensitivity analysis by reference to the results of our assessment of assumptions referred to above.</p> <p>As part of our work, we utilised EY valuations specialists to assist in assessing the appropriateness of the methodology applied in management's impairments models and to assist in our assessment of the discount rate and long term growth rate assumptions used in the impairment models.</p> <p>We assessed the financial statements disclosures, particularly those in Note 14 for PPE and Note 15 for ROU Assets to the Consolidated financial statements, against the requirements of IAS 36 and IAS 1 'Presentation of financial statements' ('IAS 1'), particularly those related to judgements, estimation uncertainty and sensitivities.</p> <p>The Group audit team performed the full scope audit procedures on the impairment models prepared for The Gym Group plc which covered 100% of the risk amount.</p>	<p>Based on our procedures, we consider management's assessment and the impairment charges which have been recorded in the current year are reasonable.</p> <p>The financial statements disclosures, particularly those in Notes 14 and 15 to the Consolidated financial statements, materially comply with the applicable requirements of IAS 36 and IAS1.</p>

Financial statements**Independent auditor's report** continued
to the members of The Gym Group plc**Our application of materiality**

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

Materiality

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

We determined materiality for the Group to be £1,480,000 (2022: £1,400,000), which is 2% (2022: 2%) of Group EBITDA. We believe that Group EBITDA would be the most appropriate basis given the focus on Group EBITDA as the Group's results continue to normalise.

We determined materiality for the Parent Company to be £3,022,000 (2022: £3,148,000), which is 1% (2022: 1%) of assets. Being a holding entity, and non-trading, an earning or activity based basis for planning materiality is not applicable, therefore we have applied a capital-based approach and have selected assets.

During the course of our audit, we reassessed initial materiality and there was no change in our final materiality from our original assessment at planning.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £1,111,500 (2022: £1,050,000). We have set performance materiality at this percentage due to experience with the Group demonstrating an effective control environment and low incidence of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £222,300 to £1,111,500 (2022: £315,000 to £1,050,000).

Reporting threshold

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

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £74,100 (2022: £70,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the Annual Report and Accounts 2023 set out on pages 01 to 107, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts 2023.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made; or

- adequate accounting records have not been kept by the Parent Company; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Corporate Governance statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 61 to 63;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 61 to 63;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on pages 61 to 63;
- Directors' statement on fair, balanced and understandable set out on page 111;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 54 to 63;
- The section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on pages 54 to 61; and
- The section describing the work of the Audit and Risk Committee set out on pages 84 to 89.



Financial statements

Independent auditor's report continued
to the members of The Gym Group plc**Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement set out on page 111, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are Companies Act 2006; UK Listing Rules; UK Listing Authority – Disclosure and Transparency Rules; The Companies (Miscellaneous Reporting Regulation) 2018; The Large and Medium-sized Companies and Groups (Accounts and Reports (Amendment)) Regulations 2013 in particular in respect of the Report of the Remuneration Committee; UK Tax Legislation; and UK Corporate Governance Code 2018.
- We understood how The Gym Group plc is complying with those frameworks by making enquiries of senior management and those charged with governance; attendance at Audit and Risk Committee meetings; obtaining an understanding of entity-level controls and considering the influence of the control environment; obtaining an understanding of policies and procedures in place regarding compliance with laws and regulations, including how compliance with such policies is monitored and enforced; obtaining an understanding of management's process for identifying and responding to fraud risks, including programmes and controls established to address risks identified, or otherwise prevent, deter and detect fraud, as well as reviewing the risk register and how senior management monitors those programmes and controls; and reviewing correspondence with relevant regulatory authorities.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by discussing within the audit team; performing client continuance procedures; reviewing interim financial information; identifying related parties; and considering the nature of the account and our assessment of inherent risk for relevant assertions of significant accounts.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved testing of journal entries, with focus on manual journals, large or unusual transactions, or journals meeting our defined risk criteria based on our understanding of the business; enquiring of members of senior management and those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements; inspecting Board meeting minutes in the period and up to date of signing; enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, and whether such policies are formalized in a code of conduct, conflict-of-interests statement or similar standard; enquiring about the entity's methods of enforcing and monitoring compliance with such policies, if any; and inspecting correspondence, if any, with regulatory authorities.

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

Other matters we are required to address

Following the recommendation from the Audit and Risk Committee we were appointed by the Company on 29 July 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is nine years, covering the years ending 31 December 2015 to 31 December 2023.

The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

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

Ian Venner (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
13 March 2024

Financial statements

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	Note	31 December 2023 £m			31 December 2022 £m		
		Underlying	Non-underlying (Note 9)	Total	Underlying	Non-underlying (Note 9)	Total
Revenue	5	204.0	–	204.0	172.9	–	172.9
Cost of sales		(2.8)	–	(2.8)	(2.0)	–	(2.0)
Gross profit		201.2	–	201.2	170.9	–	170.9
Other income	6	0.3	–	0.3	0.8	–	0.8
Operating expenses (before depreciation, amortisation and impairment)	7	(128.4)	(1.5)	(129.9)	(101.8)	(4.4)	(106.2)
Depreciation, amortisation and impairment	13, 14, 15	(57.5)	(0.8)	(58.3)	(59.3)	(8.5)	(67.8)
Operating profit/(loss)		15.6	(2.3)	13.3	10.6	(12.9)	(2.3)
Finance costs	10	(21.4)	(0.5)	(21.9)	(16.1)	(1.0)	(17.1)
Finance income		0.3	–	0.3	–	–	–
Loss before tax		(5.5)	(2.8)	(8.3)	(5.5)	(13.9)	(19.4)
Tax (charge)/credit	11	(0.6)	0.5	(0.1)	(1.4)	1.5	0.1
Loss for the year attributable to equity shareholders		(6.1)	(2.3)	(8.4)	(6.9)	(12.4)	(19.3)
Other comprehensive income for the year							
<i>Items that may be reclassified to profit or loss</i>							
Changes in the fair value of derivative financial instruments		–	–	–	(0.1)	–	(0.1)
Total comprehensive expense attributable to equity shareholders		(6.1)	(2.3)	(8.4)	(7.0)	(12.4)	(19.4)
Loss per share (p)							
Basic and diluted	12	(3.4)	–	(4.7)	(3.9)	–	(10.9)

Reconciliation of Operating profit/(loss) to Group Adjusted EBITDA Less Normalised Rent¹

	Note	31 December 2023 £m	31 December 2022 £m
Operating profit/(loss)		13.3	(2.3)
Add back:			
Non-underlying operating items	9	2.3	12.9
Share based payments (included in Operating expenses)	8, 26	2.4	1.4
Underlying depreciation and amortisation	13, 14, 15	57.5	59.3
Group Adjusted EBITDA		75.5	71.3
Less:			
Normalised Rent ²		(37.0)	(33.3)
Group Adjusted EBITDA Less Normalised Rent¹		38.5	38.0

¹ Group Adjusted EBITDA Less Normalised Rent is a non-statutory metric used internally by management and externally by investors. It is calculated as operating profit before depreciation, amortisation, share based payments and non-underlying items, and after deducting Normalised Rent. Refer to the KPIs on pages 30 to 31 for further information.

² Normalised Rent is the contractual rent payable, recognised in the monthly period to which it relates. A reconciliation of property lease payments to Normalised Rent has been included in Note 21.

The Notes on pages 126 to 157 form an integral part of the financial statements.

Financial statements

Consolidated statement of financial position

as at 31 December 2023

	Note	31 December 2023 £m	31 December 2022 £m
Non-current assets			
Intangible assets	13	91.4	92.7
Property, plant and equipment	14	171.7	181.0
Right-of-use assets	15	278.1	289.4
Investments in financial assets	16	1.0	1.0
Deferred tax assets	11	16.3	16.3
Total non-current assets		558.5	580.4
Current assets			
Inventories		0.7	0.9
Trade and other receivables	17	10.8	8.9
Cash and cash equivalents	18	1.5	5.4
Total current assets		13.0	15.2
Total assets		571.5	595.6
Current liabilities			
Trade and other payables	19	43.6	38.8
Lease liabilities	15	28.6	25.3
Provisions	22	0.1	0.6
Total current liabilities		72.3	64.7
Non-current liabilities			
Borrowings	20	58.9	70.0
Lease liabilities	15	310.6	325.1
Provisions	22	1.7	1.8
Total non-current liabilities		371.2	396.9
Total liabilities		443.5	461.6
Net assets		128.0	134.0
Capital and reserves			
Own shares held	25	0.1	0.1
Share premium	25	189.8	189.8
Merger reserve	25	39.9	39.9
Retained deficit	25	(101.8)	(95.8)
Total equity shareholders' funds		128.0	134.0

The Notes on pages 126 to 157 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 13 March 2024.

Signed on behalf of the Board of Directors

Will Orr
Chief Executive Officer

Luke Tait
Chief Financial Officer

Company Registration Number 08528493

Financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Note	Own shares held £m	Share premium £m	Hedging reserve £m	Merger reserve £m	Retained deficit £m	Total £m
At 1 January 2022		0.1	189.7	(0.1)	39.9	(77.5)	152.1
Loss for the year		-	-	-	-	(19.4)	(19.4)
Other comprehensive income for the year		-	-	0.1	-	-	0.1
Income/(loss) for the year and total comprehensive expense		-	-	0.1	-	(19.4)	(19.3)
Issue of Ordinary share capital	25	-	0.1	-	-	-	0.1
Share based payments	26	-	-	-	-	1.7	1.7
Deferred tax on share based payments	11	-	-	-	-	(0.6)	(0.6)
At 31 December 2022		0.1	189.8	-	39.9	(95.8)	134.0
Loss for the year		-	-	-	-	(8.4)	(8.4)
Other comprehensive income for the year		-	-	-	-	-	-
Loss for the year and total comprehensive expense		-	-	-	-	(8.4)	(8.4)
Share based payments	26	-	-	-	-	2.4	2.4
At 31 December 2023		0.1	189.8	-	39.9	(101.8)	128.0

The Notes on pages 126 to 157 form an integral part of the financial statements.

Financial statements

Consolidated cash flow statement

for the year ended 31 December 2023

	Note	31 December 2023 £m	31 December 2022 £m
Cash flows from operating activities			
Loss before tax		(8.3)	(19.4)
<i>Adjustments for:</i>			
Finance costs	10	21.9	17.1
Finance income		(0.3)	-
Non-underlying operating items	9	2.3	12.9
Underlying depreciation of property, plant and equipment	14	24.0	26.4
Underlying depreciation of right-of-use assets	15	28.0	28.1
Underlying amortisation of intangible assets	13	5.5	4.8
Share based payments	26	2.4	1.4
Rent concessions		-	(0.5)
Profit on disposal of property, plant and equipment	7	-	(0.4)
Decrease in inventories		0.2	(0.6)
Increase in trade and other receivables		(2.2)	(3.1)
Increase in trade and other payables		7.6	3.2
Decrease in provisions		(0.6)	-
Cash generated from operations		80.5	69.9
Tax received		-	0.8
Net cash inflow from operating activities before non-underlying items		80.5	70.7
Non-underlying items	9	(1.0)	(5.3)
Net cash inflow from operating activities	24	79.5	65.4
Cash flows from investing activities			
Purchase of property, plant and equipment		(19.2)	(36.5)
Purchase of intangible assets		(4.5)	(7.2)
Bank interest received		0.3	-
Proceeds from disposal of property, plant and equipment		-	0.4
Business combinations		-	(5.4)
Net cash outflow used in investing activities		(23.4)	(48.7)
Cash flows from financing activities			
Repayment of lease liability principal	21	(28.0)	(27.4)
Lease interest paid	21	(15.5)	(13.3)
Bank interest paid	21	(4.5)	(2.3)
Payment of financing fees		(1.0)	(0.7)
Drawdown of bank loans	21	2.0	30.5
Repayments of bank loans	21	(13.0)	(5.5)
Proceeds of issue of Ordinary shares		-	0.1
Net cash outflow from financing activities		(60.0)	(18.6)
Net decrease in cash and cash equivalents		(3.9)	(1.9)
Cash and cash equivalents at the start of the year		5.4	7.3
Cash and cash equivalents at the end of the year	18	1.5	5.4

The notes on pages 126 to 157 form an integral part of the financial statements.

Financial statements

Notes to the consolidated financial statements

for the year ended 31 December 2023

1. General information

The Gym Group plc ('the Company') and its subsidiaries ('the Group') operate low cost, high quality, 24/7, no contract gyms.

The Company is a public limited company whose shares are publicly traded on the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

The registered address of the Company is 5th Floor, OneCroydon, 12-16 Addiscombe Road, Croydon, CR0 0XT, United Kingdom.

2. Summary of material accounting policies

A summary of the material accounting policies is set out below. These have been applied consistently in the financial statements.

Statement of compliance

The financial statements have been prepared in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority (where applicable) and United Kingdom adopted international accounting standards. The accounting policies applied are consistent with those described in the Annual Report and Accounts of the Group for the year ended 31 December 2022. The functional currency of each entity in the Group is pound sterling. The consolidated financial statements are presented in pound sterling and all values are rounded to the nearest one hundred thousand pounds, except where otherwise indicated.

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention as modified by the recognition of derivative financial instruments, financial assets and other financial liabilities at fair value through the profit and loss and the recognition of financial assets at fair value through other comprehensive income.

The consolidated financial statements provide comparative information in respect of the previous period.

Going concern

In assessing the going concern position of the Group for the year ended 31 December 2023, the Directors have considered the following:

- the Group's trading performance in 2023 and throughout the traditional January and February 2024 peak period;
- future expected trading performance to June 2025 (the going concern period), including membership levels and behaviours in light of the continued difficult macroeconomic environment; and
- the Group's financing arrangements and relationship with its lenders and shareholders.

2023 was a year of solid membership and revenue growth for The Gym Group, with membership at the end of December 2023 reaching 850,000, an increase of 4% from the end of December 2022. Average revenue per member per month ('ARPM') for the year was £19.50, up 9% from £17.82 in the prior year. Ultimate, the premium price product, ended the year at 31.7% of total membership compared with 29.6% in December 2022.

As a result, revenue for the year at £204.0m was 18% up on the prior year. Group Adjusted EBITDA Less Normalised Rent at £38.5m was £0.5m better than in 2022, as the growth in revenue was largely offset by cost inflation, particularly in utilities and staff costs.

The Group also reported strong cash generation in the year, with free cash flow of £27.0m (see Note 24 to the Consolidated financial statements for a reconciliation to Net cash inflow from operating activities) being generated and used to fund six new site openings and a number of major refurbishments, as well as significant investment in technology.

In September 2023, the Group agreed with its lenders certain changes to the Group's Revolving Credit Facility ('RCF'). As a result, the Group now has access to a combined £80m facility which matures in October 2025. The Group also currently has access to £12.4m of finance lease facilities (£15m permitted under the RCF).

The RCF is subject to quarterly financial covenant tests on Adjusted Leverage (Non-Property Net Debt divided by Group Adjusted EBITDA Less Normalised Rent must not exceed 3.0 times) and Fixed Charge Cover (Adjusted EBITDAR to Net Finance Charges plus Normalised Rent must be greater than 1.5 times). The previously reported liquidity covenant was removed as part of the revised RCF agreement.

As at 31 December 2023, the Group had Non-Property Net Debt (including non-property leases) of £66.4m, consisting of £59.0m drawn debt under the RCF, £8.9m of non-property leases and £1.5m of cash. Headroom under the RCF (drawn debt less cash) was £22.5m. Adjusted Leverage was 1.72 times and Fixed Charge Cover was 1.73 times.

2. Summary of material accounting policies continued**Going concern continued**

Whilst the going concern assessment covers the period to the end of June 2025, the Directors have considered the fact that the Group's RCF facility is currently expected to expire in October 2025 and concluded that, based on regular discussions with participating banks and financial advisors, there is a realistic prospect that this will be extended or refinanced before that time.

Following the January and February 2024 peak trading period, closing membership at 29 February 2024 was 909,000 members, an increase of 7% on the position at 31 December 2023, demonstrating that consumers consider gym memberships to be a high priority purchase, despite the ongoing difficult economic environment; and that the low cost gym model remains resilient.

Despite the above, the Directors have continued to take a cautious approach to planning. The base case forecast for the period to 30 June 2025 anticipates continued growth in yields across the whole estate as a result of pricing optimisation actions that have already been taken and the impact of the new three-tier price product architecture rolled out in FY23. Modest increases in membership levels are driven largely by the sites opened in 2022 and 2023, and not by growth in the mature estate.

In addition, the Directors have continued to take a measured approach to new site openings throughout the plan period, with all new sites assumed to be self-financed. Under this scenario, the financial covenants are passed with headroom and the Group can operate comfortably within its financing facilities.

The Directors have also considered a severe downside scenario in which membership numbers in the mature estate decline by approximately 5% during 2024 and 3% thereafter. Yields continue to increase as a result of pricing optimisation actions already taken, but they do so at a lower level than under the base case. In addition, the number of new site openings is reduced to conserve cash and discretionary performance-related bonuses are removed. Under this scenario, the financial covenants continue to be passed and the Group continues to operate within its financing facilities.

The Directors have also considered a reverse stress test scenario to ascertain the extent of the downturn in trading that would be required to breach the Group's banking covenants or liquidity requirements. Mitigating actions assumed in this scenario include moving to a minimum level of maintenance and technology capital expenditure; reducing controllable operating costs and marketing expenditure; and pausing the new site opening programme in order to preserve cash.

In this scenario, the closing membership would need to decline by 16% from February 2024 before the Fixed Charge Cover covenant would be breached in June 2025. The Group would, however, continue to operate within its current level of debt capacity and the Adjusted Leverage ratio would not be breached.

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

Conclusion

The Board has reviewed the financial plan and downside scenarios of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2025. As a result, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

In making this assessment, consideration has been given to the current and future expected trading performance; the Group's current and forecast liquidity position and the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios.



Financial statements

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

2. Summary of material accounting policies continued

Climate change

In preparing the consolidated financial statements, management has considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report and the stated net zero targets. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to 30 June 2025 nor the viability of the Group over the next three years.

The following specific points were considered:

- we procure 100% renewable energy for all of our sites where we directly control the purchase of energy.
- the Group continues to reduce its carbon emissions and environmental impact by investing in the energy-efficient design of our new sites, as well as in our existing estate.
- our carbon emissions through electrical power consumption will reduce with the decarbonisation of the National Grid and natural gas will eventually become our principal source of direct carbon emission. We now have 51 sites operating successfully without gas for water heating and are continuing to roll out electric heat pumps to obviate the requirement for gas.
- in all cases, the expected costs and investment required during the Group's strategic planning horizon have been considered within the future cash flows included within the Group's three year plan which forms the basis of our going concern and viability assessment, the goodwill and site impairment testing, and the assessment of the recoverability of deferred tax assets.

Consolidation Subsidiaries

A subsidiary is an entity controlled, either directly or indirectly, by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

All subsidiaries are wholly owned.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the income statement from the date the Group gains control and until the date the Group ceases to control the subsidiary.

All subsidiaries apply consistent accounting policies and all intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The acquisition method of accounting is used to account for the acquisition of subsidiaries or business combinations where trade and assets are acquired by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Subsequent changes to the fair value during the measurement period are treated as fair value adjustments against the acquired net assets.

2. Summary of material accounting policies continued

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors. The Group's activities consist solely of the provision of low cost, high quality, 24/7, no contract gyms within the United Kingdom, traded through 233 sites at 31 December 2023. It is managed as one entity and management has consequently determined that there is only one operating segment.

Segment results are measured using earnings before interest, tax, depreciation, amortisation, share based payments costs and non-underlying items. Segment assets are measured at cost less any recognised impairment. All revenue arises in and all non-current assets are located in the United Kingdom. The accounting policies used for segmental reporting reflect those used for the Group.

Revenue

Revenue, which is stated excluding value added tax and other sales-related taxes, is measured at the fair value of the consideration receivable for goods and services supplied.

Revenue from memberships comprises monthly membership fees, non-refundable joining fees and longer term membership fees. Longer term membership fees comprise student memberships which typically cover a nine month period, pay-up-front memberships which typically cover a six or nine month period and corporate annual membership. All membership income (being the membership fee and the joining fee) is recognised straight-line over the period that the membership relates to, with any subscriptions in advance of the period in which the service is provided being recorded as a contract liability in the statement of financial position.

Rental income from personal trainers, which represents amounts paid by standalone personal trainers to operate their business from our gyms, is recognised on a straight-line basis over the term of the rental agreement.

Other income, which includes the sale of goods through vending machines, is recognised at the point in time when control of the goods transfers to the customer.

Contracts with customers are non-complex and do not require any significant accounting judgements or estimates.

Cost of sales and gross profit

Cost of sales comprises costs arising in connection with the generation of ancillary revenue as well as call centre costs and payment processing costs. Therefore gross profit is stated before costs associated with operating the gyms.

Non-underlying items

Non-underlying items are income or expenses that are material by their size and/or nature and are not considered to arise in the normal course of business. The Directors consider that these items should be disclosed separately on the face of the income statement (but within their relevant category) to allow a more comparable view of underlying trading performance.

Non-underlying items include restructuring and reorganisation costs (including site closure costs), costs of major strategic projects and investments, impairment of assets, amortisation and impairment of business combination intangibles, profit/loss on disposal of businesses, remeasurement gains or losses on borrowings, and refinancing costs.

Profit before non-underlying items is used to calculate adjusted earnings per share and is reconciled to profit before taxation on the face of the income statement. Non-underlying items are disclosed in Note 9.



Financial statements

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

2. Summary of material accounting policies continued

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or the Group's share of trade and assets acquired in a business combination at the date of acquisition. Goodwill on acquisitions is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Further information in relation to impairment testing is provided in the 'Impairment of non-financial assets' section of this Note.

Computer software and licenses

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Certain costs incurred in connection with the development of software to be used internally, or for providing services to customers, are capitalised once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated that the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalisation include both internal and external costs but are limited to those that are directly related to the specific project. Computer software costs are included at capitalised cost less accumulated amortisation and any recognised impairment loss.

Amortisation is calculated to write down the cost of the assets on a straight-line basis over their estimated useful lives, over three to five years. Useful lives are reviewed at the end of each reporting period and adjusted as appropriate. The carrying value of computer software is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated to write down the cost of the assets on a straight-line basis over the estimated useful lives as follows:

- leasehold improvements over the shorter of the useful life and the term of the lease;
- fixtures, fittings and equipment between three and ten years;
- gym and other equipment between five and ten years; and
- computer equipment three years.

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

Assets under construction represents the costs incurred in the construction of gyms and are included in Property, plant and equipment. No depreciation is provided on assets under construction until the asset is available for use.

2. Summary of material accounting policies continued

Leases and Right-of-use assets

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

Lease liabilities

Lease liabilities are presented as a separate line in the Consolidated Statement of Financial Position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. There are no variable lease payments nor residual value guarantees.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by The Gym Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term and security.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability whenever:

- there is a change in the Group's assessment of whether it is reasonably certain to exercise a purchase, extension or termination option, in which case the lease liability is remeasured by discounting the minimum lease payments using a revised discount rate at the effective date of the change in assessment;
- the lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- the lease payments change due to a rent review, in which case the lease liability is remeasured by discounting the revised lease payments using the original discount rate at the effective date of the change in rent;
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.



Financial statements

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

2. Summary of material accounting policies continued

Leases and Right-of-use assets continued

When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset, except in the case of modifications resulting in a reduction in the scope of the lease, or in instances where doing so would reduce the carrying amount of the right-of-use asset below zero. For a modification that fully or partially decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect partial or full termination of the lease and any difference between that adjustment and the amount of the remeasurement of the lease liability is recognised in profit or loss at the effective date of the modification. In other cases, if the right-of-use asset is reduced to zero by a remeasurement, any remaining amount of the remeasurement is recognised in profit or loss.

Although the Group enjoys security of tenure as tenant in respect of certain of its lease arrangements, there are conditions associated with these rights such that no unconditional right to extend the lease term exists.

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. When it is reasonably certain that the Group will not exercise a termination option or will exercise an extension option, this assumption is included within the calculation of the lease liability.

Incremental borrowing rate

The calculation of lease liabilities requires the Group to determine an incremental borrowing rate ('IBR') to discount future minimum lease payments. Judgement has been applied to those leases entered into prior to November 2015 when the Group listed on the London Stock Exchange and entered into a Revolving Credit Facility ('RCF'), and which remain on the 31 December 2023 balance sheet as right-of-use assets and lease liabilities. Prior to this the Group was under private equity ownership, with its financing reflecting such ownership (including loan notes). As a consequence, there was less observable data on which to assess the IBR of the Group during this time, hence there was an increased level of judgement in assessing an appropriate IBR for use in applying IFRS to pre-2015 leases. Post-listing and refinancing of the Group's bank facilities in October 2019, there was an increased level of observable data, including a market-based margin, to indicate the credit spread on which the Group could borrow. This margin was then added to observable Bank of England base or risk-free rates, such that the level of judgement on post-2015 leases, and in particular post-2019 leases, is considered to be low.

Right-of-use assets

Right-of-use assets predominantly relate to property leases and are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Right-of-use assets for non-property leases mainly relate to gym equipment purchased on hire purchase contracts and are depreciated over the asset's useful life.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes:

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

The carrying values of right-of-use assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

2. Summary of material accounting policies continued

Impairment of non-financial assets

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Under IAS 36, goodwill is allocated to cash generating units ('CGUs') or groups of CGUs on the basis of which CGU or group of CGUs is expected to benefit from the business combination in which the goodwill arose. As management has determined that the Group's goodwill cannot be allocated to CGUs on a non-arbitrary basis and that the Group has just one operating segment and goodwill is not monitored at any lower level, then consistent with the requirements of IAS 36, testing for goodwill impairment is performed at the operating segment level, being the entire business.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. CGUs are identified based on the lowest level aggregation of asset from which largely independent cash inflows are generated. This can be a single gym or, in a number of instances, a group of gyms which are geographically closely located where the cash inflows from each individual gym are not generated largely independent of other gym sites within the surrounding geographical area. Any impairment charge is recognised in non-underlying items in the income statement in the period in which it occurs.

Impairment losses relating to goodwill cannot be reversed in future periods. At each reporting date, an assessment is made as to whether there is any indication that a previously recognised impairment loss for assets other than goodwill no longer exists or has decreased. If there is any such indication, the recoverable amount of the asset is recalculated and the impairment loss reversed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in non-underlying items in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase and recognised as a separate reserve within equity.

Further information on impairment testing is provided in Notes 3, 13, 14 and 15.

Financial instruments

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable market data)

There were no transfers between levels throughout the periods under review.

Financial assets

The Group's financial assets comprise trade and other receivables, cash and cash equivalents, and investments. The Group classifies its financial assets as those to be measured at amortised cost, those recognised at fair value through profit and loss and those recognised at fair value through other comprehensive income.

The Group measures its trade and other receivables and cash and cash equivalents at amortised cost. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in finance income in the income statement. Due to the Group's upfront payment model, it has limited exposure to credit losses.

Investments in unquoted equity securities are designated as fair value through other comprehensive income if they are held as long term strategic investments that are not expected to be sold in the short to medium term. Any changes in fair value of those assets are recognised in other comprehensive income and are not recycled to profit or loss.

Financial assets are generally presented as current assets. Financial assets are classified as non-current if maturity is greater than 12 months after the reporting date, and settlement is not expected within this time frame.



Financial statements

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

2. Summary of material accounting policies continued

Financial liabilities

The Group's financial liabilities comprise trade and other payables, other financial liabilities (including contingent consideration) and borrowings.

The Group initially recognises its financial liabilities at fair value net of transaction costs where applicable and, other than derivatives and contingent consideration, they are subsequently measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest method over the maturity of the loan. Contingent consideration is subsequently measured at its fair value, which is reassessed at each reporting period, and any fair value movement is recognised in non-underlying items in the income statement.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investments of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Hedging activities

The Group enters into structured wholesale energy market contracts for the procurement of electricity and natural gas. It does this by buying energy directly from the wholesale market to cover operational energy requirements. All contracts are entered into and continue to be held to receive or deliver the energy in accordance with the Group's expected usage requirements and all contracted quantities are actually physically supplied with no financial settlement prior to, or at, maturity. As such, the Group applies the own use exemption in IFRS 9 with regards energy market contracts and recognises the contracted cost of energy in the consolidated income statement when the energy is consumed.

Pensions

The Group operates defined contribution pension schemes and pays contributions to publicly or privately administered pension plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Share based payments

The Group operates a number of share based arrangements for employees. Equity-settled share based payments are measured at the fair value of the equity instruments at the grant date, which excludes the effect of non-market based vesting conditions. The fair value at the grant date is recognised as an expense on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date, at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Inventories

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

Trade and other receivables

Trade and other receivables comprise rental income due from personal trainers, room rental income, advertising income and amounts due from landlords in respect of contributions towards building work. They are initially measured at transaction price. Subsequently, trade and other receivables are measured at amortised cost. The loss allowance for trade receivables and accrued income is measured using the simplified approach (lifetime expected credit losses).

2. Summary of material accounting policies continued

Cash and cash equivalents

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

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Taxation

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date. Income tax relating to items recognised in comprehensive income or directly in equity, is recognised in comprehensive income or equity and not in the income statement.

Deferred taxation

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

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

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

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

A dilapidations provision is recognised when there is a present obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the cost of meeting this obligation.

Dividends

Dividends payable by the Company are recognised on declaration.



Financial statements

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires estimates and assumptions to be made that affect the value at which certain assets and liabilities are held at the balance sheet date and also the amounts of revenue and expenditure recorded in the period. The Directors believe the accounting policies chosen are appropriate to the circumstances and that the estimates, judgements and assumptions involved in its financial reporting are reasonable.

Accounting estimates made by the Group's management are based on information available to management at the time each estimate is made. Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions. The significant judgements that management has made in applying its accounting policies and the estimates and assumptions for which there is a significant risk of a material adjustment to the financial statements within the next financial year are set out below.

Critical judgements

Determination of CGUs for goodwill impairment testing

The Group's activities consist solely of the provision of low cost, high quality, 24/7, no contract gyms within the United Kingdom, traded through 233 sites as at 31 December 2023. All gyms operate under 'The Gym Group' brand including gyms acquired through business combinations. Under IAS 36, goodwill is allocated to the cash generating units ('CGUs') on the basis of which CGU or group of CGUs is expected to benefit from the business combination in which the goodwill arose. However, management has determined that the Group's goodwill cannot be allocated to CGUs on a non-arbitrary basis. Further, the Group has determined that it has a single operating segment and goodwill is not monitored at any lower level. Therefore, consistent with the requirements of IAS 36, testing for goodwill impairment is performed at the operating segment level, being the entire business.

Determination of CGUs for property, plant and equipment and right-of-use assets impairment testing

Annually, management consider indicators of impairment to determine if an impairment assessment is required for property, plant and equipment, right-of-use assets and intangible assets other than goodwill. Where indicated, management identifies the CGU into which an asset belongs. Individual assets generally do not generate independent cash inflows, and therefore they must be tested at the level of the CGU. In many cases, individual gyms are considered to generate largely independent cash flows and therefore are considered to be a single CGU for impairment purposes. However, there are some instances where a number of sites may be interdependent in generating cash flows. This is the case where some gyms in a geographic location have a higher proportion of Ultimate members who frequently visit other gyms in the same geographic location. In these instances, there is significant trading interdependency and the cash inflows from each individual gym are not generated largely independent of each other. In these instances, these gyms are grouped together and considered to be one CGU for impairment assessment purposes. There is judgement required to determine which sites are largely independent and which gyms are interdependent on each other. If no grouping of sites was assumed, the additional impairment recognised in the financial year ended 31 December 2023 would have been £4.0m in relation to five sites.

Further information on the impairment testing undertaken in the year is included in Note 14.

Sources of estimation uncertainty

Impairment testing

The recoverable amount of the Group's CGUs is based on value-in-use calculations. This method requires the estimation of future cash flows and the determination of a pre-tax discount rate in order to calculate the present value of the cash flows. Discount rates reflect the estimated return on capital employed required by an investor. This is also the benchmark used by management to assess operating performance and to evaluate future capital investment proposals. The pre-tax discount rate is derived from the Group's post-tax weighted average cost of capital. Changes in the discount rate are calculated with reference to latest market assumptions for the risk-free rate, equity market risk premium and the cost of debt.

Where an impairment loss is identified, it is allocated to the assets of the CGU on a pro-rata basis to their carrying amount, subject to the limitation that the carrying amount of an asset cannot be reduced below the highest of fair value less costs of disposal, value-in-use or zero. Due to the ability to sublease the right-of-use assets, these have a measurable fair value less costs of disposal and, as a result, this restriction results in the right-of-use asset being written down only to its recoverable amount based on fair value less costs of disposal. Any remaining amount of the impairment loss that would otherwise have been allocated to the right-of-use asset is allocated instead pro-rata to the other assets of the unit. More information, including key assumptions and carrying values, is included in Notes 13, 14 and 15.

3. Significant accounting judgements, estimates and assumptions continued

Sources of estimation uncertainty continued

Whilst the Directors have currently assessed that reasonably possible changes in key assumptions are unlikely to cause an impairment in the carrying value of goodwill, estimates of future cash flows and the determination of discount rates applied to those cash flows could change in the longer term such that an impairment arises. Further, the Directors have currently assessed that the carrying value of property, plant and equipment is sensitive to reasonably possible changes in key assumptions – see Note 14 for further details. In addition, estimates of future cash flows and the determination of discount rates applied to those cash flows could change in the longer term such that an impairment arises in relation to other CGUs.

4. New and amended IFRS standards

New and amended IFRS standards that are effective for the current year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts – This amendment has no impact on the Group.

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments have resulted in some changes to the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 – This amendment has no impact on the Group.

There were no other standards and amendments that became effective in the period, that apply to the consolidated financial statements of the Group.

New and revised IFRS standards that are in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are effective for reporting periods beginning on or after 1 January 2024:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Disclosures: Supplier Finance
Amendments to IAS 21	Lack of Exchangeability

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.



Financial statements

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

5. Revenue

The principal revenue streams for the Group are membership income, rental income from personal trainers and ancillary income.

Membership income comprises monthly membership fees, non-refundable joining fees and longer term membership fees in relation to student, pay-up-front and corporate memberships. Rental income from personal trainers represents amounts paid by standalone personal trainers to operate their business from our gyms. Ancillary income includes income from the sale of goods through vending machine, advertising income through the use of media screens and the sale of day memberships.

The majority of revenue is derived from contracts with members and all revenue arises in the United Kingdom.

Disaggregation of revenue

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition.

	31 December 2023 £m	31 December 2022 £m
Major products/service lines		
Membership income	193.1	162.5
Rental income from personal trainers	7.7	7.8
Ancillary income	3.2	2.6
	204.0	172.9
Timing of revenue recognition		
Products transferred at a point in time	3.5	3.1
Products and services transferred over time	200.5	169.8
	204.0	172.9
Liabilities relating to contracts with customers		
Contract liabilities (Note 19)	(14.4)	(11.0)
Revenue recognised that was included in contract liabilities in the prior year		
Membership income	11.0	8.4

Contract liabilities relate to membership fees received at the start of a contract, where the Group has the obligation to provide a gym membership over a period of time and are included within trade and other payables (see Note 19). The contract liability balance increases as the Group's membership numbers increase. The Group does not receive any consideration greater than 12 months in advance from members. Hence the total contract liability as at 31 December 2022 of £11.0m has been recognised as revenue during the year ended 31 December 2023.

6. Other income

	31 December 2023 £m	31 December 2022 £m
Research and development tax credits	0.3	0.4
Government grants receivable towards work placements	–	0.1
Other	–	0.3
	0.3	0.8

Other income comprises government grants receivable, research and development tax credits and other non-membership-related income.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Where the income relates to a distinct identifiable expense, the income is offset against the relevant expense. Where an expense is not distinctly identifiable, or the income relates to multiple expenses, the income is recognised within Other income.

7. Operating expenses

Operating expenses comprise the following:

	31 December 2023 £m	31 December 2022 £m
Underlying employee costs (Note 8)	43.7	37.6
Site costs (excluding employee costs) ¹	78.1	59.3
Central support office costs (excluding employee costs) ²	6.2	5.0
Profit on disposal of property plant and equipment	–	(0.4)
Auditor's remuneration costs:		
Fees payable for the audit of the Group's annual accounts	0.3	0.2
Audit of the Group's subsidiaries pursuant to legislation	0.1	0.1
Underlying operating expenses before depreciation, amortisation and impairment	128.4	101.8
Non-underlying operating expenses before depreciation, amortisation and impairment (Note 9)	1.5	4.4
Operating expenses before depreciation, amortisation and impairment	129.9	106.2

¹ Site costs include the fixed and variable costs of running the Group's gyms and include rates and services charges, cleaning costs, utilities, repairs and maintenance, site technology costs, marketing costs and insurance.

² Central support office costs largely comprise central technology costs and professional fees.

In the prior year, the Group received government assistance in the form of a 66% discount on business rates (subject to a maximum of £2.0m per business) for businesses in the retail, hospitality and leisure sectors in England for the period 1 June 2021 to 31 March 2022. The value of business rates saved during the year ended 31 December 2023 was £0.1m (2022: £1.1m).

8. Employee information

	31 December 2023 £m	31 December 2022 £m
Wages and salaries	37.9	33.4
Social security costs	3.1	2.9
Employers' pension costs	0.7	0.7
Share based payments (note 25)	2.4	1.4
Government grants	–	(0.5)
Underlying employee costs	44.1	37.9
Non-underlying employee costs	0.5	0.3
Employee costs	44.6	38.2

Included within employee costs in 2023 is £0.4m (2022: £0.3m) which has been included within cost of sales in the consolidated income statement.

In 2023, no government grant income was received as a contribution towards salary costs (2022: £0.5m). In 2022, the Group participated in the Kickstart scheme offered by the government to combat youth unemployment. Under this scheme, the Group received financial support in order to offer six-month work placements for young people aged 16-24 who were claiming Universal Credit in the form of a one-off grant per person employed to cover setup costs. This income was recognised evenly over each six-month placement term. The Kickstart scheme ended at the end of 2022.

The average number of employees, including Directors, during the year was:

	31 December 2023 Number	31 December 2022 Number
Operational	1,644	1,848
Administrative	193	187
	1,837	2,035

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9. Non-underlying items

	31 December 2023 £m	31 December 2022 £m
Affecting operating expenses (before depreciation, amortisation and impairment)		
Costs of major strategic projects and investments	0.9	4.6
Restructuring and reorganisation costs/(income) (including site closures)	0.6	(0.2)
Total affecting operating expenses (before depreciation, amortisation and impairment)	1.5	4.4
Affecting depreciation, amortisation and impairment		
Impairment of property, plant and equipment, right-of-use assets and intangible assets	0.6	8.3
Amortisation of business combination intangible assets	0.2	0.2
Total affecting depreciation, amortisation and impairment	0.8	8.5
Total affecting operating expenses¹	2.3	12.9
Affecting finance costs		
Remeasurement of borrowings	0.1	0.9
Refinancing costs	0.4	0.1
Total affecting finance costs	0.5	1.0
Total all non-underlying items before tax	2.8	13.9
Tax on non-underlying items	(0.5)	(1.5)
Total non-underlying charge in income statement	2.3	12.4

¹ At 31 December 2023, there were £0.5m of accruals on the Group balance sheet relating to non-underlying items affecting operating expenses (before depreciation, amortisation and impairment). As a result, the cash outflow in the year was £1.0m. In the prior year, in addition to the £4.4m of non-underlying items affecting operating expenses (before depreciation, amortisation and impairment), there was £0.9m of cash outflow in relation to prior year creditors, bringing the total amount of cash flow on non-underlying operating items to £5.3m. Depreciation, amortisation and impairment and remeasurement of borrowings are non-cash items.

The costs of major strategic projects and investments of £0.9m (2022: £4.6m) include the costs incurred in relation to introducing the three-tier price product architecture, as well as consultancy and other costs incurred in shaping the Group's strategic plan.

Restructuring and reorganisation costs in the year of £0.6m (2022: credit of £0.2m) include the costs associated with the change of Group CEO and other Board and Executive Committee changes, as well as restructuring costs incurred in relation to the Central Support Office.

Non-underlying costs affecting depreciation, amortisation and impairment in the year amounted to £0.8m (2022: £8.5m), of which £0.6m (2022: £8.3m) relates to the impairment of two sites (2022: 13 sites). The majority of the charge in 2023 relates to one site which was impaired in 2022 but where the value-in-use estimate has fallen, partly driven by an increase in the discount rate. The remaining £0.2m (2022: £0.2m) of non-underlying costs affecting depreciation, amortisation and impairment relates to the amortisation of business combination intangibles acquired as part of the Lifestyle, easyGym and Fitness First acquisitions.

Non-underlying items affecting finance costs amounted to £0.5m (2022: £1.0m), of which £0.4m (2022: £0.1m) relates to costs incurred in relation to the amendments to the Group's Revolving Credit Facility ("RCF") which were agreed with the banks in September; and £0.1m (2022: £0.9m) relates to the remeasurement of the RCF following those agreed changes.

Tax on non-underlying items represents the tax charge or credit arising on the Group's non-underlying items calculated at the current tax rate.

10. Finance costs

	31 December 2023 £m	31 December 2022 £m
Bank loans and overdraft interest including amortisation of financing fees	6.0	2.8
Lease interest	15.5	13.3
Movement in fair value of derivatives	-	0.2
	21.5	16.3
Capitalised interest	(0.1)	(0.2)
Underlying finance costs	21.4	16.1
Non-underlying finance costs	0.5	1.0
Finance costs	21.9	17.1

Capitalised interest is recognised within leasehold improvements. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during 2023 of 8.2% (2022: 4.5%). The increase in the weighted average interest rate from 2022 to 2023 has been primarily due to the increase in the SONIA rate over the same period.

11. Taxation

Tax on loss

	31 December 2023 £m	31 December 2022 £m
Current income tax		
Current tax on losses in the year	(0.1)	(0.1)
Adjustments in respect of prior years	-	-
Total current income tax	(0.1)	(0.1)
Deferred tax		
Origination and reversal of temporary differences	-	(0.3)
Change in tax rates	-	0.5
Total deferred tax	-	0.2
Tax (charge)/credit	(0.1)	0.1

The standard rate of corporation tax applied to reported losses is 23.5% (2022: 19%).

Reconciliation of tax credit

	31 December 2023 £m	31 December 2022 £m
Loss before tax	(8.3)	(19.4)
Tax calculation at standard rate of corporation tax of 23.5% (2022: 19.0%)	2.0	3.7
Expenses not deductible for tax purposes	(0.7)	0.7
Change in tax rates	-	(0.4)
Unrecognised tax losses	(1.4)	(3.9)
Tax (charge)/credit	(0.1)	0.1



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11. Taxation continued

Deferred tax

	Accelerated capital allowances £m	Losses £m	Intangible assets £m	Share schemes £m	Other £m	Total £m
At 1 January 2022	(0.2)	11.3	–	1.4	3.6	16.1
Adjustments in respect of prior years	1.9	(1.8)	(0.1)	–	–	–
Recognised in income statement	(0.5)	1.1	(0.3)	(0.1)	(0.5)	(0.3)
Business combinations	0.6	–	–	–	–	0.6
(Charge)/credit to income statement due to changes in tax rates	–	0.5	–	–	–	0.5
Recognised in equity	–	–	–	(0.6)	–	(0.6)
At 31 December 2022	1.8	11.1	(0.4)	0.7	3.1	16.3
Adjustments in respect of prior years	(1.5)	2.4	(0.2)	–	(0.2)	0.5
Recognised in income statement	1.8	(2.4)	0.3	0.2	(0.4)	(0.5)
At 31 December 2023	2.1	11.1	(0.3)	0.9	2.5	16.3

Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these will be recovered within a reasonable period. Short term timing differences are generally recognised ahead of losses on the basis that they are likely to reverse more quickly.

In assessing the probability of recovery, the Directors have reviewed the Group's three year plan that underpins the going concern and viability assessment, and the goodwill and property, plant and equipment impairment testing. The Directors believe this detailed plan, supplemented with conservative projections for the years immediately following, provides convincing evidence to recognise the amount of deferred tax assets shown above which are forecast to be recovered within four years. As disclosed in more detail in respect of going concern in Note 2 and impairment in Notes 13 and 14, the Group's three year plan anticipates continued growth in yields across the whole estate and additional members from new site openings. The Directors have also considered the impact of climate-related risks set out in the Sustainability report on pages 50 to 53.

The trading losses incurred as a result of the Covid-19 pandemic and the subsequent cost-of-living crisis, together with the introduction in March 2021 of the temporary enhanced capital allowances regime ('the super-deduction tax break'), have resulted in significant tax losses to carry forward. Losses for which no deferred tax asset is recognised equate to £23.0m (2022: £20.2m), resulting in an unrecognised deferred tax asset of £5.8m (2022: £5.1m) using a 25% tax rate. There is no time limit for utilising trade losses in the UK.

A deferred tax asset has arisen on accelerated capital allowances, whereby the tax written-down value is higher than the net book value. A deferred tax liability has arisen on intangible assets of £0.3m (2022: £0.4m). Other deferred tax assets include timing differences on the accounting for the various share schemes.

The Finance Act 2022 increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred tax assets and liabilities have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

There are no material uncertain tax provisions at 31 December 2023 (2022: nil). However, judgement has necessarily been applied in estimating the impact and timing of utilisation of capital allowances and tax losses which could give rise to prior period adjustments in future years.

12. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of Ordinary shares outstanding during the year, excluding unvested shares held pursuant to The Gym Group plc's share based long term incentive schemes (see Note 26).

Diluted loss per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. During the year ended 31 December 2023, the Group had potentially dilutive shares in the form of share options and unvested shares issued pursuant to The Gym Group plc's share based long term incentive schemes (see Note 26).

	31 December 2023	31 December 2022
Loss (£m)		
Loss for the year attributable to equity shareholders	(8.4)	(19.3)
Adjustment for non-underlying items	2.3	12.4
Adjusted loss for the year attributable to equity shareholders	(6.1)	(6.9)
Weighted average number of shares		
Basic and diluted weighted average number of shares	178,512,563	177,251,348
Loss per share (p)		
Basic and diluted loss per share	(4.7)	(10.9)
Adjusted basic and diluted loss per share	(3.4)	(3.9)

At 31 December 2023, 7,164,017 share awards (2022: 6,804,605) were excluded from the diluted weighted average number of Ordinary shares calculation because their effect would be anti-dilutive.

13. Intangible assets

	Goodwill £m	Customer list £m	Contract £m	Computer software and licences £m	Total £m
Cost					
At 1 January 2022	77.7	2.7	1.2	20.3	101.9
Additions	–	–	–	7.3	7.3
Business combinations	4.1	0.3	–	–	4.4
Disposals	–	–	(0.1)	(7.3)	(7.4)
At 31 December 2022	81.8	3.0	1.1	20.3	106.2
Additions	–	–	–	4.4	4.4
Disposals	–	–	(0.2)	–	(0.2)
At 31 December 2023	81.8	3.0	0.9	24.7	110.4
Accumulated amortisation					
At 1 January 2022	–	(2.6)	(0.5)	(12.8)	(15.9)
Charge for the year	–	(0.1)	(0.1)	(4.8)	(5.0)
Impairment	–	–	(0.1)	–	(0.1)
Disposals	–	–	–	7.3	7.3
Transfer to right-of-use assets	–	–	0.2	–	0.2
At 31 December 2022	–	(2.7)	(0.5)	(10.3)	(13.5)
Charge for the year	–	(0.1)	(0.1)	(5.5)	(5.7)
Disposals	–	–	0.2	–	0.2
At 31 December 2023	–	(2.8)	(0.4)	(15.8)	(19.0)
Net book value					
At 31 December 2022	81.8	0.3	0.6	10.0	92.7
At 31 December 2023	81.8	0.2	0.5	8.9	91.4

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13. Intangible assets continued

Included within additions to computer software and licenses in 2023 is £2.4m of investment in relation to the technology enhancements required to implement the three-tier price product architecture (see the Chief Executive's review on pages 12 to 15 for further details). The additions in 2022 included £4.7m in relation to the investment made into the Group's new digital platform.

Impairment test for goodwill

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstance indicate that the carrying value may be impaired.

The recoverable amount of goodwill has been determined based on a value-in-use calculation using cash flow projections based on the Group's three year plan. Cash flows beyond this period are extrapolated using an estimated growth rate of 3.0% (2022: 3.0%). All cash flows are discounted using a pre-tax discount rate of 10.4% (2022: 8.5%). The increase in the discount rate reflects the increase in SONIA and the risk free rate.

Membership growth, growth rates in subscription prices and increases applied to costs are the key assumptions included within the Group's three year plan. These have been modelled based upon a mixture of historical experience and expected future performance. The impact of any future openings has not been included in the assessment as they do not form part of the existing assets. The performance of any gyms expected to close have been included within the calculation up to the point of closure. In the years under review, management's value-in-use calculations have indicated no requirement to impair and no reasonably possible change in key assumptions gives rise to an impairment. Further information on impairment is provided in Note 3.

14. Property, plant and equipment

	Assets under construction £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Gym and other equipment £m	Computer equipment £m	Total £m
Cost						
At 1 January 2022	2.1	208.7	11.5	86.6	4.3	313.2
Additions	2.0	31.9	0.5	7.4	1.3	43.1
Business combinations	–	1.1	–	0.1	–	1.2
Disposals	–	(2.6)	(0.4)	(4.2)	–	(7.2)
Transfers	(1.8)	1.7	–	0.1	–	–
At 31 December 2022	2.3	240.8	11.6	90.0	5.6	350.3
Additions	1.4	8.9	0.3	4.2	0.7	15.5
Disposals	(0.3)	–	–	–	–	(0.3)
Transfers	(1.6)	1.5	–	0.1	–	–
At 31 December 2023	1.8	251.2	11.9	94.3	6.3	365.5
Accumulated depreciation						
At 1 January 2022	–	(79.2)	(9.1)	(55.9)	(3.4)	(147.6)
Charge for the year	–	(16.4)	(0.9)	(8.5)	(0.6)	(26.4)
Impairment	–	(2.2)	–	(0.3)	–	(2.5)
Disposals	–	2.6	0.4	4.2	–	7.2
At 31 December 2022	–	(95.2)	(9.6)	(60.5)	(4.0)	(169.3)
Charge for the year	–	(15.8)	(0.5)	(6.9)	(0.8)	(24.0)
Impairment	–	(0.4)	–	(0.1)	–	(0.5)
At 31 December 2023	–	(111.4)	(10.1)	(67.5)	(4.8)	(193.8)
Net book value						
At 31 December 2022	2.3	145.6	2.0	29.5	1.6	181.0
At 31 December 2023	1.8	139.8	1.8	26.8	1.5	171.7

Included within additions for the year is £0.1m of capitalised interest (2022: £0.2m), and £4.2m of accrued capital expenditure (2022: £6.2m).

14. Property, plant and equipment continued

Impairment test for property, plant and equipment, right-of-use assets and other intangible assets

The Group reviews the carrying value of property, plant and equipment, right-of-use assets and intangible assets (excluding goodwill) for indicators of impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of the Group's CGUs is typically based on value-in-use calculations. The value-in-use at 31 December 2023 was calculated using the discounted present value of each CGU's expected future cash flows using the Group's three year plan as the basis. Membership growth, growth rates in subscription prices and increases applied to costs are the key assumptions included when determining the expected future cash flows of each CGU. These have been modelled based upon a mixture of historical experience and expected future performance. A pre-tax discount rate of 10.4% (2022: 8.5%) was used to calculate the present value.

During the year a total impairment loss of £0.6m (2022: £8.2m) was recognised relating to two (2022: 13) sites. Of the total impairment charge recognised in the year of £0.6m (2022: £8.2m), £0.5m (2022: £2.5m) was allocated against property, plant and equipment and £0.1m (2022: £5.7m) was allocated against right-of-use assets. The total recoverable amount of the affected CGUs was £1.3m (2022: £7.7m).

The impairment loss was allocated to the assets of the CGU on a pro-rata basis to their carrying amount, subject to the limitation that the carrying amount of an asset cannot be reduced below the highest of fair value less costs of disposal, value-in-use or zero. Due to the ability to sublease the right-of-use assets, these have a measurable fair value less costs of disposal and, as a result, this restriction results in the right-of-use asset being written down only to its recoverable amount based on fair value less costs of disposal. The remaining amount of the impairment loss that would otherwise have been allocated to the right-of-use asset was allocated pro-rata to the other assets of the unit. In restricting the impairment charge recognised in respect of the right-of-use assets, their fair value less costs of disposal was calculated on the basis of the cash flows that could be realised by the Group through the sublet of the site, discounted using a pre-tax discount rate of 10.4% (2022: 8.5%). The increase in the discount rate reflect the increase in the SONIA and the risk free rate.

Under the downside scenario prepared for the going concern assessment, at the sites impaired during the year, no further impairment (2022: £1.1m) would arise in relation to property, plant and equipment, and no further impairment (2022: £0.4m) would arise in relation to right-of-use assets.

Under the downside scenario, a further impairment charge of £0.6m (2022: £0.1m) in relation to property, plant and equipment at a further two sites would be recognised. No additional impairment (2022: £0.6m) would be recognised in relation to right-of-use assets.

Further information on impairment is provided in Note 3.



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15. Right-of-use assets and leases

The Group leases gym sites and its head office ('Property leases') and also enters into hire purchase and lease agreements for gym equipment ('Non-property leases'). Property leases are typically made for fixed periods of 10 to 20 years but may have extension options as well. Non-property leases are typically made for fixed periods of three years. Both property and non-property leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group.

(i) Amounts recognised in the consolidated statement of financial position

	Property leases £m	Non-property leases £m	Total £m
Cost			
At 1 January 2022	388.2	7.2	395.4
Additions	33.5	8.1	41.6
Business combinations	3.3	–	3.3
Disposals	(4.5)	–	(4.5)
At 31 December 2022	420.5	15.3	435.8
Additions	13.8	3.0	16.8
At 31 December 2023	434.3	18.3	452.6
Accumulated depreciation			
At 1 January 2022	(114.0)	(0.2)	(114.2)
Charge for the year	(26.5)	(1.6)	(28.1)
Impairment	(5.7)	–	(5.7)
Disposals	1.8	–	1.8
Transfer from intangible assets	(0.2)	–	(0.2)
At 31 December 2022	(144.6)	(1.8)	(146.4)
Charge for the year	(25.7)	(2.3)	(28.0)
Impairment	(0.1)	–	(0.1)
At 31 December 2023	(170.4)	(4.1)	(174.5)
Net book value			
At 31 December 2022	275.9	13.5	289.4
At 31 December 2023	263.9	14.2	278.1

During the year a total impairment loss of £0.6m (2022: £8.2m) was recognised relating to two (2022: 13) sites. Of the total impairment charge recognised in the year of £0.6m (2022: £8.2m), £0.5m (2022: £2.5m) was allocated against property, plant and equipment and £0.1m (2022: £5.7m) was allocated against right-of-use assets. The total recoverable amount of the affected CGUs was £1.3m (2022: £7.7m). See Note 14 for further disclosure.

The split of lease liabilities between current and non-current is as follows:

	31 December 2023 £m	31 December 2022 £m
Current	28.6	25.3
Non-current	310.6	325.1
Total Lease liabilities	339.2	350.4

The total cash outflow for leases in the year was £43.5m (2022: £40.7m). The maturity analysis of lease liabilities is disclosed in Note 23.

15. Right-of-use assets and leases continued

(ii) Amounts recognised in the consolidated income statement

The statement of profit or loss shows the following amounts relating to leases:

	31 December 2023 £m	31 December 2022 £m
Lease liability derecognised under Covid-19 Rent Concession	–	(0.5)
Depreciation charge of right-of-use assets	28.0	28.1
Impairment of right-of-use assets	0.1	5.7
Interest expense (included in finance cost)	15.5	13.3

There are no variable lease payments and no sublease income recognised in the consolidated income statement.

(iii) Extension and termination options

The Group has recognised lease extension options contained within the lease in the calculation of right-of-use assets and lease liabilities at inception of the lease if management is reasonably certain to exercise the option to extend the lease beyond its contractual term. In all other cases, a lease extension is only recognised when a lease is extended beyond the original contractual term.

During the year, the Group has renegotiated two leases (2022: four) which resulted in additional lease liabilities of £1.8m being recognised (2022: £3.5m), with a corresponding increase included within additions to the right-of-use assets in the table in Note 15 (i). The Group also terminated one lease (2022: two) in the year with no gain or loss recognised on termination as the right-of-use asset was fully impaired in the previous year.

(iv) Non-property lease facilities

At 31 December 2023, the Group had in place total facilities of £12.4m in respect of non-property lease arrangements (2022: £12.5m) which it utilises to finance the fit-out of new gyms. As at 31 December 2023, the amount outstanding on these facilities was £8.9m (2022: £11.4m).

16. Investments in financial assets

On 3 February 2020, the Group purchased convertible loan notes in Fiit Limited for cash consideration of £1.0m. Conversion was originally expected to take place within two years of issue giving the Group a small non-controlling stake at a maximum valuation of £1.25m. During 2022, a number of changes to the terms of the convertible loan notes were agreed, including the extension of the date of conversion to 15 July 2023 and changes to the circumstances in which the loan notes may be redeemed or converted. In July 2023, the date of conversion was further extended to 15 July 2025.

These notes are measured at fair value through profit or loss and the carrying value at the end of the year was £1.0m (2022: £1.0m).

This is a Level 3 valuation under the fair value hierarchy and was determined based on the performance of the business post-acquisition against the business plan produced at the time of the investment. The business continues to build strategic partnerships with a number of parties and is expected to continue to have adequate funding in place. As such, the carrying amount is believed to appropriately reflect the fair value. The range of sensitivity in the valuation at 31 December 2023 to reasonably possible changes in the assumptions used is not considered to be material.

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17. Trade and other receivables (due in less than one year)

	31 December 2023 £m	31 December 2022 £m
Trade receivables	1.7	0.6
Loss allowance	-	-
	1.7	0.6
Other receivables	0.2	0.7
Prepayments and accrued income	8.9	7.6
	10.8	8.9

18. Cash and cash equivalents

	31 December 2023 £m	31 December 2022 £m
Cash at bank	1.5	0.5
Short term deposits	-	4.9
Cash and cash equivalents	1.5	5.4

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for periods of one day and earn interest at the respective short term deposit rates.

19. Trade and other payables (due in less than one year)

	31 December 2023 £m	31 December 2022 £m
Trade payables	6.7	8.0
Social security and other taxes	4.3	2.0
Accruals	18.0	17.6
Other payables	0.2	0.2
Contract liabilities (note 5)	14.4	11.0
	43.6	38.8

20. Borrowings

The carrying value of the Group's bank borrowings at 31 December 2023 was £58.9m (2022: £70.0m).

The Group has in place a combined £80m Revolving Credit Facility ('RCF') (2022: £80m) which is syndicated to a three-lender panel of NatWest, HSBC and Barclays. Until September 2023, the syndicate included Banco de Sabadell, which was then replaced by Barclays. The facility was due to mature in October 2024, but as part of the changes agreed with the banks in September 2023, the facility was extended to October 2025.

The funds borrowed under the RCF bear interest at a minimum annual rate of 2.85% (2022: 2.85%) above the Sterling Overnight Index Average ('SONIA'). The average interest rate paid in the year on drawn funds was 8.2% (2022: 4.46%). Undrawn funds bear interest at a minimum annual rate of 1.14% (2022: 1.14%).

The Group's borrowings are held at amortised cost using the effective interest method. Each reporting period, the Group reviews its cash flow forecasts and if these have changed since the previous reporting period (other than as a result of changes in floating interest rates), the borrowings are remeasured using the original effective interest rate. Any remeasurement of borrowings is treated as non-underlying and excluded from Adjusted earnings.

The RCF is subject to quarterly financial covenant tests on Adjusted Leverage and Fixed Charge Cover (both terms defined on page 126). Adjusted Leverage must not exceed 3.0 times and the Fixed Charge Cover must be greater than 1.5 times.

At 31 December 2023, the Group had drawn down £59.0m under the RCF (2022: £70.0m), leaving £21.0m (2022: £10.0m) undrawn and available. The £59.0m is repayable in October 2025. Adjusted Leverage was 1.72 times (2022: 2.0 times) and Fixed Charge Cover was 1.73 times (2022: 1.94 times).

21. Financing liabilities

Changes in liabilities arising from financing activities

	Borrowings £m	Non-property lease liabilities £m	Property lease liabilities £m	Total lease liabilities £m
At 1 January 2022	44.3	6.4	329.9	336.3
Repayments of interest and principal	(7.8)	(3.6)	(37.1)	(40.7)
Interest expense	2.3	0.5	12.8	13.3
Drawdowns	30.5	-	-	-
Business combinations	-	-	3.3	3.3
New leases and modifications	-	8.1	33.5	41.6
Lease disposals	-	-	(4.5)	(4.5)
Other	0.7	-	1.1	1.1
At 31 December 2022	70.0	11.4	339.0	350.4
Repayments of interest and principal	(17.5)	(6.5)	(37.0)	(43.5)
Interest expense	5.7	1.0	14.5	15.5
Drawdowns	2.0	-	-	-
New leases and modifications	-	3.0	13.8	16.8
Other	(1.3)	-	-	-
At 31 December 2023	58.9	8.9	330.3	339.2

Included in 'Other' is the effect of changes to amortised cost on borrowings using the effective interest rate method, accrued but unpaid interest, and rent concessions in 2022.

Reconciliation of property lease payments to Normalised Rent

	31 December 2023 £m	31 December 2022 £m
Property lease payments	37.0	37.1
Lease payments made in advance	(0.2)	(0.7)
Leases terminated	-	(1.0)
Accrued rent not yet paid	0.3	-
Unwind of deferred rent	(0.1)	(2.1)
Normalised Rent	37.0	33.3



Financial statements

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

22. Provisions

	Dilapidations £m	Other £m	Total £m
At 1 January 2023	1.8	0.6	2.4
New provisions	–	0.1	0.1
Utilisation of provisions	–	(0.3)	(0.3)
Release of provisions	(0.1)	(0.3)	(0.4)
At 31 December 2023	1.7	0.1	1.8
Due in less than one year	–	0.1	0.1
Due in more than one year	1.7	–	1.7
At 31 December 2023	1.7	0.1	1.8

A dilapidations provision is recognised when there is a present obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of meeting this obligation, but the amount and timing of this are uncertain. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Management has determined that the likelihood of a liability arising is not probable in relation to 200 of the Group's 233 gym sites as at 31 December 2023 (2022: 196 of 229) as the Group enjoys security of tenure as tenant and therefore is unlikely to give up a site where it is trading profitably. If circumstances indicate otherwise the Group will recognise an appropriate provision.

Subject to a new lease not being negotiated to extend the current lease term, dilapidations would become payable between 2025 and 2040 (2022: 2025 and 2040) with £0.2m (2022: £0.1m) expected to crystallise in the next five years, £0.9m (2022: £0.8m) crystallising in between five and ten years and the remainder crystallising in more than ten years.

23. Financial instruments

Fair values

With the exception of the Group's borrowings, the carrying value of financial assets and liabilities equal their fair value. The carrying value of borrowings of £58.9m (2022: £70.0m) have a fair value of £59.0m (2022: £70.0m). After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss when the liabilities are derecognised.

The fair value of borrowings have been calculated by discounting the future cash flows at prevailing market interest rates. The fair value of borrowings is categorised as Level 2, and all other financial assets at fair value through profit and loss are categorised as Level 3.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure and cost of capital. In order to maintain or adjust capital, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings and non-property leases less cash and cash equivalents. The Directors believe that this measure of net debt best reflects the financial health of the business. In addition, it is a key constituent of the Adjusted Leverage covenant included in the Group's banking agreement.

Total capital is calculated as equity (excluding own shares held and retained earnings) as shown in the Consolidated Statement of Financial Position plus net debt.

23. Financial instruments continued

The gearing ratios for the periods under review are as follows:

	31 December 2023 £m	31 December 2022 £m
Bank borrowings	59.0	70.0
Non-property leases	8.9	11.4
Less: Cash and cash equivalents	(1.5)	(5.4)
Non-Property Net Debt	66.4	76.0
Total equity	229.7	229.7
Total capital	296.1	305.7
Gearing ratio	22%	25%

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and procedures for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The principal market risk affecting the Group is interest rate risk. Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments.

The sensitivity analysis in the following sections relates to the position as at 31 December 2023 and 2022. 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.

Interest rate risk

The Group is exposed to interest rate risk because the Group's long term debt obligations are at floating interest rates based on GBP SONIA. The risk is sometimes managed by the Group through interest rate swap contracts and hedging activities are evaluated regularly to align with interest rate views and defined risk appetite to ensure the most cost-effective hedging strategies are applied.

The Group is not expecting any reduction in interest rates over the next 12 months.

The increase in the loss before tax of a reasonably possible increase in interest rates is as follows:

	31 December 2023 £m	31 December 2022 £m
Change in interest rates of 0.5% (2022: 0.5%)	0.3	0.4

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Notes to the consolidated financial statements continued

for the year ended 31 December 2023

23. Financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows; matching the maturity profiles of financial assets and operational liabilities where possible and maintaining adequate cash reserves.

The table below summarises the maturity profile of the Group's financial liabilities:

	31 December 2023					Total £m
	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m		
Trade and other payables	24.9	–	–	–		24.9
Borrowings	6.2	64.7	–	–		70.9
Lease liabilities	43.4	43.6	125.9	218.0		430.9
	74.5	108.3	125.9	218.0		526.7
	31 December 2022					
	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m		Total £m
Trade and other payables	25.8	–	–	–		25.8
Borrowings	5.6	74.1	–	–		79.7
Lease liabilities	40.4	43.4	117.8	246.0		447.6
	71.8	117.5	117.8	246.0		553.1

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Due to the nature of the business requiring customers to pay in advance, there is little concentration of risk in trade receivables due to the limited value of trade receivables due from large number of customers which are spread across wide geographical areas. Trade receivable balances are written off when the balance is known not to be recoverable, and expected credit losses are immaterial.

24. Net cash inflow from operating activities

The Directors believe that Free cash flow is the measure that best reflects the amount of cash available to the Group for investing in new sites and technology, and for enhancing existing sites. As such, Free cash flow is included within the Key performance indicators section of the Annual Report and Accounts 2023 and referenced in both the Financial review and Going concern note. A reconciliation of Net cash inflow from operating activities to Free cash flow is included below.

Reconciliation of Net cash inflow from operating activities to Free cash flow

	31 December 2023 £m	31 December 2022 £m
Net cash inflow from operating activities	79.5	65.4
Less: Property lease payments made (Note 21)	(37.0)	(37.1)
Less: Maintenance capital expenditure (including funded by lease)	(10.3)	(8.8)
Less: Bank and non-property lease interest paid	(5.5)	(2.8)
Add: Bank interest received	0.3	–
Free cash flow	27.0	16.7

25. Issued share capital and reserves

	31 December 2023 £m	31 December 2022 £m
Allotted, called up and fully paid		
Ordinary shares of £0.0001 each	–	–
Own shares held		
Deferred Ordinary shares of £1 each	0.1	0.1

The number of Ordinary shares in issue is as follows:

	31 December 2023	31 December 2022
Ordinary shares of £0.0001 each	178,135,710	178,039,002
Deferred Ordinary shares of £1 each	48,050	48,050

In addition, 564,676 Ordinary shares of £0.0001 each are held by an employee benefit trust (2022: 312,480). This employee benefit trust is linked to the share incentive plan.

During the year, 348,884 Ordinary shares were issued, of which 252,176 were issued to the employee benefit trust.

The following describes the nature and purpose of each reserve in equity:

Own shares held and capital redemption reserve

These reserves represent 48,050 Deferred Ordinary shares of £1 each repurchased by the Company on 12 November 2015 and Ordinary shares held in an employee benefit trust. The Deferred Ordinary shares constitute a separate, non-voting class of shares which is held in treasury and not admitted to trading. The rights attached to the Deferred Shares are set out in the Company's Articles.

Share premium

The amount subscribed for share capital in excess of nominal value.

Hedging reserve

The fair value movements on the effective portion of hedging instruments.

Merger reserve

The amount subscribed for share capital in excess of nominal value attracting merger relief under the Companies Act 2006.

Retained earnings/deficit

The accumulated net gains and losses of the Group since inception.

Issued Share Capital and Capital Redemption Reserve are not included in the Consolidated Statement of Changes in Equity because the balances in these reserves are less than £0.1m.



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Notes to the consolidated financial statements continued

for the year ended 31 December 2023

26. Share based payments

The Group had the following equity-settled share based payment arrangements in operation during the year:

- The Gym Group plc Performance Share Plan ('PSP')
- The Gym Group plc Share Incentive Plan – Free shares ('SIP – Free Shares')
- The Gym Group plc Share Incentive Plan – Matching shares ('SIP')
- The Gym Group plc Restricted Stock Plan ('RSA')
- The Gym Group plc Long Service Award Plan ('LSA')
- The Gym Group plc Savings Related Share Option Scheme ('SAYE')

In accordance with IFRS 2 Share Based Payment, the value of the awards is measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. The Group recognised a total charge of £2.4m (2022: £1.7m) in respect of the Group's share based payment arrangements. There was no net charge or credit related to employer's national insurance (2022: credit of £0.3m).

A summary of the movements in each scheme is outlined below:

Scheme name	31 December 2023					
	Outstanding at 1 January 2023	Granted during the year	Lapsed/cancelled during the year	Exercised during the year	Outstanding at 31 December 2023	Exercisable at 31 December 2023
Performance Share Plan	3,337,237	2,778,282	(2,062,556)	–	4,052,963	375,300
Share Incentive Plan – Free shares	16,383	–	–	(2,016) ¹	14,367	14,367
Share Incentive Plan – Matching shares	216,704	100,645	(21,659)	(21,156) ²	274,534	87,808
Restricted stock	2,178,032	1,770,627	(298,496)	(261,919) ³	3,388,244	405,377
Long Service Awards	2,750	1,500	–	(2,750) ⁴	1,500	–
Save as You Earn	1,312,444	526,656	(410,851)	(3,888) ⁵	1,424,361	255,979
	7,063,550	5,177,710	(2,793,562)	(291,729)	9,155,969	1,138,831

¹ The weighted average share price at the date of exercise of these options was £1.09.

² The weighted average share price at the date of exercise of these options was £1.04.

³ The weighted average share price at the date of exercise of these options was £1.13.

⁴ The weighted average share price at the date of exercise of these options was £1.00.

⁵ The weighted average share price at the date of exercise of these options was £1.40.

Scheme name	31 December 2022					
	Outstanding at 1 January 2022	Granted during the year	Lapsed/cancelled during the year	Exercised during the year	Outstanding at 31 December 2022	Exercisable at 31 December 2022
Performance Share Plan	3,613,320	1,244,092	(1,520,175)	–	3,337,237	378,888
Share Incentive Plan – Free shares	19,431	–	–	(3,048) ¹	16,383	16,383
Share Incentive Plan – Matching shares	158,896	77,085	(11,548)	(7,729) ²	216,704	47,139
Restricted stock	1,604,628	1,272,508	(202,357)	(496,747) ³	2,178,032	316,047
Long Service Awards	4,358	2,750	–	(4,358) ⁴	2,750	–
Save as You Earn	882,569	857,360	(408,736)	(18,749) ⁵	1,312,444	52,386
	6,283,002	3,453,795	(2,142,816)	(530,631)	7,063,550	810,843

¹ The weighted average share price at the date of exercise of these options was £1.36.

² The weighted average share price at the date of exercise of these options was £1.61.

³ The weighted average share price at the date of exercise of these options was £1.53.

⁴ The weighted average share price at the date of exercise of these options was £1.31.

⁵ The weighted average share price at the date of exercise of these options was £1.55.

26. Share based payments continued

The exercise price of all options under the schemes held during the year is £0.01 (2022: £0.01), with the exception of the SAYE scheme where the exercise price ranges between £0.93 and £2.36 (2022: £0.93 and £2.36). 882,852 options were exercisable under the PSP, RSA and SIP schemes as at 31 December 2023 (2022: 758,457) and 255,979 options were exercisable under the SAYE scheme (2022: 52,386). No other options were exercisable as at 31 December 2023 (2022: none).

In January 2024, the Group established an Employee Benefit Trust ('EBT'). The EBT will be used to purchase shares in order to minimise dilution associated with the share based payments.

(a) Performance Share Plan

The outstanding awards under the PSP as at 31 December 2023 will all vest within three years, subject to continued employment and the achievement of certain performance targets.

For awards made in 2023, the targets are based on TSR and Social Value performance measures, with the TSR target contributing 80% of the vesting conditions, and the Social Value contributing 20%. The TSR performance measures are relative TSR and absolute TSR, with awards being split equally between these two measures.

For awards made in 2022 and prior to 2020, the targets are based on TSR and financial performance measures with each target contributing to 50% of the vesting conditions. For awards made in 2022, the financial performance measures are Return on Invested Capital ('ROIC') and Cumulative Adjusted Group Operating Cash Flow, with the awards being split equally between these two measures. Prior to the 2019 awards all of the financial performance measures were based on adjusted EPS targets, with the 2019 awards split equally between EPS and ROIC.

For awards made in 2021 and 2020, the performance targets are solely based on TSR, with 33.3% based on absolute shareholder return and 66.7% based on relative TSR.

The vesting conditions of the Performance Share Plan awards are set out on pages 99 to 100. The maximum term of these awards is three years and settlement is in the form of shares.

The fair value of the ROIC, Cumulative Adjusted Operating Cash Flow and EPS elements was determined using the share price at the date of grant.

The fair value of the TSR element of the award was estimated at the grant date using a Monte Carlo simulation model, taking into account the terms and conditions upon which the awards were granted. This model simulates the TSR and compares it against the group of comparator companies. It takes into account historic dividends and share price fluctuations to predict the distribution of relative share price performance.

The shares are potentially dilutive for the purposes of calculating diluted earnings per share.

The following assumptions were used for options granted during the year:

	Without holding period		With holding period	
	2023	2022	2023	2022
Weighted average share price at date of grant	£0.97	£2.22	£0.97	£2.22
Exercise price	£0.0001	£0.0001	£0.0001	£0.0001
Expected volatility	51.2%	61.75%	42.3%	54.25%
Expected term until exercised	3 years	3 years	5 years	5 years
Expected dividend yield	–	–	–	–
Risk-free interest rate	3.83%	1.57%	3.66%	1.56%

The weighted average fair value of each award issued under this scheme during the year was £0.46 (2022: £1.21).

The weighted average remaining contractual life was 7.8 years at 31 December 2023 (2022: 8.0 years).

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for the year ended 31 December 2023

26. Share based payments continued

(b) Share Incentive Plan – Free shares

The awards made under the SIP – Free Shares occurred when the Group floated on the London Stock Exchange and were subject to continued employment requirements over a three-year period and had no performance conditions. Therefore, the options vested in full at the end of the three-year period. No further awards have been issued. The shares are held by an employee benefit trust and are dilutive for the purposes of earnings per share.

The weighted average remaining contractual life was 2.3 years at 31 December 2023 (2022: 3.3 years).

(c) Share Incentive Plan – Matching shares

Under the matching shares award, for every share purchased by an employee the Company will award one matching share, up to a maximum value. Therefore, the options vest in full at the end of the three year period. The awards are subject to continued employment requirements over a three year period and have no performance conditions. The shares are held by an employee benefit trust and are dilutive for the purposes of earnings per share.

The weighted average fair value of each award issued under this scheme during the year was £1.06 (2022: £1.60) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 1.3 years at 31 December 2023 (2022: 1.2 years).

(d) Restricted stock

The outstanding awards under the RSA are subject to continued employment requirements, which range from a one-year to a three-year period and have no performance conditions. Therefore, the options vest in full at the end of the period. The shares are potentially dilutive for the purposes of calculating diluted earnings per share.

The weighted average fair value of each award issued under this scheme during the year was £1.22 (2022: £1.53) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 8.3 years at 31 December 2023 (2022: 8.7 years).

(e) Long Service Awards

The outstanding awards under the LSA are subject to continued employment requirements over a one year period and have no performance conditions. Therefore, the options vest in full at the end of the period. The shares are potentially dilutive for the purposes of calculating diluted earnings per share.

The weighted average fair value of each award issued under this scheme during the year was £1.14 (2022: £1.05) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 0.2 years (2022: 0.9 years) at 31 December 2023.

(f) Save as You Earn ('SAYE') Scheme

Under the SAYE scheme, employees are allowed to acquire options over the Company's shares at a discount of up to 20% of their market value at the date of grant. The awards are subject to continued employment requirements over a three-year period and have no performance conditions. Therefore, the options vest in full at the end of the period. The shares are dilutive for the purposes of earnings per share.

The weighted average fair value of each award issued under this scheme during the year was £0.95 (2022: £0.56) and was determined using the share price at the date of grant. The weighted average remaining contractual life was 2.4 years (2022: 2.7 years) at 31 December 2023.

27. Commitments and contingencies

The Group had £3.6m of commitments that were contracted but not provided as at 31 December 2023 relating to contracts for the fit-out of new gyms where works have not yet commenced (2022: £0.8m).

28. Related party transactions

Identification of related parties

The ultimate holding company of the Group is The Gym Group plc, a company incorporated in The United Kingdom.

The subsidiaries of the Group are as follows:

Company	Principal activity	Country of incorporation	Holding
The Gym Group Midco1 Limited	Holding company	United Kingdom	100%
The Gym Group Midco2 Limited	Holding company	United Kingdom	100%
The Gym Group Operations Limited	Holding company	United Kingdom	100%
The Gym Limited	Fitness operator	United Kingdom	100%

The registered office of the subsidiaries is 5th Floor, OneCroydon, 12–16 Addiscombe Road, Croydon, CR0 0XT.

In March 2023, two dormant entities, Derwent Fitness NW Limited and Derwent Fitness GS Limited, were struck off. There have been no other significant changes to the nature of the Group's related parties during the year.

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. There were no transactions with related parties during 2023 (2022: nil), other than key management personnel as disclosed below.

Compensation of key management personnel

Key management includes the Directors as identified in the Directors' Report and members of the Group's Executive Committee. The compensation paid or payable to key management for employment services is shown below:

	31 December 2023 £m	31 December 2022 £m
Remuneration	2.4	1.6
Company contributions to defined contribution pension scheme	0.1	0.1
Share based payment charge	0.6	0.8
	3.1	2.5

At the current and prior year end, there were no outstanding loan balances owed by key management personnel. At the year end, no balance (2022: nil) was owed to key management personnel in respect of year-end bonuses.

Information regarding the highest paid Director is shown in the Report of the Remuneration Committee.



Financial statements

Company statement of financial position

as at 31 December 2023

	Note	31 December 2023 £m	31 December 2022 £m
Non-current assets			
Investments in subsidiaries	4	229.9	227.6
Trade and other receivables	5	75.3	85.4
Deferred tax asset		0.5	0.5
Total non-current assets		305.7	313.5
Current assets			
Trade and other receivables	5	3.0	3.0
Cash and cash equivalents		-	0.1
Total current assets		3.0	3.1
Total assets		308.7	316.6
Current liabilities			
Trade and other payables	6	5.3	4.3
Non-current liabilities			
Borrowings	7	58.9	70.0
Total liabilities		64.2	74.3
Net assets		244.5	242.3
Capital and reserves			
Own shares held	8	0.1	0.1
Share premium	8	189.8	189.8
Hedging reserve	8	-	-
Merger reserve	8	39.9	39.9
Retained earnings	8	14.7	12.5
Total equity shareholders' funds		244.5	242.3

The Notes on pages 160 to 165 form an integral part of the financial statements.

As permitted by s.408 of the Companies Act 2006, the Company's profit and loss account is not presented as part of these accounts. The Company's loss for the year amounted to £0.2m (2022: profit of £0.3m).

These financial statements were approved by the Board of Directors on 13 March 2024.

Signed on behalf of the Board of Directors

Will Orr
Chief Executive Officer

Luke Tait
Chief Financial Officer

Company Registration Number 08528493

Financial statements

Company statement of changes in equity

for the year ended 31 December 2023

	Own shares held £m	Share premium £m	Hedging reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 1 January 2022	0.1	189.7	(0.1)	39.9	10.5	240.1
Profit for the year	-	-	-	-	0.3	0.3
Other comprehensive income	-	-	0.1	-	-	0.1
Total comprehensive loss for the year	-	-	0.1	-	0.3	0.4
Capital contributions to subsidiaries	-	-	-	-	1.7	1.7
Issue of Ordinary share capital	-	0.1	-	-	-	0.1
At 31 December 2022	0.1	189.8	-	39.9	12.5	242.3
Loss for the year	-	-	-	-	(0.2)	(0.2)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(0.2)	(0.2)
Capital contributions to subsidiaries	-	-	-	-	2.4	2.4
At 31 December 2023	0.1	189.8	-	39.9	14.7	244.5

The capital contributions to subsidiaries relate to share based payments made by subsidiaries of the Company.

The Notes on pages 160 to 165 form an integral part of the financial statements.

Retained earnings include distributable reserves of £9.4m (2022: £9.6m).



Financial statements

Notes to the Company financial statements

for the year ended 31 December 2023

1. General information

The Gym Group plc ('the Company') is incorporated and domiciled in the United Kingdom with Company number 08528493. The registered address of the Company is 5th Floor, OneCroydon, 12-16 Addiscombe Road, Croydon, CR0 0XT, United Kingdom.

2. Summary of significant accounting policies

A summary of the significant accounting policies is set out below. These have been applied consistently in the Financial Statements.

Statement of compliance and basis of preparation

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and with those parts of the Companies Act 2006 applicable to companies reporting under FRS 101. The Financial Statements of the Company are included in the Group's consolidated financial statements which can be obtained from the Company's registered office.

The Company meets the definition of a qualifying entity under FRS 101 and has therefore taken advantage of the following disclosure exemptions available to it under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments;
- (b) the requirements of paragraph 97 of IFRS 13 Fair Value Measurement;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) the requirements of paragraphs 10(d), 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- (g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

Going concern

In assessing the going concern position of the Company for the year ended 31 December 2023, the Directors have considered the following:

- the Group's trading performance in 2023 and throughout the traditional January and February 2024 peak period, in particular in respect of its trading subsidiary The Gym Limited ('TGL') on which the Company is interdependent;
- future expected trading performance of the Company and TGL to June 2025 (the going concern period), including membership levels and behaviours in light of the current difficult macroeconomic environment; and
- the Company and Group's financing arrangements and relationship with its lenders and shareholders.

2023 was a year of solid membership and revenue growth for The Gym Group, with membership at the end of December 2023 reaching 850,000, an increase of 4% from the end of December 2022. Average revenue per member per month ('ARPM') for the year was £19.50, up 9% from £17.82 in the prior year. Ultimate, the premium price product, ended the year at 31.7% of total membership compared with 29.6% in December 2022.

As a result, revenue for the year at £204.0m was 18% up on the prior year. Group Adjusted EBITDA Less Normalised Rent at £38.5m was £0.5m better than in 2022, as the growth in revenue was largely offset by cost inflation, particularly in utilities and staff costs.

The Group also reported strong cash generation in the year, with free cash flow of £27.0m (see Note 24 to the Consolidated financial statements for a reconciliation to Net cash inflow from operating activities) being generated and used to fund six new site openings and a number of major refurbishments, as well as significant investment in technology.

2. Summary of significant accounting policies continued**Going concern continued**

In September 2023, the Company agreed with its lenders certain changes to the Company's Revolving Credit Facility ('RCF'). As a result, the Company now has access to a combined £80m facility which matures in October 2025. The Company also currently has access to £12.4m of finance lease facilities (£15m permitted under the RCF).

The RCF is subject to quarterly financial covenant tests on Adjusted Leverage (Non-Property Net Debt divided by Group Adjusted EBITDA Less Normalised Rent must not exceed 3.0 times) and Fixed Charge Cover (Adjusted EBITDAR to Net Finance Charges plus Normalised Rent must be greater than 1.5 times). The previously reported liquidity covenant was removed as part of the revised RCF agreement.

As at 31 December 2023, the Group had Non-Property Net Debt (including non-property leases) of £66.4m, consisting of £59.0m drawn debt under the RCF, £8.9m of non-property leases and £1.5m of cash. Headroom under the RCF (drawn debt less cash) was £22.5m. Adjusted Leverage was 1.72 times and Fixed Charge Cover was 1.73 times.

Whilst the going concern assessment covers the period to the end of June 2025, the Directors have considered the fact that the Company's RCF facility is currently expected to expire in October 2025 and concluded that, based on regular discussions with participating banks and financial advisors, there is a realistic prospect that this will be extended or refinanced before that time.

Following the January and February 2024 peak trading period, closing membership at 29 February 2024 was 909,000 members, an increase of 7% on the position at 31 December 2023, demonstrating that consumers consider gym memberships to be a high priority purchase, despite the ongoing difficult economic environment; and that the low cost gym model remains resilient.

Despite the above, the Directors have continued to take a cautious approach to planning. The base case forecast for the period to 30 June 2025 anticipates continued growth in yields across the whole estate as a result of pricing optimisation actions that have already been taken and the impact of the new three-tier price product architecture rolled out in FY23. Modest increases in membership levels are driven largely by the sites opened in 2022 and 2023, and not by growth in the mature estate.

In addition, the Directors have continued to take a measured approach to new site openings throughout the plan period, with all new sites assumed to be self-financed. Under this scenario, the financial covenants are passed with headroom and the Group can operate comfortably within its financing facilities.

The Directors have also considered a severe downside scenario which membership numbers in the mature estate decline by approximately 5% during 2024 and 3% thereafter. Yields continue to increase as a result of pricing optimisation actions already taken, but they do so at a lower level than under the base case. In addition, the number of new site openings is reduced to conserve cash and discretionary performance-related bonuses are removed. Under this scenario, the financial covenants continue to be passed and the Group continues to operate within its financing facilities.

The Directors have also considered a reverse stress test scenario to ascertain the extent of the downturn in trading that would be required to breach the Company and Group's banking covenants or liquidity requirements. Mitigating actions assumed in this scenario include moving to a minimum level of maintenance and technology capital expenditure; reducing controllable operating costs and marketing expenditure; and pausing the new site opening programme in order to preserve cash.

In this scenario, the closing membership would need to decline by 16% from February 2024 before the Fixed Charge Cover covenant would be breached in June 2025. The Group would, however, continue to operate within its current level of debt capacity and the Adjusted Leverage ratio would not be breached.

In the event of a reverse stress test scenario, the Directors would introduce additional measures to mitigate the impact on the Company and Group's covenants and liquidity, including: (i) further reductions in controllable operating costs, marketing and capital expenditure; (ii) discussions with lenders to secure a covenant waiver; and (iii) deferral of, or reductions in, rent payments to landlords. The Directors consider the reverse stress test scenario to be highly unlikely.



Financial statements

Notes to the Company financial statements continued

for the year ended 31 December 2023

2. Summary of significant accounting policies continued

Conclusion

The Board has reviewed the financial plan and downside scenarios of the Group and has a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the period to 30 June 2025. As a result, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Company and Group's current and forecast liquidity position and the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios.

Investments

On initial recognition, investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid. Where consideration is paid by way of shares, the excess of fair value of the shares over nominal value of those shares is recorded in share premium. Investments in subsidiaries are reviewed for impairment at each balance sheet date with any impairment charged to the income statement. Refer to Note 4 for further details of impairment testing.

Financial instruments

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable market data)

There were no transfers between levels throughout the periods under review.

Financial assets

The Company measures its trade and other receivables and cash and cash equivalents at amortised cost. Subsequent to initial recognition these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

The Company recognises an allowance for expected credit losses ('ECL') for all debt instruments held at amortised cost. The ECLs are based on the difference between the contractual cash flows due, and the cash flows expected to be received.

For trade receivables, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For receivables other than trade receivables, the Company recognises ECLs in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is recognised based on 12-month ECLs. For credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for lifetime ECLs.

Financial liabilities

The Company initially recognises its financial liabilities at fair value and subsequently they are 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.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Financial Statements in accordance with FRS 101 requires estimates and assumptions to be made that affect the value at which certain assets and liabilities are held at the balance sheet date and also the amounts of revenue and expenditure recorded in the period. The Directors believe the accounting policies chosen are appropriate to the circumstances and that the estimates, judgements and assumptions involved in its financial reporting are reasonable.

There are no critical accounting judgements or estimates within these Financial Statements.

4. Investments in subsidiaries

	£m
At 1 January 2022	225.9
Additions	1.7
At 31 December 2022	227.6
Additions	2.3
At 31 December 2023	229.9

During the current and prior year, share options in the Company's shares were granted to employees of The Gym Group Operations Limited and The Gym Limited. A corresponding capital contribution of £2.3m has been recognised within investments in subsidiaries (2022: £1.7m). Details of the Company's share based payment arrangements are shown in Note 26 to the consolidated financial statements.

The Company's subsidiary undertakings are shown in Note 28 to the consolidated financial statements.

The Company assesses at each reporting date, whether there are any indications of impairment of investments. If at a reporting date any indication is present, an impairment test is performed. The impairment test assesses the investments in subsidiaries for impairment by comparing the recoverable amount (being the higher of the fair value less costs of disposal and value-in-use) to the carrying amount. If the carrying amount exceeds the recoverable amount, the investment is considered impaired and written down to its recoverable amount.

The Company determines the recoverable amount of its investments by determining the present value of the estimated future cash flows expected to be generated by the investees. This is performed using cash flow projections based on the Board-approved three year plan. Cash flows beyond this period are extrapolated using an estimated growth rate of 3.0% (2022: 3.0%). All cash flows are discounted using a pre-tax discount rate of 10.4% (2022: 8.5%). The increase in the discount rate reflects the increase in SONIA and the risk-free rate.

In the years under review, management's value-in-use calculations have indicated no requirement to impair and no reasonably possible change in key assumptions gives rise to an impairment.

5. Trade and other receivables

	31 December 2023 £m	31 December 2022 £m
Amounts owed by Group undertakings	78.3	88.4
	78.3	88.4
Due in less than one year	3.0	3.0
Due in more than one year	75.3	85.4
	78.3	88.4

The Company provides a guarantee over certain non-property lease contracts of its trading subsidiary, The Gym Limited. As a result, at 31 December 2023, the Company was exposed to £8.9m (2022: £11.4m) should The Gym Limited, default on its obligations under those leases. No expected credit loss in respect of this has been recognised at the balance sheet date.

Financial statements

Notes to the Company financial statements continued

for the year ended 31 December 2023

5. Trade and other receivables continued

No expected credit loss in respect of the intercompany receivables has been recognised at the balance sheet date (2022: nil) as these have been assessed as immaterial. In making this assessment, consideration has been given to a probability-weighted estimate of credit losses over the expected life of the intercompany debt.

Qualitative factors, including a review of the cash flow projections of the main trading entity (The Gym Limited), have then been considered to ascertain whether there has been a significant increase in the credit risk during the year. Based on this assessment, there has been no significant increase in credit risk and the entity is expected to generate sufficient cash to repay its intercompany balances and/or dividends to other entities within the Group to allow them to repay their intercompany balances.

6. Trade and other payables (due in less than one year)

	31 December 2023 £m	31 December 2022 £m
Trade payables	–	0.1
Amounts owed to Group undertakings	3.8	3.8
Accruals	1.5	0.4
	5.3	4.3

7. Borrowings

The carrying value of the Company's borrowings at 31 December 2023 was £58.9m (2022: 70.0m).

8. Issued capital and reserves

	31 December 2023 £m	31 December 2022 £m
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £0.0001 each	–	–
Own shares held		
Deferred Ordinary shares of £1 each	0.1	0.1

The number of Ordinary shares in issue is as follows:

	31 December 2023	31 December 2022
Ordinary shares of £0.0001 each	178,135,710	178,039,002
Deferred Ordinary shares of £1 each	48,050	48,050

Refer to Note 25 of the consolidated financial statements for details of movements in share capital.

8. Issued capital and reserves continued

The following describes the nature and purpose of each reserve in equity:

Own shares held and capital redemption reserve

These reserves represent 48,050 Deferred Ordinary shares of £1 each repurchased by the Company on 12 November 2015 and Ordinary shares held in an employee benefit trust. The Deferred Ordinary shares constitute a separate, non-voting class of shares which is held in treasury and not admitted to trading. The rights attached to the Deferred Shares are set out in the Company's Articles.

Share premium

The amount subscribed for share capital in excess of nominal value.

Hedging reserve

The fair value movements on the effective portion of hedging instruments.

Merger reserve

The amount subscribed for share capital in excess of nominal value attracting merger relief under the Companies Act 2006.

Retained earnings

The accumulated net gains and losses of the Company since inception.

Issued Share Capital and Capital Redemption Reserve are not included in the Consolidated Statement of Changes in Equity because the balances in these reserves are less than £0.1m.



Other information

Five year record

The following table sets out a summary of selected key financial information and Key Performance Indicators for the business.

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	204.0	172.9	106.0	80.5	153.1
Group Adjusted EBITDA Less Normalised Rent ¹	38.5	38.0	5.7	(10.2)	48.5
Free cash flow ²	27.0	16.7	2.0	(16.6)	32.3
Non-Property Net Debt ³	66.4	76.0	44.1	47.3	47.4
Adjusted Leverage (x)	1.72	2.00	7.74	(4.64)	0.98
Total number of gyms (number)	233	229	202	183	175
Total number of members ('000)	850	821	718	578	794
Average revenue per member per month (£) ⁴	19.50	17.82	17.60	17.20	16.02
Members that visit 4+ times in a month ⁵	50.8%	47.2%	32.6%	23.9%	44.0%
Number of mature gyms in operation (number)	199	182	175	155	109
Mature gym site EBITDA Less Normalised Rent ⁶	53.6	50.9	22.5	3.9	48.1
Return on Invested Capital of mature gym sites ⁷	19%	20%	18%	18%	31%
Employee engagement score ⁸	8.5	8.4	7.6	6.4	n/a

¹ A reconciliation of Operating profit/(loss) to Group Adjusted EBITDA Less Normalised Rent has been included underneath the Consolidated statement of comprehensive income on page 122.

² A reconciliation of Net cash inflow from operating activities to Free cash flow has been provided in Note 24 to the consolidated financial statements.

³ Information on the make-up of Non-Property Net Debt is included under Capital risk management in Note 23 to the consolidated financial statements.

⁴ In order to provide better year on year comparability for yield, the figures presented for 2021 and 2020 have been adjusted to exclude the impact of UK Government-enforced closure periods as a result of the Covid-19 pandemic. The 2021 figure is calculated for the period from July 2021 to December 2021 when all gyms were fully open and trading had returned to normal. The 2020 figure is calculated on a site-by-site basis and excluded days where the sites were required to be closed due to government restrictions.

⁵ The 2021 and 2020 figures are impacted by closure days.

⁶ Group Adjusted EBITDA Less Normalised Rent contributed by mature sites (£53.6m in 2023; £50.9m in 2022) plus Group Adjusted EBITDA Less Normalised Rent contributed by non-mature and acquisition sites (£6.3m in 2023; £2.9m in 2022) less Central Support Office costs (£21.4m in 2023; £15.8m in 2022) equals Group Adjusted EBITDA Less Normalised Rent (£38.5m in 2023; £38.0m in 2022).

⁷ In order to provide better year on year comparability for ROIC, the figures presented for 2021 and 2020 have been adjusted to exclude the impact of UK Government-enforced closure periods as a result of the Covid-19 pandemic. The 2021 figure is calculated for the period from July 2021 to December 2021 when all gyms were fully open and trading had returned to normal. The 2020 figure is calculated to exclude those months when sites were required to be closed due to government restrictions.

⁸ In 2023, we changed the way we measure employee engagement. We partnered with Peakon, an engagement specialist, and adopted a more accurate and comprehensive approach using a 0-10 scale rating system, moving away from a percentage score (Top Box). Due to the change in methodology for calculating the engagement score, a precise comparison to 2022 and prior cannot be made. These are therefore included for indicative purposes only.

Other information

Definition of non-statutory measures

Group Adjusted EBITDA – operating profit before depreciation, amortisation, share based payments and non-underlying items.

Normalised Rent – the contractual rent payable, recognised in the monthly period to which it relates. A reconciliation of property lease payments to Normalised Rent is included in Note 21 to the Consolidated financial statements.

Group Adjusted EBITDA Less Normalised Rent – Group Adjusted EBITDA after deducting Normalised Rent. A reconciliation of Operating profit/(loss) to Group Adjusted EBITDA Less Normalised Rent is included below the Consolidated statement of comprehensive income on page 122.

Adjusted Profit/Loss before tax – profit/loss before tax before non-underlying items.

Adjusted Earnings – loss/profit for the year before non-underlying items and the related tax.

Basic Adjusted EPS – Adjusted Earnings divided by the basic weighted average number of shares.

Free cash flow – Group Adjusted EBITDA Less Normalised Rent and movement in working capital, less maintenance capital expenditure, cash non-underlying items, bank and non-property lease interest and tax. A reconciliation of Net cash inflow from operating activities to Free cash flow is included in Note 24 to the Consolidated financial statements.

Non-Property Net Debt – bank and non-property lease debt less cash and cash equivalents. See Note 23 to the Consolidated financial statements for the breakdown.

Mature gym site EBITDA Less Normalised Rent – Group Adjusted EBITDA Less Normalised Rent contributed by mature sites (open 24 months or more at the period end).

Return On Invested Capital of mature gym sites – Mature gym site EBITDA Less Normalised Rent divided by total capital initially invested in the mature sites excluding acquisition sites.

Maintenance capital expenditure – costs of replacement gym equipment and premises refurbishment.

Expansionary capital expenditure – costs of fit-out of new gyms (both organic and acquired), technology projects and other strategic projects. It is stated net of contributions from landlords.

Adjusted Leverage – Non-property Net Debt divided by Group Adjusted EBITDA Less Normalised Rent.

Fixed Charge Cover – Group Adjusted EBITDA divided by Finance costs (excluding interest costs on property leases) less Finance income plus Normalised Rent.



Other information

Corporate information

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Registrar

Link Group



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