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

2021 Interim Results

Strong recovery since re-opening and opportunities for accelerated growth

The Gym Group, the nationwide operator of 190 low cost, high quality, 24/7 no contract gyms, announces its interim results for the six-month period ended 30 June 2021.

The results reflect both the significant disruption caused by the pandemic and the start of our recovery out of Covid. During this period, gyms were required by the UK Government to close for more than 50% of the trading days. However, with gyms re-opening in April and all remaining Covid restrictions being lifted in July in England, we have seen strong demand for our gym memberships and now look forward to a period of sustained recovery and accelerated growth.

Financial Highlights

	Six months ended 30 June 2021	**Six months ended 30 June 2020 Restated***	**Movement**
Revenue (£m)	29.3	37.3	(21.4)%
Group Adjusted EBITDA (£m)	6.7	5.1	31.4%
Group Adjusted EBITDA less Normalised Rent (£m)	(8.1)	(8.2)	1.2%
Adjusted Earnings (£m)	(20.9)	(22.1)	5.4%
Basic Adjusted Loss per Share (p)	(12.6)	(14.9)	15.4%
Statutory Earnings (£m)	(21.8)	(24.0)	9.2%
Basic Statutory Loss per share (p)	(13.1)	(16.1)	18.6%
	As at 30 June 2021	**As at 31 December 2020**	**Movement**
Non-Property Net Debt (£m)**	30.1	47.3	36.4%

* Refer to note 4 of the Condensed Consolidated Financial Information for details of the restatement of Finance costs.
** Non-Property Net Debt as at 30 June 2021 is stated after adjusting for the £30.3m proceeds of the equity raise on 2 July 2021.
For a summary of KPI definitions used in the table see the “Definitions of Non-GAAP measures” section.

Operational and Financial Update for H1 2021

- Strong recovery in membership numbers following re-opening, with total members at 30 June 2021 of 730,000, up from 547,000 at the end of February 2021
- Average headline price of a standard DO IT membership increased to £19.11 in June 2021 (vs £18.81 in December 2020 and £18.55 in June 2020)
- LIVE IT penetration at 30 June 2021 was 24.7% of total members, up from 22.5% at 31 December 2020
- Number of trading days lost in H1 2021 was similar to H1 2020, however a lower membership base in H1 2021 (due to extended closure periods during 2020 and 2021) resulted in a 21.4% reduction in revenue vs H1 2020
- Strong cost control and Government support during closures, together with strong recovery on re-opening, limited Group Adjusted EBITDA less Normalised Rent loss to £8.1m, in line with H1 2020
- EBITDA and cash flow positive in the months when gyms were fully open (May and June)

Current Trading Update and Outlook

- Equity placing completed 2 July 2021 providing £30.3m (net) of financing for accelerated rollout programme
- In addition to four sites opened in H1, we plan to open 40 new sites in the 18 months to December 2022, of which three have opened so far in July and August
- Total membership at 31 August 2021 was 721,000, a small decline from 30 June 2021 in line with expectations
- Gym visits remain strong at 1.4 visits per member per week since re-opening
- Non-Property Net Debt (including finance leases) at 31 August 2021 was £28.3m with headroom of £73.3m against £100m RCF

Richard Darwin, CEO of The Gym Group, commented:

"Since the re-opening of gyms in April, The Gym Group has performed strongly with excellent member feedback, a higher rate of visits per member and a rapid recovery in overall membership levels. We have identified some exciting growth opportunities to expand our estate further and raised additional funds from shareholders to capitalise upon them. With restrictions now lifted, we are planning to open 40 new sites by the end of 2022, of which three have opened so far in July and August, as we continue to make fitness accessible for all and deliver further social value to communities around the country. We look forward to the second half of the year and beyond with confidence."

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

https://webcasting.brrmedia.co.uk/broadcast/611531bec97de6636c2d90db

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Forward-looking statements

Chief Executive's Review

During the first half of 2021, The Gym Group took the decisive steps needed to ensure that the business is well-placed to prosper in the post-Covid environment. Our fundamental belief is that the growing demand for health and fitness over the last decade will continue and accelerate over the coming years, in part due to the health shock that the nation has experienced. The Gym Group is well-positioned to take advantage of this demand with our high quality, affordable product, a well-invested estate and the financing capacity to accelerate our gym rollout programme.

Rebuilding membership levels after re-opening

Our initial focus following the re-opening of gyms after the third lockdown in April 2021 was to recover our membership base. At the end of June 2021, we had 730,000 members, up one third from the Covid low of 547,000 at the end of February 2021. Part of this rebound was due to our effective marketing campaign which saw the deployment of our traditional January and February programme in April and May, using a mix of TV, social media, radio and digital performance channels. As a result of the successful campaign, we saw a higher than normal proportion of ex-members re-joining – despite this over 50% of new joiners remain new to our gyms. The return to the gym has also been helped by the UK Government's vaccination programme that has reduced overall risks from Covid.

We believe that having experienced this initial strong rebound in membership, we will see further recovery in member numbers during the coming months. The small number of sites that are showing lower levels of growth are those that are largely dependent on office workers, and the recovery in those sites will depend on the speed of the return to the office. We expect growth in membership in September and October as students return to universities. The next peak in membership will be in January and February 2022 and our business is already planning ahead for a strong campaign to maximise this seasonal demand.

Supporting our colleagues and members

The tremendous work of our teams across the business, both in the sites and centrally has been fundamental to the re-opening. We continued to support our Fitness Trainers ("FTs") who work for us for 12 hours a week by offering a discounted rent on the self-employed part of their business for three months after re-opening whilst they re-established their own businesses. I am pleased that the FTs have responded by showing strong loyalty to our business resulting in low vacancy rates similar to levels achieved pre-Covid. I am also delighted with the take-up of our Government-supported Kickstart programme with 250 applications approved for the scheme and 17 having already graduated and taken up positions in our business.

The restrictions around our business were removed in England from 19 July and in Wales and Scotland from 7 and 9 August respectively; this is a welcome development as we seek to normalise our operations, bring more of our equipment back into use and offer a fuller class timetable with more capacity to our members. However, there are some elements that we have introduced in the past year that are additions to our offer which we plan to retain. These include the increased sanitation and cleaning, QR codes for contactless entry and a busyness tracker in the app. A number of our gym colleagues have also been trained on the impact of Long Covid so that they can help members to exercise more effectively. Overall, our member feedback since re-opening has been strong with satisfaction levels six percentage points higher than pre-Covid, demonstrating confidence in the Covid-secure procedures we have put in place as well as our overall product offer.

Commitment to investment and innovation

The effective use of technology is an important part of our business and even during periods of Covid closure, we have continued to invest in our infrastructure and team whilst instigating a number of new initiatives to improve our proposition. Only low cost operators with scale have the resources to be able to invest in these areas and I believe that at The Gym Group we have built real capability and competitive advantage. Improvements in online functionality and user experience, along with a more resilient web platform, were key to the delivery of record-breaking member acquisition in April and May after the re-opening. We have also improved the member experience with a refreshed app, and the functions introduced during Covid – contactless entry and busyness tracker – continue to be popular. In data and analytics, our increased capability has enabled new work on price optimisation, elasticity of demand and churn prediction, and is increasing our use of data to make informed decisions on finding sites.

During the pandemic, we introduced Fiit, the at-home digital class offering, which is now available for our members to sign up for in the join journey on the website. Trials of the class offering, including digital content from Fiit, are underway in three gyms including our recently refurbished site in Oxford Street.

Our Commercial teams also launched a strong re-opening campaign and upweighted our presence across a number of social and digital channels. Performance marketing has been a big area of focus with the appointment of a new agency to improve levels of expertise. These are all important capabilities for a business that is part multi-site leisure business and part e-commerce business. We are continuing to invest in expanding the size of our teams across Commercial and Marketing, Technology, Data and Operations, in order to deliver further improvements in our key trading metrics.

Financial impact of Covid
The prolonged period of lockdown had another significant impact on our financial performance (as in 2020). The Government support provided through furlough, local grants, and business rates relief has proven to be helpful support to mitigate the effect of three and a half months of closure in this half year period. The closure period meant we froze member payments, effectively reducing revenue to zero. Overall, we have had to accommodate approximately nine months of closure across 2020 and 2021.

Our revenue for the half year was £29.3m down 21.4% (H1 2020: £37.3m) as a result of the lower membership in H1 2021; and Group Adjusted EBITDA less Normalised Rent was a loss of £8.1m (H1 2020: loss of £8.2m). Statutory earnings were a loss of £21.8m (H1 2020: loss of £24.0m) and Non-Property Net Debt at the period end was £30.1m after adjusting for the equity placing proceeds (31 December 2020: £47.3m). Deferred rents and VAT payments outstanding at 30 June 2021 amounted to £5.5m and £1.7m respectively.

Significant opportunity for growth
Our view is that the long-term growth of health and fitness in the UK during the last decade will continue post-Covid and that the low cost gym market has the potential to approximately double in size over the coming years from its current size of 749 sites. The pandemic has accelerated the strategic opportunity for our business in two ways: (1) The impact of the crisis on the competitive landscape; and (2) The availability of high quality sites to accelerate our rollout. Part of our strong start has been as a result of dislocation of members from other operators that have not re-opened. Around 20% of Local Authority-owned facilities have remained closed and mid-market and premium operators continue to be squeezed. Our business, with its strong balance sheet, scale, and quality locations, is set to be able take advantage of this altered competitive environment.

As part of our actions to speed up the rollout, we have increased the size of our Property Acquisition team to ensure we can take advantage of new site opportunities across the whole country as they arise. The current property market is the most favourable we have seen in the 12 years that this business has been in existence. As a result of a large number of retailers focusing on their online operations and other retailers going through CVAs, we are being offered high quality sites, particularly on retail parks, at commercial rents that work well within our business model. Landlords want to work with The Gym Group and, as a result, we have built a pipeline of around 80 potential sites with 15 currently exchanged, of which we are onsite at seven. All potential sites continue to be evaluated against the Group's 30%+ ROIC threshold.

Seven new sites have opened so far in 2021, of which four were opened in the first half and three were opened in July and August. All are performing strongly, reinforcing our confidence in the opportunity to accelerate our rollout. New gyms have been opened in Chichester, York, Cambridge, Leeds, Oxford, Perth and Sydenham in London. A number of these locations have been targets for a number of years.

We are targeting 40 new openings in the 18 months to December 2022 (including the three that we opened in July and August), made up of standard sized gyms of 10,000-20,000 sq. ft, as well as a small number of small box gyms of 7,000-9,000 sq. ft. Having a full range of appropriate formats means we can penetrate smaller catchment areas as well as the larger catchments where our growth to date has been concentrated.

To be able to take advantage of the accelerated rollout opportunity fully we also needed funding. I am delighted that our shareholders supported us in the equity placing in July 2021, where we raised £30.3m net proceeds, and that our lending syndicate provided additional flexibility. This equity financing, combined with our available debt facilities and cash generation, means we are now well-placed to be able to accommodate this acceleration, whilst retaining relatively low levels of leverage. Our teams have moved quickly since the fundraise with a number of new sites under construction. Overall, our balance sheet is stronger than all others within the current UK Health and Fitness market and we believe that our strength of covenant further reinforces our ability to accelerate our site expansion by proving us to be an attractive partner for landlords.

Sustainability
During 2021, we have made great strides in communicating and reporting externally what has always been at the core of our business – a commitment to growing and operating in a sustainable way and ensuring that fitness becomes accessible to a much broader audience. In February, we published the social value generated by our gyms over the past 5-year period which amounted to £1.8bn; the first private leisure business in the UK to do so. We also reported at the year end against Global Reporting Initiative standards (Core Option) for the first time. We continue to work to the UN sustainability goals across the four key areas we have identified: (1) Good health and promoting wellbeing; (2) Good jobs, quality education and lifelong learning; (3) Diversity and equal opportunity; and (4) Responsibility to the environment.

A comprehensive materiality assessment with all our stakeholder groups is currently being conducted and we will use this input to expand and, where required, adjust our focus. We have also measured our carbon footprint which will enable us to set reduction targets in due course; and we will be publishing our first 'Task Force on Climate-Related Financial Disclosures' report alongside our Annual Report and CDP* disclosure next year. But above all, we are aware that our greatest contribution is to encourage a diverse set of members to work out in our gyms with greater frequency (in sites that are designed to minimise our impact on the environment), and we continue to focus on that aim.

* Note: CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Looking forward
The growth in our membership since 12 April has been strong, but we believe there is more to come. The past 18 months has been a time of great change in our business - our team and our members have embraced that change. Now our focus as a business is on taking advantage of the opportunity that has been presented to us to accelerate our rollout and speed up our growth, as well as continuing to recover our membership base. At the end of August, our membership was in line with our expectations at 721,000, reflecting the more normal seasonal summer patterns. However, on the back of the normal seasonal peaks, we do expect further growth across the September and October period boosted by the number of new openings that we have planned.

The funds raised through the successful equity placing and additional flexibility provided by our lending syndicate, together with our continued investment in technology, infrastructure and people, ensure we are well-placed to focus on executing our exciting rollout programme. The Gym Group is a leading player in an important and growing sector, and I am convinced by the compelling opportunity we have to expand our offer of affordable fitness to more people over the coming months and years.

Richard Darwin, Chief Executive Officer
2 September 2021

Financial Review

Summary

Trading in the six months to 30 June 2021 has again been challenging for The Gym Group as a result of the Covid-19 pandemic, with Government-enforced gym closures in the first three and a half months resulting in the loss of over 50% of trading days. Whilst this has had an inevitable detrimental impact on our financial performance, we have navigated the challenges well and taken a number of actions to mitigate the impact of the lost revenue, including reducing costs and capital expenditure to conserve cash. In addition, we continued to receive UK Government support in the form of business rates relief, furlough payments and Local Authority grants.

Gyms re-opened in England on 12 April, followed by gyms in Scotland on 26 April and in Wales on 3 May. Since re-opening, trading has been ahead of our expectations, reflecting strong membership recovery and an increased average number of visits per member. We opened four new gyms in the first half of the year, taking our total estate to 187 gyms. All four gyms are performing well.

This financial review uses a combination of statutory and non-statutory measures to summarise performance in the period. The definitions of the non-statutory Key Performance Indicators can be found in the "Definitions of non-GAAP measures" section.

	Six months ended 30 June 2021	**Six months ended 30 June 2020 Restated***
Total number of gyms at period end	187	179
Total number of members at end of period ('000)	730	698
Revenue (£m)	29.3	37.3
Group Adjusted EBITDA (£m)	6.7	5.1
Group Adjusted EBITDA less Normalised Rent (£m)	(8.1)	(8.2)
Adjusted Loss before Tax (£m)	(27.4)	(26.3)
Adjusted Earnings (£m)	(20.9)	(22.1)
Statutory Loss before Tax (£m)	(28.5)	(28.6)
Statutory Earnings (£m)	(21.8)	(24.0)
Group Operating Cash Flow (£m)	(3.4)	(4.0)
Free Cash Flow (£m)	(4.3)	(5.0)

* Refer to note 4 of the Condensed Consolidated Financial Information for details of the restatement of Finance costs.

Result for the period

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 Restated* £m
Revenue	29.3	37.3
Cost of sales	(0.5)	(0.8)
Gross profit	**28.8**	**36.5**
Other income	6.5	-
Administration expenses excluding exceptional items	(54.6)	(55.0)
Exceptional administration items	(0.1)	(0.4)
Operating loss	**(19.4)**	**(18.9)**
Finance costs	(9.1)	(9.7)
Loss before tax	**(28.5)**	**(28.6)**
Tax credit	6.7	4.6
Loss for the period attributable to shareholders	**(21.8)**	**(24.0)**
Loss before tax	(28.5)	(28.6)
Amortisation of non-IT intangible assets	-	0.3
Exceptional administration expenses	0.1	0.4
Remeasurement of borrowings	1.0	1.6
Adjusted loss before tax	**(27.4)**	**(26.3)**
Tax credit	6.7	4.6
Tax effect of above items	(0.2)	(0.4)
Adjusted earnings	**(20.9)**	**(22.1)**

* Refer to note 4 of the Condensed Consolidated Financial Information for details of the restatement of Finance costs.

Revenue

Revenue in the period decreased by 21.4% to £29.3m (H1 2020: £37.3m), reflecting the extended lockdown in early 2021 which meant that gyms were only open for two full months of the period. In the periods of Government-enforced closure, we earned close to zero revenue as we again 'froze' members' accounts so they did not pay their subscription while gyms were closed. Ancillary income (e.g. vending) and rental income from our Fitness Trainers were also lost during these closure periods.

Whilst the number of trading days was broadly similar year on year, membership numbers and revenue in the first half of 2021 were substantially lower than in the first half of 2020 due to the extended periods of closure during 2020 and early 2021. From a peak in February 2020 of 891,000, membership decreased to 547,000 by the end of February 2021. When gyms re-opened in April 2021, we saw stronger demand than expected, with member numbers increasing to 730,000 by the end of June 2021. The freeze-free option was removed on re-opening which meant that revenue also recovered strongly from the re-opening date.

Since re-opening, we have been able to maintain a good yield per member. The average headline price of a standard DO IT membership increased to £19.11 in June 2021 (vs £18.81 in December 2020 and £18.55 in June 2020) and the proportion of members taking our premium LIVE IT membership increased to 24.7% in June 2021 (vs 22.5% in December 2020 and 20.7% in June 2020).

Other income

Other income in the period amounted to £6.5m (H1 2020: £nil) and reflects income received under the various Covid-related Government grant schemes. A further £0.6m was received in July 2021 and will be included in the results for the second half of the financial year.

Administration expenses excluding exceptional items
Administration expenses excluding exceptional items are made up as follows:

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Site costs before Normalised Rent	21.5	24.7
Add: Normalised Rent	14.8	13.3
Site costs including Normalised Rent	**36.3**	**38.0**
Central support office costs	7.1	6.7
Depreciation & amortisation	24.4	24.6
Long-term employee incentive costs/(credit)	1.6	(1.0)
Less: Normalised Rent	(14.8)	(13.3)
Administration expenses excluding exceptional items	**54.6**	**55.0**

Site costs including Normalised Rent
Site costs including Normalised Rent decreased to £36.3m (H1 2020: £38.0m) as management continued to control operating costs; take advantage of Government support in the form of the Coronavirus Job Retention Scheme ('CJRS') and business rates relief; and negotiate Covid-related rent concessions with landlords.

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 six months to 30 June 2021 was £3.4m (H1 2020: £4.3m) and has been netted off against staff costs within Administration expenses in the Group's income statement. When gyms re-opened, staff costs returned to more normal levels as furlough support ended.

Cleaning and maintenance costs also increased in the run-up to and following re-opening as we worked to ensure a safe and welcoming gym environment for both members and staff. This has been reflected in a significant increase in membership satisfaction scores compared to pre-Covid levels.

Business rates relief amounted to £6.8m in the six months ended 30 June 2021 (H1 2020: £3.3m), with a further £2m expected in the second half of the year. In addition to significant rent deferrals, we also agreed a further £1.1m of rent concessions in the period (H1 2020: £0.4m) which have been included as a credit within Administration expenses and a reduction in the lease liability, in line with the IASB practical expedient for Covid-19-Related Rent Concessions in relation to IFRS 16 Leases.

Normalised Rent costs, which are defined as the contractual rents that would have been paid in normal circumstances without any agreed deferments, recognised in the monthly period to which they relate, amounted to £14.8m in the period (H1 2020: £13.3m). The increase year on year reflects the growing gym portfolio.

Central support office costs
Central support office costs increased slightly in the six months to 30 June 2021 to £7.1m (H1 2020: £6.7m) as we continued our investment in people and technology to ensure we emerged strongly from the pandemic.

Group Adjusted EBITDA less Normalised Rent

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

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Operating loss	**(19.4)**	(18.9)
Add back: Depreciation of property, plant and equipment	**11.4**	12.1
Add back: Depreciation of right-of-use assets	**11.2**	10.8
Add back: Amortisation of intangible assets	**1.8**	1.7
Add back: Exceptional items	**0.1**	0.4
Add back: Long-term employee incentive costs/(credit)	**1.6**	(1.0)
Less: Normalised Rent	**(14.8)**	(13.3)
Group Adjusted EBITDA less Normalised Rent	**(8.1)**	**(8.2)**

Group Adjusted EBITDA less Normalised Rent was a loss of £8.1m in the period (H1 2020: loss of £8.2m) and reflects the significant reduction in revenue, partially offset by the various cost saving measures and Government support described above.

Long-term employee incentive costs

During the period, the Group granted further shares under the Performance Share Plan ('PSP'), the Share Incentive Plan ('SIP') and the Restricted Stock Option Plan 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 met 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. The shares vest after three years subject to continuous employment.

The Group recognised a charge of £1.6m in the period (H1 2020: credit of £1.0m) in relation to the share-based payment arrangements. The prior year credit reflected an adjustment to reverse certain historical charges following an assessment that financial targets in relation to the 2018 and 2019 schemes would not be met.

Finance costs

Finance costs in the period amounted to £9.1m (H1 2020 restated: £9.7m). The implied interest relating to the lease liability under IFRS 16 was £6.6m (H1 2020: £6.8m). Finance costs associated with our bank borrowing facilities were £2.5m (H1 2020 restated: £2.9m) comprising interest costs and fee amortisation of £1.5m (H1 2020: £1.3m), and a charge in relation to the remeasurement of the amortised cost of our borrowings of £1.0m (H1 2020 restated: £1.6m).

Taxation

The tax credit in the period was £6.7m (H1 2020 restated: credit of £4.6m), representing an effective tax rate ('ETR') on statutory profit before tax of 23.5% (H1 2020 restated: 16.1%). The increase in ETR is largely due to the impact of the change in UK corporation tax from 19% to 25% on the Group's deferred tax assets, following substantive enactment of the Finance Act 2021, and changes in assumptions relating to the Group's performance share plans.

The effective tax rate on adjusted loss before tax is 23.7% (H1 2020: 16.0%).

Earnings

As a result of the factors discussed above, the statutory loss before tax for the period was £28.5m (H1 2020 restated: loss of £28.6m) and the loss after tax for the period was £21.8m (H1 2020 restated: loss of £24.0m).

Adjusted loss before tax is calculated by taking the statutory loss before tax and adding back the amortisation associated with non-IT related intangibles, any exceptional items and the gain or loss on re-measurement of borrowings. Adjusted loss before tax in the period was £27.4m (H1 2020: loss of £26.3m).

The basic loss per share was 13.1p (H1 2020 restated: loss of 16.1p), and the basic adjusted loss per share was 12.6p (H1 2020: loss of 14.9p).

Dividend
As set out in the Group's Annual Report and Accounts 2020, **i**t is a condition of the £30m New Bank Facility that the Company shall not declare or pay a dividend. Although this facility currently remains undrawn, the Directors would like to continue to have access to it as necessary and as a result the Directors are not proposing an interim dividend for 2021.

Cash flow
Our focus during the extended lockdown period was to manage cash, ensuring we exited lockdown with a good level of liquidity, ready to grow the business and take advantage of the opportunities in the property market. During a period of lockdown, the typical net cash outflow for the Group was c. £5m per month. In open months, the Group is typically cashflow positive before expansionary capital expenditure.

	Six months ended 30 June 2021 £m	**Six months ended 30 June 2020 £m**
Group Adjusted EBITDA less Normalised Rent*	(8.1)	(8.2)
Rent working capital	1.2	10.0
Movement in other working capital	4.8	(0.2)
Maintenance capital expenditure cash flow	(1.3)	(5.6)
Group operating cash flow	**(3.4)**	**(4.0)**
Exceptional items	-	(0.4)
Bank interest paid	(0.9)	(0.6)
Free cash flow	**(4.3)**	**(5.0)**
Expansionary capital expenditure funded by leases	(1.5)	-
Expansionary capital expenditure funded by other sources	(7.2)	(15.4)
Refinancing fees	-	(0.3)
Capex lease repayment	(0.1)	-
Net proceeds from issue of ordinary shares	-	39.9
Other financial assets purchased	-	(1.0)
Movement in Non-Property Net Debt before finance leases	(13.1)	18.2
Net movement in Non-Property leases	1.4	-
Net drawdown/(repayment) of borrowings	14.0	(14.0)
Net cash flow	**2.3**	**4.2**

* A reconciliation of operating profit to Group Adjusted EBITDA less Normalised Rent can be found below the Condensed Consolidated Statement of Comprehensive Income.

The Group operating cash outflow in the six months ended 30 June 2021 was £3.4m (H1 2020: outflow of £4.0m), largely reflecting the Group's losses at the EBITDA level as a result of the extended closure period. This was partly offset by inflows on rent working capital and other working capital of £1.2m and £4.8m respectively, as we agreed further deferrals with landlords and returned to more normal creditor levels following the re-opening of gyms in April.

As at 30 June 2021, £5.5m of rent deferrals remained outstanding. In addition, for a number of sites, we were able to establish deals with landlords to extend the leases or take out a lease break in exchange for rent-free periods; the cash flow benefit of these rent-free periods in the first half of 2021 was £0.8m.

Fixed asset additions in respect of maintenance capital expenditure were relatively low in the period at £1.5m (H1 2020: £4.1m) as we focused only on repairs required for health and safety reasons to conserve cash where possible. Adjusting for the movement in capex creditors, the cash flow from maintenance capex was £1.3m (H1 2020: £5.6m).

Fixed asset additions in respect of expansionary capital expenditure in the period were £7.3m (H1 2020: £13.3m) and relate to the Group's investment in the fit-out of new and acquired gyms and technology projects. It is stated net of contributions towards landlord building costs. During the period, we opened four new sites and started work on a number of sites to be opened later in the year, spending a total of £5.6m. We also continued to invest in technology throughout the period. Adjusting for the movement in capex creditors, the cash flow from expansionary capex was £8.7m (H1 2020: £15.4m) including £1.5m funded by leases.

Following the introduction of Government relief measures on VAT, we deferred a £1.9m VAT payment relating to Q1 2020 that was due to be paid in March 2020. This deferred VAT is now being paid equally over an eight-month period, with the first instalment being made in June 2021, leaving £1.7m of deferred VAT outstanding at the end of the period.

Balance sheet

	As at 30 June 2021 £m	As at 30 June 2020* £m	As at 31 December 2020 £m
Non-current assets	527.9	511.0	521.9
Current assets	11.0	12.1	10.5
Current liabilities	(51.3)	(53.8)	(43.0)
Non-current liabilities	(353.4)	(304.1)	(335.0)
Net assets	**134.2**	**165.2**	**154.4**

* Refer to note 4 of the Condensed Consolidated Financial Information for details of the restatement of Finance costs.

Non-current assets increased in the six months to 30 June 2021 by £6.0m to £527.9m largely as a result of an increase in the deferred tax asset, reflecting the increased losses in the period and the impact of the change in UK corporation tax from 19% to 25%, following substantive enactment of the Finance Act 2021.

Current assets increased in the period by £0.5m as a reduction in the receivables balance was more than offset by an increase in cash balances.

Current liabilities increased by £8.3m and reflects higher trade payables following the full site re-opening and additional lease liabilities.

Non-current liabilities largely comprise the long-term element of the Group's lease liabilities and drawn bank debt. The increase of £18.4m in the period reflects the drawdown of the RCF and the inception of new leases.

At 30 June 2021, the Group had Non-Property Net Debt of £60.4m (30 June 2020: £29.2m; 31 December 2020: £47.3m), comprising drawn facilities of £65.0m and finance leases of £1.4m, less cash of £6.0m. Deferred rent and VAT at the balance sheet date amounted to £5.5m and £1.7m respectively. During the period, the Group agreed with its lenders a waiver for both the March and June 2021 covenants as a result of the extended lockdown period.

Going concern

The Board has reviewed the financial forecasts and sensitivities of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 December 2022. As a result, the Directors continue to adopt the going concern basis in preparing these condensed consolidated financial statements and have concluded that there is no material uncertainty. In making this assessment, consideration has been given to the current and future expected trading performance; the Group's current and forecast liquidity position; the Covid-19 situation and success of the UK vaccination programme; the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios. Further detail is provided in Note 2 of the Condensed Consolidated Financial Information.

Update and outlook

On 2 July 2021, we raised a further £30.3m of equity (net of fees) from our shareholders and agreed a relaxation of the capital expenditure and finance lease restrictions in our banking facilities, reducing Non-Property Net Debt to £30.1m and providing the liquidity necessary to fund our accelerated rollout programme.

In addition to the four sites opened in the first half of the year, we are targeting a further 40 new openings in the 18 months to December 2022. We have opened three new gyms in July and August and have exchanged on a further 15, of which we are currently onsite at seven. All potential sites continue to be evaluated against the Group's 30%+ ROIC threshold.

The summer months are historically quieter times for gyms. Membership at 31 August 2021 was 721,000 which is slightly below the level at the end of June but in line with our expectations. We anticipate increases in membership levels in

September and October as students return to universities and further growth in the January and February 2022 peak trading period.

The increased liquidity, together with the further easing of lockdown restrictions throughout England, Scotland and Wales and the investments we have made in technology, people and marketing, mean that we are well-placed to enter a period of rapid and sustained growth.

Principal Risks and Uncertainties

A summary of the principal risks and uncertainties that the Group faces is set out below. Further detail about each of the risks can be found on pages 48 to 50 of the Annual Report and Accounts 2020, published on 18 March 2021.

- Business interruption, including the impact of Covid-19
- Operational gearing
- Member experience
- Economic conditions
- Competition
- Staff retention
- Information technology dependency
- Organic rollout
- Data protection
- Regulatory

The Directors have reviewed the principal risks and uncertainties and believe they remain valid at the date of this report.

The Directors believe that the impact of Covid-19 on the Group's principal risks has reduced significantly since year end as a result of the successful vaccine rollout programme, but it has not gone away completely. The risks of business interruption, operational gearing and economic conditions are believed to be much wider than just the risk of pandemics and, as such, continue to be principal risks to the Group's ability to trade successfully.

The risk of organic rollout also remains valid but has shifted somewhat from a risk of site scarcity towards one of execution risk as we accelerate the rollout programme to take advantage of market conditions.

Mark George
Chief Financial Officer
2 September 2021

Responsibility statement

The Directors of the Company are listed on pages 56-57 of the Annual Report and Accounts 2020.

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

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

On behalf of the Board

Mark George
Chief Financial Officer
2 September 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* - 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 remeasurement of bank borrowings.
- *Adjusted Earnings* - is calculated as the Group's profit for the period before non-IT amortisation, exceptional items, remeasurement of bank borrowings and the related tax effect.
- *Basic Adjusted EPS* - is calculated as the Group's profit for the period before non-IT amortisation, exceptional items, remeasurement 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 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 and technology projects. It is stated net of contributions towards landlord building costs.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 Unaudited £m	Six months ended 30 June 2020 Restated* Unaudited £m
Revenue	5	29.3	37.3
Cost of sales		(0.5)	(0.8)
Gross profit		**28.8**	**36.5**
Other income		6.5	-
Administration expenses		(54.7)	(55.4)
Operating loss		**(19.4)**	**(18.9)**
Finance costs		(9.1)	(9.7)
Loss before tax		**(28.5)**	**(28.6)**
Tax credit	6	6.7	4.6
Loss for the period attributable to equity shareholders		**(21.8)**	**(24.0)**
Other comprehensive income for the period			
Items that may be reclassified to profit or loss			
Changes in the fair value of derivative financial instruments		-	-
Total comprehensive loss attributable to equity shareholders		**(21.8)**	**(24.0)**
Loss per share		**pence**	**pence**
Basic and diluted	7	(13.1)	(16.1)

Reconciliation of Operating loss to Group Adjusted EBITDA less Normalised Rent

		£m	£m
Operating loss		(19.4)	(18.9)
- Depreciation of property, plant and equipment	8	11.4	12.1
- Depreciation of right-of-use assets	9	11.2	10.8
- Amortisation of intangible assets		1.8	1.7
- Exceptional items		0.1	0.4
- Long-term employee incentive costs	12	1.6	(1.0)
- Normalised Rent		(14.8)	(13.3)
Group Adjusted EBITDA less Normalised Rent		**(8.1)**	**(8.2)**

* Refer to note 4 for the details of the restatement of Finance costs.

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021	30 June 2020 Restated*	31 December 2020
		Unaudited	Unaudited	Audited
		£m	£m	£m
Non-current assets				
Property, plant and equipment	8	167.4	179.4	171.3
Right-of-use assets	9	259.0	239.9	255.6
Intangible assets		85.8	86.8	86.4
Trade and other receivables		-	0.1	-
Financial assets at fair value through other comprehensive income		1.0	1.0	1.0
Deferred tax assets		14.7	3.8	7.6
Total non-current assets		527.9	511.0	521.9
Current assets				
Inventories		0.2	0.7	0.3
Trade and other receivables		4.7	4.6	6.3
Income taxes receivable		0.1	-	0.2
Cash and cash equivalents		6.0	6.8	3.7
Total current assets		11.0	12.1	10.5
Total assets		**538.9**	**523.1**	**532.4**
Current liabilities				
Trade and other payables		24.3	20.8	18.6
Lease liabilities**		25.8	28.4	21.8
Other financial liabilities		1.2	3.9	2.6
Provisions		-	0.6	-
Income taxes payable		-	0.1	-
Total current liabilities		51.3	53.8	43.0
Non-current liabilities				
Borrowings	10	64.3	37.5	49.2
Lease liabilities**		287.8	265.2	284.5
Provisions		1.3	1.4	1.2
Deferred tax liabilities		-	-	0.1
Total non-current liabilities		353.4	304.1	335.0
Total liabilities		**404.7**	**357.9**	**378.0**
Net assets		**134.2**	**165.2**	**154.4**
Capital and reserves				
Issued capital	11	-	-	-
Share premium		159.5	159.5	159.5
Hedging reserve		(0.1)	(0.1)	(0.1)
Merger reserve		39.9	39.9	39.9
Retained deficit		(65.1)	(34.1)	(44.9)
Total equity shareholders' funds		**134.2**	**165.2**	**154.4**

* Refer to note 4 for the details of the restatement of Finance costs.

** £12.1m of lease liabilities have been reclassified from non-current to current as at 30 June 2020.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Note	Issued capital £m	Share premium £m	Hedging reserve £m	Merger reserve £m	Retained deficit £m	Total £m
At 1 January 2020		**-**	**159.5**	**(0.1)**	**-**	**(9.2)**	**150.2**
Loss for the period and total comprehensive expense		-	-	-	-	(24.0)	(24.0)
Issue of ordinary share capital	11	-	-	-	39.9	-	39.9
Share based payments	12	-	-	-	-	(0.6)	(0.6)
Deferred tax on share-based payments		-	-	-	-	(0.3)	(0.3)
At 30 June 2020 (restated*)		**-**	**159.5**	**(0.1)**	**39.9**	**(34.1)**	**165.2**
Loss for the period and total comprehensive expense		-	-	-	-	(12.4)	(12.4)
Share based payments	12	-	-	-	-	1.4	1.4
Deferred tax on share-based payments		-	-	-	-	0.2	0.2
At 31 December 2020		**-**	**159.5**	**(0.1)**	**39.9**	**(44.9)**	**154.4**
Loss for the period and total comprehensive expense		-	-	-	-	(21.8)	(21.8)
Share based payments	12	-	-	-	-	1.2	1.2
Deferred tax on share-based payments		-	-	-	-	0.4	0.4
At 30 June 2021		**-**	**159.5**	**(0.1)**	**39.9**	**(65.1)**	**134.2**

* Refer to note 4 for the details of the restatement of Finance costs.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 Unaudited £m	Six months ended 30 June 2020 Restated* Unaudited £m
Loss before tax		(28.5)	(28.6)
Adjustments for:			
Net finance costs		9.1	9.7
Exceptional administration items		0.1	0.4
Depreciation and impairment of property, plant & equipment	8	11.4	12.1
Depreciation and impairment of right-of-use assets	9	11.2	10.8
Amortisation and impairment of intangible assets		1.8	1.7
Long-term employee incentive costs	12	1.6	(1.0)
Rent concession		(1.1)	(0.4)
Loss on disposal of property, plant & equipment		0.1	-
Decrease in trade and other receivables**		1.5	2.9
Increase/(decrease) in trade and other payables***		4.4	(2.6)
Payment of deferred consideration		(1.4)	-
Net cash inflow from operating activities before exceptional items		10.2	5.0
Exceptional items		-	(0.4)
Net cash inflow from operating activities		**10.2**	**4.6**
Cash flows from investing activities			
Payment for financial assets at fair value through profit and loss		-	(1.0)
Purchase of property, plant and equipment	8	(7.3)	(19.0)
Purchase of intangible assets		(1.2)	(2.1)
Net cash outflow from investing activities		**(8.5)**	**(22.1)**
Cash flows from financing activities			
Repayment of lease liability principal		(5.9)	(0.8)
Lease interest paid		(6.6)	(2.5)
Bank interest paid		(0.9)	(0.6)
Payment of financing fees		-	(0.3)
Drawdown of bank loans		19.0	20.0
Repayment of bank loans		(5.0)	(34.0)
Proceeds of issue of ordinary shares		-	41.3
Costs associated with share issue		-	(1.4)
Net cash inflow from financing activities		**0.6**	**21.7**
Net increase in cash and cash equivalents		**2.3**	**4.2**
Cash and cash equivalents at start of period		3.7	2.6
Cash and cash equivalents at end of period		**6.0**	**6.8**

* See note 4 for details of the restatement of Finance costs.

** The decrease in trade and other receivables on the balance sheet since 31 December 2020 was £1.6m, of which £0.1m related to non-cash items including bank loan arrangement fees amortisation.

*** The increase in trade and other payables on the balance sheet since 31 December 2020 was £5.7m. The difference between the £5.7m and the £4.4m shown above largely relates to the movement in capital creditors, share option accruals and interest accruals, all of which are excluded from working capital for cash flow purposes.

1. General information

The Directors of The Gym Group plc ('the Company') and its subsidiaries ('the Group') present their interim report and unaudited condensed consolidated financial statements for the six months ended 30 June 2021 ("Interim Financial Statements"). The Group operates low cost, high quality, 24/7, no contract gyms.

The Company is a public limited company whose shares are publicly traded on the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

The registered address of the Company is 5th Floor, OneCroydon, 12-16 Addiscombe Road, Croydon, CR0 0XT, United Kingdom.

The Interim Financial Statements were approved by the Board of Directors on 2 September 2021. They have not been audited or formally reviewed by the auditors. The financial information shown for the half year periods ended 30 June 2021 and 30 June 2020 does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The information shown for the year ended 31 December 2020 has been extracted from the Group's Annual Report and Financial Statements for the year ended 31 December 2020 and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The Interim Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2020, which were prepared in accordance with European Union endorsed International Financial Reporting Standards ('IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Annual Report and Financial Statements for 2020 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2020 was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006, but did include a reference drawing attention to a material uncertainty related to going concern arising from the uncertainty of the impact of the Covid-19 pandemic on the Group's business.

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

2. Basis of preparation

The Interim Financial Statements have been prepared in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. The Annual Financial Statements of the Group and Company for the year ended 31 December 2021 will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards.

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020. The Group has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the Interim Financial Statements of the Group.

Going concern

In the Group's 2020 Annual Report and Financial Statements, the Directors concluded that, whilst the Group was a going concern, the potential impact of Covid-19 and uncertainty over possible mitigating actions, including covenant waivers or extending the New Bank Facility, represented a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

At the time of signing off on those financial statements in March 2021, the third Government-enforced lockdown was in place and there remained significant uncertainty about when it would end and how quickly membership would recover after gyms re-opened. In addition, the vaccination programme was in its infancy and the efficacy of the vaccine was not proven.

Since then, we have seen a lot of positive momentum with gyms re-opening on 12 April, stronger than expected post re-opening trading and membership recovery, and the successful vaccine programme leading to full lockdown easing in July. In addition, we have successfully raised £30.3m from shareholders (net of fees) to fund our accelerated rollout programme and have agreed a relaxation of capex and finance lease restrictions with lenders, as well as covenant waivers for both the March 2021 and June 2021 covenant tests necessitated by the Government-enforced lockdown.

2. Basis of preparation (continued)

Going concern (continued)

As a result, the Directors consider that it is appropriate to prepare the Group's FY21 Interim Financial Statements on the going concern basis without material uncertainty.

In assessing the going concern position of the Group for the period ended 30 June 2021, the Directors have considered the following:

- the Group's trading performance since the re-opening of gyms on 12 April 2021;
- future expected trading performance to 31 December 2022 (the going concern period), including membership levels and behaviours;
- the Group's site rollout programme;
- the latest situation and UK Government guidance with respect to the Covid-19 pandemic; and
- the Group's recent £30.3m equity placing, the relationship with the Group's banks and financing arrangements to 31 December 2022.

Since the re-opening of gyms on 12 April 2021, the Group has seen strong demand in terms of both membership numbers and yield. Total membership increased from 547,000 at the end of February 2021 to 730,000 at the end of June 2021. We continued to receive the benefit of business rates relief until the end of August 2021. During periods when the relief is in place, the Group requires approximately 540,000 members to break even at the cash flow level; without the relief, the cash flow break-even point is approximately 610,000 members.

The Group opened four new gyms in the first half of the year and all are performing well, in line with historical (pre-Covid) performance for new sites. As set out in the Chief Executive's Review, the Directors believe that the strong post-lockdown trading performance, together with the Covid-impacted commercial property market, provide the Group with a unique opportunity to accelerate growth and gain market share. The Group is targeting to open 40 new sites in the 18 months to December 2022, of which three have been opened in July and August. The rest are expected to be phased evenly over the period. All sites will be expected to meet the Group's 30%+ ROIC threshold on maturity.

To facilitate this accelerated growth, on 2 July 2021, the Group raised additional financing in the form of an equity placing, which raised net proceeds of £30.3m. In addition, the Group agreed revised terms on its existing £100m banking facility from its lending banks. These amendments provide the Group with greater flexibility around capital expenditure and finance lease arrangements.

As at 30 June 2021, the Group had Non-Property Net Debt of £60.4m and £41.0m of headroom (calculated off bank debt less cash) under the £100m of borrowing capacity under the Revolving Credit Facility ("RCF") (reducing to £70m in June 2022 and maturing in October 2023). After adjusting for the equity raise on 2 July 2021, Non-Property Net Debt reduced to £30.1m. Rent deferrals of £5.5m and deferred VAT payments of £1.7m remained outstanding at 30 June 2021.

Until June 2022, the RCF is subject to quarterly financial covenant tests primarily relating to the performance of the Group against agreed targets for Group Adjusted EBITDA less Normalised Rent. From June 2022, the covenants revert back to those of the original £70m RCF, with quarterly tests on leverage (net debt : Group Adjusted EBITDA less Normalised Rent) and fixed charge cover.

The Group's base case forecast for the period to end December 2022 anticipates continued recovery of membership and robust yields, together with the successful execution of the accelerated rollout plan. Under this scenario, all financial covenants are passed with a significant level of headroom and the Group can operate comfortably within its financing facilities.

The Directors have considered a downside scenario which anticipates a much slower recovery in which membership numbers only return to pre-pandemic levels of c. 5,000 members per mature site in 2023. Under this scenario, all financial covenants continue to be passed and the Group continues to operate within its financing facilities.

The Directors have also considered reverse stress test scenarios that model the impact of a significantly slower recovery in membership numbers or significant downturn in trading and a further Government-enforced lockdown as follows:

2. Basis of preparation (continued)

Going concern (continued)

Trading scenarios

- A significant delay to the recovery in membership such that member numbers decline in Q4 2021 and remain flat in Q1 2022 at c. 690,000 (a period when significant increases would be expected). Under this scenario, the March 2022 EBITDA covenant would be breached in the absence of mitigating actions (see below) but the Group would remain within its liquidity limits;

- A more prolonged delay to the recovery in which membership levels decline in Q2 and Q3 2022 to c.600,000 at which point the Group becomes loss-making at the EBITDA level. Under this scenario, the Group would breach its £70 million maximum debt facility in September 2022 without further mitigating actions (see below).

The Directors believe the reverse stress test scenarios above are implausible given the solid trading post re-opening and the controllable and other mitigating actions that could be deployed.

Further Government-enforced lockdown

- A further Government-enforced lockdown in the next 12 months during which gyms are required to close for at least one month. Under this scenario, whilst the Group would remain within its liquidity limits, the EBITDA covenant would be breached despite the mitigating actions below.

The Directors believe that the success of the UK's vaccination programme, the removal of all Covid restrictions in all parts of the UK and all sectors of the economy and the UK Government's stance that we must learn to live with the virus and focus on economic recovery, are all positive indicators that further periods of enforced closure are unlikely. In addition, the Group has a very good relationship with its lenders who have been supportive throughout the pandemic. The lenders understand the Group's business model, our significant profit and cash generation when open, and our relatively low gearing. As a result, in the unlikely event there is another national lockdown that results in a breach of a quarterly EBITDA covenant, the Directors believe that the banks would continue to support the Group with covenant flexibility in the form of waivers or amendments, as they have done on a number of occasions in the last 18 months during previous lockdown periods and given the liquidity position of the Group. The Directors therefore consider that the combination of a lockdown being unlikely and a subsequent lack of flexibility from banks is such that, the risk of a lockdown leading to a going concern risk is remote.

Under all stress test scenarios, the Directors would introduce additional measures to mitigate the impact on the Group's liquidity, covenants and cash flow including: (i) further reductions in operating costs and marketing and capital expenditure; (ii) a slowdown/pause of the accelerated new site rollout programme; (iii) additional support from the UK Government (in the event of a further lockdown); (iv) requesting an extension of the £30m debt facility beyond June 2022 and/or covenant waivers; (v) seeking continued deferral of, or reductions in, rent payments to landlords; and (vi) the potential to raise additional funds from third parties.

Conclusion

The Board has reviewed the financial forecasts and sensitivities of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for period to 31 December 2022. As a result, the Directors continue to adopt the going concern basis in preparing these condensed consolidated financial statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Group's current and forecast liquidity position; the Covid-19 situation and success of the UK vaccination programme; the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios.

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

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- Permit contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;

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

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

4. Adjustments to prior year

Remeasurement of borrowings
The Group has borrowings in the form of a revolving credit facility which should be measured at amortised cost using the effective interest method. Following the renegotiation of banking facilities in June 2020, the valuation of the borrowings at amortised cost was not correctly reflected in the financial statements at 30 June 2020. Correction of this error results in finance costs increasing by £1.6m and borrowings on the balance sheet increasing by the same amount. This additional charge in the first half of 2020 is a timing difference which will unwind to £nil over the life of the loan. The tax effect of the adjustment is an increase in the tax credit in the income statement of £0.3m and a reduction in the corporation tax payable on the balance sheet. There is no impact to Adjusted earnings as the remeasurement of borrowings is excluded from this KPI.

Additionally, £0.7m related to the effective interest on the borrowings has been reclassified from trade and other payables to borrowings.

Condensed consolidated income statement for the six months ended 30 June 2020 (extract):

	As reported	Remeasurement of borrowings	Restated
	£m	£m	£m
Operating loss	(18.9)	-	(18.9)
Finance costs	(8.1)	(1.6)	(9.7)
Loss before tax	(27.0)	(1.6)	(28.6)
Tax credit	4.3	0.3	4.6
Loss for the period and total comprehensive loss attributable to equity shareholders	**(22.7)**	**(1.3)**	**(24.0)**
Loss per share	**pence**	**pence**	**pence**
Basic and diluted	(15.3)	(0.8)	(16.1)

Condensed consolidated statement of financial position as at 30 June 2020 (extract):

	As reported	Remeasurement of borrowings	Restated
	£m	£m	£m
Current liabilities			
Trade and other payables	21.5	(0.7)	20.8
Income taxes payable	0.4	(0.3)	0.1
Total current liabilities	**54.8**	**(1.0)**	**53.8**
Non-current liabilities			
Borrowings	35.2	2.3	37.5
Total non-current liabilities	**301.8**	**2.3**	**304.1**
Total liabilities	**356.6**	**1.3**	**357.9**
Net assets	**166.5**	**(1.3)**	**165.2**

4. Adjustments to prior year (continued)

Condensed consolidated cash flow statement for the six months ended 30 June 2020 (extract):

	As reported	Remeasurement of borrowings	Restated
	£m	£m	£m
Loss before tax	(27.0)	(1.6)	(28.6)
Adjustments for:			
Net finance costs	8.1	1.6	9.7
Cash generated from operations	**5.0**	**-**	**5.0**

5. Revenue

The principal revenue streams are those described in the Annual Report and Financial Statements 2020, namely 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.

	Six months ended 30 June 2021	Six months ended 30 June 2020
	Unaudited	Unaudited
	£m	£m
Major products/service lines		
Membership income	28.6	34.9
Rental income from personal trainers	0.4	1.8
Other income	0.3	0.6
	29.3	**37.3**
Timing of revenue recognition		
Products transferred at a point in time	0.5	0.6
Products and services transferred over time	28.8	36.7
	29.3	**37.3**

Contract liabilities at 30 June 2021 amounted to £7.5m (H1 2020: £8.7m).

6. Taxation

The tax credit in the Condensed Consolidated Statement of Comprehensive Income is broken down as follows:

	Six months ended 30 June 2021	Six months ended 30 June 2020 Restated*
	Unaudited	**Unaudited**
	£m	**£m**
Current income tax		
Current tax on profits for the period	-	-
Adjustments in respect of prior years	-	-
Total current income tax	-	-
Deferred tax		
Origination and reversal of temporary differences	3.9	4.8
Change in tax rates	3.0	(0.1)
Adjustments in respect of prior years	(0.2)	(0.1)
Total deferred tax	**6.7**	**4.6**
Tax credit in the Consolidated Statement of Comprehensive Income	**6.7**	**4.6**

* See note 4 for details of the restatement of Finance costs.

The income tax expense was recognised based on management's best estimate of the annual income tax rate expected for the full financial year, applied to the profit before tax for the half year ended 30 June 2021.

The effective tax rate on Profit Before Tax for the half year ended 30 June 2021 before discrete items was 17.3% (H1 2020 restated: 16.1%). The impact of the change in UK corporation tax from 19% to 25% on the Group's deferred tax assets, following substantive enactment of the Finance Act 2021, and movements in the company share option scheme attributable to H1 are being treated as discrete items. Including these items, the effective tax rate on the statutory loss for the period was 23.5% (H1 2020 restated: 16.1%). Excluding the tax effect of the amortisation of non-IT intangible assets and exceptional items, the effective tax rate on Adjusted Profit Before Tax for the half year ended 30 June 2021 was 23.7% (H1 2020: 16.0%).

The net deferred tax asset recognised at 30 June 2021 was £14.7m (31 December 2020: £7.6m; 30 June 2020: £3.8m). This comprised deferred tax assets relating to tax losses, provisions, equity settled share-based incentives and accelerated capital allowances.

At each of 30 June 2021, 31 December 2020 and 30 June 2020, there was no unrecognised deferred tax asset relating to unrecognised tax losses.

7. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the period, 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 loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the period ended 30 June 2021, 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, all potential dilutive share options will not be dilutive.

	Six months ended 30 June 2021 Unaudited	**Six months ended 30 June 2020 Restated* Unaudited**
Basic weighted average number of shares	165,857,174	148,617,471
Adjustment for share awards	-	-
Diluted weighted average number of shares	**165,857,174**	**148,617,471**
Basic and Diluted loss per share (pence)	**(13.1)**	**(16.1)**

At 30 June 2021, 6,593,345 share awards (2020: 1,361,025) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would be anti-dilutive.

Adjusted loss per share is based on the loss for the period before exceptional items, amortisation of non-IT intangible assets, remeasurement of borrowings and their associated tax effect.

	Six months ended 30 June 2021 Unaudited	**Six months ended 30 June 2020 Restated* Unaudited**
	£m	**£m**
Loss for the year	**(21.8)**	**(24.0)**
Amortisation of non-IT intangible assets	-	0.3
Exceptional administration expenses	0.1	0.4
Remeasurement of RCF	1.0	1.6
Tax effect of above items	(0.2)	(0.4)
Adjusted earnings	**(20.9)**	**(22.1)**
Basic and Diluted adjusted loss per share (pence)	**(12.6)**	**(14.9)**

* See note 4 for details of the restatement of Finance costs.

8. Property, plant and equipment

	Assets Under Construction	Leasehold Improvements	Fixtures & Fittings	Gym & Other Equipment	Computer Equipment	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 31 December 2020	**2.2**	**191.8**	**11.3**	**84.4**	**3.6**	**293.3**
Additions	3.1	4.0	0.1	0.4	0.3	7.9
Disposal	(0.1)	(0.1)	-	(0.1)	-	(0.3)
Transfer from Assets Under Construction	(1.4)	1.3	-	0.1	-	-
Transfer to Right-of-use assets	-	(0.1)	-	-	-	(0.1)
At 30 June 2021	**3.8**	**196.9**	**11.4**	**84.8**	**3.9**	**300.8**
Accumulated depreciation						
At 31 December 2020	**-**	**(62.9)**	**(8.0)**	**(48.3)**	**(2.8)**	**(122.0)**
Charge	-	(6.7)	(0.5)	(3.9)	(0.3)	(11.4)
Disposals	-	0.1	-	-	-	0.1
Transfer to Right-of-use assets	-	(0.1)	-	-	-	(0.1)
At 30 June 2021	**-**	**(69.6)**	**(8.5)**	**(52.2)**	**(3.1)**	**(133.4)**
Net book value						
At 31 December 2020	2.2	128.9	3.3	36.1	0.8	171.3
At 30 June 2021	**3.8**	**127.3**	**2.9**	**32.6**	**0.8**	**167.4**

Included within additions for the period to 30 June 2021 is £nil of capitalised interest (Dec 2020: £0.1m), £0.3m of capital contributions from landlords not yet received (Dec 2020: £0.2m), £1.0m of accrued capital expenditure for invoices not received (Dec 2020: £0.8m), and £0.5m of invoices received but not paid at 30 June 2021 (Dec 2020: £0.1m).

Outstanding capital commitments totalled £5.0m (31 December 2020: £2.2m).

9. Right-of-Use Assets and Leases

	Property Leases	Non-Property Leases	Total
	£m	£m	£m
Cost			
At 31 December 2020	**345.4**	**-**	**345.4**
Additions	12.9	1.5	14.4
Disposal	-	-	-
Transfer from Leasehold improvements	0.1	-	0.1
At 30 June 2021	**358.4**	**1.5**	**359.9**
Accumulated depreciation			
At 31 December 2020	**(89.8)**	**-**	**(89.8)**
Charge	(11.2)	-	(11.2)
Impairment	-	-	-
Disposals	-	-	-
Transfer from Leasehold improvements	0.1	-	0.1
At 30 June 2021	**(100.9)**	**-**	**(100.9)**
Net book value			
At 31 December 2020	255.6	-	255.6
At 30 June 2021	**257.5**	**1.5**	**259.0**

9. Right-of-Use Assets and Leases (continued)

The split of lease liabilities between current and non-current is as follows:

	30 June 2021 Unaudited £m	30 June 2020 Unaudited £m	31 December 2020 Audited £m
Current	25.8	28.4	21.8
Non-current	287.8	265.2	284.5
Total Lease liabilities	**313.6**	**293.6**	**306.3**

The maturity analysis of lease liabilities is as follows:

	30 June 2021 Unaudited £m	30 June 2020 Unaudited £m	31 December 2020 Audited £m
Within one year	39.5	40.1	34.6
Greater than one year but less than two years	33.7	30.2	32.4
Greater than two years but less than three years	33.7	30.3	32.4
Greater than three years but less than four years	33.5	30.2	32.7
Greater than four years but less than five years	33.0	30.3	32.2
Five years or more	227.8	223.2	232.3
	401.2	384.3	396.6
Less: unearned interest	(87.6)	(90.7)	(90.3)
	313.6	**293.6**	**306.3**

During the period, the Group entered into a leasing arrangement with a total available facility of £4.0m to finance the fit-out of new gyms. As at 30 June 2021, the amount outstanding on this facility was £1.4m. The facility was increased to a maximum of £9.5m after the period end.

The Group has benefited from unconditional waivers of lease payments and additional rent-free benefits on six properties in exchange for the removal of break clauses without modification to the original lease contract. The waiver of lease payments of £1.1m (H1 2020: £nil) has been included as a credit within Administration Expenses and a reduction in the lease liability, in line with the IASB practical expedient for Covid-19-Related Rent Concessions in relation to IFRS 16 Leases.

10. Borrowings

	30 June 2021 Unaudited £m	30 June 2020 Restated* Unaudited £m	31 December 2020 Audited £m
Revolving credit facility	65.0	36.0	51.0
Remeasurement adjustment	(0.1)	2.3	(1.2)
Revolving credit facility carrying value	64.9	38.3	49.8
Loan arrangement fees	(0.6)	(0.8)	(0.6)
	64.3	**37.5**	**49.2**

* See note 4 for details of the restatement of Finance costs.

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 £70m. The facility is syndicated to a three-lender panel of HSBC, NatWest and Banco de Sabadell and matures in October 2023.

10. Borrowings (continued)

On 5 June 2020, the Company agreed with its lending banks to increase its existing £70 million RCF with an additional £30m facility for a term of 18 months, which was subsequently extended on 17 December 2020 to June 2022 (the New Bank Facility). As a result, the Group has available £100m of revolving credit facility.

The funds borrowed under the New Bank Facility bear interest at a minimum annual rate of 2.60% (H1 2020: 2.60%) above the appropriate Sterling LIBOR. The average interest rate paid in the period on drawn funds under the new facility was 2.64% (H1 2020: 2.48%). Undrawn funds bear interest at a minimum annual rate of 0.910% (H1 2020: 0.910%). At 30 June 2021, the Group had drawn down £65.0m (30 June 2020: £36.0m) under the facility.

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.

The fees incurred in respect of the 2019 facility amounted to £0.9m and are being amortised over the term of the loan using the effective interest method. The fees incurred in respect of the June 2020 refinancing amounted to £0.4m and are being amortised over the remaining term of the loan on a straight-line basis.

The proportion of the revolving credit facility that was undrawn and available at 30 June 2021 was £35.0m (30 June 2020: £64.0m; 31 December 2020: £49.0m).

Non-Property Net Debt

	30 June 2021	30 June 2020	31 December 2020
	Unaudited	**Unaudited**	**Audited**
	£m	**£m**	**£m**
Borrowings	65.0	36.0	51.0
Less: Cash and cash equivalents	(6.0)	(6.8)	(3.7)
Non-Property Net Debt excluding property leases	59.0	29.2	47.3
Non-Property leases (note 9)	1.4	-	-
Non-Property Net Debt	**60.4**	**29.2**	**47.3**

Covenants
The RCF is subject to financial covenants relating to leverage and fixed charge cover.

From September 2020 until June 2022 the covenant tests of the RCF have been replaced in the New Bank Facility by 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. Waivers were received in respect of the March 2021 and June 2021 reporting periods due to the extended lockdown.

11. Issued capital

The total number of shares in issue as at 30 June 2021 is 166,210,022 (31 December 2020: 165,969,665).

12. Long-term employee incentive costs

The Group operates share-based compensation arrangements under The Gym Group plc Performance Share Plan (PSP) and The Gym Group plc Share Incentive Plan (SIP). During the period, 982,565 shares were granted under the PSP and 347,780 under the SIP. These grants and their vesting criteria are similar in nature to those awarded during 2020.

For the period ended 30 June 2021, the Group recognised a total charge of £1.6m (H1 2020: credit of £1.0) in respect of the Group's share based long-term incentive plans and related employer's national insurance.

13. Related party transactions

The Group has identified major shareholders, key management personnel and family members of the Directors as its related parties.

Closewall Limited is a company under the control of a family member of a Director, J Treharne. During the period, Closewall Limited provided services to the Group to the value of £11,000 (H1 2020: £607,000). There was no balance outstanding at 30 June 2021 or 30 June 2020.

There were no transactions in the period with key management personnel or major shareholders.

14. Subsequent events

On 2 July 2021, the Group's balance sheet and liquidity was further strengthened by an equity placing. The Gym Group plc issued 11,350,000 new ordinary shares and raised gross proceeds of £31.2m. The costs directly related to the transaction amounted to £0.9m. At the same time as the equity placing, certain restrictions in the Group's banking facilities around capital expenditure and finance lease debt were relaxed.

Following the share issue, the total number of shares in issue is 177,560,022. The proceeds of the share issue will be used to accelerate the Group's site rollout programme, targeting 40 sites in the next 18 months.