18 March 2021

The Gym Group plc
(‘the Company’ or ‘The Gym’)

Full Year Results

Ready to rebuild membership and return to growth

The Gym Group plc, the fast growing, nationwide operator of 186[1] low-cost, no-contract gyms, announces its full year results for the year ended 31 December 2020. The results reflect a year of significant disruption in which the Company’s gyms were required by the UK Government to close for 45% of the trading days in the year due to COVID-19.

2021 Update and Outlook

- Gyms in England are expected to re-open on 12 April 2021 with gyms in Scotland re-opening 26 April 2021
- Higher levels of membership retention during this current lockdown versus previous closure periods; as at 28 February 2021 our membership level was 547,000 (31 December 2020: 578,000)
- 97% of current members say they expect to return to the gym as soon as possible, with 75% stating that fitness will be more important to them than it was pre-COVID
- Focus on cash management to enable us to re-open in a position of financial strength; as at 28 February 2021, Non-Property Net Debt was £58.2 million versus total bank facilities of £100.0 million
- Three new sites opening in April and one in May, with an additional four starting on-site imminently. In addition, our growing pipeline has a further six leases exchanged with several more in advanced negotiations

2020 Financial highlights

	Year ended 30 December 2020	Year ended 30 December 2019	Movement
Revenue (£'000)	80,470	153,134	(47.4)%
Group Adjusted EBITDA (£'000)	16,810	74,453	(77.4)%
Group Adjusted EBITDA less Normalised Rent (£'000)	(10,169)	48,540	(120.9)%
Adjusted (Loss) / Profit before Tax (£'000)	(46,525)	13,969	(433.1)%
Statutory (Loss) / Profit before Tax (£'000)	(47,192)	6,219	(858.8)%
Adjusted Earnings (£'000)	(35,999)	10,574	(440.4)%
Statutory Earnings (£’000)	(36,368)	3,595	(1,111.6)%
Basic Adjusted Earnings per Share (p)	(22.9)	7.7	(397.4)%
Basic Statutory Earnings per share (p)	(23.1)	2.6	(988.5)%
Free Cash Flow (£'000)	(16,544)	32,282	(151.2)%
	As at 31 December 2020	**As at 31 December 2019**	**Movement**
Non-Property Net Debt (£’000)	47,264	47,395	(0.3)%

Note: for a summary of KPI definitions used in the table see page 15.

- 45% of trading days lost due to closure plus reduced membership levels resulting in 47.4% reduction in revenue
- Strong cost control and Government support limited EBITDA less Normalised Rent loss to £10.2 million
- Low levels of debt and low-cost base enabled trading to be cash flow positive when gyms were open even with reduced membership levels
- No final dividend recommended

2020 Strategic and Operational Progress

- 8 new gyms opened increasing the total estate to 183[1] at December 2020
- Total year end members at 578,000, a decrease of 27.2% versus prior year (2019: 794,000) due to prolonged periods of closure; average member numbers fell by 11.1% to 708,000 (2019: 796,000)
- LIVE IT penetration as at December 2020 was 22.5% of total members (2019: 18.9%)

- Strong retention of gym staff and high engagement levels resulting from the support provided to colleagues during lockdowns; our people-first approach included topping-up furlough pay, the introduction of a new communications platform and extensive wellbeing support
- £1.8 billion of Social Value[2] created by the Gym Group since 2016 with each gym generating £3 million of Social Value per year prior to the COVID-19 pandemic

Richard Darwin, CEO of The Gym Group, commented:

"During 2020 we demonstrated the resilience of our business and its culture even in the most challenging of times. By freezing subscriptions when closed and by providing an excellent COVID-secure environment in our gyms when open, we have retained most of our members; by supporting colleagues with topped-up furlough pay, honest communications and a comprehensive wellbeing plan we have high levels of staff retention and engagement; and by managing cash carefully we will emerge from the crisis with manageable levels of debt. We are ready to start rebuilding our memberships levels and growing our estate from 12 April, extending affordable fitness at a time when health and fitness has never been more important."

A live audio webcast of the analyst presentation will be available at 08.30am today via the following link:

https://us02web.zoom.us/webinar/register/WN_e7iM4PsOQVeGQZqE64GKKQ

Two additional statements from the Company have been released (available at www.tggplc.com) relating to:

- Changes to Non-Executive Director Roles and Responsibilities
- The Social Value created by The Gym Group since 2016

For further information, please contact

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[1]183 as of 31 December 2020 (vs 175 at 31 December 2019) with eight new sites opened in 2020. 186 sites as at 18 March 2021

[2] Social Value analysis completed by 4Global and Sheffield Hallam University's Advanced Wellbeing Research Centre. Further details available in the Sustainability Report within the Company's 2020 Annual Report & Accounts available at www.tggplc.com

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 its expectations or to reflect subsequent events or circumstances following the date of this announcement.

18 March 2021

Chairwoman's Statement

A challenging year

For the first two months of 2020 the business traded well, achieving strong membership gains. But as is well documented, on 20 March all gyms were closed in the first lockdown period of the coronavirus pandemic.

Since then, our gyms have periodically been open and closed again according to the government rules of each of England, Scotland and Wales.

Across the estate, we have been open for members for only 55% of the trading days of the year. To manage through this crisis, fast and appropriate actions were taken to protect colleagues and members, strengthen our balance sheet, reduce our costs and other commitments and utilise government support schemes. Our primary aim has been to put our business in the best possible position to recover, be able to restart growth and be the best gym operator for accessing affordable fitness. This has been shown to be more relevant than ever within this health crisis. Whilst our gyms remain closed and with the vaccine programme providing confidence that the end of the crisis is in sight, we are prepared and ready for the recovery journey with appropriate financial and colleague resources and a determination to thrive.

Our 2020 results

Our financial results for the year have been severely impacted by the 45% loss in trading days from regional and national lockdowns, with revenue down 47.4% from £153.1m to £80.5m.

As a result of significant cost saving measures, plus valuable Government support in the form of business rates relief and furlough grants, the impact on profits was mitigated as far as possible but nonetheless Group Adjusted EBITDA Less Normalised Rent fell to a loss of £10.2m in 2020 from a profit of £48.5m in 2019. The management team has focused on preserving cash and liquidity to maintain balance sheet strength through the crisis; tight cash management, a well-supported equity raise and an increase in our debt facilities enabled us to end the year with net debt of £47.3m vs total borrowing facilities of £100.0m.

Managing through the pandemic for our stakeholders

In this report we provide more detail of the progress we made in 2020 in terms of sustainability, which has always been at the root of our business. Our purpose is well aligned with Promoting Health and Wellbeing, one of the 17 UN Sustainability Goals, and our values and strong focus on business ethics are part of our DNA. This was evident in our work to engage with and support all stakeholders throughout the pandemic crisis, in the ultimate belief that this is central to the sustainable success of our business. We are excited to publish in this report the social value our business creates every year, a measure that is perfectly aligned with our business purpose and highlights the significant positive impact we have on the communities we serve.

We have sought to manage through the pandemic for our stakeholders, providing a safer environment for our members to work out, clear communication for our people, working with our suppliers and landlords and engaging with our shareholders and lending banks.

We have had first class communication with members and froze membership so they need never worry that we would charge them when our gyms were closed and supported them during lockdown with free online classes. When we re-opened our member satisfaction reached new highs as members appreciated the physical and mental well-being benefits of being back in the gym with high confidence in the safety procedures we put in place. We have developed our COVID secure operating protocols to give our members confidence to return to gym settings, and have been pleased to see very low incidence of COVID-19 cases attributed to the UK fitness and leisure sector since first reopening in July, as reported by ukactive in December 2020.

We have kept colleagues engaged, even when so many have been furloughed for large periods of the year, and been open in our communication through some difficult but necessary restructuring. With our 'People First' mindset we rolled out training programs for all employees focusing on their health & wellbeing. We also have maintained our important work on Diversity & Inclusion, signed up to Business in the Community's (BITC) Race at Work Charter and launched our Diversity & Inclusion Manifesto. We have worked with suppliers and landlords to negotiate agreed outcomes through these extraordinary and changing events. Our lending banks have shown support and flexibility in providing financial capacity and our shareholders readily supported an equity raise.

We are looking forward to continuing our engagement with our stakeholders in 2021 to further inform them of our sustainability strategy and to build together on the foundations laid.

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Our shareholders

Like most businesses severely affected by the pandemic, given macro uncertainty we did not pay a final dividend in relation to 2020. We have made strong efforts to be transparent and timely in our reporting to keep our stakeholders informed of our robust position and actions in the face of the pandemic. Our Executive Directors lead shareholder dialogue, but given all circumstances, I proactively communicated with our top shareholders towards year end to check in for feedback. They were unanimous in their satisfaction with the way decisions had been taken and events managed and I held a number of follow-up conversations which were supportive and focused on the fundamentals of our business to recover and indeed to be even more competitive in tougher economic times.

Whilst our share price, along with most hospitality, leisure & travel companies, was impacted by wider pandemic related concerns through the year, some recovery is evident as newsflow has improved with the progress on vaccinations. We remain focused on delivering for shareholders and pleased that more colleagues participated in the Savings-Related Share Option Scheme ('Sharesave') than in 2019, aligning colleagues and shareholder interests even more closely.

Our work as a Board

Katy Tucker joined our business as Company Secretary in January and has served a more than busy period as the Board in the initial crisis period met weekly and has maintained more frequent communication and decision making as required throughout the year. I am grateful to Board colleagues who also readily gave up their directors' fees in Q2 to show leadership and support in a financially stressed year. For much of the year, in addition to achieving financial resilience, our work focused on taking the right actions to re-open gyms safely and welcome back members and colleagues. Our work later in the year has focused on the judgements to restart growth and prepare for regaining members in large numbers.

We have also worked on Board composition. The report of the Nomination Committee provides a fuller description of our decisions. The business has benefitted from continuity at Board level since IPO five years ago but we agreed it was time to start rotation and to attract new skills and experiences to our team. I am delighted that Rio Ferdinand and Wais Shaifta have joined the Board and I am excited by the different perspectives they bring as we rethink how we can be more relevant in our pursuit of affordable fitness for all. At the same time I am enormously grateful for the support Paul Gilbert has shown to me and to the business in the nine years he has served, first as Chair during private equity ownership and then as the Senior Independent Director since IPO. He has done more than most in shaping this business from near start up to the enterprise it is today. He retires at our AGM in May with our best wishes and thanks. I am pleased that Emma Woods and David Kelly have readily taken on significant responsibilities to Chair the Remuneration and Audit committees respectively and Emma as Senior Independent Director.

Strategic confidence

Whilst our financial condition has been impacted by the pandemic - with higher levels of debt and lower membership than planned - we remain as confident as ever in our proposition. Providing affordable fitness for all through gym membership is even more relevant as society is encouraged to improve health through physical and wellbeing activity and looks for great value for money in harder economic times. We are sufficiently confident that we have prudently maintained our pipeline growth and have the experience and plans to address the challenge of recovering membership levels. Whilst it will take time to recover from the impact of COVID related closures, our longer term strategic outlook and opportunity is as strong as ever.

We recognise that the COVID-19 pandemic has caused considerable hardship and strain for many people, and it has affected our stakeholders in different and often difficult ways. On behalf of the Board and everyone at The Gym I would like to extend our sympathies to all of our people, stakeholders and supporters who have been impacted by this crisis.

Finally, congratulations and thanks to our leadership team, led by CEO Richard Darwin, who managed calmly through unprecedented circumstances. On behalf of the Board our thanks to them and to all colleagues, members, suppliers and landlords, banks and shareholders for your support, flexibility and encouragement through 2020 and the year ahead.

Penny Hughes
Chairwoman
18 March 2021

18 March 2021

Chief Executive's Review

Review of 2020

2020 was the most challenging year for our business in its 12 year history.

We entered the year in a strong position with 794,000 members and low gearing of less than 1.0x EBITDA. Our approach throughout the year has been to ensure that our business exits the crisis in a strong position, well-placed to welcome our members back to their gyms and to take advantage of an altered competitive landscape. Decisions taken have been for the long-term benefit of the business.

Our February 2021 membership is 547,000 and with a re-opening date of 12 April announced, we are confident that these actions have given us as strong a base as possible from which to rebuild our membership. Our gearing remains manageable and having successfully refinanced during the year we have the flexibility to deliver on our plans. This health crisis has demonstrated the importance of physical activity for all of the UK population. As a result, we are confident about future demand for our low-cost product as part of the ongoing trend for people to lead healthier lifestyles.

The COVID 19 pandemic meant 45% of our trading days in 2020 were lost to closures from government restrictions; 2021 has started with a further national lockdown once again closing the entire estate.

For a low cost gym business such as ours, periods of closure mean virtually no membership acquisition and increased attrition immediately after the closure announcement (although this has lessened with the later lockdowns as we reach a core level of loyal members). As we have seen from previous re-openings, the benefit of a subscription business such as ours is the ability to restart member payments from the day of opening.

There are three groups of stakeholders that deserve particular thanks for helping us to manage through this crisis. First, our team responded with speed and agility to adapt to the initial crisis and to get us ready for the post COVID operating environment. This included locking down the estate to reduce cash burn when it first closed in March and then, prior to reopening, adapting our model to make the estate COVID secure for our members. Second, our thanks also go to our major suppliers, including our cleaning firms, equipment suppliers, contact centre operators and vending suppliers who all furloughed staff to ensure that contractual costs were minimised. Third, and by no means least, we are grateful for the decisive actions taken by the UK Government to support our sector through 2020 and into the new year – without the immediate relief from furlough, rates relief and VAT deferral, businesses such as ourselves would have been in a very different financial situation. At the peak of the closure we have had over 95% of our workforce in the gyms and central support on furlough. Along with rates relief government support in 2020 has been worth £16.0m.

Our financing partners have also been supportive through the crisis. In April we boosted our liquidity with an equity placing supported by our shareholders raising net proceeds of £39.9m – this was an important part of our COVID recovery plan. At the same time our syndicate of three leading banks agreed an additional £30m of debt facility which has now been extended to a two year term. This increased total available bank facilities to £100m and along with the equity raise gave us good levels of liquidity to see us through the crisis and for us to be able to continue with a limited amount of expansionary capital spend. At the end of 2020 our Net Debt was £47.3m - the same level as the beginning of 2020 - enabling us to enter this latest national lockdown in 2021 with a good level of liquidity. Again, we are thankful for the support of our investors and banks. As part of our measures to preserve cash, we have halted dividend payments.

Through the crisis, the business has demonstrated its agility in being able to adapt its ways of working to deal with the COVID restrictions placed on our business. We were assisted in this by working with the Advanced Wellbeing Research Centre at Sheffield Hallam University who performed a review of our COVID procedures. These measures included the purchase of screens placed in front of banks of cardio equipment to reduce the spread of aerosols and specialised cleaning equipment to make the cleaning of equipment more efficient. The government guidelines limit capacity to 100 sq. ft per member and we are able to accommodate this through limiting entry where necessary using the existing technology embedded in the gyms' entrance portals. The guidelines have also required social distancing which has been possible through markings on the floor and the goodwill of our members. Our large well-ventilated facilities with an average size of 16,500 sq. ft, mean that we have been able to keep to original 2m social distancing guidelines. Our procedures have demonstrated to our members the important steps we have taken to make our gyms a safe place to work out and are an important way of giving them confidence to continue with their routine of coming to the gym.

The measures we have put in place have been welcomed by our members and in the period of opening we have seen member satisfaction scores around 10% higher than pre-COVID. As a sign that member confidence is growing, visits per member also increased during August and September to a point where members were using the gym on average 1.2 times per week, a level higher than the previous year. Independent surveys also recognise that there is a group of ex-members who intend to return but will only do so once the risk from COVID-19 is reduced and the vaccine is rolled out. Given the progress the UK government is making on the vaccine rollout, this gives us confidence about our ability to recover previous levels of membership once we are open.

The financial results in 2020 were substantially impacted by the periods of closures, which reduced trading days by 45%. Revenue was £80.5m (2019: £153.1m) down 47% vs 2019 and our Group Adjusted EBITDA Less Normalised Rent was £(10.2)m down from £48.5m in 2019. There was a statutory loss of £36.4m (2019: profit of £3.6m). These results show the significant operational gearing within our business mitigated in the year only by the government assistance and the substantial cost saving measures implemented. We have slowed down our rollout as a result of the pandemic, preserving liquidity to cope with a rapidly changing crisis. During the year we opened eight sites, with four opened prior to start of the pandemic and four in August once contractors were able to resume on sites. This brought our portfolio up to 183 sites at year end. In addition, we completed significant refurbishments of two of the former easyGym sites in London at Fulham and Oxford Street. Oxford Street in particular will be a real flagship for our business; it includes all the latest equipment and showcases our new virtual group exercise concept. In 2021 we will have three new gyms opening in April and one further gym in May, with four additional locations going on site shortly.

We remain very confident about our long term positioning in the market. We are the only listed health and fitness operator and with low levels of gearing we present a strong covenant for landlords. Our immediate priority is to secure high quality opportunities in locations that have traditionally been difficult for us to find affordable sites and we are increasingly being offered these excellent sites by landlords on attractive terms. In addition, we expect to attract displaced members from other gyms that have closed as a result of the pandemic. The landscape has changed significantly with around 20% of local authority sites not reopening and further difficulties for mid-market and premium operators. The size of the low cost sector has been stable in 2020 with 735 sites in total (2019: 728 sites) but as the impact of the pandemic recedes, we believe that the high quality low cost operators have strong opportunities for growth and the market will return to expansion once again.

Strategic priorities

As we enter a recovery period, our strategic priorities are based around two key initiatives: i) Rebuilding our membership; and ii) Securing a high quality new site pipeline.

i) Rebuilding our membership

Key to our recovery will be a strong uplift in membership numbers, recovering the many thousands who have left over the past year. We are very experienced in executing plans to grow membership numbers both in our normal seasonal trading and when opening new sites, and we will use this experience over the months to come. The pandemic has reduced our site membership on average to the levels that sites would have reached a few months after opening. Sites typically have a 2-year maturation profile so we now expect that as part of the recovery, sites will need to go through a maturation phase once more and our success recovering from the pandemic will be reflected in how far we can shorten this maturation profile. Our average price point is now £18.81 which makes us very competitive within the low cost market and we anticipate that this attractive price point will underpin the recovery in membership levels in a difficult economic environment. All sites that were open at the start of 2020 have lower membership levels today than before the pandemic although not all sites have been impacted equally; some of the city centre sites have experienced higher levels of membership loss and the start of their sustained recovery period will depend on the return to offices in the city centres.

As part of our preparations for rebuilding our membership, we have continued throughout this period to invest in and enhance our technology capability and improve our central infrastructure – this is a fundamental requirement for operating a strong low cost business at scale. The key development for 2021 is to build a new website which we plan to launch in the autumn. A new website will give us a number of advantages enabling improved web merchandising, the ability to create new products as well as improved upsell and SEO capability. In 2020 we concentrated the technology advances around supporting the COVID operating experience for members. Contactless entry through the use of QR codes on our app was introduced upon reopening - member acceptance of this development has been very strong. Our app has also been enhanced to include a busyness tracker that enables members to see how busy the gyms are at any point in time.

I am very confident that the strength of our technology team and their innovation will continue to drive competitive advantage in this area over the coming years.

We have also taken the opportunity to review our member value proposition to ensure that our future product is even more relevant to our members in the post COVID world. As we approach 200 sites we will maximise the benefits of product consistency across the whole estate. Part of the work includes the relaunch of our group exercise offer, where a common range of classes will enable consistent quality of delivery across the business. We have also launched a new virtual group exercise product in two sites, Oxford Street and Tottenham White Hart Lane, using online classes provided by our partner, Fiit. The virtual content supplied by Fiit is part of a wide ranging partnership that also includes discounted Fiit membership to our members available through our website. We intend to offer a combination of virtual and in-person content in more sites as we extend this trial further across the estate.

ii) Securing a high quality new site pipeline

We believe there is a compelling opportunity for our business as the nation emerges from the pandemic and as a result, we have been building our pipeline even during the periods of closure. As a result of retail closures, we are seeing the availability of more high quality sites at good levels of rent. Some of the planned sites in 2021 are locations where we have traditionally struggled to find sites but in the current situation are now available to us on attractive terms, including Oxford, Cambridge and York. Small box sites – sites of c.8,000 sq. ft – are also a good opportunity to accelerate our growth; we currently have three small box sites open with further sites planned this year. In the future our plan is to have formats that cover a range of sizes from large box at 16,000 sq. ft and above to small box of 7,000-8,000 sq. ft. This flexible approach combined with the improving property market will enable us to cover large parts of the country and extend our offer of affordable fitness to as much of the UK population as possible.

As the pandemic struck, we were beginning to realise some of the benefits of the New Gym Team model that was rolled out in 2019, where Fitness Trainers work for us in a part-time capacity 12 hours per week. The model showed its worth in an additional way during the crisis enabling us to place all these part-time employees on furlough. This proved to be an important source of financial support for our team – which would not have been available to them under the old model – at a time when it was not possible for them to train their clients in the gyms. As a result, we are likely to have better retention of these key team members as we re-open the estate. As we move out of the crisis, we are confident that the New Gym Team model will continue to give us benefits in improved member service, staff training, engagement and levels of compliance.

The support of our teams across our estate and in our central support has been the highlight for me of a difficult year and demonstrates the strength of the culture throughout the business. It is the main reason, along with the scale of the market opportunity, that I am so upbeat about our future potential. At an early stage in the crisis, we decided that we would put support of our teams at the centre of the actions to ensure we emerge from the pandemic in a strong position. We gave financial assistance where necessary for those on furlough but also gave clear and honest communication about the strength of our business and its future prospects. We have been rewarded by good levels of retention in the reopening period after the first lockdown, across gym managers, Fitness Trainers and central staff. And when difficult decisions were necessary, such as aligning our levels of central support to lower levels of revenue, we have been open in explaining our decision-making.

Many of our team signalled their own belief in the prospects of the business by investing into the employee sharesave scheme. I am confident that the strength of the team and the culture of the business will help to facilitate a strong level of membership recovery once we get the green light to reopen.

I am delighted that we have recently welcomed to the Board Wais Shaifta and Rio Ferdinand as Non-Executive Directors, increasing our range of skills and experience and bringing different perspectives. Their appointments are indicative of our desire to think beyond the pandemic to create a relevant and fast growing health & fitness brand. Their appointment will of course also give a real boost to the work that we are doing in technology, engagement and diversity both within the business and for our members across the UK.

ESG principles have always been at the very heart of our strategy and development since we started. The first site in Hounslow was located in an area with a low income demographic and a number of the subsequent sites showed the same characteristics, bringing affordable fitness to these areas for the first time. During the last year we have pulled together all the work we are already doing across the business on ESG and formulated even stronger plans for the future. Part of this has been calculating the social value of our business – we worked with 4Global and Sheffield Hallam University to assess the social value in our last uninterrupted year of 2019. This work shows we were creating social value of over £0.5bn per year from improved health and wellbeing and fewer demands on the NHS as a result of the workouts in our gyms. This reinforces the importance of gyms within the fabric of our society – particularly in the current situation - and the need for government to promote an active lifestyle. We also continue to make good progress in our 4 priority United Nations Sustainability Development Goals:

i) Promoting good health and wellbeing – we intend to publicise the social value that our gyms bring on a regular basis to inform the debate on the benefits of gyms (as set out above);
ii) Good jobs, quality education and lifelong learning – this was enhanced by the launch of a new communication and learning platform for our employees in the year (CORE);
iii) Diversity and Inclusion - in 2020 we publicised our first ever D&I manifesto setting our goals in this area; and
iv) Responsibility to the environment – we completed our roll-out of LED lighting and our governance arrangements were tightened with the launch of the Health and Safety and Wellbeing Committee which I chair.

This is considerable progress given the year of disruption we have experienced and in the coming months we will invest further in this area as well as continue to articulate the benefits we continue to bring to members, colleagues and the wider community.

Our business has demonstrated its strength and resilience through the past year and continues to do so. The vaccine rollout is well under way and we now expect gyms to re-open in mid-April. By concentrating through this current lockdown on the two strategic priorities we enter this new year more confident and forward- looking in our approach as opposed to just managing the crisis. The Gym Group has a high quality offer in great locations at an affordable price and is well positioned to prosper in the coming years. The benefits to the whole nation of increased health and fitness both in terms of physical and mental wellbeing have been made all too obvious by COVID-19 and our business is ready to play a central role in helping the UK deliver on providing that at scale.

Richard Darwin
Chief Executive Officer
18 March 2021

Financial Review

Summary

2020 has been a challenging year for everyone, including The Gym Group, but we ended the year as a strong, well-capitalised business in a sector that will be at the heart of the nation's recovery from the pandemic.

The Group lost 45% of the trading days in the year due to closures as a result of government restrictions relating to COVID-19, with revenue declining by 47.4% to £80.5 million (2019: £153.1 million). During the year, and especially in the periods of closure, we have taken a number of actions to reduce costs to mitigate the impact of the lost revenue. We received £16.0 million of support from the UK Government in the form of business rates relief and furlough payments. Despite these measures, Group Adjusted EBITDA less Normalised Rent declined to £-10.2 million (2019: £48.5 million).

Our focus during the year has been to manage cash, ensuring we entered 2021 with a good level of liquidity. Capital expenditure was reduced from Q1 onwards as the first lockdown arrived; however we continued to invest in technology throughout the year, which will be central to our recovery and future growth, and we opened eight new sites, taking our total estate to 183 gyms. In a further measure to protect cash during the first lockdown, we entered into rent deferral agreements with landlords, deferring a total of £9.4 million of rent payments in the first half, of which £5.6 million was repaid by the end of the year, with the remaining £3.8 million expected to be repaid in 2021.

Our liquidity was strengthened by the raising of £39.9 million of net proceeds via an equity placing in April and the extension of our banking facilities from £70.0 million to £100.0 million in June, alongside improved flexibility in our bank covenants. As a result of the new funding and the careful management of cash we ended 2020 with a similar level of net debt as we started the year, with Non-Property Net Debt of £47.3 million (Dec 2019: £47.4 million).

This financial review uses a combination of statutory and non-statutory measures to summarise 2020 performance. See page 15 for the definitions of the non-statutory Key Performance Indicators.

	Year ended 31 December 2020	**Year ended 31 December 2019 Restated***
Total number of gyms[1]	183	175
Total number of members at end of period ('000)	578	794
Revenue (£'000)	80,470	153,134
Group Adjusted EBITDA (£'000)	16,810	74,453
Group Adjusted EBITDA less Normalised Rent (£'000)	(10,169)	48,540
Group Adjusted EBITDA less Normalised Rent and before preopening costs (£'000)	(9,850)	49,715
Adjusted (Loss) / Profit before Tax (£'000)	(46,525)	13,969
Adjusted Earnings (£'000)	(35,999)	10,574
Group Operating Cash Flow (£'000)	(16,282)	39,178
Free Cash Flow (£'000)	(16,544)	32,282
Statutory (Loss) / Profit before Tax (£'000)	(47,192)	6,219
Statutory Earnings (£'000)	(36,368)	3,595

[1] Excludes three gyms announced as closing in 2019; two sites acquired from the Lifestyle Fitness and easyGym acquisitions plus one site opened in 2015 for which a five-year break clause was exercised by the Group.

* Refer to note 4 for details of the restatement of maintenance capex.

Result for the year

	31 December 2020 £'000	31 December 2019 £'000
Revenue	80,470	153,134
Cost of sales	(2,116)	(1,437)
Gross profit	**78,354**	**151,697**
Other income	427	-
Administration expenses excluding exceptional items	(111,574)	(124,036)
Exceptional administration items	(1,122)	(6,086)
Operating (loss) / profit	**(33,915)**	**21,575**
Finance income	6	32
Finance costs	(13,283)	(14,902)
Exceptional finance costs	-	(486)
(Loss) / profit before tax	**(47,192)**	**6,219**
Tax credit / (charge)	10,824	(2,624)
Loss/Profit for the year	**(36,368)**	**3,595**
(Loss) / profit before tax	(47,192)	6,219
Amortisation of non-IT intangible assets	860	1,178
Exceptional administration and finance expenses	1,122	6,572
Remeasurement of RCF	(1,315)	-
Adjusted (loss)/profit before tax	**(46,525)**	**13,969**
Tax credit / (charge)	10,824	(2,624)
Tax effect of above items	(298)	(771)
Adjusted Earnings	**(35,999)**	**10,574**

	31 December 2020 £'000	31 December 2019 £'000
Operating (loss) / profit	(33,915)	21,575
- Depreciation of property, plant and equipment	45,169	41,778
- Amortisation	3,765	3,114
- Exceptional impairment of property, plant and equipment	1,606	-
- Exceptional impairment of intangible assets	1	-
- Exceptional items (excluding impairment of property, plant and equipment and intangible assets)	(485)	6,086
- Long term employee incentive costs	669	1,900
- Normalised rent	(26,979)	(25,913)
Group Adjusted EBITDA less Normalised Rent	**(10,169)**	**48,540**

Revenue

For much of the year, with gyms closed, we had significant periods with no new member acquisition but we continued to see cancellations. As a result, we ended the year with 578,000 members, a decrease of 27.2% compared with the closing membership level in December 2019. The average membership level across the 12-month period fell by 11.1% to 708,000 (2019: 796,000). In addition to the reduction in subscription income, we also lost ancillary income (e.g. vending) during the closures plus revenue from the rent paid to us by our Fitness Trainers.

In the periods of government-enforced closure – comprising 45% of trading days in the year – we earned close to zero revenue as we immediately ‘froze’ members’ accounts so they did not pay their subscription while gyms were closed. In the periods when gyms were open, lower levels of overall membership meant that monthly revenues were significantly lower than normal.

In the periods when we were trading with gyms open, we were able to maintain a good yield per member; average headline prices increased by £0.36 to £18.81 (2019: £18.45) and the take-up of LIVE IT continued to increase with 22.5% of the membership having this premium product at the end of the year vs 18.9% at the end of 2019.

As a result of these factors, revenue for the year decreased 47.4% to £80.5 million (2019: £153.1 million).

Operating costs including the benefits of government COVID-19 initiatives

Site costs, including Normalised Rent and excluding exceptional expenses, decreased to £77.7 million (2019: £90.3 million) as a result of the gyms being closed for significant periods in the year. Central support office costs remained flat at £13.0 million (2019: £12.7 million) but this was smaller than originally planned for the year; an investment in people and technology that would otherwise have increased costs year-on-year, was offset by savings from furloughed staff during the period of gym closures and from an internal restructuring programme in June which resulted in a 22% reduction in central headcount.

Immediately after the closing of our gyms on 20 March 2020, and in the subsequent periods of lockdown in the second half of the year, we implemented a number of cost reduction initiatives to ensure operating costs were reduced as far as possible while the gyms were closed.

Mitigating actions to reduce costs

During periods of gym closure we were able to reduce the estate's running costs significantly: maintenance was reduced to cover health and safety requirements and to prepare the sites for reopening; utilities were reduced substantially; cleaning costs were reduced to zero; and insurance costs were reduced, reflecting the lower risk of sites not being in operation. In addition we reduced marketing spend very significantly with only spend on maintaining engagement with existing members.

When gyms re-opened after the first lockdown the additional cleaning procedures and materials for our COVID-secure protocols resulted in a significant increase in cleaning costs. We expect this incremental cost to be £2.0-2.5 million per year for the foreseeable future.

Support from government initiatives

In addition to the mitigating actions above, a number of government initiatives enabled us to reduce or defer costs:

- Business rates relief – relief available from April 2020 to March 2021 saved us £9.6 million in the year and will provide further benefit of £1.1 million per month until August 2021
- Coronavirus Job Retention Scheme ('CJRS') – across our gyms and central support we furloughed approximately 95% of our staff during closure periods. The total support claimed from the CJRS in the year was £6.1 million, with further support available in Q1 2021 whilst gyms are closed
- VAT payment deferral - £1.9 million of VAT due to HMRC during the year has been deferred to 2021

Group Adjusted EBITDA less Normalised Rent

Our key profit metric takes EBITDA (which under IFRS 16 excludes any lease rental costs) and subtracts 'Normalised Rent' which is the cost of the rental payments applicable to the period in question, regardless of when the rent is paid in cash. This measure shows the underlying profitability of the business and then elsewhere we disclose the cash flow effects of rent payment deferrals.

Group Adjusted EBITDA less Normalised Rent decreased to £(10.2) million in the year (2019: £48.5 million). The drop in profitability was as a result of the significant reduction in revenue, partially offset by the various cost saving measures and government support described above.

Further information on the impact of our adoption of IFRS 16 in 2019 can be found on our corporate website: TGGPLC.com

Exceptional items

Exceptional administrative costs decreased to £1.1 million, from £6.1 million in 2019, and comprised:

- £0.9 million writedown of assets of one of our sites whereby the discounted present value of future cash flows for the site do not support the full value of the assets and £0.7 million writedown of assets for one site announced as closing in 2019 following a delay in the surrender of the lease to 2021 (see below).

- £0.4 million gain recognised in 2020 arising on the closure of three sites announced during 2019, which arose as a result of estate management. Stoke and Birmingham Corporation Street were acquisitions from Lifestyle and easyGym respectively, whilst we exercised a lease break option in Newport, a site we opened in 2015.
- £0.7 million of restructuring costs, related to the restructuring of the central support team in June 2020 in which headcount was reduced by 22%.
- A one-off gain of £0.6m on the renegotiation of a lease reducing the lease term.
- A reduction of £0.2 million in the provisions established upon the acquisition of sites from easyGym.

Exceptional finance costs decreased to £nil.

Long term employee incentives

During the year the Group granted further shares under the Performance Share Plan ('PSP') and Share Incentive Plan ('SIP') and also Restricted Stock Options to certain members of senior management. The awards vest in three years provided continuous employment during this period and, in the case of the PSP, certain performance conditions are attained relating to total shareholder returns.

The Group continues to operate a matching shares scheme under the SIP, where for every share purchased by an employee the Group will award one matching share, up to a maximum value, which vest in three years subject to continuous employment.

Towards the end of the year, the Group has also granted shares under a share saving scheme ('SAYE'), where all employees were invited to save regularly, up to a maximum value, to buy the Group's shares at a discounted price, which vest in three years subject to continuous employment.

The Group recognised a charge of £0.7 million (2019: £1.9 million) in relation to these share based payment arrangements. The year-on-year reduction is due to the expectation that the financial targets in prior year PSP awards will not be met and therefore the proportion of awards associated with financial targets will not vest.

Finance costs

Finance costs excluding exceptionals decreased to £13.3 million in 2020 (2019: £14.9 million). The implied interest relating to the lease liability under IFRS 16 increased to £12.7 million (2019: £12.9 million). Finance costs associated with our bank borrowing facilities were £0.6 million (2019: £2.0 million) comprising interest costs and fee amortisation of £1.9 million offset by the remeasurement of the amortised cost of our borrowings of £-1.3 million.

On 5 June 2020 the Company agreed with its banks to extend its existing £70 million RCF with an additional £30 million facility for a term of 18 months (the New Bank Facility). Following the national lockdown in November, the Company agreed a revision to the New Bank Facility in which the term was extended to 24 months and covenants were revised to reflect updated Company forecasts. Upon termination or early cancellation of the New Bank Facility the covenants and all other terms of the original RCF will apply until the maturity of the RCF in October 2023.

At 31 December 2020 the Group had drawn £51.0 million of the facilities and with cash of £3.7 million ended the year with non-property net debt of £47.3 million.

Taxation

The Group has incurred a tax credit of £10.8 million for the year ended 31 December 2020, which represents an effective tax rate ('ETR') on statutory profit before tax of 22.9% (2019: 42.2%). The decrease in ETR is due to a decreased level of exceptional items which are not deductible for tax purposes and decreased charges relating to share based payments.

The underlying effective tax rate on adjusted loss before tax, after adjusting for amortisation and exceptional items, is 22.6% (2019: 24.3%).

Earnings

Statutory loss before tax was £47.2 million (2019: profit of £6.2 million), with a decrease in Group Adjusted EBITDA less Normalised Rent, increased depreciation due to increased number of sites, increased amortisation of intangible assets from IT investment and lower exceptional costs. The Group delivered a loss for the year of £36.4 million (2019: profit of £3.6 million) as a result of the factors discussed above.

Adjusted loss before tax is calculated from statutory loss before tax and adding back the amortisation associated with non-IT related intangibles, any exceptional items and the remeasurement of borrowings. Adjusted loss before tax in the year was £46.5 million (2019: profit of £14.0 million).

Basic earnings per share ('EPS') was a loss of 23.1p (2019: earnings of 2.6p). Basic Adjusted EPS was a loss of 22.9p (2019: earnings of 7.7p).

Dividend

The Directors are not proposing a final dividend for 2020, taking into account the ongoing impacts of the pandemic and the material Government support received. It is a condition of the £30m New Bank Facility that the Company shall not declare or pay a dividend and whilst this facility remains undrawn the Directors would like to continue to have access to it as necessary.

Cash flow

	31 December 2020 £'000	**31 December 2019** £'000**
Group Adjusted EBITDA less Normalised Rent*	(10,169)	48,540
Rent working capital	4,370	-
Movement in working capital	(3,096)	922
Maintenance capital expenditure cash flow	(7,387)	(10,284)
Group operating cash flow	**(16,282)**	**39,178**
Exceptional items	(906)	(1,120)
Bank interest paid	(1,798)	(2,197)
Taxation	2,442	(3,579)
Free cash flow	**(16,544)**	**32,282**
Expansionary capital expenditure cash flow	(21,828)	(30,919)
Dividends paid	-	(1,933)
Refinancing fees	(418)	(884)
Net proceeds from issue of Ordinary Shares	39,915	-
Other financial assets purchased	(1,000)	-
Bank interest received	6	32
Movement in non-property net debt	131	(1,422)
Net drawdown of borrowings	1,000	1,000
Net cash flow	**1,131**	**(422)**

* See page 16 for a reconciliation of operating profit to Group Adjusted EBITDA less Normalised Rent.
** Refer to note 4 for details of the restatement

Group Operating Cash Flow decreased from an inflow of £39.2 million in 2019 to an outflow of £16.3 million in 2020 as a result of lower profitability.

Following closure of our gyms on 20 March 2020, and in subsequent closure periods, a number of actions were taken to preserve cash, in addition to the operating cost mitigation described in the 'Mitigating actions to reduce costs' section above:

- *Maintenance Capital Expenditure* includes the replacement and refurbishment of fixtures and fittings plus new gym equipment in existing gyms and in the year totalled £6.1 million (2019: £10.2 million). Adjusting for the movement in capex creditors, the cash flow from maintenance capex was £7.4 million (2019: £10.3 million). Following the closure of gyms on 20 March 2020, maintenance capex for the rest of the year was minimised by focusing only on repairs required for health and safety reasons.
- *Expansionary Capital Expenditure* arises primarily as a result of the fit-out of new and acquired gyms and in 2020 totalled £18.5 million (2019: £30.6 million). Adjusting for the movement in capex creditors, the cash flow from expansionary capex was £21.8 million (2019: £30.9 million). Prior to the closure of gyms on 20 March 2020, four new sites had been opened in the year (of which one was a small box gym) and then a further four were opened in August. In addition to new sites, major refurbishment work was undertaken in two former easyGym sites – London Fulham and London Oxford Street – which were completed and reopened in H2 2020.
- *Rent* – following the introduction of the government protections against eviction of tenants in March 2020, we deferred £9.4 million in rent payments that would otherwise have been paid during H1 2020. Immediately after the gyms were closed we engaged proactively with landlords and with the vast majority were able to agree deferred rent payments while the gyms were closed and to repay over the subsequent 12 months. These deferments did not impact the IFRS 16 income statement charge for the period but did reduce the cash rent

outflow, thereby supporting Operating Cash Flow. The £9.4 million rent deferred from H1 started to be repaid in H2 and by the end of the year £5.6 million had been repaid leaving £3.8 million outstanding. This will result in higher cash rent outflows in 2021 than would otherwise have arisen. In addition, for a number of sites we have also been able to establish deals with landlords to extend the leases or take out a lease break in exchange for rent-free periods; the benefit of these rent-free periods will total approximately £2.1 million across 2020 and 2021 of which £1.4 million was a benefit in 2020.

- *VAT* – following the introduction of government relief measures on VAT, we retained £1.9 million of VAT payments relating to Q1 2020 due in March 2020, which will now be paid in 2021.

Balance sheet

	31 December 2020 £'000	**31 December 2019 £'000**
Non-current assets	521,945	501,095
Current assets	10,543	12,028
Current liabilities	(43,095)	(49,627)
Non-current liabilities	(334,949)	(313,333)
Net assets	**154,444**	**150,163**

Non-current assets have increased by £20.8 million to £521.9 million (2019: £501.1 million), largely due to an increase in right- of-use assets totalling £17.0 million following new sites added to the estate plus the extension of a number of existing leases and the recognition of a deferred tax asset of £7.6 million.

Current assets have decreased £1.5 million mainly due to reduced inventory and receivables balances offset by an increase in cash balances. Current liabilities have decreased by £6.5 million mainly due to lower trade payables.

As of 31 December 2020 the Group had drawn £51.0 million of its £100.0 million revolving credit facility.

Outlook and Guidance for 2021

At the end of February 2021 we had 547,000 members and Non-Property Net Debt of £58.2 million, with £7.7 million of deferred rent, VAT payable and furlough receivable outstanding. Whilst closed we have a monthly cash burn of c.£5.0 million of which c.£2.5 million is rent.

We anticipate that when we re-open gyms in April 2021 we will be close to cash flow break-even and we will then grow membership, revenues and profitability from this point.

We will open three new sites in April and one in May and expect to start on-site with an additional four gyms by June. We have six further leases exchanged and several more in advanced negotiations.

Mark George
Chief Financial Officer
18 March 2021

Key Performance Indicators

Definitions of non-GAAP measures

- *Group Adjusted EBITDA* - is operating profit before depreciation, amortisation, long term employee incentive costs and exceptional items.
- *Normalised Rent*[1] - Normalised Rent is the contractual rent that would have been paid in normal circumstances without any agreed deferments, recognised in the monthly period to which it relates.
- *Adjusted Profit before Tax* - is calculated as profit before tax before non-IT amortisation, exceptional items and modification of bank borrowings.
- *Adjusted Earnings* - is calculated as the Group's profit for the year before non-IT amortisation, exceptional items, modification of bank borrowings and the related tax effect.
- *Basic Adjusted EPS* - is calculated as the Group's profit for the year before non-IT amortisation, exceptional items, modification of bank borrowings and the related tax effect, divided by the basic weighted average number of shares.
- *Group Operating Cash Flow* - is calculated as Group Adjusted EBITDA less Normalised Rent plus movement in working capital less maintenance capital expenditure.
- *Free Cash Flow* - is calculated as Group Operating Cash Flow less tax, interest and other financing costs and exceptional items.
- *Non-Property Net Debt* - is calculated as borrowings less property finance leases and cash and cash equivalents.
- *Return On Invested Capital* – is calculated as Group Adjusted EBITDA less Normalised Rent of the Group's mature sites, divided by total capital invested in the sites.
- *Maintenance capital expenditure* - relates to the replacement of gym equipment and premises refurbishment.
- *Expansionary capital expenditure* - relates to the Group's investment in the fit-out of new gyms, the acquisition of the Lifestyle and easyGym portfolios and technology projects. It is stated net of contributions towards landlord building costs.

[1] On adoption of IFRS 16, we revised our adjusted profit measures to deduct cash rent, in lieu of the rent cost that was previously charged under IAS 17. However, we have agreed significant changes in the timing of our rent payments with landlords as a consequence of COVID-19. We have therefore revised our adjusted profit measures to instead deduct normalised rent, to ensure a smoothed notional rent charge in the income statement.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Revenue	5	80,470	153,134
Cost of sales		(2,116)	(1,437)
Gross profit		**78,354**	**151,697**
Other income		427	-
Administration expenses		(112,696)	(130,122)
Operating (loss) / profit		**(33,915)**	**21,575**
Finance income		6	32
Finance costs		(13,283)	(15,388)
(Loss) / profit before tax		**(47,192)**	**6,219**
Tax credit / (charge)		10,824	(2,624)
(Loss) / profit for the year attributable to equity shareholders		**(36,368)**	**3,595**
Other comprehensive income/(expense) for the year			
Items that may be reclassified to profit or loss			
Changes in the fair value of derivative financial instruments		11	(155)
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income		-	(277)
Total comprehensive (loss) / income attributable to equity shareholders		**(36,357)**	**3,163**
(Loss)/earnings per share		**pence**	**pence**
Basic	7	(23.1)	2.6
Diluted	7	(23.1)	2.6

		£'000	£'000
Reconciliation of operating (loss)/profit to Group Adjusted EBITDA less Normalised Rent:			
- Operating (loss) / profit		(33,915)	21,575
- Depreciation of property, plant and equipment and right-of-use assets		45,169	41,778
- Amortisation		3,765	3,114
- Exceptional impairment of property, plant and equipment and right-of-use assets	6	1,606	-
- Exceptional impairment of intangible assets	6	1	-
- Exceptional items (excluding impairment of property, plant and equipment and intangible assets)	6	(485)	6,086
- Long term employee incentive costs	11	669	1,900
- Normalised rent		(26,979)	(25,913)
Group Adjusted EBITDA less Normalised Rent		**(10,169)**	**48,540**

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Non-current assets			
Property, plant and equipment (excluding right of use asset)	8	171,386	176,001
Right of use asset	8	255,558	238,702
Intangible assets		86,386	86,379
Trade and other receivables		-	-
Financial assets at fair value through other comprehensive income		1,000	-
Derivative financial instruments		1	13
Deferred tax assets		7,614	
Total non-current assets		521,945	501,095
Current assets			
Inventories		290	654
Trade and other receivables		6,355	8,769
Income taxes receivable		162	-
Cash and cash equivalents		3,736	2,605
Total current assets		10,543	12,028
Total assets		**532,488**	**513,123**
Current liabilities			
Trade and other payables		18,598	29,389
Lease liabilities		21,842	15,637
Other financial liabilities		2,609	3,875
Borrowings		-	-
Provisions		46	352
Income taxes payable		-	374
Total current liabilities		43,095	49,627
Non-current liabilities			
Borrowings	9	49,180	49,116
Lease liabilities		284,473	262,706
Other financial liabilities		-	-
Provisions		1,241	1,303
Deferred tax liabilities		55	208
Total non-current liabilities		334,949	313,333
Total liabilities		**378,044**	**362,960**
Net assets		**154,444**	**150,163**
Capital and reserves			
Issued capital	10	17	14
Own shares held		48	48
Capital redemption reserve		4	4
Share premium		159,474	159,474
Hedging reserve		(155)	(166)
Merger reserve		39,912	-
Retained deficit		(44,856)	(9,211)
Total equity shareholders' funds		**154,444**	**150,163**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Issued capital £'000	Own shares held £'000	Capital redemption reserve £'000	Share premium £'000	Hedging reserve £'000	Merger reserve £'000	Retained deficit £'000	Total £'000
At 1 January 2019		**14**	**48**	**4**	**159,474**	**(11)**	**-**	**(12,290)**	**147,239**
Profit for the period		-	-	-	-	-	-	3,595	3,595
Other comprehensive expense for the year		-	-	-	-	(155)	-	(277)	(432)
Total comprehensive income		-	-	-	-	(155)	-	3,318	3,163
Share based payments	11	-	-	-	-	-	-	1,670	1,670
Deferred tax on share based payments		-	-	-	-	-	-	24	24
Dividends paid		-	-	-	-	-	-	(1,933)	(1,933)
At 31 December 2019		**14**	**48**	**4**	**159,474**	**(166)**	**-**	**(9,211)**	**150,163**
Loss for the period		-	-	-	-	-	-	(36,368)	(36,368)
Other comprehensive income for the year		-	-	-	-	11	-	-	11
Total comprehensive expense		-	-	-	-	11	-	(36,368)	(36,357)
Issue of Ordinary share capital	10	3	-	-	-	-	39,912	-	39,915
Share based payments	11	-	-	-	-	-	-	801	801
Deferred tax on share based payments		-	-	-	-	-	-	(78)	(78)
At 31 December 2020		**17**	**48**	**4**	**159,474**	**(155)**	**39,912**	**(44,856)**	**154,444**

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 Restated* £'000
Loss Before Tax		(47,192)	6,219
Adjustments for:			
Net Finance Costs		13,277	15,356
Exceptional administration items (excluding impairment)		(485)	6,086
Exceptional income		-	-
Depreciation and impairment of PPE		46,775	41,778
Amortisation and impairment of intangible assets		3,766	3,114
Long Term employee incentive costs		669	1,900
Loss/(profit) on disposal of PPE		676	(112)
Decrease/(increase) in inventories		364	(275)
Decrease/(increase) in trade and other receivables		2,719	(1,073)
(Decrease)/increase in trade and other payables		(5,589)	2,382
Payment of deferred consideration		(1,266)	-
Cash generated from operations		13,714	75,375
Tax rebate/(payments)		2,442	(3,579)
Net cash flows from operating activities before exceptional items		16,156	71,796
Exceptional items		(906)	(1,120)
Net cash flows from operating activities		**15,250**	**70,676**
Cash flows from investing activities			
Payment for financial assets at fair value through profit and loss		(1,000)	-
Business combinations		-	(2,114)
Purchase of property, plant and equipment		(25,469)	(37,019)
Purchase of intangible assets		(3,774)	(2,461)
Proceeds from the disposal of PPE		28	391
Interest received		6	32
Net cash flows used in investing activities		**(30,209)**	**(41,171)**
Cash flows from financing activities			
Dividends paid		-	(1,933)
Repayment of lease liability principal		(9,948)	(13,093)
Lease interest paid		(12,661)	(12,820)
Bank interest paid		(1,798)	(2,197)
Payment of financing fees		(418)	(884)
Drawdown of bank loans		41,000	53,500
Repayment of bank loans		(40,000)	(52,500)
Proceeds of issue of Ordinary shares		41,268	-
Costs associated with share issue		(1,353)	-
Derivative financial instruments paid		-	-
Net cash flows from/(used in) financing activities		**16,090**	**(29,927)**
Net increase/(decrease) in cash and cash equivalents		1,131	(422)
Cash and cash equivalents at start of period		2,605	3,027
Cash and cash equivalents at end of period		**3,736**	**2,605**

* See note 4 for details regarding the prior year restatement

Notes

For the year ended 31 December 2020

1. General information

The Gym Group plc ('the Company') and its subsidiaries ('the Group') provide low cost, high quality health and fitness facilities.

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, United Kingdom, CR0 0XT.

The financial information set out above does not constitute statutory accounts for the years ended 31 December 2020 or 2019 within the meaning of sections 435(1) and (2) of the Companies Act 2006 nor does it contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards.

An unqualified report on the Consolidated Financial Statements for each of the years ended 31 December 2020 and 2019 has been given by the Company's auditors, Ernst & Young LLP. Each year's report did not include a modified opinion and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. However, Ernst & Young LLP did include a reference within each of their reports drawing attention to material uncertainty related to going concern arising from the current uncertainty of the impact of the COVID-19 pandemic on the Group's business.

The Consolidated Financial Statements for the year ended 31 December 2019 have been filed with the Registrar of Companies, and those for 2020 will be delivered in due course subject to their approval by the Company's shareholders at the Company's Annual General Meeting on 11 May 2021.

2. 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. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in Financial Statements.

<u>Going concern</u>

In assessing the going concern position of the Group for the year ended 31 December 2020, the Directors have considered the Group's cash flows, liquidity and business activities in the light of the COVID-19 pandemic.

The outbreak of COVID-19 and its continuing impact on the economy casts a degree of uncertainty as to the future financial performance and cash flows of the Group. When assessing the ability of the Group to continue as a going concern the Directors have considered:

- the Group's financing arrangements;
- the pattern of trading during 2020 when gyms were open between lockdowns; and
- future trading risks including continued regional or nationwide lockdowns and reduced membership levels on the cashflows, liquidity and bank facility covenants of the Group over the period to 30 June 2022.

In the first half of 2020 the Group raised additional financing in the form of:

- an equity placing, which raised net proceeds of £39.9 million; plus
- a £30.0 million debt facility extension (the 'New Bank Facility'), which provided incremental liquidity beyond the existing £70.0 million Revolving Credit Facility ('RCF'). The RCF and the New Bank Facility are both provided by a consortium of HSBC, NatWest and Banco de Sabadell.

During the periods of trading between lockdowns in the second half of 2020 the Group traded profitably and reduced capital expenditure and other cash outflows. As at 31 December 2020, the Group had Non-Property Net Debt of £47.3 million versus £100.0 million of total borrowing capacity.

Following the phased introduction of Tier 4 restrictions in a number of regions in December 2020, the Group was required to close 162 of its 183 gyms. On 4 January 2021 all remaining gyms were required to close as the UK Government announced a nationwide lockdown. The UK Government has announced that gyms will re-open on 12 April 2021 if there is continued progress with the Government's four criteria for monitoring the pandemic.

As at 28 February 2021, the Group had Non-Property Net Debt of £58.2 million and therefore liquidity of £41.8 million versus a total borrowing capacity £100.0 million. In the next 12 months the Group's liquidity will be influenced by (i) the number of months of closure of its gyms and (ii) the trading performance of the business when gyms are permitted to open. Below we set out the financial implications of periods of closure and trading respectively:

Cash burn when gyms are closed

During the current period of closure, the Group has no revenue and is operating with a monthly cash burn (excluding new site capital expenditure) of around £5 million. This cash burn rate has been minimised as a result of significant reductions in operating costs and the following UK Government support:

- £1.1 million per month of Business Rates relief, currently due to end August 2021 due to there being a cap on relief of £2.0 million in H2 2021;
- £1.1 million per month of furlough income support from the Coronavirus Job Retention Scheme (CJRS), currently due to end when we re-open in April 2021; and
- £0.5 million per month from Local Restrictions Support Grants (LRSG) ongoing until we re-open in April 2021.

In addition to the ongoing support the Group has also benefitted from a one-off Government grant of £27,000 per site; these grants have a total one-off benefit of £4.5 million to the Group, of which £2.2 million had been received from the relevant local authorities before 28 February 2021.

While gyms are required to remain closed and with current levels of Government support and the business is operating with monthly cash burn of c. £5.0 million. This cash burn assumes c.£2.5 million of rent being paid each month, which is the 'normalised' level of rent per month excluding the impact of rent deferrals. A total of £3.6 million of rent deferred from 2020 is due to be repaid over the course of 2021, in addition to the 'normalised' level of £2.5 million per month. Any further deferrals agreed will improve cash flow in the closure period and extend the period of closure for which the Group would be able to operate.

Trading when gyms are open

As at 28 February 2021 the Group had 547,000 members, all on 'free freeze', down from 578,000 on 31 December 2020. During the ongoing period of closure we expect membership to reduce further at a similar rate to recent weeks; this rate of membership loss is lower than in the first national lockdown from March to July 2020 and the second national lockdown in November 2020.

When gyms re-open our subscription revenue starts immediately and in the periods of trading between national lockdowns in 2020 the business operated profitably. The profitability of the Group after the gyms re-open from the current lockdown will depend on the membership level and level of UK Government financial support. Whilst we continue to receive the benefit of Business Rates relief, which is anticipated to be until the end of August 2021, the business would require approximately 540,000 members to be break even at the cash flow level. When the benefit of Business Rates relief ends, the cost base of the business would increase by c.£1.1 million per month, increasing the cash flow break-even point to around 610,000 members.

Although there is uncertainty over the level of continued Government support and the speed of recovery in membership once gyms have re-opened, it is the Directors expectation that the business will be close to break-even at a cash flow level when gyms re-open and from that point the recovery in membership will improve profitability and cash flow, therefore reducing net debt and increasing liquidity headroom.

In December 2020, the Group amended the New Bank Facility to extend it from 18 months to 24 months (now due to end June 2022 at which point the terms of the original £70 million RCF will apply) and to set new covenants based on a revised business plan. The Group met the covenant test for December 2020. As a result of the national lockdown in early 2021 the Group agreed with its lending banks a waiver of the March 2021 covenant test. The June 2021 covenant test is based on a cumulative EBITDA for H1 2021 and was set at a level that allowed for up to one month of closure in that six month period; with the current lockdown being at least three months we will not be able to meet the June 2021 covenant test. As our plan anticipates meeting all subsequent covenant tests, we anticipate that our lending banks will provide flexibility on the June 2021 test although no such agreement has been reached. We have agreed with the banks that discussions regarding future covenant tests will take place during April/May 2021 once there is further visibility on the external environment, levels of government support and whether gyms have re-opened.

The Directors have considered a reverse stress test scenario in which it is assumed the current lockdown ends at the end of April 2021 (vs Government target date of re-opening gyms of 12 April 2021) and a new lockdown starts in November 2021 (matching the timing of the winter lockdown in November 2020) and continues indefinitely, with the business trading in the months between lockdowns on an approximately cash flow neutral basis. In such a scenario the Group would be able to continue operating until March 2022 before reaching the £100 million borrowing capacity. In such circumstances additional options may be available to mitigate the impact on the Group's liquidity and cash flow including: (i) further reductions in operating and capital expenditure; (ii) additional support from the UK Government; (iii) extension of debt facilities; (iv) continued deferral of, or reductions in, rent payments to landlords; (v) the potential to raise additional funds from third parties. In the reverse stress test scenario, the closures from November 2021 onwards would result in EBITDA losses in Q4 2021 and as a result the Q4 2021 covenant test would not be met.

Whilst the Group has secured sufficient liquidity, via the raising of equity and additional debt facilities, to finance operations through most reasonable scenario, it may be necessary in certain downside scenarios to extend the term of £30.0 million New Bank Facility beyond June 2022. The Directors also consider it to be a plausible risk that current covenant targets after June 2021 will not be met due to the impact of further closure or slower recovery in membership numbers due to changes in members' behaviour. In the event that the Group fails to meet one or more of its 2021 debt covenants, the Directors believe it likely that further agreement could be reached with the lending banks to waive or amend covenants as part of a revised business plan. However, no such commitment for further covenant waivers (beyond the March 2021 waiver already agreed) is currently in place with the lending banks.

The Directors have concluded that the potential impact of COVID-19 described above and uncertainty over possible mitigating actions, including covenant waivers or extending the New Bank Facility, represents a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. However, having assessed the financial forecasts, sensitivities and possible mitigating actions, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months and therefore the Directors continue to adopt the going concern basis in preparing these financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company were unable to continue as a going concern.

3. New and amended IFRS standards that are effective for the current year

Impact of the initial application of interest rate benchmark reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued interest rate benchmark reforms (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

- The Group has floating rate debt, linked to GBP LIBOR, which it cash flow hedges using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.
- The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

Impact of the initial application of 'COVID-19-Related Rent Concessions' Amendment to IFRS 16

In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

Impact on accounting for changes in lease payments applying the exemption

The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B and has not restated prior period figures.

The Group has benefitted from a one-month waiver of lease payments on five sites and additional rent free periods on a further six sites in exchange for the removal of break clauses in the leases. The waiver of lease payments of £682,000 has been accounted for as a negative variable lease payment in profit or loss. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of IFRS 9:3.3.1.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Financial Statements.

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 Definition of material

4. Adjustments to prior year

Classification of cash flows in respect of capital expenditure

In the Consolidated Cash Flow Statement for the year ended 31 December 2019, cash outflows of £1,585,000 in relation to the purchase of plant, property and equipment were incorrectly classified within movements in trade and other payables. This classification has therefore been amended as shown in the table below. There is no impact on the income statement or net cash.

Consolidated cash flow statement for the year ended 31 December 2019 (extract):

	As reported	Reclassification of capex creditor	Restated
	£000	**£000**	**£000**
Increase in inventories	(275)	-	(275)
Increase in trade and other receivables	(1,073)	-	(1,073)
Increase in trade and other payables	3,967	(1,585)	2,382
Other operational cash flows	69,642	-	69,642
Net cash flow from operating activities	**72,261**	(1,585)	**70,676**
Cash flows from investing activities			
Purchase of property, plant and equipment	(38,604)	1,585	(37,019)
Other investing cash flows	(4,152)	-	(4,152)
Net cash flows used in investing activities	**(42,756)**	1,585	**(41,171)**
Net cash flows used in financing activities	**(29,927)**	-	**(29,927)**
Net increase in cash and cash equivalents	(422)	-	(422)
Cash and cash equivalents start of period	3,027	-	3,027
Cash and cash equivalents at end of period	**2,605**	-	**2,605**

5. Revenue

The main revenue streams are those described in the last annual Financial Statements; membership income, rental income and other income. The majority of revenue is derived from contracts with customers.

Disaggregation of revenue

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition. All revenue arises in the United Kingdom.

	31 December 2020	31 December 2019
	£'000	**£'000**
Major products/service lines		
Membership income	77,041	146,782
Rental income from personal trainers	2,454	4,572
Other income	975	1,780
	80,470	**153,134**
Timing of revenue recognition		
Products transferred at a point in time	1,162	2,550
Products and services transferred over time	79,308	150,584
	80,470	**153,134**
Assets and liabilities relating to contracts with customers		
Contract liabilities	(6,442)	(7,961)
Revenue recognised that was included in contract liabilities in the prior year		
Membership income	7,952	7,051
Other income	9	61

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. During periods of gym closure, no revenue is recognised for membership fees thereby increasing contract liabilities. The contract liability balance increases as the Group's membership numbers increase, and therefore has decreased between 2019 and 2020 following a fall in membership numbers. The Group does not receive any consideration in advance from customers greater than 12 months hence the total contract liability at 31 December 2019 of £7,961,000 has been recognised as revenue during the year ended 31 December 2020.

6. Exceptional items

	31 December 2020	31 December 2019
	£'000	£'000
Impairment of tangible and intangible assets	1,607	1,448
Restructuring costs	657	410
Adjustments to net asset acquired in business combinations	(171)	-
Other site closure costs	(403)	1,240
Gain on reduction of lease term	(568)	-
Remeasurement of contingent consideration	-	2,988
Total exceptional items in operating expenses	**1,122**	**6,086**
Refinancing costs	-	486
Total exceptional items in financing expenses	**-**	**486**
Total exceptional items	**1,122**	**6,572**

Impairment and tangible and intangible assets

Impairment costs in 2020 relate to the writedown of assets of £881,000 for one site whereby the discounted present value of future cash flows using a pre-tax discount rate of 11.1% do not support the full value of the assets and an additional £726,000 for one site which was announced as closing in 2019 where the lease surrender has been delayed to 2021. The £1,448,000 recognised in 2019 relates to the impairment of assets for the closure of three sites announced in 2019 (see Finalisation of site closures below).

Restructuring costs

Restructuring costs in the current year relate primarily to the costs associated with restructuring the central support team in June 2020 in which headcount was reduced by 22%. The costs in 2019 relate primarily to changing the operating model for the use of Personal Trainers within the business that was completed in 2019.

Adjustment to net assets acquired in business combinations

Certain provisions that were recognised as part of acquisition of gyms from easyGym have been released as the costs are unlikely to be incurred.

Finalisation of site closures

Finalisation of site closures relate to the closure of the three sites announced in 2019, which arose as part of our estate management in order to optimise Group performance; the closures comprised two sites acquired from the Lifestyle and easyGym acquisitions plus one site opened in 2015 for which a five-year break clause was exercised by the Group in 2019. The gain in the current year primarily arises due to certain costs provided for in 2019 not being incurred, or no longer being expected to be incurred, in closing these sites.

Gain on reduction of lease term

The landlord on one of our sites has reduced the lease term and in exchange for doing so the lease has been renegotiated in 2020. As a consequence of the renegotiation, the Group has recognised a one-off gain of £568,000 this year related to the remeasurement of the lease liability and associated right-of-use asset.

Remeasurement of contingent consideration

Remeasurement of contingent consideration relates to a change in the probability-based estimate of contingent consideration that will be payable for the acquisition of two easyGym sites in the event the Group is successful in acquiring new leases for these sites. This remeasurement of the acquisition consideration has been recognised in the income statement but has no cash impact in 2020 and 2019.

Refinancing costs

Refinancing costs relate to unamortised costs incurred in relation to the previous bank facility that was refinanced in October 2019.

7. Loss per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of Ordinary shares outstanding during the year, excluding unvested shares held pursuant to The Gym Group plc Share Incentive Plan, The Gym Group plc Performance Share Plan, The Gym Group plc Restricted Stock Plan and The Gym Group plc Long Service Award 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 year ended 31 December 2020, 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, The Gym Group plc Performance Share Plan, The Gym Group plc Restricted Stock Plan and The Gym Group plc Long Service Award Plan. As the Group is in a loss making position in the current year, all potential dilutive share options will not be dilutive.

	31 December 2020	**31 December 2019**
Basic weighted average number of shares	157,292,003	137,870,237
Adjustment for share awards	-	2,561,055
Diluted weighted average number of shares	157,292,003	140,431,292
Basic earnings per share (p)	(23.1)	2.6
Diluted earnings per share (p)	(23.1)	2.6

At 31 December 2020, 4,125,842 share awards (2019: nil) were excluded from the diluted weighted average number of Ordinary shares calculation because their effect would be anti-dilutive.

Adjusted earnings per share is based on (loss)/profit for the year before exceptional items, amortisation of non-IT intangible assets, revaluation of borrowings and their associated tax effect.

	31 December 2020 £'000	**31 December 2019 £'000**
(Loss) / profit for the year	(36,368)	3,595
Amortisation of non-IT intangible assets	860	1,178
Exceptional expenses	1,122	6,572
Revaluation of RCF	(1,315)	-
Tax effect of above items	(298)	(771)
Adjusted earnings	(35,999)	10,574
Basic adjusted earnings per share (p)	(22.9)	7.7
Diluted adjusted earnings per share (p)	(22.9)	7.5

Notes

For the year ended 31 December 2020

8. Property, plant and equipment

	Assets Under Construction	Leasehold improvements	Fixtures & Fittings	Gym & Other Equipment	Computer Equipment	Total Before Right of Use Assets	Right of Use Asset	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 January 2019	2,365	153,855	10,709	68,861	2,766	238,556	267,629	**506,185**
Additions	24,672	7,462	519	3,968	251	36,872	40,372	**77,244**
Disposals	-	(157)	-	(580)	-	(737)	-	**(737)**
WIP transfer	(23,338)	15,566	655	6,903	214	-	-	**-**
At 31 December 2019	**3,699**	**176,726**	**11,883**	**79,152**	**3,231**	**274,691**	**308,001**	**582,692**
Additions	19,661	1,536	39	80	385	21,701	38,069	**59,770**
Disposal	(563)	(435)	(43)	(860)	(16)	(1,917)	(1,764)	**(3,681)**
WIP Transfer	(20,461)	13,954	(614)	6,073	40	(1,008)	1,008	**-**
Transfer between asset classes	(94)	-	-	-	-	(94)	-	**(94)**
At 31 December 2020	**2,242**	**191,781**	**11,265**	**84,445**	**3,640**	**293,373**	**345,314**	**638,687**
Accumulated Depreciation								
At 1 January 2019	-	35,673	5,473	32,110	1,625	74,881	48,998	**123,879**
Charge	-	12,238	1,308	8,406	618	22,570	19,112	**41,682**
Impairment	-	1,165	24	498	9	1,696	1,189	**2,885**
Disposals	-	(110)	-	(347)	-	(457)	-	**(457)**
At 31 December 2019	**-**	**48,966**	**6,805**	**40,667**	**2,252**	**98,690**	**69,299**	**167,989**
Charge	-	13,525	1,240	8,145	620	23,530	21,639	**45,169**
Impairment	-	809	9	241	-	1,059	547	**1,606**
Disposals	-	(439)	(58)	(769)	(26)	(1,292)	(1,729)	**(3,021)**
At 31 December 2020	**-**	**62,861**	**7,996**	**48,284**	**2,846**	**121,987**	**89,756**	**211,743**
Net book value								
At 31 December 2019	3,699	127,760	5,078	38,485	979	176,001	238,702	**414,703**
At 31 December 2020	**2,242**	**128,920**	**3,269**	**36,161**	**794**	**171,386**	**255,558**	**426,944**

The impairment charge of £1,606,000 for 2020 includes £726,000 in relation to the closure of one site announced in 2019 following a delay in the surrender of the lease to 2021 (2019: £2,885,000 includes £2,688,000 in relation to the closure of three sites announced). The impairment loss for the open site was calculated based on the value in use of the assets for the site being lower than the carrying value of the assets making the recoverable amount nil. The discount rate used in measuring value in use was 11.1%. Under reasonably possible downside scenarios arising in relation to a potential 5% shortfall in long-term membership, further impairment of up to £470,000 would arise in relation to two sites.

Right-of-use assets relate to property leases.

Included within additions for the year are £72,000 of capitalised interest (2019: £176,000), £168,000 of capital contributions from landlords not yet received (2019: £nil), £820,000 of accrued capital expenditure for invoices not received (2019: £2,278,000) and £116,000 of invoices received but not paid at 31 December 2020 (2019: £3,382,000).

9. Borrowings

	31 December 2020 £'000	31 December 2019 £'000
Revolving credit facility	49,798	50,000
Loan arrangement fees	(618)	(884)
	49,180	**49,116**

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

In October 2019, the Group successfully refinanced its borrowings, moving from a mix of term loans and Revolving Credit Facility ('RCF') to a single committed RCF of £70 million. The facility is syndicated to a three lender panel of HSBC, Barclays and Banco de Sabadell and matures in 2023. On 5 June 2020 the Company agreed with its lending banks to extend its existing £70 million RCF with an additional £30 million facility for a term of 18 months, which was subsequently further extended on 17 December 2020 to June 2022 (the New Bank Facility).

The funds borrowed under the New Bank Facility bear interest at a minimum annual rate of 2.60% (2019: 1.75%) above the appropriate Sterling LIBOR. The average interest rate paid in the year on drawn funds under the new facility is 2.28% (2019: 2.71%). Undrawn funds bear interest at a minimum annual rate of 0.910% (2019: 0.613%). At the year end, the Group had drawn down £51 million (2019: £50 million) on the facility.

The 2019 facility resulted in fees incurred of £873,000 and these costs will be spread over the term of the loan using the effective interest method. The facility is recognised at its amortised cost. The June 2020 refinancing resulted in fees incurred of £366,000 and the costs will be spread over the remaining term of the loan on a straight-line basis.

The Group's borrowings are held at amortised cost using the effective interest method. Each reporting period, the Group reviews its cash flow forecasts and if these have changed since the previous reporting period, the borrowings are remeasured using the original effective interest rate. Any remeasurement of borrowings is treated as being non-underlying and is excluded from adjusted earnings.

Covenants

The RCF is subject to financial covenants relating to leverage and fixed charge cover, which did not change significantly from those under the previous facility.

From September 2020 until June 2022 the covenant tests of the RCF have been replaced in the New Bank Facility by new covenant tests primarily relating to the performance of the Group against agreed targets for Group Adjusted EBITDA less Normalised Rent. Upon termination or early cancellation of the New Bank Facility the covenants and all other terms of the original RCF will apply until the maturity of the RCF in October 2023.

10. Issued capital

The total number of issued share capital as at 31 December 2020 is 165,751,888 (2019: 137,917,377).

11. 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 year are similar in nature to those awarded during 2019.

For the year ended 31 December 2020, the Group recognised a total charge of £669,000 (31 December 2019: £1,900,000) in respect of the Group's share based long term incentive plans and related employer's national insurance.

Five year record

For definitions of these key performance indicators refer to page 15. The following table sets out a summary of selected key financial information and key performance indicators for the business.

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Revenue	80,470	153,134	123,884	91,377	73,539
Group Adjusted EBITDA less Normalised Rent	(10,169)	48,540	39,131	30,558	25,377
Group Operating Cash Flow	(16,282)	39,178	33,972	24,677	24,944
Expansionary Capital Expenditure	21,828	30,919	57,551	52,453	20,922
Non-property Net Debt	47,264	47,395	45,973	37,543	5,178
Non-property Net Debt to Group Adjusted EBITDA	(4.64)	0.98	1.17	1.23	0.20
Total number of Gyms (number)	183	175	159	128	89
Total number of members ('000)	578	794	724	607	448
Average Revenue Per Member per Month	17.20	16.02	14.89	14.41	14.31
Number of Mature Gyms in operation (number)	155	109	89	74	55
Mature Gym Site EBITDA	3,865	48,113	38,967	32,376	26,589
Return on Invested Capital for Mature Sites	2%	31%	30%	30%	32%

Responsibilities statement

The following statement will be contained in the 2020 Annual Report and Accounts:

The Directors confirm, to the best of their knowledge:

- that the consolidated Financial Statements, prepared in accordance with IFRSs in conformity with the Companies Act 2006 (and IFRSs pursuant to Regulation (EC) 1606/2002 as it applies in the European Union), give a true and fair view of the assets, liabilities, financial position and results of the Parent Company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and 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, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

On behalf of the Board

Mark George
Chief Financial Officer
18 March 2021