30 August 2017

The Gym Group plc

('the Company' or 'The Gym')

2017 Interim Results

Continued growth in membership, revenue and profit as 100th gym milestone approaches

The Gym Group plc, the fast growing, nationwide operator of 97 low cost gyms branded 'The Gym', announces its interim results for the six month period ended 30 June 2017.

Financial Highlights

- Revenue of £42.8 million, an increase of 18.8% (H1 2016: £36.1 million)
- Group Adjusted EBITDA[1] of £13.7 million, an increase of 19.1% (H1 2016: £11.5 million); EBITDA margin of 32.0% (H1 2016: 31.9%)
- Adjusted profit before tax[2] of £6.5 million, up 41.7% (H1 2016: £4.6 million)
- Statutory profit before tax increased by 75.5% to £5.9 million (H1 2016: £3.4 million)
- Adjusted EPS[3] of 3.9p, an increase of 39.3% (H1 2016: 2.8p)
- Continued strong cash generation with self-funded growth - net debt reduced to £4.6 million (December 2016: £5.2 million)
- Interim dividend of 0.3 pence per share declared, up 20.0% (H1 2016: 0.25 pence)

Operational Progress

- Six new gyms opened in H1 2017, increasing the total estate to 95
- Membership numbers increased by 19.8% to 508,000 (H1 2016: 424,000)
- Expect to achieve the top end of the guidance range of 15 to 20 sites openings for 2017

John Treharne, CEO of The Gym Group, commented:

"We have delivered another period of strong growth in membership, revenue and profit. We have continued to expand our footprint across the UK, opening six new gyms in the period, two in H2 to date, with several more currently in fit out.

Our strategy remains the same: to take advantage of the demand for high quality, low cost, 24/7 gyms whilst continuing to innovate through the use of technology and digital marketing. As usual, our openings programme is second half weighted and we anticipate achieving the top end of our guidance range of 15 to 20 site openings in 2017."

An audio webcast of the analyst presentation will be available from 13:00 today via our website www.tggplc.com

For further information, please contact

The Gym Group John Treharne, CEO Richard Darwin, CFO	**via Instinctif Partners**
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[1] Group Adjusted EBITDA is calculated as operating profit before depreciation, amortisation, long term employee incentive costs and exceptional items.
[2] Adjusted profit before tax is calculated as profit before tax before amortisation and exceptional items.
[3] Adjusted EPS is calculated as the Group's profit for the period before amortisation, exceptional items and the related tax effect, divided by the basic weighted average number of shares.

Forward-looking statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, such statements involve risk and uncertainty since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements.
Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the UK Listing Authority, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect subsequent events or circumstances following the date of this announcement.

Chief Executive's Review

In the first half of 2017 we have made further strong progress in our plan to create a profitable business of significant scale within the low cost gym market. Our performance in the first half of 2017 met the Board's expectations. Revenue of £42.8 million increased by 18.8% (H1 2016: £36.1 million) mainly as a result of the 19.0% growth in the average number of members in H1 to 500,000 (H1 2016: 420,000). Average revenue per member per month remained in line with H1 last year at £14.28 (H1 2016: £14.31); this reflects a stronger set of pre-opening members for our upcoming Q3 openings compared to the same period in 2016. Excluding average member numbers from those sites not yet open, average revenue per member per month increased from £14.45 for the six months to 30 June 2016 to £14.49 for the current period.

At 30 June 2017 we had 95 sites open, with six openings in H1 and a further four sites scheduled to open before the end of September. We are on track to achieve the top end of our site openings target of 15 to 20 in 2017. The main constraint to the speed of our rollout is our own diligence in applying our site selection criteria as we continue to look for sites that can deliver high, sustainable returns.

Group Adjusted EBITDA increased by £2.2 million to £13.7 million, up 19.1% (H1 2016: £11.5 million). Site EBITDA[1] increased by 18.9%, in line with our revenue growth. We continue to generate strong cash flows in the period which are being invested into new sites. The business generated £12.8 million of free cash flow[2] in the half year (H1 2016: £13.1 million) resulting in net debt being marginally down at £4.6 million (December 2016: £5.2 million).

In light of this strong performance and its confidence in future cash flows, the Board has declared an interim dividend of 0.3 pence per share, up 20% versus the first half of 2016 (H1 2016: 0.25 pence)

Our recent Capital Markets day for investors and analysts set out five key areas where we are making significant progress in developing our business. These include: i) Taking advantage of the market opportunity arising from the growth of the low cost gym segment; ii) Building a new technology platform in order to support the growth of the business; iii) Enhancing our commercial and marketing expertise; iv) Rolling out sites from a strong pipeline; and v) Developing our business model. Let me set out the developments in each of these areas:

- Market opportunity: The UK low cost gym sector has grown to 515 sites at March 2017 (2016: 450 sites). Within this The Gym Group is a clear market leader. We remain low cost to our core, believing that by positioning our site as the lowest price, highest quality operator in any given market we will continue to flourish. Testimony to that is that we are the low cost leader in London with 34 sites within the M25 that charge less than £25 per month at June 2017. The market continues to evolve rapidly and for the first time this year we have seen a fall in the number of local authority gyms as a result of ongoing funding pressures on councils. Where this happens our Gyms are well placed to fill the gap by providing high quality, cost effective gyms. In the last year, we have opened in some of the most inactive areas of the UK with successful sites in areas such as Dagenham, Peckham and Lewisham.

- Technology: The use of technology has always been at the heart of our high margin, low operating cost business model. In July we launched a new member management system that will form the backbone of our future digital infrastructure platform. This system will enable us to launch new products, change the member proposition and be flexible in the way that we interact and communicate with our members. Using this platform gives us the flexibility to scale our business to launch the next 100 sites by giving us access to a suite of outsourced suppliers that will enable us to make changes quickly and effectively.

- Commercial and Marketing: Some of our most significant changes are occurring in the levels of sophistication that we employ in the fields of commercial and marketing. More of our spend is now online with 27% of our agency spend being digital up from 21% in H1 2016. In addition, our marketing effectiveness, particularly around pre-launch marketing, is increasing as we open more sites. We are now beginning to reap the benefits of some of the investments we have made in previous years particularly in relation to the Salesforce CRM system. Bringing a more centralised approach to our email communication is improving the quality and response rates. To assist us in determining when and how we communicate to existing members, we have developed a new approach to customer segmentation. This work drives different types of communication depending on the motivation behind members' decision to join our gyms.

Furthermore, we are also now adopting a more sophisticated approach to the evolution of our product and proposition. Some of these changes have already been implemented such as improvements to the class offering and better inductions; others are more recent developments such as our decision to trial and launch a premium pricing product on the back of our new digital platform. This trial will be informed by a substantial piece of customer research and our product will include elements such as bring a friend, multi-site access, fitness measurements and affiliate product offers.

- Rolling out sites from a strong pipeline: We opened six sites in the first half, two of which (Bloomsbury and Holborn) are within the M25. Elsewhere we have opened in Rotherham, High Wycombe, Altrincham and Edinburgh Murrayfield. All the sites are trading encouragingly and in line with our expectations. We have a strong opening programme for H2 and we will continue to maintain a significant proportion within the M25 including new sites at Streatham, Kingsbury, Feltham and Walthamstow. We currently expect to be at the top end of our target of 15 to 20 new sites for 2017. Our openings are weighted towards Q4 although four are within Q3, a better profile than last year (2016: two opened in Q3). Our flexible use of space continues to open up a number of new site opportunities. In 2017 we are developing excess retail space at locations such as Edinburgh Murrayfield and Walthamstow, augmenting other more traditional avenues of growth such as new build and leisure parks.

- Developing our business model: In the current year we intend to refurbish 14 sites that have reached their five year anniversary in line with our maintenance capex cycle. During this refurbishment they will get the most recent branding that we offer. In addition we plan to bring a number of additional sites up to date with their branding as well as performing product enhancements such as the extension of free weights areas. Spending maintenance capex is an important part of the life cycle of a gym and is key to driving member satisfaction. We believe that our ability to run a high quality maintenance programme using the strength of our balance sheet will be a further source of competitive advantage in the coming years. For 2017 our maintenance spend as a percentage of sales is expected to be 7%.

Our progress across all these fronts is demonstrated in the financial and non-financial metrics that we have achieved in the first half of the year. Site EBITDA margin remained strong at 41.5% (H1 2016: 41.5%). Site EBITDA per site also held at £187,000 per site. Overall site EBITDA increased by 18.9% to £17.8 million, reflecting growth in our estate. We continue to open sites at an overall cost of between £1.3 million to £1.4 million per site. Net Promoter Score, our measure of customer satisfaction is at an all-time high of 63.2% - this measure of performance remains fundamental to our rejoiner rate and is a strong indicator of our ability to deliver the low cost high quality product that our members demand. Overall all parts of our business are performing well, giving us considerable optimism for the future.

Our people are key to our success and it is important that we maintain this strong culture and ethos as the business grows. This business has been founded on the dedication of its employees from the days of the first site in Hounslow. I was delighted that at our recent employee conference we were able to recognise 20 employees who have been with us for more than five years and I hope this number grows exponentially in the coming years.

During the second half of 2017 we will continue to implement our plan, opening new sites and bringing to maturity the gyms that have been opened during the last two years. I am confident that the business is in as strong a position as ever to execute its strategy and deliver further profitable growth. After a good first half we are on track to meet market expectations for profit for the full year and I am encouraged by the progress we are making.

[1] Site EBITDA is calculated as Group Adjusted EBITDA contributed by the gym portfolio.
[2] Free cash flow is calculated as net cash flow before dividends and expansionary capital expenditure.

John Treharne
Chief Executive Officer
30 August 2017

Financial Review

During the half year we have opened a further six gyms, increasing the size of the estate to 95. Membership numbers have increased significantly from 424,000 to 508,000 as at 30 June 2017.

This growth has resulted in a 19.1% increase in Group Adjusted EBITDA to £13.7 million (H1 2016: £11.5 million).

Adjusted profit before tax has grown significantly, from £4.6 million in H1 2016 to £6.5 million in H1 2017.

We use a number of financial and non-financial key performance indicators ('KPIs') to measure our performance over time. We select KPIs that demonstrate the financial and operational performance underpinning our strategic drivers.

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000	Movement
Revenue	42,844	36,079	18.8%
Group Adjusted EBITDA[1]	13,702	11,502	19.1%
Group Adjusted EBITDA before Pre-Opening Costs[2]	14,617	12,587	16.1%
Adjusted Earnings[3]	4,990	3,557	40.3%
Statutory profit before tax	5,943	3,387	75.5%
Group Operating Cash Flow[4]	12,981	13,450	(3.5)%
Net debt	4,596	2,497	84.1%
Total number of gyms	95	80	18.8%
Number of members ('000)	508	424	19.8%
Average number of members[5] ('000)	500	420	19.0%

[1] Group Adjusted EBITDA is calculated as operating profit before depreciation, amortisation, exceptional items, long term employee incentive costs and other income.
[2] Group Adjusted EBITDA before Pre-Opening Costs is defined as Group Adjusted EBITDA excluding the costs associated with new site openings.
[3] Adjusted Earnings is calculated as the Group's profit for the year before amortisation, exceptional items, other income and the related tax effect.
[4] Group Operating Cash Flow is calculated as Group Adjusted EBITDA less working capital less maintenance capital expenditures.
[5] Average number of members is calculated as the total number of members divided by the number of months in the period.

Revenue

The average number of members for the half year increased by 19.0% to 500,000 (H1 2016: 420,000), driven by the increased size of the estate. Average revenue per member per month decreased from £14.31 to £14.28 due to the timing of the Group's rollout programme. Excluding average member numbers from sites not yet open, average revenue per member per month increased from £14.45 for the six months to 30 June 2016 to £14.49 for the current period.

As a result, revenue for the half year increased by 18.8% to £42.8 million (H1 2016: £36.1 million).

Group Adjusted EBITDA

Group Adjusted EBITDA increased from £11.5 million in the six months ended 30 June 2016 to £13.7 million for the six months ended 30 June 2017. Growth was driven by the increased size of the estate and contribution from sites opened in 2015 and 2016. Group Adjusted EBITDA margin remained stable at 32.0% (H1 2016: 31.9%).

Result for the period

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Group Adjusted EBITDA	13,702	11,502
Exceptional items	(112)	(159)
Long term employee incentive costs	(389)	(471)
Depreciation	(6,446)	(6,079)
Amortisation	(425)	(1,028)
Net finance costs	(387)	(378)
Taxation	(1,437)	(850)
Profit for the period	**4,506**	**2,537**

The Group has incurred costs of £0.1 million in relation to the exploration of strategic options (H1 2016: £0.2 million in relation to the post IPO reorganisation and head office relocation).

As a result of the annual assessment of the useful economic lives of property, plant and equipment, the useful economic lives of certain items of leasehold improvements and gym equipment have been increased. This has decreased the depreciation charge for the period by £0.8 million, compared to the depreciation charge under the previous useful economic lives.

Depreciation as a percentage of revenue decreased from 16.8% in the six months ended 30 June 2016 to 15.0% in the six months ended 30 June 2017.

Amortisation charges decreased from £1.0 million to £0.4 million due to certain intangible assets relating to the Group's acquisition of The Gym Limited becoming fully amortised during the period.

As a result of these factors, statutory profit before tax increased significantly, by 75.5%, to £5.9 million (H1 2016: £3.4 million).

Earnings

	Six months ended 30 June 2017 £'000	**Six months ended 30 June 2016 £'000**
Profit before tax	5,943	3,387
Amortisation of intangible assets	425	1,028
Exceptional items	112	159
Adjusted Profit Before Tax	**6,480**	**4,574**
Tax charge	(1,437)	(850)
Tax effect of adjustment items	(53)	(167)
Adjusted Earnings	**4,990**	**3,557**
Adjusted Earnings per Share (pence)	3.9	2.8

The tax charge was recognised based on management's best estimate of the annual income tax rate expected for the full financial year, applied to the profit before tax for the six month period. On this basis, the Group's tax charge was £1.4 million (H1 2016: £0.9 million). The Group had an income tax payable of £1.7 million as at 30 June 2017.

Excluding the tax effect of the amortisation of acquired intangible assets and exceptional items (£53,000), the effective tax rate on Adjusted Profit Before Tax for the half year ended 30 June 2017 was 23.0%.

Adjusted Earnings for the period increased by 40.3% to £5.0 million (H1 2016: £3.6 million) as a result of the factors discussed above.

Dividends

The Directors have declared an interim dividend of 0.3 pence per share. The ex-dividend date is 7 September 2017, with a payment date of 29 September 2017.

Cash Flow and Net Debt

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Group Adjusted EBITDA	13,702	11,502
Movement in working capital	1,058	2,760
Maintenance capital expenditure	(1,779)	(812)
Group Operating Cash Flow	**12,981**	**13,450**
Exceptional items	(61)	(129)
Finance costs	(211)	(212)
Tax refunded	48	-
Free cash flow	**12,757**	**13,109**
Expansionary capital expenditure	(11,213)	(8,466)
Dividends paid	(962)	-
Net cash flow	**582**	**4,643**

The Group continues to deliver strong cash generation and self-financed its site expansion programme during the period. Group Operating Cash Flow of £13.0 million in the six months to 30 June 2017 decreased slightly from £13.5 million in the first six months of 2016 due to timing of creditor payments and an increased numbers of sites undergoing a cyclical refresh.

As a result, Group Operating Cash Flow Conversion decreased from 116.9% in the six months ended 30 June 2016 to 94.7% in the six months ended 30 June 2017.

Expansionary capital expenditure of £11.2 million arises as a result of the fit-out of new gyms. The increase in expansionary capex reflects a higher number of Q3 openings anticipated in 2017 than in 2016.

The net cash inflow of £0.6 million has resulted in a decrease in net debt to £4.6 million (£5.2 million at December 2016). The Group has drawn £10.0 million of its five year bullet repayment facility, with £25.0 million of the facility undrawn and available to fund new sites, working capital and capital expenditure. In addition, the Group has a £5.0 million revolving credit facility which was undrawn at 30 June 2017.

Principal Risks and Uncertainties

The principal risks and uncertainties set out in the last annual report remain valid at the date of this report. In summary, these include:

- the competitive position of the Group;
- the delivery of the organic rollout plan;
- providing members with a high quality product and service;
- retention of key staff;
- dependency on the performance of IT systems;
- data security and protection;
- satisfactory delivery from outsourced services providers;
- high operational gearing from the fixed cost base; and
- adherence with regulatory requirements.

Management makes critical judgements in applying the Group's accounting policies in relation to depreciation and amortisation, goodwill impairment and provisions. A more detailed description of these estimations and uncertainties is included in the 2016 Annual Report, which can be obtained from the Company's registered office or from www.tggplc.com.

Going Concern

As stated in note 2 to the Interim Financial Statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Interim Financial Statements.

Cautionary Statement

This report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Interim Management Report should not be relied on by any other party or for any other purpose.

In making this report, the Company is not seeking to encourage any investor to either buy or sell shares in the Company. Any investor in any doubt about what action to take is recommended to seek financial advice from an independent financial advisor authorised by the Financial Services and Markets Act 2000.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge:

- the Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting;
- the Interim Management Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the Interim Management Report includes a fair review of the information required by DTR 4.2.8R (disclosure of relates parties' transactions and changes therein).

John Treharne	**Richard Darwin**
Chief Executive Officer	**Chief Financial Officer**
30 August 2017	**30 August 2017**

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 Unaudited £'000	Six months ended 30 June 2016 Unaudited £'000	Year ended 31 December 2016 Audited £'000
Revenue		42,844	36,079	73,539
Cost of sales		(448)	(419)	(830)
Gross profit		**42,396**	**35,660**	**72,709**
Administration expenses		(36,066)	(31,895)	(64,993)
Operating profit		**6,330**	**3,765**	**7,716**
Finance income		7	13	19
Finance costs		(394)	(391)	(795)
Profit before tax		**5,943**	**3,387**	**6,940**
Tax charge	5	(1,437)	(850)	(1,237)
Profit for the period attributable to equity shareholders		**4,506**	**2,537**	**5,703**
Other comprehensive income for the period		-	-	-
Total comprehensive income attributable to equity shareholders		**4,506**	**2,537**	**5,703**
Earnings per share	**4**	**pence**	**pence**	**pence**
Basic		3.5	2.0	4.5
Diluted		3.5	2.0	4.4
Adjusted earnings per share	4			
Basic		3.9	2.8	5.6
Diluted		3.9	2.8	5.6
Reconciliation of operating profit to Group Adjusted EBITDA		**£'000**	**£'000**	**£'000**
Operating profit		6,330	3,765	7,716
Depreciation of property, plant and equipment	6	6,446	6,079	12,693
Amortisation of intangible assets		425	1,028	1,442
Exceptional items	3	112	159	321
Long term employee incentive costs		389	471	519
Group Adjusted EBITDA		**13,702**	**11,502**	**22,691**

Group Adjusted EBITDA is a non-GAAP metric used by management and is not an IFRS disclosure

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Note	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000	31 December 2016 Audited £'000
Non-current assets				
Property, plant and equipment	6	104,250	88,837	99,037
Intangible assets		48,840	48,344	48,717
Trade and other receivables		453	306	403
Total non-current assets		153,543	137,487	148,157
Current assets				
Inventories		186	167	159
Trade and other receivables		7,912	6,738	5,814
Cash and cash equivalents		5,404	7,503	4,822
Total current assets		13,502	14,408	10,795
Total assets		**167,045**	**151,895**	**158,952**
Current liabilities				
Trade and other payables		36,736	30,520	34,123
Income taxes payable		1,684	116	134
Total current liabilities		38,420	30,636	34,257
Non-current liabilities				
Borrowings	7	9,284	9,072	9,178
Provisions		554	230	544
Deferred tax liabilities	5	618	557	683
Total non-current liabilities		10,456	9,859	10,405
Total liabilities		**48,876**	**40,495**	**44,662**
Net assets		**118,169**	**111,400**	**114,290**
Capital and reserves				
Issued capital	8	12	12	12
Own shares held		48	48	48
Capital redemption reserve		4	4	4
Share premium		136,280	136,280	136,280
Retained deficit		(18,175)	(24,944)	(22,054)
Total equity shareholders' funds		**118,169**	**111,400**	**114,290**

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Issued Capital	Own shares held	Capital redemption reserve	Share Premium	Retained deficit	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2016 (audited)	12	48	4	136,280	(27,901)	108,443
Profit for the period and total comprehensive income	-	-	-	-	2,537	2,537
Share based payments	-	-	-	-	420	420
At 30 June 2016 (unaudited)	**12**	**48**	**4**	**136,280**	**(24,944)**	**111,400**
Profit for the period and total comprehensive income	-	-	-	-	3,166	3,166
Share based payments	-	-	-	-	45	45
Dividends paid	-	-	-	-	(321)	(321)
At 31 December 2016 (audited)	**12**	**48**	**4**	**136,280**	**(22,054)**	**114,290**
Profit for the period and total comprehensive income	-	-	-	-	4,506	4,506
Share based payments	-	-	-	-	335	335
Dividends paid	-	-	-	-	(962)	(962)
At 30 June 2017 (unaudited)	**12**	**48**	**4**	**136,280**	**(18,175)**	**118,169**

Consolidated Cash Flow Statement

For the six months ended 30 June 2017

	Six months ended 30 June 2017 Unaudited £'000	Six months ended 30 June 2016 Unaudited £'000	Year ended 31 December 2016 Audited £'000
Cash flows from operating activities			
Operating profit	6,330	3,765	7,716
Adjustments for:			
Exceptional items	112	159	321
Depreciation of property, plant and equipment	6,446	6,079	12,693
Amortisation of intangible assets	425	1,028	1,442
Long term employee incentive costs	389	471	519
Loss on disposal of property, plant and equipment	4	49	30
Increase in inventories	(27)	(45)	(37)
Increase in trade and other receivables	(1,720)	(1,389)	(451)
Increase in trade and other payables	2,801	4,145	5,622
Cash generated from operations	14,760	14,262	27,855
Tax refunded / (paid)	48	-	(243)
Interest paid	(218)	(225)	(571)
Net cash flows from operating activities before exceptional items and other income	14,590	14,037	27,041
Exceptional items	(61)	(129)	(944)
Net cash flow from operating activities	14,529	13,908	26,097
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment	-	-	22
Purchase of property, plant and equipment	(12,444)	(9,113)	(22,833)
Purchase of intangible assets	(548)	(165)	(1,022)
Interest received	7	13	19
Net cash flows used in investing activities	(12,985)	(9,265)	(23,814)
Cash flows from financing activities			
Dividends paid	(962)	-	(321)
Net cash flows from financing activities	(962)	-	(321)
Net increase in cash and cash equivalents	582	4,643	1,962
Cash and cash equivalents at start of period	4,822	2,860	2,860
Cash and cash equivalents at end of period	**5,404**	**7,503**	**4,822**

Notes to the Interim Financial Statements

1. General information

The Directors of The Gym Group plc (the ‘Company’) present their interim report and the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 (‘Interim Financial Statements’).

The Company is a public limited company, incorporated and domiciled in the UK. Its registered address is No. 1 Croydon, 12-16 Addiscombe Road, Croydon, CR0 0XT.

The Interim Financial Statements were approved by the Board of Directors on 30 August 2017.

The Interim Financial Statements have not been audited or formally reviewed by the auditors.

The information shown for the year ended 31 December 2016 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and has been extracted from the Group’s Annual Report and Financial Statements for the year ended 31 December 2016.

The Interim Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2016, which were prepared in accordance with European Union endorsed International Financial Reporting Standards (‘IFRS’) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Annual Report and Financial Statements for 2016 have been filed with the Registrar of Companies. The Independent Auditors’ Report on the Annual Report and Financial Statements for 2016 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Further copies of the Interim Financial Statements and Annual Report and Financial Statements may be obtained from the address above.

2. Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34, ‘Interim Financial Reporting’ as endorsed by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

The Interim Financial Statements are presented in Pounds Sterling, rounded to the nearest thousand Pounds, except where otherwise indicated; and under the historical cost convention as modified through the recognition of financial liabilities at fair value through the profit and loss.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2016. A number of new European Union endorsed amendments to existing standards are effective for periods beginning on or after 1 January 2017, none of which have a material, if any, impact on the annual or condensed interim consolidated financial statements of the Group in 2017.

IFRS 9 ‘Financial Instruments’ and IFRS 15 ‘Revenue from Contracts with Customers’ will be effective in preparing the Group’s 2018 annual and condensed interim consolidated financial statements. At this time, based upon the assessments performed, the adoption of these standards will not have a material, if any, impact on the Group’s consolidated financial statements.

The Group’s activities consist solely of the provision of high quality health and fitness facilities within the United Kingdom. It is managed as one entity and management have consequently determined that there is only one operating segment. All revenue arises in and all non-current assets are located in the United Kingdom. The Group’s operations are not considered to be seasonal or cyclical in nature.

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

3. Exceptional items

	Six months ended 30 June 2017 Unaudited £'000	Six months ended 30 June 2016 Unaudited £'000	Year ended 31 December 2016 Audited £'000
Costs related to post IPO reorganisation	-	91	149
Costs associated with head office relocation	-	68	172
Exploration of strategic options	112	-	-
	112	**159**	**321**

4. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of Ordinary shares outstanding during the year, excluding unvested shares held pursuant to The Gym Group plc Share Incentive Plan and Performance Share Plan.

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. During the six months ended 30 June 2017 the Group had potentially dilutive shares in the form of share options and unvested shares issued pursuant to The Gym Group plc Share Incentive Plan and Performance Share Plan.

	Six months ended 30 June 2017 Unaudited	Six months ended 30 June 2016 Unaudited	Year ended 31 December 2016 Audited
Basic weighted average number of shares	128,105,275	128,105,275	128,105,275
Adjustment for share awards	366,890	222,896	347,617
Diluted weighted average number of shares	128,472,165	128,328,171	128,452,892
Basic earnings per share (p)	3.5	2.0	4.5
Diluted earnings per share (p)	3.5	2.0	4.4

Adjusted earnings per share is based on profit for the year before exceptional items, amortisation and their associated tax effect.

	Six months ended 30 June 2017 Unaudited £'000	Six months ended 30 June 2016 Unaudited £'000	Year ended 31 December 2016 Audited £'000
Profit for the period	4,506	2,537	5,703
Amortisation of intangible assets	425	1,028	1,442
Exceptional items	112	159	321
Tax effect of above items	(53)	(167)	(313)
Adjusted Earnings	4,990	3,557	7,153
Basic adjusted earnings per share (p)	3.9	2.8	5.6
Diluted adjusted earnings per share (p)	3.9	2.8	5.6

5. Taxation

The major components of taxation are:

	Six months ended 30 June 2017 Unaudited £'000	Six months ended 30 June 2016 Unaudited £'000	Year ended 31 December 2016 Audited £'000
Current income tax			
Current tax on profits for the year	1,575	116	426
Adjustments in respect of prior years	(73)	-	(49)
Total current income tax	1,502	116	377
Deferred tax			
Origination and reversal of temporary differences	32	843	1,118
Change in tax rates	(97)	18	18
Adjustments in respect of prior years	-	(127)	(276)
Total deferred tax	(65)	734	860
Tax charge in the Income Statement	**1,437**	**850**	**1,237**

The income tax expense was recognised based on management's best estimate of the annual income tax rate expected for the full financial year, applied to the profit before tax for the half year ended 30 June 2017.

Excluding the tax effect of the amortisation of acquired intangible assets and exceptional items (£53,000), the effective tax rate on Adjusted Profit Before Tax for the half year ended 30 June 2016 was 23.0%.

The net deferred tax liability recognised at 30 June 2017 was £618,000 (30 June 2016: £557,000; 31 December 2016: £683,000 deferred tax asset). This comprised deferred tax assets relating to tax losses and equity settled share-based incentives totalling £210,000 (30 June 2016: £176,000; 31 December 2016: £185,000) and deferred tax liabilities in relation to accelerated capital allowances and acquired intangible assets totalling £828,000 (30 June 2016: £733,000; 31 December 2016: £868,000).

At 30 June 2017 there was a net unrecognised deferred tax asset of £nil (30 June 2016: £nil; 31 December 2016: £nil) relating to unrecognised tax losses.

6. Property, plant and equipment

	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2016	74,027	5,569	34,787	924	115,307
Additions	16,729	1,178	8,257	381	26,545
Disposals	(100)	-	(244)	-	(344)
At 31 December 2016	90,656	6,747	42,800	1,305	141,508
Additions	8,085	991	2,439	201	11,716
Disposals	(23)	(8)	(236)	(2)	(269)
At 30 June 2017	**98,718**	**7,730**	**45,003**	**1,504**	**152,955**
Accumulated depreciation					
At 1 January 2016	12,309	2,321	14,948	492	30,070
Charge for the year	6,422	812	5,205	254	12,693
Disposals	(48)	-	(244)	-	(292)
At 31 December 2016	18,683	3,133	19,909	746	42,471
Charge for the year	3,318	476	2,491	161	6,446
Disposals	(11)	(4)	(195)	(2)	(212)
At 30 June 2017	**21,990**	**3,605**	**22,205**	**905**	**48,705**
Net book value					
At 31 December 2016	**71,973**	**3,614**	**22,891**	**559**	**99,037**
At 30 June 2017	**76,728**	**4,125**	**22,798**	**599**	**104,250**

Outstanding capital commitments totalled £6,051,000 (30 June 2016: £1,673,000; 31 December 2016: £1,804,000).

7. Borrowings

	30 June 2017	30 June 2016	31 December 2016
	Unaudited	**Unaudited**	**Audited**
	£'000	**£'000**	**£'000**
Non-current			
Bank facility A	10,000	10,000	10,000
Loan arrangement fees	(716)	(928)	(822)
	9,284	**9,072**	**9,178**

The Group's bank borrowings are secured by way of fixed and floating charges over the Group's assets.

On 12 November 2015 the Group entered into a 5 year bullet repayment facility with HSBC and Barclays. The facility comprises a £10.0 million term loan ('facility A'), a £25.0 million term loan ('facility B') to fund acquisitions and capital expenditure, and a £5.0 million revolving credit facility. Interest is charged at LIBOR plus a 2.5% margin.

At 30 June 2017, facility A was fully drawn and facility B and the revolving credit facility were undrawn.

There have been no changes to the valuation techniques used for financial assets or liabilities held at fair value and no transfers in the hierarchy of financial assets or liabilities. The carrying values of all financial assets and liabilities are considered to represent their fair values.

8. Issued capital

During the six months ended 30 June 2017, the Company issued 25,004 Ordinary shares of £0.0001 each in relation to free and matching share awards under The Gym Group Plc Share Incentive Plan. The shares were then allocated to award holders via an Employee Benefit Trust, subject to satisfaction of continued employment conditions, for nil consideration.

9. Long term employee incentive costs

The Group operates share based compensation arrangements under The Gym Group plc Performance Share Plan and The Gym Group plc Share Incentive Plan. The awards granted during the six months ended 30 June 2017 are similar in nature to those awarded during 2016.

In the six months ended 30 June 2017, the Group recognised a total charge of £389,000 (six months ended 30 June 2016: £471,000, year ended 31 December 2016: £519,000) in respect of the Group's share based long term incentive plans and related employer's national insurance (£335,000 and £54,000 respectively).

10. Related party transactions

Identification of related parties
The Group has related party relationships with major shareholders, key management personnel and family members of the Directors.

Closewall Limited is a company under the control of a family member of a Director, J Treharne.
C Treharne is a relation of a Director, J Treharne.

Transactions with related parties
The following table provides the total amounts owed to related parties for the relevant financial period:

	Six months ended 30 June 2017 Unaudited £'000	**Six months ended 30 June 2016 Unaudited £'000**	**Year ended 31 December 2016 Audited £'000**
Closewall Limited	163	2	-
C Treharne	-	-	2

The following table provides the total amounts of purchases from related parties for the relevant financial period:

	Six months ended 30 June 2017 Unaudited £'000	**Six months ended 30 June 2016 Unaudited £'000**	**Year ended 31 December 2016 Audited £'000**
Closewall Limited	1,770	3,132	3,793
C Treharne	-	4	7