16 March 2022

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

2021 Full Year Results

Recovering strongly – accelerating the pace of change

The Gym Group, the nationwide operator of 203[1] low cost, high quality, 24/7 no contract gyms, announces its full year results for the year ended 31 December 2021.

Financial highlights

	Year ended 31 December 2021	Year ended 31 December 2020	Movement
Revenue (£m)	106.0	80.5	31.7%
Group Adjusted EBITDA (£m)	35.4	16.8	110.7%
Group Adjusted EBITDA Less Normalised Rent (£m)	5.7	(10.2)	n/a
Adjusted Loss for the year (£m)	(28.5)	(35.4)	19.5%
Basic and Diluted Adjusted Loss per share (p)	(16.7)	(22.5)	25.8%
Statutory Loss for the year (£m)	(35.4)	(36.4)	2.7%
Basic and Diluted Statutory Loss per share (p)	(20.7)	(23.1)	10.4%

	Year ended 31 December 2021	Year ended 31 December 2020	Movement
Non-Property Net Debt (£m)	(44.1)	(47.3)	6.8%

For a summary of KPI definitions used in the table see the ‘Definition of Non-Statutory Measures’ section.

Strong recovery in 2021

- **Significant increase in membership numbers** following re-opening in April, with total members at 31 December 2021 of 718,000, up from 547,000 at the end of February 2021 (Dec 2020: 578,000)
- **Strong operational performance** with record member satisfaction scores and high staff engagement; ranked in top 25 Glassdoor Best Places to Work in the UK
- **Yield strengthened** with average price of a standard DO IT membership at £19.27 in December 2021 (Dec 2020: £18.81) and penetration of premium LIVE IT membership at 27.1% (Dec 2020: from 22.5%)
- **Cash flow positive in all months when gyms were open;** Group Adjusted EBITDA Less Normalised Rent of £5.7m for FY 2021 (FY 2020: loss of £10.2m); £13.8m in H2 when gyms fully open
- **Low leverage positions business for accelerated growth;** Non-Property Net Debt (including finance leases) at 31 December 2021 of £44.1m (Dec 2020: £47.3m)
- **Accelerated rollout underway;** 19 sites opened in the year (of which 15 in H2); new sites trading well

Accelerating into 2022 and beyond

- **Encouraging start to 2022** with membership growing 14.9% in the first two months despite impact of Omicron on early January trading; 825,000 members at 28 February 2022 (50% growth since Feb 2021)
- **Plan to open 28 sites in 2022** with 20 leases already exchanged; rollout target increased to 25-30 openings for 2023 and 2024
- **New technology platform launching in April 2022** to drive website traffic, engagement and conversion
- **Strengthened digital fitness offer** - 200 classes online for all members at no additional charge
- **Brand transformation commencing Spring 2022** to support membership recovery and future growth

[1] As at 16 March 2022; 202 sites as at 31 December 2021 (31 December 2020: 183); one additional site opened in January 2022.

Richard Darwin, CEO of The Gym Group, commented:

"*The Gym Group has had an encouraging start to the year, building on the momentum of our excellent recovery in 2021. We have now grown our membership by 50% in the 12 months to February 2022. Our rollout programme is accelerating with a further 28 openings planned in 2022, increasing the number of communities that can access our high quality, great value gyms. We are confident that our high margin, low-cost business model and our yield optimisation strategy will help to mitigate the impacts of the current inflationary environment. Our pace of change is accelerating through the launch of a new technology platform and a brand transformation in 2022 as we position our business to take advantage of the many growth opportunities within the low cost gym market.*"

A live audio webcast of the analyst presentation will be available at 10:00 a.m. today via the following link:

https://webcasting.brrmedia.co.uk/broadcast/6225e0c2969a0548ac0c33b0

The company announces it will host a capital markets day on 19 May 2022 in London.

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Forward-looking statements

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

Chair of the Board’s Statement

2021 was the second year that the business was severely impacted by the COVID-19 pandemic, with our gyms shut for over 100 days, or 28% of the year. However, the steps we took in 2021 benefited from our experience of managing the crisis in 2020 and, as a result, we were well-placed to capitalise as restrictions eased and people returned to gyms. We fully expect that 2022 will represent a return to a near normal environment.

Those confident steps have been rewarded with a significant recovery in membership, strong member satisfaction, excellent employee engagement and good engagement with a wide set of stakeholders - from shareholders, banks, suppliers and landlords who have all played an active role in supporting our strong recovery.

Financial results
Whilst full-year results were impacted by the pandemic, significant progress has been made when compared with 2020. Revenues were up 31.7% and Group Adjusted EBITDA Less Normalised Rent was £5.7m, up from a loss of £10.2m in 2020; and the statutory loss for the year was £35.4m, down from £36.4m in 2020. This is a business that has quickly returned to generating free cash flow when open; and with a well-supported £30m equity raise to strengthen the balance sheet, we are now accelerating our growth ambitions with fast organic site rollout, targeting 28 openings in 2022.

Strategic clarity
We have taken the opportunity of recovery to review and refresh our strategy. Providing affordable fitness for all through gym usage is even more important post COVID-19, with an increased desire to improve both physical and mental health through physical activity. Equally, in tougher economic times and periods of inflation, our low cost offering provides great value for money.

We remain ambitious to maximise our UK expansion through accelerated openings, taking advantage of a favourable property market, our strong covenant relative to peers and good reputation with landlords. We are investing to drive membership through greater brand awareness and by improving our offer, notably in group exercise classes which are particularly attractive to female gym users.

We are increasing our commercial sophistication supported by expert resources to make better pricing decisions and focus on driving sales. We have strengthened our digital fitness offer in partnership with Fiit, now offering 200 classes online to all our members for no additional charge. We have also appointed our first Strategy Director to help us explore longer-term opportunities for growth. All these initiatives were developed in 2021 and set the business up well, not just for good recovery, but for realising significant profitable growth in the years ahead.

Our work as a Board
Our Company Secretary, Katy Tucker, went on a period of maternity leave in July 2021, handing over to Nadira Hussein as Interim Company Secretary - and credit to them both, we have not missed a beat! The year has included extensive induction programmes for newly appointed Non-Executive Directors, Wais Shaifta and Rio Ferdinand, and the first year of David Kelly as Chair of the Audit and Risk Committee and Emma Woods as Chair of the Remuneration Committee and Senior Independent Director. We have also introduced a Sustainability Committee with oversight responsibility for matters relating to ESG, health, safety and wellbeing and equality, diversity and inclusion.

Our Board deliberations are engaged, ambitious and supportive. Our Board effectiveness review was undertaken with the help of external specialist resources for the first time this year and, whilst confirming the Board and its Committees work to a high level, gave us valuable insights to make us fitter for the future. Finding more space for free-flow thinking, utilising in the best way the different perspectives brought by new Directors Rio and Wais, and overtly aligning Directors to aspects of strategic growth are being adopted within our ways of working. We will maintain an active dialogue on succession too.

Early in 2022, we announced that our Chief Financial Officer (‘CFO’), Mark George, will leave The Gym Group for a new role with Wickes plc. Mark has played a full role as CFO and Executive Director since joining us in 2018 and he leaves with our thanks and good wishes for the future. Our search for his successor is well underway and Mark’s replacement will be announced in due course.

Awards and recognition
I was delighted to be shortlisted for the Non-Executive Director Awards (FTSE All Share). For me, it is the story of The Gym Group that is being recognised. Two years of pandemic in which our normal 24/7 business had to close its doors for repeated long periods has been an unprecedented shock. However, the actions we have taken together have ensured a good recovery and a positive outlook ahead. We are a strong and relevant leisure business and the opportunity for growth looks as significant now as at any time.

We continue to generate significant social value and have focused the business on helping members to work out at least four times a month, the critical level of exercise that research supports makes a positive health contribution. We have committed to achieving net-zero by 2035 in line with the Science Based Targets initiative (‘SBTi’). We were also very pleased indeed to be included at number 25 in Glassdoor’s prestigious list of the top 50 Best Places to Work in the UK. Our colleagues care passionately about our members and worked tirelessly to ensure our gyms were clean, safe and welcoming places for members to return to, enjoy and improve their wellbeing. Our focus on all stakeholders sets The Gym Group in position to deliver attractive sustainable growth.

As this document was being finalised, we have all witnessed the Russian invasion of Ukraine. This is a shocking event at every level and our thoughts are with the Ukrainian people. There have been many global impacts as a result of this but there is no direct impact to our business model, and escalating energy costs are a small proportion of costs in our high margin business. We cannot know how events will unfold but remain confident in our business.

Chief Executive's Review

2021 has been a significant year of recovery for The Gym Group as we have rebuilt membership following the three lockdowns imposed during the pandemic. Membership grew from 578,000 in December 2020 to 718,000 at year end. We believe, as a business, that we are better placed to prosper in the years ahead than at any time in our history, and look forward with confidence to further recovery as the operating environment normalises. We are exiting the pandemic with a highly engaged team and member satisfaction scores as high as we have seen. We believe that this is a great launchpad from which to accelerate our expansion.

The market dynamics for our business are very strong. The demand for health and fitness will continue to increase because of the health shock that the pandemic has given to so many people. Within health and fitness, low cost gyms are the part of the market that are growing most rapidly and in the type of sites that are most suitable for us, there is a once in a generation opportunity to expand; and we do so with a relatively unleveraged balance sheet at a time when many of our competitors are more constrained financially.

Throughout the pandemic, we have made the bold decisions to reinforce our market position. At the beginning of the year, we decided to keep our central teams working so that we could make progress on initiatives such as improvements to our technology platform, website and class offering. We also invested in our teams through support via online training to ensure that they were engaged and ready for the re-opening. In July, we were delighted to receive the support of our shareholders to raise £30m to accelerate our rollout with 40 sites to be opened within the 18-month period up to the end of 2022.

By February 2021, our membership number had reduced to 547,000 as we experienced typical levels of attrition without significant acquisition during lockdown. Immediately after re-opening in April, we saw a period of exceptional membership acquisition – the opportunity to go to the gym became an attractive option at a time when there were limited other leisure venues open. As expected, through the second half of the year, the more normal seasonal patterns re-established themselves such that we finished the year with 718,000 members; this is 90% of the pre-COVID-19 December 2019 number. Like-for-like membership numbers are around 82% of these levels given the increase in the size of our estate in the last two years. In the autumn, we saw a pleasing number of students re-joining as university attendance began to normalise.

The recovery has not been uniform across the country or by type of site location. Sites in the North have recovered membership fastest and are now operating at pre-COVID levels of revenue per site. Recovery has been slower in London and the South where people's day-to-day routines have been slower to return to normal. In the small number of city centre workforce-dependent gyms, the recovery has also been patchy because of the work from home guidance in December 2021 and January 2022 under Plan B restrictions. In contrast, we have seen good levels of recovery in our sites located in suburban locations. In light of these factors, we have been encouraged by the overall growth in member numbers to 825,000 by the end of February 2022 – an increase of 50% versus February 2021.

One of our key strengths is a relatively unleveraged balance sheet with low levels of debt and strong liquidity. At the end of 2021, our Non-Property Net Debt was £44.1m – below the level of December 2020 – reflecting cash outflow from the 19 sites that we have opened in the year but benefitting from the £30m proceeds from the equity raise. This result is also indicative of how quickly post re-opening we reverted to generating free cash flow. Our aim is to return as quickly as possible to a position where our free cash flow generation enables us to self-finance our expansion plans.

One of the most pleasing aspects since re-opening has been how our members have responded to the operating changes we have made, both in terms of cleanliness of the gym as well as developments we have made in group exercise classes ('Group X'). This is reflected in member satisfaction scores higher than pre-COVID-19 levels. Member visits are a key metric for our business, not just in terms of member engagement with the gym but also how it delivers social value to our members and communities. The work that we have done during the year on social value with 4Global demonstrates that we delivered over £4m social value per gym in 2019. This study showed that social value is driven most significantly when members work out more than four times per month. Throughout 2022 and beyond, a key initiative will be to encourage our members to increase their frequency of workouts. We plan to put in place incentive schemes for our frontline staff to drive this metric.

The financial results in 2021 were, once again, substantially impacted by the periods of closures from January to mid-April 2021 (end of April in Wales and Scotland) although ahead of 2020 when there were more closure days. Revenue was £106.0m (2020: £80.5m) up 31.7%, and Group Adjusted EBITDA Less Normalised Rent was £5.7m compared with a loss of £10.2m in 2020. These results show how the business has bounced back from the periods of closure in 2021 to be able to immediately generate positive EBITDA after rent. The Adjusted Loss for the year was £28.5m and the Statutory Loss was £35.4m.

The distress in the commercial property market caused by the pandemic and shifts in retailing to online, is presenting a once-in-a-generation opportunity for us to accelerate our rollout. When we came into 2021, we were beginning to build the pipeline so that we could recommence our rollout programme once gyms re-opened. In total, 19 sites were opened in the year, including one small box site. This brought our portfolio up to 202 sites at year end and included four sites opened on a single day in December 2021 – a record for the business. Since year end, we have opened a further site in

Glasgow, Scotland, bringing the total estate to 203. This size of estate and pace of rollout positions us as the second largest operator within the UK health and fitness market by number of sites and we continue to see substantial growth to come as we plan to open 28 sites in 2022. The sites that we have opened have been performing well and in line with pre-COVID-19 patterns of maturity for our estate.

Strategic priorities

As we emerged from the pandemic in the past year, we took the opportunity to review and refresh our strategy to ensure it remained relevant for the post COVID operating environment. Our strategic priorities can be summarised around three key initiatives – (i) rebuilding and extending our membership; (ii) accelerating our UK rollout; and (iii) growing sustainably – and I am pleased with the progress made on each in the past year.

(i) Rebuilding and extending our membership

Key to our recovery is the ability to attract both previous members and new members to our gyms. Where we have seen the most rapid recovery is in sites which are located within the residential areas of large towns and cities, where most of our gyms are located. The slowest recovery has been in the small number of city centre sites that are wholly dependent on workforce. Our property acquisition strategy has been concentrated in residential areas for a number of years and, as a result, we have a limited number of workforce-dependent sites. Our low price point makes us a very attractive proposition to prospective members and continues to underpin the recovery in membership levels that we have seen.

The big seasonal period of demand for our business continues to be January/February; and, as a result of the pandemic, 2022 is the first normal January/February period of acquisition since 2020. Whilst the first two weeks were impacted by the Omicron variant, we have been encouraged by how we have traded in January and February. With membership at the end of February of 825,000 and 28 sites planned to be opened in 2022, we are well set for a strong recovery in our financial performance in the year to come.

Our focus is also on attracting new members with different characteristics from those in our current membership base. We believe there is an opportunity to increase the number of females who join our gyms, particularly by focusing on group exercise classes. In addition, by reiterating the significant value proposition, there is an opportunity to attract those prospective members who still believe that gyms are expensive. Finally, we plan to increase the communication around sustainability to members as this is an area of strength for The Gym Group and of member interest.

Brand transformation

2022 will also be the year when we complete a brand transformation project and relaunch our brand. Over the past few months, we have been working on a new visual identity for our brand under the brand name 'The Gym Group', where previously we traded as 'The Gym'. This will drive consistency across the estate and bring the brand name in line with our website URL - historically we have always driven member and non-member traffic to thegymgroup.com. By the end of September, all sites will have new signage reflecting the new visual identity, and the website and other digital collateral will be implemented from the end of September. By the September/October campaign, all marketing will also be using the updated brand. I am excited by this brand transformation – it is a natural next step for us as a business and we believe it will cement our position as a modern consumer brand in the health and fitness market.

Improving commercial sophistication

Now that we have expanded above 200 sites, our ability to operate effectively at scale becomes even more important. As we develop a truly nationwide business, we see a particular opportunity to drive pricing and yield from a starting position as the lowest priced gym operator, typically c.£4 cheaper than local competitors. The most important part of this yield growth in recent years has been the growth of our premium multi-site membership, LIVE IT. This has now reached 27% of our membership, particularly helped by the network effect of having more locations where multi-site access is a good option for members. As we continue our growth path, we see the opportunity to offer additional packages with more content in them and to further increase yield through price increases that we expect will more than offset cost inflation. Our Average Revenue per Member per Month ('ARPMM') in the second half of the year was £17.60, up 5.9% vs two years ago (H2 2019: £16.62), demonstrating the progress we have already made in this area.

We also see further opportunity in retention. We know that tenure increases when members use the gym more often and will therefore be focusing on initiatives to ensure that members use the gym frequently and at least four times per month in line with our social value goals.

Developing our product offering

As we emerge from the pandemic, we see opportunity to drive performance by restarting our refurbishment programme with projects planned to upgrade equipment and improve product layout. A significant focus is on group exercise classes – currently, take-up of our class offering is under 5% of our membership base and, as we have added consistency to the classes we offer, we believe we have the opportunity to increase this.

We have also been seeking to enhance the digital offering to our members. For the last two years, we have had a partnership with Fiit to offer their premium digital classes to members at a discount and for us to trial (in three gyms) in-gym virtual classes using their content. We have now extended the arrangement with Fiit to give members access to 200 high quality classes in The Gym Group app. This arrangement will enable us to offer high quality digital content to our members for no additional charge, further demonstrating the strong value and flexibility we offer to our members.

(ii) Accelerating our UK rollout
With the funds secured in July 2021 to recommence our rollout, we have been able to return to our historical levels of site openings with 19 new sites opened in the year, and we are encouraged by their early membership growth. This included several sites that are in target locations where we have been looking for a while such as Cambridge, York and Oxford. There are further new locations for us in our pipeline for 2022. This opportunity has arisen because we are seeing the availability of high quality sites at good levels of rent across the country. We now have several different formats that we can deploy ranging from 7,000 sq. ft to 21,000 sq. ft and our openings have reflected this range of format during the year. We believe that this flexibility will enable us to maximise our rollout opportunity within the UK market and our vision is to double the number of sites over the next few years.

In March 2022, we also agreed to acquire three sites from Fitness First which will enhance our presence in long-standing target locations in London residential areas, where we have traded well historically.

(iii) Focus on sustainability
We believe that we are leading the UK health and fitness sector with our focus on sustainability and have been accelerating the work we have been doing in this area. We undertook an extensive materiality assessment with all our stakeholders and from that feedback we identified the topics that are of high importance to our stakeholders and also had a high impact on our business. These are the areas we are going to focus our sustainability strategy on in 2022 and beyond.

Our work on increasing the social value we are generating has continued and we have created a new KPI linked to driving social value. Our Diversity and Inclusion working group has made great strides towards breaking down more barriers to fitness for all. We are also proud to announce that we are the UK's first carbon neutral gym chain and that we have committed to reducing our 2019 carbon emissions by 50% by 2030 and to being carbon net-zero by 2035, in line with the SBTi.

People
One of our key strengths is our unique team and culture, and we were delighted to see a 10% increase in the overall engagement score, to 61%, in our annual employee engagement survey and to be recognised by Glassdoor as number 25 in their list of the Best Places to Work in the UK (the only leisure business placed in the top 50).

Last year I wrote that the support of our teams across our estate and in our central support had been the highlight for me in a difficult year during the pandemic. This year, I believe that we have seen the benefits of the support we gave our people and of a highly engaged team. An example of that was around the time of the 'pingdemic' during the summer when our team went to extraordinary efforts to keep our sites open. The commitment of our teams to ensuring great member service is also enabling us to achieve record Overall Satisfaction ('OSAT') scores.

In January 2022, Mark George, who has been with us since 2018 as Chief Financial Officer ('CFO'), informed the Board of his intention to resign as CFO and Executive Director to take up the position of CFO at Wickes Group plc. Since joining in 2018, Mark has evolved and strengthened the Group's finance function and successfully secured new bank and equity financing to get us through the pandemic, ensuring that the business is well placed to deliver its accelerated growth strategy. I would like to thank Mark for his significant contribution to The Gym Group and wish him well in his future career.

We have started a search to identify and appoint a successor to Mark, who is expected to remain with the Group until July 2022.

Technology
Another key enabler to building a successful business that can operate effectively at scale, is in our technology development. In the second quarter of 2022, we will be relaunching our technology platform with a new website and content management system. It is this development that will enable value-driving improvements such as new product offerings and flexibility in pricing, as well as enhancing our Search Engine Optimisation ('SEO') and performance marketing. This project will also drive new resilience in our core systems, enabling us to take advantage of peaks in demand.

Our business is as well-positioned as any in our sector to flourish as the economy emerges from the pandemic. We have a clear set of strategic priorities that will deliver significant shareholder value and we do so after a good start to 2022 with strong membership growth in January and February despite some initial disruption from Omicron. At the current time there is considerable global uncertainty as a result of the tragic events in Ukraine. However, we are confident that our high margin, low cost model will enable us to withstand the impact of an inflationary environment.

Our purpose is to break down barriers to fitness for all and we are delivering on that goal as we spread into more communities across the country. I am encouraged by the start to the year that we have had and look forward to making further strong progress in the year ahead as we put the challenges of the pandemic behind us.

Financial Review

Presentation of results

This financial review uses a combination of statutory and non-statutory measures to discuss performance in the year. The definitions of the non-statutory Key Performance Indicators can be found in the 'Definition of Non-Statutory Measures' section. To assist stakeholders in understanding the financial performance of the Group, aid comparability between periods and provide a clearer link between the Financial Review and the Consolidated Financial Statements, we have also adopted a three-column format to presenting the Group Income Statement in which we separately disclose underlying trading and non-underlying items. Non-underlying items are income or expenses that are material by their size and/or nature and that are not considered to be incurred in the normal course of business. These are classified as non-underlying items on the face of the Group Income Statement within their relevant category. Non-underlying items include restructuring and reorganisation costs (including site closure costs), costs of major strategic projects and investments, impairment of assets, amortisation and impairment of business combination intangibles, profit/loss on disposal of assets and businesses, revaluation gains or losses on borrowings, and refinancing costs. Further details on non-underlying items are provided later in this report.

Summary

2021 has again been challenging overall 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 almost 30% of trading days. Whilst this has had an inevitable detrimental impact on our overall financial performance in the year, 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. Following an initial period of above-expected demand immediately after re-opening, where we saw strong membership recovery and an increased average number of visits per member, trading returned to a more normal seasonal pattern in the second half of the year. Despite the challenges of the pandemic, we opened 19 new gyms in the year, taking our total estate to 202 gyms as at 31 December 2021. The new site openings in the second half of the year were funded by the £30m equity raise we completed in July 2021. The gyms that opened in the year are performing well.

	Year ended 31 December 2021	Year ended 31 December 2020	Movement
Total number of gyms at year end	202	183	10.4%
Total number of members at end of period ('000)	718	578	24.2%
Revenue (£m)	106.0	80.5	31.7%
Group Adjusted EBITDA (£m)	35.4	16.8	110.7%
Group Adjusted EBITDA Less Normalised Rent (£m)	5.7	(10.2)	n/a
Adjusted Loss before Tax (£m)	(36.8)	(46.5)	20.9%
Adjusted Loss for the year (£m)	(28.5)	(35.4)	19.5%
Statutory Loss before Tax (£m)	(44.2)	(47.2)	6.4%
Statutory Loss for the year (£m)	(35.4)	(36.4)	2.7%
Group Operating Cash Flow (£m)	6.3	(16.3)	n/a
Free Cash Flow (£m)	2.0	(16.6)	n/a
Non-Property Net Debt (£m)	(44.1)	(47.3)	6.8%

Results for the year

	Year ended 31 December 2021			Year ended 31 December 2020		
	Underlying result	**Non-underlying items**	**Total**	**Underlying result**	**Non-underlying items**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	106.0	-	106.0	80.5	-	80.5
Cost of sales	(1.7)	-	(1.7)	(2.1)	-	(2.1)
Gross profit	**104.3**	**-**	**104.3**	**78.4**	**-**	**78.4**
Other income	7.3	-	7.3	0.4	-	0.4
Operating expenses before depreciation, amortisation and impairment	(79.1)	(2.3)	(81.4)	(62.7)	0.5	(62.2)
Depreciation, amortisation and impairment	(52.7)	(4.2)	(56.9)	(48.0)	(2.5)	(50.5)
Operating loss	**(20.2)**	**(6.5)**	**(26.7)**	**(31.9)**	**(2.0)**	**(33.9)**
Finance costs	(16.6)	(0.9)	(17.5)	(14.6)	1.3	(13.3)
Loss before tax	**(36.8)**	**(7.4)**	**(44.2)**	**(46.5)**	**(0.7)**	**(47.2)**
Tax credit/(charge)	8.3	0.5	8.8	11.1	(0.3)	10.8
Loss for the year attributable to shareholders	**(28.5)**	**(6.9)**	**(35.4)**	**(35.4)**	**(1.0)**	**(36.4)**
Loss per share						
Basic and diluted (p)	(16.7)		(20.7)	(22.5)		(23.1)

Revenue

Revenue in the year increased by 31.7% to £106.0m (2020: £80.5m), reflecting the increased number of open trading days compared to the prior year (72% vs 55%).

In the periods of Government-enforced closure, we earned close to zero revenue as we 'froze' members' accounts so they did not pay their subscription whilst 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 higher year on year, average membership numbers in 2021 were lower than in 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, before falling back in line with seasonal norms to end the year at 718,000. The 'free freeze' option for members was removed on re-opening which ensured that revenue 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 £19.27 in December 2021 compared with £18.81 in December 2020 and the proportion of members taking our premium LIVE IT membership increased to 27.1% in December 2021 compared with 22.5% in December 2020. As a result of the increased headline prices and LIVE IT penetration, Average Revenue Per Member Per Month ('ARPMM') in the second half of the year was £17.60, up 5.9% on H2 2019.

Cost of sales

Cost of sales at £1.7m (2020: £2.1m) was £0.4m lower than the prior year despite the increase in revenue and reflects improved stock management.

Other income

Other income in the year amounted to £7.3m (2020: £0.4m) and predominantly reflects income received under the various COVID-related Government grant schemes.

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

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Site costs before Normalised Rent	60.2	49.2
Add: Normalised Rent	29.7	27.0
Site costs including Normalised Rent	**89.9**	**76.2**
Central support office costs	16.0	12.8
Long-term employee incentive costs	2.9	0.7
	108.8	89.7
Less: Normalised Rent	(29.7)	(27.0)
Underlying operating expenses before depreciation, amortisation and impairment	**79.1**	**62.7**

Site costs including Normalised Rent
Site costs including Normalised Rent increased to £89.9m (2020: £76.2m), reflecting the higher level of variable operating costs and lower levels of Government support as gyms were open for more trading days of the year. We also invested more in marketing year on year to stimulate demand following re-opening. In addition, the increase in the gym portfolio also contributed to the site costs increase year on year.

During periods of closure, management continued to control operating costs and take advantage of Government support in the form of the Coronavirus Job Retention Scheme ('CJRS') and business rates relief. We also continued to 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 during the year was £3.4m (2020: £6.1m) and has been netted off against staff costs within Underlying operating expenses in the Group's income statement. When gyms re-opened, furlough support ended and staff costs returned to more normal levels.

Business rates relief amounted to £8.2m in the year (2020: £9.6m). In addition to significant rent deferrals, we also agreed a further £1.6m of rent concessions in the year (2020: £0.7m) which have been included as a credit within Underlying operating 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.

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. Despite many of the COVID-secure regulations falling away following re-opening, we made the decision to continue with many of our enhanced cleaning protocols to keep members safe. This has contributed to a significant increase in membership satisfaction scores compared to pre-COVID levels.

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 £29.7m in the year (2020: £27.0m). The increase year on year reflects the growing gym portfolio.

Central support office costs
Central support office costs increased in the year to 31 December 2021 to £16.0m (2020: £12.8m) as we continued our investment in people and technology to ensure we emerge strongly from the pandemic and well-equipped for growth.

Long-term employee incentive costs
Long-term employee incentive costs in the year amounted to £2.9m (2020: £0.7m). The increase year on year reflects the fact that there was an adjustment in the prior year to reverse certain historical charges following an assessment that financial targets in relation to the 2018 and 2019 schemes would not be met.

During the year, 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.

Underlying depreciation and amortisation

Underlying depreciation and amortisation charges in the year amounted to £52.7m (2020: £48.0m). The increase year on year reflects the increased gym portfolio as well as accelerated depreciation and amortisation on some technology and signage assets that will be replaced when the new consumer website and brand are launched later this year.

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:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Operating loss	**(26.7)**	**(33.9)**
Non-underlying operating items	6.5	2.0
Long-term employee incentive costs	2.9	0.7
Underlying depreciation and amortisation	52.7	48.0
Group Adjusted EBITDA	**35.4**	**16.8**
Normalised Rent	(29.7)	(27.0)
Group Adjusted EBITDA Less Normalised Rent	**5.7**	**(10.2)**

Group Adjusted EBITDA Less Normalised Rent was £5.7m in the year (2020: loss of £10.2m) and reflects the increased site profitability as a result of the higher proportion of open trading days and grant income received, partially offset by the investment in support function costs.

Underlying finance costs

Underlying finance costs in the year amounted to £16.6m (2020: £14.6m). The implied interest relating to the lease liability under IFRS 16 was £14.0m (2020: £12.7m). Finance costs associated with our bank borrowing facilities were £2.6m (2020: £2.0m) comprising interest costs and fee amortisation.

Non-underlying items

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

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Affecting operating expenses before depreciation, amortisation and impairment		
Costs of major strategic projects and investments	1.8	-
Restructuring and reorganisation costs (including site closures)	0.5	0.3
Adjustment to net assets acquired in business combinations	-	(0.2)
Gain on reduction of lease term	-	(0.6)
	2.3	**(0.5)**
Affecting depreciation, amortisation and impairment		
Impairment of property, plant and equipment, right-of-use assets and intangible assets	4.0	1.6
Amortisation of business combination intangible assets	0.2	0.9
	4.2	**2.5**
Affecting finance costs		
Remeasurement of borrowings	0.8	(1.3)
Refinancing costs	0.1	-
	0.9	**(1.3)**
Total all non-underlying items before tax	**7.4**	**0.7**
Tax on non-underlying items	(0.5)	0.3
Total all non-underlying items	**6.9**	**1.0**

Non-underlying costs affecting operating expenses before depreciation, amortisation and impairment amounted to £2.3m in the year (2020: credit of £0.5m).

Costs of major strategic projects and investments in the year of £1.8m includes the costs incurred to date in respect of the brand transformation project. Also included here are the costs incurred in relation to the exploration of a potential strategic investment and the costs associated with the acquisition of the trade and assets of a portfolio of three sites trading under the Fitness First brand name, details of which are included in note 13 of the Consolidated Financial Statements.

Restructuring and reorganisation costs in the year include the costs of restructuring the Group's marketing department, together with the costs associated with the previously announced closure of one of the Group's gyms.

Non-underlying costs affecting depreciation, amortisation and impairment in the year amounted to £4.2m (2020: £2.5m) and comprised £4.0m of site impairment in relation to four city centre workforce-reliant gyms that have struggled to recover post-COVID as a result of the shift to working from home. Also included is £0.2m of amortisation of business combination intangibles.

Non-underlying items affecting finance costs amounted to £0.9m in the year (2020: credit of £1.3m) and largely reflect the remeasurement of the Group's Revolving Credit Facility ('RCF').

Taxation

The underlying tax credit in the year was £8.3m (2020: credit of £11.1m), representing an effective tax rate on underlying loss before tax of 22.6% (2020: 23.9%).

The effective tax rate on the statutory loss before tax was 19.9% (2020: 22.9%).

Earnings

As a result of the factors discussed above, the statutory loss before tax for the year was £44.2m (2020: loss of £47.2m) and the loss after tax for the year was £35.4m (2020: loss of £36.4m).

Adjusted loss before tax is calculated by taking the statutory loss before tax and adding back the non-underlying items. Adjusted loss before tax in the period was £36.8m (2020: loss of £46.5m). Adjusted loss after tax was £28.5m (2020: loss of £35.4m).

The basic and diluted loss per share was 20.7p (2020: loss of 23.1p), and the basic and diluted adjusted loss per share was 16.7p (2020: loss of 22.5p).

Dividend

As set out in the Group's Annual Report and Accounts 2020, it 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 a final dividend in respect of 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 lockdown periods, the typical net cash outflow for the Group was c.£5m per month. In open months, the Group was cashflow positive before expansionary capital expenditure.

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Group Adjusted EBITDA Less Normalised Rent	**5.7**	**(10.2)**
Rent working capital	(2.9)	3.7
Movement in other working capital	7.4	(2.4)
Maintenance capital expenditure	(3.9)	(7.4)
Group operating cash flow	**6.3**	**(16.3)**
Non-underlying items	(2.2)	(0.9)
Bank interest paid	(2.0)	(1.8)
Taxation	(0.1)	2.4
Free cash flow	**2.0**	**(16.6)**
Expansionary capital expenditure funded by leases	(7.2)	-
Expansionary capital expenditure funded by other sources	(21.8)	(21.8)
Refinancing fees	(0.1)	(0.4)
Net proceeds from issue of ordinary shares	30.3	39.9
Other financial assets purchased	-	(1.0)
Cash flow before movement in debt	**3.2**	**0.1**
Net increase in finance lease indebtedness	6.4	-
Net (repayment)/drawdown of borrowings	(6.0)	1.0
Net cash flow	**3.6**	**1.1**

The Group operating cash inflow in the year was £6.3m (2020: outflow of £16.3m), reflecting the Group's return to profitability at the EBITDA level.

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 has been repaid equally over an eight-month period, with the first instalment being made in June 2021. As at 31 December 2021, £0.2m of deferred VAT remained outstanding which was paid in January 2022. Despite this, there was a net inflow on working capital (excluding rent) in the year of £7.4m (2020: outflow of £2.4m) which reflects the business returning to more normal creditor levels following the re-opening of gyms in April.

The above inflows were partially offset by a net outflow on rent working capital of £2.9m (2020: inflow of £3.7m), reflecting the unwind of deferred rents from 2020 and a general return to more normal rental payment patterns. As at 31 December 2021, £2.1m of rent deferrals remained outstanding (31 December 2020: £3.8m). 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 2021 was £2.6m (2020: £1.4m).

Fixed asset additions in respect of maintenance capital expenditure remained relatively low in the year at £4.7m (2020: £6.1m) as we focused only on repairs required for health and safety reasons to conserve cash where possible in the first half of the year. Adjusting for the movement in capital creditors, the cash flow from maintenance capex was £3.9m (2020: £7.4m). We expect expenditure on maintenance to return to more normal levels in 2022.

Fixed asset additions in respect of expansionary capital expenditure in the period amounted to £29.4m (2020: £18.5m) and relate to the Group's investment in the fit-out of new and acquired gyms and technology projects. The fit-out costs are stated net of contributions towards landlord building costs. During the year, we opened 19 new sites and completed work on a further site which was opened in January 2022, spending a total of £24.2m. The investment in technology in the year of £5.2m relates largely to enhancements made to the member experience, including improvements to the Group's website and new functionality in the app. Adjusting for the movement in capital creditors, the cash flow from expansionary capital expenditure was £29.0m (2020: £21.8m), including £7.2m funded by finance leases (2020: £nil).

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 was 177,560,022. The proceeds of the share issue are being used to accelerate the Group's site rollout programme.

Balance sheet

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Non-current assets	549.9	521.9
Current assets	14.8	10.5
Current liabilities	(57.4)	(43.1)
Non-current liabilities	(355.2)	(334.9)
Net assets	**152.1**	**154.4**

Non-current assets increased in the year by £28.0m to £549.9m due to the opening of 19 additional sites in the year which resulted in an increase in the right-of-use assets. The deferred tax asset also increased as a result of the increased losses in the year 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 year by £4.3m, reflecting a higher cash balance at year end.

Current liabilities increased in the year by £14.3m as we saw a return to more normal trade payables as sites were fully open this year end. Lease liabilities were also higher, reflecting the new site openings.

Non-current liabilities largely comprise the long-term element of the Group's lease liabilities and drawn bank debt. The increase in the year of £20.3m reflects the inception of new leases on the new sites, partly offset by £5.0m lower bank borrowings.

At 31 December 2021, the Group had Non-Property Net Debt of £44.1m (31 December 2020: £47.3m) comprising drawn facilities of £45.0m and finance leases of £6.4m, less cash of £7.3m. Deferred rent and VAT at the balance sheet date amounted to £2.1m and £0.2m respectively. During the year, the Group agreed with its lenders a waiver for both the March and June 2021 covenants as a result of the extended lockdown period.

In March 2022, the Group obtained credit committee approval from its banks for certain changes to its RCF facility. These included a one-year extension of Facility A (£70m) to October 2024; the cancellation in full of the temporary Facility B (£30m) and replacement with a new £10m facility to October 2024; and further relaxation of finance lease restrictions.

Going concern

The Board has reviewed the financial forecasts and downside scenarios of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2023. As a result, the Directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Group's current and forecast liquidity position; the continued positive momentum with regards the COVID-19 situation and success of the UK booster 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 Consolidated Financial Statements.

Trading update and outlook

In the first two months of the year, membership levels increased by 14.9% to 825,000 at 28 February 2022, despite the Omicron variant temporarily interrupting the improving consumer confidence. Sites in the North and in suburban locations are recovering more quickly than locations in the South and in city centres, reflecting both the Omicron-related work from home guidance and more disrupted working routines in those areas. This pattern gives us confidence that, as the normalisation of routines occurs across the country, we will see stronger recovery in the rest of our estate.

Taking this uneven pattern into account, we expect that, on a like-for-like basis, mature sites will be at pre-COVID levels of revenue per month by Q4 2022 and higher in 2023. This will be driven by a combination of the momentum in membership numbers and price increases in 2022 as we seek to optimise revenue through yield management, whilst retaining price leadership in the market. In the current inflationary environment, we are seeing inflation in our operating cost base which is expected to be 4-6% overall (driven notably by a c.£2m increase in utility costs in the second half). Whilst these increases will not be fully offset through price rises and operational efficiency in 2022, we expect that by 2023 they will be offset as the full benefit of the price rises starts to come through.

We plan to open 28 new sites in 2022, of which 20 leases have already been exchanged. Maintenance capital expenditure is expected to return to more normal levels of 6-7% of revenue (c.£12m) in 2022 in order to maintain our high quality gym experience; and expenditure on technology capital expenditure is expected to be c.3% of revenue. The new technology platform that will be launched in Q2 is expected to drive online conversion and member experience. The brand transformation project, the rollout of which is expected to commence in spring 2022, will increase brand awareness and marketing effectiveness and will require a £7m one-off investment in 2022 (of which £5m will be capital expenditure).

Key Performance Indicators

Definition of Non-statutory Measures

- *Group Adjusted EBITDA* – operating profit before depreciation, amortisation, long-term employee incentive costs and non-underlying items.
- *Normalised Rent* – 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 Loss/Profit before Tax* – loss/profit before tax before non-underlying items.
- *Adjusted Earnings* – loss/profit for the year before non-underlying items and the related tax effect.
- *Basic Adjusted EPS* – loss/profit for the year before non-underlying items and the related tax effect, divided by the basic weighted average number of shares.
- *Group Operating Cash Flow* – Group Adjusted EBITDA Less Normalised Rent, movement in working capital and maintenance capital expenditure.
- *Free Cash Flow* – Group Operating Cash Flow less cash non-underlying items, bank and non-property lease interest and tax.
- *Non-Property Net Debt* – bank and non-property lease debt less cash and cash equivalents.
- *Mature Gym Site EBITDA* – Group Adjusted EBITDA Less Normalised Rent contributed by mature sites.
- *Return On Invested Capital of Mature Sites* – Mature Gym Site EBITDA divided by total capital initially invested in the mature sites.
- *Maintenance capital expenditure* – costs of replacement gym equipment and premises refurbishment.
- *Expansionary capital expenditure* – costs of fit-out of new gyms (both organic and acquired), technology projects and other strategic projects. It is stated net of contributions towards landlord building costs.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

		Year ended 31 December 2021			Year ended 31 December 2020 (Re-presented*)		
		Underlying	Non-underlying (note 5)	Total	Underlying	Non-underlying (note 5)	Total
	Note	£m	£m	£m	£m	£m	£m
Revenue	4	106.0	-	106.0	80.5	-	80.5
Cost of sales		(1.7)	-	(1.7)	(2.1)	-	(2.1)
Gross profit		**104.3**	**-**	**104.3**	**78.4**	**-**	**78.4**
Other income		7.3	-	7.3	0.4	-	0.4
Operating expenses before depreciation, amortisation & impairment		(79.1)	(2.3)	(81.4)	(62.7)	0.5	(62.2)
Depreciation, amortisation & impairment	8,9	(52.7)	(4.2)	(56.9)	(48.0)	(2.5)	(50.5)
Operating loss		**(20.2)**	**(6.5)**	**(26.7)**	**(31.9)**	**(2.0)**	**(33.9)**
Finance costs		(16.6)	(0.9)	(17.5)	(14.6)	1.3	(13.3)
Loss before tax		**(36.8)**	**(7.4)**	**(44.2)**	**(46.5)**	**(0.7)**	**(47.2)**
Tax credit/(charge)	6	8.3	0.5	8.8	11.1	(0.3)	10.8
Loss for the year attributable to equity shareholders		**(28.5)**	**(6.9)**	**(35.4)**	**(35.4)**	**(1.0)**	**(36.4)**
Other comprehensive income for the year							
Items that may be reclassified to profit or loss							
Changes in the fair value of derivative financial instruments		0.1	-	0.1	-	-	-
Total comprehensive expense attributable to equity shareholders		**(28.4)**	**(6.9)**	**(35.3)**	**(35.4)**	**(1.0)**	**(36.4)**
Loss per share (p)	7						
Basic and diluted		**(16.7)**		**(20.7)**	(22.5)		(23.1)

* During the year, the Directors agreed to change the way they present the consolidated income statement and adopt a columnar format because they believe this provides the reader with supplemental data relating to the financial condition and results of operations. See Note 2 for further details.

Reconciliation of Operating Loss to Group Adjusted EBITDA Less Normalised Rent[1]

		Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Operating loss			**(26.7)**	**(33.9)**
Add:	Non-underlying operating items	5	6.5	2.0
	Long-term employee incentive costs (included in Operating expenses)		2.9	0.7
	Underlying depreciation & amortisation	8,9	52.7	48.0
Group Adjusted EBITDA			**35.4**	**16.8**
Normalised Rent[2]			(29.7)	(27.0)
Group Adjusted EBITDA less Normalised Rent[1]			**5.7**	**(10.2)**

1 Group Adjusted EBITDA less Normalised Rent is a non-statutory metric used internally by management and externally by investors. It is calculated as operating profit before depreciation, amortisation, long term employee incentive costs and non-underlying items, and after deducting Normalised Rent.

2 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.

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	31 December 2021 £m	31 December 2020 £m
Non-current assets			
Property, plant and equipment	8	165.6	171.3
Right-of-use assets	9	281.2	255.6
Intangible assets		86.0	86.4
Investments in financial assets		1.0	1.0
Deferred tax assets		16.1	7.6
Total non-current assets		**549.9**	521.9
Current assets			
Inventories		0.3	0.3
Trade and other receivables		6.3	6.3
Income taxes receivable		0.9	0.2
Cash and cash equivalents		7.3	3.7
Total current assets		**14.8**	10.5
Total assets		**564.7**	**532.4**
Current liabilities			
Trade and other payables		30.4	18.7
Lease liabilities		27.0	21.8
Other financial liabilities		-	2.6
Total current liabilities		**57.4**	43.1
Non-current liabilities			
Borrowings	10	44.3	49.2
Lease liabilities		309.3	284.5
Provisions		1.6	1.2
Total non-current liabilities		**355.2**	334.9
Total liabilities		**412.6**	**378.0**
Net assets		**152.1**	**154.4**
Capital and reserves			
Own shares held		0.1	0.1
Share premium		189.7	159.5
Hedging reserve		(0.1)	(0.2)
Merger reserve		39.9	39.9
Retained deficit		(77.5)	(44.9)
Total equity shareholders' funds		**152.1**	**154.4**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Own shares held	Share premium	Hedging reserve	Merger reserve	Retained deficit	Total
		£m	£m	£m	£m	£m	£m
At 1 January 2020		**0.1**	**159.5**	**(0.2)**	**-**	**(9.2)**	**150.2**
Loss for the year and total comprehensive expense		-	-	-	-	(36.4)	(36.4)
Issue of ordinary share capital	11	-	-	-	39.9	-	39.9
Share-based payments	12	-	-	-	-	0.8	0.8
Deferred tax on share-based payments		-	-	-	-	(0.1)	(0.1)
At 31 December 2020		**0.1**	**159.5**	**(0.2)**	**39.9**	**(44.9)**	**154.4**
Loss for the year		-	-	-	-	(35.3)	**(35.3)**
Other comprehensive income for the year		-	-	0.1	-	-	**0.1**
Total comprehensive expense		-	-	0.1	-	(35.3)	**(35.2)**
Issue of ordinary share capital	11	-	30.2	-	-	-	**30.2**
Share-based payments	12	-	-	-	-	2.4	**2.4**
Deferred tax on share-based payments		-	-	-	-	0.3	**0.3**
At 31 December 2021		**0.1**	**189.7**	**(0.1)**	**39.9**	**(77.5)**	**152.1**

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Cash flows from operating activities			
Loss before tax		(44.2)	(47.2)
Adjustments for:			
Finance costs		17.5	13.3
Non-underlying operating items		6.5	2.0
Underlying depreciation of property, plant & equipment	8	23.6	23.9
Underlying depreciation of right-of-use assets	9	23.5	21.3
Underlying amortisation of intangible assets		5.4	2.9
Long-term employee incentive costs	12	2.9	0.7
Rent concessions		(1.6)	(0.7)
Loss on disposal of property, plant & equipment and right-of-use assets		0.4	0.7
Decrease in inventories		-	0.4
(Increase)/decrease in trade and other receivables		(0.3)	3.4
Increase/(decrease) in trade and other payables		10.1	(5.6)
Payment of deferred consideration		(2.6)	(1.3)
Cash generated from operations		**41.2**	**13.8**
Tax (paid)/received		(0.1)	2.4
Net cash inflow from operating activities before non-underlying items		**41.1**	**16.2**
Non-underlying items		(2.2)	(0.9)
Net cash inflow from operating activities		**38.9**	**15.3**
Cash flows from investing activities			
Payment for financial assets at fair value through profit and loss		-	(1.0)
Purchase of property, plant & equipment	8	(20.5)	(25.5)
Purchase of intangible assets		(5.2)	(3.8)
Net cash outflow used in investing activities		**(25.7)**	**(30.3)**
Cash flows from financing activities			
Repayment of lease liability principal		(17.7)	(9.9)
Lease interest paid		(14.2)	(12.7)
Bank interest paid		(1.8)	(1.8)
Payment of financing fees		(0.2)	(0.4)
Drawdown of bank loans		30.0	41.0
Repayment of bank loans		(36.0)	(40.0)
Proceeds of issue of ordinary shares		31.2	41.3
Costs associated with share issue		(0.9)	(1.4)
Net cash flow (used in)/from financing activities		**(9.6)**	**16.1**
Net increase in cash and cash equivalents		**3.6**	**1.1**
Cash and cash equivalents at the start of the year		3.7	2.6
Cash and cash equivalents at the end of the year		**7.3**	**3.7**

Notes to the Consolidated Financial Information

1. General information

The Gym Group plc ('the Company') and its subsidiaries ('the Group') operate low cost, high quality, 24/7, no contract gyms. The Company is a public limited company whose shares are publicly traded on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The registered address of the Company is 5th Floor, OneCroydon, 12-16 Addiscombe Road, Croydon, CR0 0XT, United Kingdom.

The financial information set out above does not constitute statutory accounts for the years ended 31 December 2021 or 2020 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 2021 and 2020 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, in 2020 Ernst & Young LLP did include a reference within their report drawing attention to material uncertainty related to going concern arising from the uncertainty at that time of the impact of the COVID-19 pandemic on the Group's business.

The Consolidated Financial Statements for the year ended 31 December 2020 have been filed with the Registrar of Companies, and those for 2021 will be delivered in due course subject to their approval by the Company's shareholders at the Company's Annual General Meeting on 12 May 2022.

2. Basis of preparation

The financial statements have been prepared in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority (where applicable), international accounting standards in conformity with the requirements of the Companies Act 2006, and United Kingdom adopted international accounting standards. The accounting policies applied are consistent with those described in the Annual Report and Accounts for the year ended 31 December 2020 of the Group, except in relation to the presentation of the Group Income Statement where the Directors have adopted a columnar format (see below for further details). The functional currency of each entity in the Group is pounds sterling. The Consolidated Financial Statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds, except where otherwise indicated.

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.

During the year, the Directors decided to change the way they present the consolidated income statement to provide the reader with supplemental data relating to the financial condition and results of operations. The principal changes that have been adopted are:

- Presentation of the profits in a three-column format showing 'Underlying', 'Non-underlying' and 'Total' numbers. Items of income and expense that are material by their size and/or nature and are not considered to be incurred in the normal course of business, are classified as non-underlying items on the face of the income statement within their relevant category.
- Presentation of 'Operating expenses before depreciation, amortisation and impairment' and 'Depreciation, amortisation and impairment' separately on the face of the consolidated income statement; previously both were summed together and shown as 'Administration expenses'. As a result of this change, expenses are now presented on the face of the income statement as a mixture of by nature and by function with a note to the financial statements showing the analysis by nature.

The Group presents profit for the year before non-underlying items as the Directors believe that this shows more clearly the trends in the Group's business and gives an indication of the Group's ongoing sustainable performance. The Directors believe the changes above also provide the reader with additional and relevant information as well as providing better linkage with the numbers discussed in the Financial Review by simplifying the reconciliation to Group Adjusted EBITDA Less Normalised Rent.

2. Basis of preparation (continued)

Items of income and expense that are material by their size and/or nature and are not considered to be incurred in the normal course of business, are classified as non-underlying items on the face of the income statement within their relevant category. Further details are provided in note 5.

Going concern

In assessing the going concern position of the Group for the year ended 31 December 2021, the Directors have considered the following:

- the Group's trading performance in the second half of 2021 and throughout the traditional January and February peak period;
- future expected trading performance to June 2023 (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 financing arrangements and relationship with its lenders and shareholders.

Following the re-opening of gyms in April 2021, trading in the second half of 2021 was solid with total membership increasing from 547,000 at the end of February 2021 to 718,000 at the end of December 2021. Trading in the first two months of 2022 which is traditionally the peak period for gym memberships, has been strong, with membership numbers at the end of February 2022 reaching 825,000.

The Directors believe that the current 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 Directors are now focused on delivering that opportunity. We opened 19 new gyms in 2021 which are performing in line with our expectations, and have plans to open a further 28 in 2022.

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, certain restrictions in the Group's banking facilities around capital expenditure and finance lease debt were relaxed.

As at 31 December 2021, the Group had Non-Property Net Debt (including finance leases) of £44.1m and £62.3m of headroom (calculated off bank debt less cash) under the £100m Revolving Credit Facility ('RCF') (reducing to £75m in March 2022 before increasing to £80m in May 2022 and maturing in October 2024).

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 consist of quarterly tests on leverage (net debt to Group Adjusted EBITDA Less Normalised Rent), fixed charge cover (Adjusted EBITDAR to Net Finance Charges and Normalised Rent) and minimum liquidity.

The Group's base case forecast for the period to 30 June 2023 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 slower recovery in which membership numbers only return to 88% of pre-pandemic levels (December 2019) by the end of the going concern period. 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 a reverse stress test scenario that modelled the impact of a significant downturn in trading and resulting drop in membership numbers. Mitigating actions were also modelled including moving to a minimum level of maintenance capital expenditure, reducing discretionary expenditure in order to preserve cash and a deliberate slowing down or temporary cessation of the rollout programme. In this scenario, the number of new members each month would have to decline by 26% compared to the base case (the equivalent of membership reducing to 82% of the February 2022 closing membership number) before the fixed charges cover covenant would be breached in December 2022. However, the Group would remain within its liquidity limits.

In the event of a reverse stress test scenario, the Directors would introduce additional measures to mitigate the impact on the Group's liquidity, covenants and cash flow including: (i) further reductions in controllable operating costs, marketing and capital expenditure; (ii) discussions with lenders to secure additional debt facilities and/or covenant waivers; (iii) deferral of, or reductions in, rent payments to landlords; and (iv) the potential to raise additional funds from third parties.

2. Basis of preparation (continued)

Going concern (continued)

The Directors believe that the success of the UK's booster vaccination programme and the fact that all sectors of the economy remained open for business during winter 2021/22, despite the recent Omicron outbreak, are strong indicators that further prolonged periods of enforced closure are highly 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 in months when gyms are fully open, and our relatively low gearing. As a result, in the unlikely event there was another national lockdown, 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 during previous lockdown periods. The Directors therefore consider that the combination of a lockdown and a subsequent lack of flexibility from the banks is remote.

Conclusion

The Board has reviewed the financial forecasts and downside scenarios of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2023. As a result, the Directors continue to adopt the going concern basis in preparing these 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 continued positive momentum with regards the COVID-19 situation and success of the UK booster 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:

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

The practical expedient has been applied to the Group's hedging arrangements in the current financial year and has had no impact on the consolidated financial statements. The Group intends to use the practical expedients in future periods for changes in the interest rates on the Group's borrowings.

COVID-19-Related Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

In the current and prior financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in March 2021 and May 2020) in advance of their effective dates. As permitted by this concession, the Group has derecognised £1.6 million (2020: £0.7 million) of the lease liability that has been extinguished by the forgiveness of lease payments on buildings.

4. Revenue

The principal revenue streams for the Group are membership income, rental income from personal trainers and ancillary income. The majority of revenue is derived from contracts with customers and all revenue arises in the United Kingdom.

Disaggregation of revenue
In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition.

	Year ended 31 December 2021	Year ended 31 December 2020
	£m	**£m**
Major products/service lines		
Membership income	100.8	77.0
Rental income from personal trainers	4.0	2.5
Ancillary income	1.2	1.0
	106.0	**80.5**
Timing of revenue recognition		
Products transferred at a point in time	1.8	1.2
Products and services transferred over time	104.2	79.3
	106.0	**80.5**

Contract liabilities at 31 December 2021 amounted to £8.4m (2020: £6.4m).

5. Non-underlying items

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Affecting operating expenses before depreciation, amortisation and impairment		
Costs of major strategic projects and investments	**1.8**	-
Restructuring and reorganisation costs (including site closures)	**0.5**	0.3
Adjustment to net assets acquired in business combinations	**-**	(0.2)
Gain on reduction of lease term	**-**	(0.6)
Total affecting operating expenses before depreciation, amortisation and impairment	**2.3**	(0.5)
Affecting depreciation, amortisation and impairment		
Impairment of property, plant & equipment, right-of-use assets and intangibles	**4.0**	1.6
Amortisation of business combination intangible assets	**0.2**	0.9
Total affecting depreciation, amortisation and impairment	**4.2**	2.5
Total affecting operating expenses[2]	**6.5**	2.0
Affecting finance costs		
Remeasurement of borrowings	**0.8**	(1.3)
Refinancing costs	**0.1**	-
Total affecting finance costs	**0.9**	(1.3)
Total all non-underlying items before tax	**7.4**	0.7
Tax on non-underlying items	**(0.5)**	0.3
Total non-underlying charge in income statement	**6.9**	1.0

Costs of major strategic projects and investments

Costs of major strategic projects and investments in the year include costs incurred to date in respect of the brand transformation project. Also included here are the costs incurred in relation to the exploration of a potential strategic investment and the costs associated with the acquisition of the trade and assets of a portfolio of three sites trading under the Fitness First brand name, details of which are included in note 13.

The brand transformation project which commenced in the second half of 2021 and is expected to complete in 2022, involves creating a new visual identity for our brand and a change of our external brand from 'The Gym' to 'The Gym Group'. This will drive consistency across the estate and bring the brand name into line with our website URL. The new visual identity will be employed in all new sites from Q2 onwards, and a full rebranding of the existing sites, the website and other digital collateral will be implemented from the end of September. By the September/October marketing campaign, all marketing will also be using the updated brand.

Restructuring and reorganisation costs (including site closure costs)

Restructuring costs in the year relate to the cost of restructuring the senior leadership team within central support as well as additional costs associated with the closure of three sites previously announced where the lease surrender to the landlord has been delayed to 2022. Prior year costs relate primarily to the restructuring of the central support team in June 2020 in which headcount was reduced by 22%, offset by a release of provision in relation to the three sites earmarked for closure.

[2] Depreciation, amortisation and impairment are non-cash items. Of the other items affecting operating expenses, £2.2m are cash outflows (2020: cash outflow of £0.9m).

5. Non-underlying items (continued)

Adjustment to net assets acquired in business combinations
Certain provisions that were recognised as part of the acquisition of gyms from easyGym were released in the prior year as the costs are unlikely to be incurred.

Gain on reduction of lease term
The landlord on one of our sites reduced the lease term and in exchange for doing so the lease was renegotiated in 2020. As a consequence of the renegotiation, the Group recognised a one-off gain of £0.6 million in the prior year related to the remeasurement of the lease liability and associated right-of-use asset.

Impairment of property, plant and equipment, right of use assets and intangibles
Impairment costs in the year relate to the write down of assets in four city centre sites which have been particularly hard hit by the COVID-19 pandemic and where recovery is slower than in the rest of estate. For these sites, the discounted present value of future cash flows using a pre-tax discount rate of 11.9% does not support the full value of the assets. The prior year impairment costs include the write down of assets in one site where the discounted present value of future cash flows using a pre-tax discount rate of 11.1% does not support the full value of the assets. The prior year also included an additional £0.8 million impairment for one site which was announced as closing in 2019 where the lease surrender was delayed.

Amortisation of business combination intangible assets
This includes the amortisation cost of intangible assets acquired as part of the Lifestyle and easyGym acquisitions.

Remeasurement of borrowings
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.

Refinancing costs
Refinancing costs relate to non-capitalisable costs incurred in relation to the renegotiation of the Group's banking facility.

Tax on non-underlying items
This represents the tax charge or credit arising on the Group's non-underlying items, calculated at the current tax rate.

6. Taxation

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

	Year ended 31 December 2021	Year ended 31 December 2020
	£m	£m
Current income tax		
Current tax on profits for the period	(0.3)	(2.5)
Adjustments in respect of prior years	(0.3)	(0.5)
Total current income tax	**(0.6)**	(3.0)
Deferred tax		
Origination and reversal of temporary differences	(7.7)	(6.4)
Change in tax rates	(3.0)	-
Adjustments in respect of prior years	2.5	(1.4)
Total deferred tax	**(8.2)**	**(7.8)**
Tax credit	**(8.8)**	**(10.8)**

The effective tax rate on the statutory loss before tax for the year ended 31 December 2021 was 19.9% (2020: 22.9%). Excluding the tax effect of non-underlying items, the effective tax rate on the underlying loss before tax for the year ended 31 December 2021 was 22.6% (2020: 23.9%). The net deferred tax asset recognised at 31 December 2021 was £16.1m (31 December 2020: £7.6m). This comprised deferred tax assets in respect of all tax losses and other timing differences where the Directors believe it is probable that these will be recovered within reasonable future periods.

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 year ended 31 December 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.

	Year ended 31 December 2021	**Year ended 31 December 2020**
Loss (£m)		
Loss for the year attributable to equity shareholders	**(35.4)**	(36.4)
Adjustment for non-underlying items	**6.9**	1.0
Adjusted loss for the year attributable to equity shareholders	**(28.5)**	(35.4)
Weighted average number of shares		
Basic and diluted weighted average number of shares	**171,060,028**	157,292,003
Earnings per share (p)		
Basic and diluted loss per share	**(20.7)**	(23.1)
Adjusted basic and diluted loss per share	**(16.7)**	(22.5)

At 31 December 2021, 5,260,315 share awards (2020: 4,125,842) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would be anti-dilutive.

8. Property, plant and equipment

	Assets under construction	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2020	3.7	176.7	11.9	79.2	3.2	274.7
Additions[1]	2.3	13.4	0.2	5.1	0.4	21.4
Disposals	(0.2)	(0.4)	-	(0.8)	-	(1.4)
Transfers[1]	(3.5)	3.3	(0.8)	1.0	-	-
Transfers to right-of-use assets	-	(1.1)	-	-	-	(1.1)
At 31 December 2020	**2.3**	**191.9**	**11.3**	**84.5**	**3.6**	**293.6**
Additions	1.9	16.4	0.2	2.5	0.7	21.7
Disposals	(0.1)	(1.5)	-	(0.5)	-	(2.1)
Transfers	(2.0)	1.9	-	0.1	-	-
At 31 December 2021	**2.1**	**208.7**	**11.5**	**86.6**	**4.3**	**313.2**
Accumulated depreciation						
At 1 January 2020	-	(48.9)	(6.8)	(40.7)	(2.3)	(98.7)
Charge for the year	-	(13.9)	(1.2)	(8.2)	(0.6)	(23.9)
Impairment	-	(0.8)	-	(0.2)	-	(1.0)
Disposals	-	0.3	-	0.7	-	1.0
Transfers to right-of-use assets	-	0.3	-	-	-	0.3
At 31 December 2020	**-**	**(63.0)**	**(8.0)**	**(48.4)**	**(2.9)**	**(122.3)**
Charge for the year	-	(14.6)	(1.1)	(7.4)	(0.5)	(23.6)
Impairment	-	(2.8)	-	(0.4)	-	(3.2)
Disposals	-	1.2	-	0.3	-	1.5
At 31 December 2021	**-**	**(79.2)**	**(9.1)**	**(55.9)**	**(3.4)**	**(147.6)**
At 31 December 2020	2.3	128.9	3.3	36.1	0.7	171.3
At 31 December 2021	**2.1**	**129.5**	**2.4**	**30.7**	**0.9**	**165.6**

[1]Additions and transfers have been restated for 2020 due to the incorrect classification of assets acquired during the year between Assets under construction and the various other fixed asset categories.

Included within additions for the year are £nil of capitalised interest (2020: £0.1 million), £0.1 million of capital contributions from landlords not yet received (2020: £0.2 million) and £2.2 million of accrued capital expenditure (2020: £0.9 million).

Outstanding capital commitments at 31 December 2021 totalled £2.9m (31 December 2020: £2.2m).

9. Right-of-Use Assets and Leases

	Property leases £m	Non-property leases £m	Total £m
Cost			
At 1 January 2020	307.9	-	307.9
Additions	38.0	-	38.0
Disposals	(1.6)	-	(1.6)
Transfers from leasehold improvements	1.1	-	1.1
At 31 December 2020	**345.4**	**-**	**345.4**
Additions	42.8	7.2	50.0
At 31 December 2021	**388.2**	**7.2**	**395.4**
Accumulated depreciation			
At 1 January 2020	(69.1)	-	(69.1)
Charge for the year	(21.3)	-	(21.3)
Impairment	(0.6)	-	(0.6)
Disposals	1.6	-	1.6
Transfers from leasehold improvements	(0.4)	-	(0.4)
At 31 December 2020	**(89.8)**	**-**	**(89.8)**
Charge for the year	(23.3)	(0.2)	(23.5)
Impairment	(0.9)	-	(0.9)
At 31 December 2021	**(114.0)**	**(0.2)**	**(114.2)**
Net book value			
At 31 December 2020	255.6	-	255.6
At 31 December 2021	**274.2**	**7.0**	**281.2**

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

	31 December 2021 £m	31 December 2020 £m
Current	27.0	21.8
Non-current	309.3	284.5
Total Lease liabilities	**336.3**	**306.3**

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

The maturity analysis of lease liabilities is as follows:

	31 December 2021	31 December 2020
	£m	£m
Within one year	39.1	34.6
Greater than one year but less than two years	37.8	32.4
Greater than two years but less than three years	37.8	32.4
Greater than three years but less than four years	35.4	32.7
Greater than four years but less than five years	35.5	32.2
Five years or more	242.7	232.3
	428.3	**396.6**
Less: unearned interest	(92.0)	(90.3)
Total Lease liabilities	**336.3**	**306.3**

During the year, the Group entered into a leasing arrangement with a total available facility of £9.5m to finance the fit-out of new gyms. As at 31 December 2021, the amount outstanding on this facility was £6.4m.

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 £1.6m (2020: £0.7m) has been included as a credit within underlying operating 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

	31 December 2021	31 December 2020
	£m	£m
Revolving credit facility	45.0	51.0
Remeasurement adjustment	(0.3)	(1.2)
Revolving credit facility carrying value	44.7	49.8
Loan arrangement fees	(0.4)	(0.6)
	44.3	**49.2**

The Group has £100 million of available facilities under a Revolving Credit Facility (‘RCF’). The facility is syndicated to a three-lender panel of HSBC, NatWest 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’). In July 2021, at the same time as the equity placing, certain restrictions in the Group’s banking facilities around capital expenditure and non-property lease debt were relaxed.

The funds borrowed under the New Bank Facility bear interest at a minimum annual rate of 2.60% (2020: 2.60%) above the appropriate sterling LIBOR. Following the abolition of sterling LIBOR rates on 1 January 2022, the underlying interest rate for the debt will transition to Sterling Overnight Index Average (SONIA) plus a credit adjustment spread.

The average interest rate paid in the year on drawn funds under the new facility is 2.67% (2020: 2.28%). Undrawn funds bear interest at a minimum annual rate of 0.91% (2020: 0.91%).

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

10. Borrowings (continued)

In March 2022, the Group obtained credit committee approval from its banks for certain changes to its RCF facility. These included a one-year extension of Facility A (£70m) to October 2024; the cancellation in full of the temporary Facility B (£30m) and replacement with a new £10m Facility to October 2024; and further relaxation of finance lease restrictions. Funds borrowed under the RCF will bear interest at a minimum rate of 2.85%. Prior to formal documentation of these agreed changes, Facility A and Facility B remain in place.

The proportion of the revolving credit facility that was undrawn and available at 31 December 2021 was £55.0m (31 December 2020: £49.0m).

Non-Property Net Debt

	31 December 2021	31 December 2020
	£m	£m
Borrowings	45.0	51.0
Less: Cash and cash equivalents	(7.3)	(3.7)
Non-Property Net Debt excluding non-property leases	37.7	47.3
Non-Property leases (note 9)	6.4	-
Non-Property Net Debt	**44.1**	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 31 December 2021 is 177,519,174 (31 December 2020: 165,751,888).

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 year, 984,231 shares were granted under the PSP and 45,626 under the SIP. These grants and their vesting criteria are similar in nature to those awarded during 2020.

For the year ended 31 December 2021, the Group recognised a total charge of £2.9m (2020: £0.7m) in respect of the Group's share based long-term incentive plans and related employer's national insurance.

13. Subsequent events

In March 2022, the Group agreed to acquire the trade and assets of a portfolio of three sites trading under the Fitness First brand for total cash consideration of £5.5 million. The consideration will be paid on the date of completion, which is expected to be before the end of March 2022.

The sites to be acquired are in key residential areas within the M25 where the Group has consistently traded well. The acquisition complements the Group's existing growth strategy.

The acquired sites will be converted to The Gym Group brand in 2022, with total capital expenditure expected to be c.£2.5 million. Following conversion, the sites are expected to generate strong returns on capital at maturity.

Given the timing of the acquisition, we are yet to complete the assessment of the fair value of the assets to be acquired, including goodwill.

In March 2022, the Group also obtained credit committee approval from its banks for certain changes to its RCF facility. These include a one-year extension of Facility A (£70m) to October 2024; the cancellation in full of the temporary Facility B (£30m) and replacement with a new £10m Facility to October 2024; and further relaxation of finance lease restrictions. Funds borrowed under the RCF will bear interest at a minimum rate of 2.85%.