31 August 2016

The Gym Group Plc

('the Company' or 'The Gym')

2016 Interim Results

Continued strong growth in membership numbers and profitability

The Gym Group Plc, the fast growing, nationwide operator of 80 low cost gyms branded 'The Gym', announces its interim results for the six month period ended 30 June 2016.

Financial Highlights

- Revenue of £36.1 million, an increase of 25.1% (H1 2015: £28.9 million)
- Group Adjusted EBITDA[1] of £11.5 million, an increase of 35.2% (H1 2015: £8.5 million)
- Group Operating Cash Flow[2] of £13.5 million, an increase of 13.6% (H1 2015: £11.8 million)
- Adjusted profit before tax[3] of £4.6 million (H1 2015: loss of £0.8 million)
- Adjusted EPS[4] of 2.8 pence (H1 2015: loss of 3.3 pence)
- Statutory profit before tax of £3.4 million (H1 2015: loss of £3.3 million)
- Strong cash generation reduces net debt to £2.5 million (December 2015: £7.1 million)
- Maiden interim dividend of 0.25 pence declared

Operational Progress

- Six new gyms opened in H1 2016 increasing the total estate to 80
- 19.4% increase in membership numbers versus prior year to 424,000 (H1 2015: 355,000)
- Maturing sites driving profitability – Site EBITDA up 30.8% ahead of revenue growth demonstrating the Company's operational gearing
- Strong pipeline for H2 2016 and 2017 – expect to meet target of 15-20 new gyms per year
- Recently exchanged contracts on four sites from another operator
- 11.2 million visits in the period, up 2.1 million compared to H1 2015
- Gold Investors in People awarded

John Treharne, CEO of The Gym Group, commented:

"Excellent progress has been achieved so far in 2016 as demonstrated by the growth in membership. Our rollout is on track with six sites opened in H1. We remain on target for 15-20 for the year and have a strong pipeline for 2017. Our existing sites are performing well which has contributed to the Group's strong growth in profitability.

We are confident that our low cost, disruptive positioning in the market place, our well-developed roll out plans and our strong financial position bode well for further rapid and measured profitable development and progress, whatever the economic environment."

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

For further information, please contact

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[1] Group Adjusted EBITDA is calculated as operating profit before depreciation, amortisation, long term employee incentive costs, exceptional items and other income.
[2] Group Operating Cash Flow is calculated as Group Adjusted EBITDA less working capital less maintenance capital expenditures.
[3] Adjusted profit before tax is calculated as Group Adjusted EBITDA less depreciation, net finance costs and long term employee incentives.
[4] Adjusted EPS is calculated as the Group's profit for the period before amortisation, exceptional items, other income and the related tax effect, divided by the basic weighted average number of shares.

Forward-looking statements

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

Chief Executive's Review

Progress in the first half of 2016 has met the Board's expectations. Revenue of £36.1 million increased by 25.1% mainly as a result of the 22.8% growth of average members in H1 to 420,000 (H1 2015: 342,000). Average revenue per member per month increased by 1.6% to £14.31 (H1 2015: £14.08). We now have 80 sites open, with six openings so far this year and further openings scheduled for the last four months of the year to meet our 2016 target of 15-20. Our revenue growth is driven by the 2015 and 2016 site openings together with ongoing maturation of sites opened in 2014. At June 2016, we had 25 sites that had been open since December 2014, reflecting the relative immaturity and potential of our gym estate.

The increase in revenues and members is, as anticipated, translating into growth in profit. Group Adjusted EBITDA grew by £3.0 million to £11.5 million, up 35.2% (H1 2015: £8.5 million). Site EBITDA[1] increased by 30.8%, ahead of revenue growth, demonstrating the operational leverage inherent within our model. Our highly profitable business model aligned with disciplined site selection is enabling us to generate strong cash flows which are being invested into new sites. The business is approaching debt free status at the half year, with just £2.5 million of net debt. We have substantial firepower from which to fund and develop the business, with a total of £40.0 million of available financing facilities.

In light of this strong performance and its confidence in future cash flows, the Board has declared a maiden interim dividend of 0.25 pence per share.

I set out five key operational initiatives in our last Annual Report that will drive the future growth of our business. These are i) to continually improve the performance of our existing sites; ii) drive efficiencies from our low cost operating model; iii) continue to enhance the strong customer proposition; iv) rollout new sites from a strong pipeline; and v) focus on people. At the half year we are making progress against these priorities:

- Improve performance of existing sites. This involves bringing the new sites opened in the last two years to maturity and maintaining the performance and market positioning of the existing sites. EBITDA per site increased by 2.7% to £187,000 (H1 2015: £182,000) as the maturing of recent openings drives up the overall profitability of the business.

- Efficiencies from low cost operating model. Our operating discipline is shown in the strong margin performance and tight control over capital expenditure spent on new sites. Overall Site EBITDA margin grew to 41.5% (2015: 39.6%). We continue to open sites at an overall cost of between £1.3 million to £1.4 million per site, and in some instances where we can take on the appropriate type of building the cost is being reduced due to cost re-engineering.

- Strong customer proposition. The Gym originated the low cost gym concept and we are constantly examining ways to innovate further. Enhancements are being rolled out to improve classes, free weights provision and member zones in the gym. We are currently trialling innovative ways to provide more benefits to our members, including the creation of an e-shop and affiliate partnerships.

- Rollout new sites delivered from a strong pipeline: We opened six sites in the first half, of which four are within London. These are trading encouragingly and in line with our expectations. We have a strong opening programme for H2 including a number of sites within the M25 which will extend our presence within Greater London, including new sites at Sunbury, Lewisham and Dagenham. We currently expect to meet our target of 15-20 new sites for 2016. As in previous years, our openings are expected to be weighted towards Q4. The pipeline in 2017 is also building well and is much more developed than at the same time last year. As part of our rollout strategy we have recently exchanged contracts on four sites from another operator that meet our acquisition criteria and will be fitted out to our high specifications. The four sites following assignment of the leases, closure and fit out are likely to open in Q1 2017. We believe there is a substantial opportunity in the low cost gym market in which we operate with currently only 450 low cost Gyms across the UK.

- Focus on people. Considerable progress in the first half has been made in building the Executive team to support the business in its rapid growth. I am delighted that Nick Henwood has joined us as Operations Director having held similar roles at David Lloyd Leisure, Mothercare and Autoglass. Nick will help to build the quality of the member proposition. Barney Harrison joins as Marketing Director from Sky where he had extensive experience in customer acquisition within their subscription TV business in Ireland and also at Skybet. I would like to pay tribute to the enormous contribution to the growth of The Gym Group made by Jim Graham as COO over the last three years – Jim has decided to return to the private equity world from which he joined us and we wish him well. Our investment and commitment to all our people is shown by the award of the Gold Investors in People and it is key to our success that we maintain this strong culture and ethos as the business grows. We were pleased to enable all our employees to become shareholders in the business through a free shares issue in April this year.

During the second half of 2016 we will continue to progress, opening new sites and maturing the gyms that have been opened in the last two years. If the external environment becomes more challenging our value proposition will become even more attractive to consumers – The Gym Group opened its first gym in the wake of the financial crisis in 2008 and its model is designed to perform well in all types of economic conditions. I am confident that the business will continue to execute its strategy and deliver strongly, disrupting the market in which we operate. After a good first half we are on track to meet market expectations for profit for the full year and are confident that we will continue to make strong progress.

[1] Site EBITDA is calculated as Group Adjusted EBITDA contributed by the gym portfolio.

John Treharne
Chief Executive Officer
31 August 2016

Financial Review

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Movement
Revenue	36,079	28,850	25.1%
Group Adjusted EBITDA[1]	11,502	8,507	35.2%
Group Adjusted EBITDA before Pre-Opening Costs[2]	12,587	9,671	30.2%
Group Operating Cash Flow[3]	13,450	11,839	13.6%
Group Operating Cash Flow Conversion[4]	116.9%	139.2%	(16.0)%
Expansionary Capital Expenditure[5]	8,466	12,571	(32.7)%
Net Debt	2,497	55,674	(95.5)%
Total number of gyms	80	63	27.0%
Number of members	424	355	19.4%
Average number of members[6]	420	342	22.8%
Average revenue per member per month (£)[7]	14.31	14.08	1.6%

[1] Group Adjusted EBITDA is calculated as operating profit before depreciation, amortisation, exceptional items, long term employee incentive costs and other income.
[2] Group Adjusted EBITDA before Pre-Opening Costs is defined as Group Adjusted EBITDA excluding the costs associated with new site openings.
[3] Group Operating Cash Flow is calculated as Group Adjusted EBITDA less working capital less maintenance capital expenditures.
[4] Group Operating Cash Flow Conversion is calculated as Group Operating Cash Flow as a percentage of Group Adjusted EBITDA.
[5] Expansionary capital expenditure relates to the Group's investment in the fit-out of new gyms and central IT projects. It is stated gross of amounts funded by finance leasing (occurring in the prior period only) and net of contributions towards landlord building costs.
[6] Average number of members is calculated as the total number of members divided by the number of months in the period.
[7] Average revenue per member per month is calculated as revenue divided by the average number of members divided by the number of months in the period and has been calculated on a consistent basis for H1 2016 and H1 2015.

Continued focus on the Group's ongoing rollout strategy has increased the size of the estate to 80 sites, an increase of 17 sites compared to 30 June 2015. Membership numbers increased significantly to 424,000 compared to 355,000 as at 30 June 2015, an increase of 19.4%.

Group Adjusted EBITDA increased by 35.2% to £11.5 million (H1 2015: £8.5 million), with £1.1 million of costs incurred in relation to pre-opening costs during the period (H1 2015: £1.2 million).

Revenue

The average number of members for the half year increased by 22.8% to 420,000 (H1 2015: 342,000), driven by the increased size of the estate. Average revenue per member per month increased from £14.08 to £14.31.

As a result, revenue for the half year increased by 25.1% to £36.1 million (H1 2015: £28.9 million).

Group Adjusted EBITDA

Group Adjusted EBITDA increased from £8.5 million in the six months ended 30 June 2015 to £11.5 million for the six months ended 30 June 2016. Growth was driven by an increase in the size of the estate, as well as the average EBITDA per site[7] increasing by 2.7%. On average, each site contributed £187,000 to EBITDA, compared to £182,000 in H1 2015.

Group Adjusted EBITDA is adversely affected by pre-opening costs of £1.1 million compared to £1.2 million in the first half of 2015. As sites opened during 2014 and 2015 grow to maturity, Group Adjusted EBITDA before Pre-Opening Costs per site[8] increased from £154,000 in H1 2015 to £157,000 in the current period. This increase, combined with the growth of the overall estate, resulted in a 30.2% increase in Group Adjusted EBITDA before Pre-Opening Costs to £12.6 million (H1 2015: £9.7 million).

[7] Average EBITDA per site is calculated as Site EBITDA divided by the total number of gyms.
[8] Group Adjusted EBITDA before Pre-Opening Costs per site is calculated as Group Adjusted EBITDA before Pre-Opening Costs divided by the total number of gyms.

Result for the period

	Six months ended 30 June 2016 £'000	**Six months ended 30 June 2015 £'000**
Group Adjusted EBITDA	11,502	8,507
Exceptional items	(159)	(1,464)
Long term employee incentive costs	(471)	-
Depreciation	(6,079)	(4,878)
Amortisation	(1,028)	(1,069)
Net finance costs	(378)	(4,416)
Taxation	(850)	(688)
Profit / (loss) for the period	**2,537**	**(4,008)**

Significant exceptional costs were incurred in the six months ended 30 June 2015 in relation to the exploration of strategic options prior to the Group's IPO in November 2015, and in relation to the IPO itself. Exceptional costs of £0.2 million were incurred in the six months ended 30 June 2016 in relation to one-off strategic activities.

During the period the Group implemented the Performance Share Plan and Share Incentive Plan, which includes the issue of free shares and a partnership share scheme open to all employees. This resulted in a charge of £0.5 million.

Depreciation charges increased from £4.9 million in the prior period to £6.1 million in the six months ended 30 June 2016, largely as a result of the increased number of sites.

Net finance costs decreased significantly as a result of changes in the Group's financing structure on IPO.

The Group has incurred an income tax charge for the period of £0.1 million (H1 2015: £0.2 million). Taxable profits were largely offset by the utilisation of taxable losses. A deferred tax charge of £0.7 million (H1 2015: deferred tax credit of £0.9 million) has arisen mainly in relation to the same utilisation of losses.

Earnings

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000
Profit / (loss) before tax for the period	3,387	(3,320)
Amortisation of intangible assets	1,028	1,069
Exceptional items	159	1,464
Adjusted Profit Before Tax	**4,574**	**(787)**
Tax charge	(850)	(688)
Tax effect of adjustment items	(167)	(201)
Adjusted Earnings	**3,557**	**(1,676)**
Adjusted Earnings per Share (pence)	2.8	(3.3)

The tax charge was recognised based on management's best estimate of the annual income tax rate expected for the full financial year, applied to the profit before tax for the interim period. On this basis, the Group's tax charge was £0.9 million (H1 2015: £0.7 million). The effective tax rate on Adjusted Profit Before Tax was 22.2%.

Excluding the tax effect of the amortisation of acquired intangible assets and exceptional items (£167,000) and deferred tax adjustments in respect of prior years (£127,000), the effective tax rate on Adjusted Profit Before Tax for the half year ended 30 June 2016 was 25.0%.

Adjusted Earnings for the period increased by £5.2 million, from a loss of £1.7 million to a profit for the current period of £3.6 million as a result of the factors discussed above.

Adjusted Earnings per Share was a profit of 2.8 pence (H1 2015: loss of 3.3 pence). The improvement in Adjusted EPS results from both an increase in Adjusted Earnings and the dilution arising on the issue of shares on IPO.

Dividends

The Directors have declared an interim maiden dividend of 0.25 pence. The ex-dividend date is 8 September 2016, with a payment date of 30 September 2016.

Cash Flow and Net Debt

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000
Group Adjusted EBITDA	11,502	8,507
Movement in working capital	2,760	4,034
Maintenance capital expenditure	(812)	(702)
Group Operating Cash Flow	**13,450**	**11,839**
Expansionary capital expenditure	(8,466)	(12,571)
Exceptional items	(129)	(1,464)
Finance costs	(212)	(4,966)
Repayment of debt	-	(1,936)
Drawdown of loans	-	6,463
Net cash flow	**4,643**	**(2,635)**

The Group has delivered strong cash generation in the six months ended 30 June 2016, with Group Operating Cash Flow of £13.5 million compared to £11.8 million in the prior period due to an increase in Group Adjusted EBITDA resulting from a greater number of gyms.

Group Operating Cash Flow Conversion improved from 109.4% for the year ended 31 December 2015 to 116.9% for the current period.

Expansionary capital expenditure of £8.5 million arises as a result of the fit-out of new gyms.

	30 June 2016 £'000	30 June 2015 £'000
Net debt at 1 January	7,140	49,205
Group operating cash flow	(13,450)	(11,839)
Expansionary capital expenditure	8,466	12,571
Other non-operating cash flow	341	1,210
Drawdown of loans	-	6,463
Repayment of finance leases	-	(1,936)
Net debt at 30 June	**2,497**	**55,674**

Strong cash generation during the half year has resulted in a decrease in net debt to £2.5 million. The Group has drawn £10.0 million of its five year bullet repayment facility, with £25.0 million of the facility undrawn and available to fund new sites, working capital and capital expenditure. In addition, the Group has a £5.0 million revolving credit facility which was undrawn at 30 June 2016.

Principal Risks and Uncertainties

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

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

Management makes critical judgements in applying the Group's accounting policies in relation to depreciation and amortisation, goodwill impairment, provisions, income taxes and share based payments. A more detailed description of these estimations and uncertainties is included in the 2015 Annual Report, which can be obtained from the Company's registered office or from www.tggplc.com.

Going Concern

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

Cautionary Statement

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

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

Directors' Responsibility Statement

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

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

John Treharne
Chief Executive Officer
31 August 2016

Richard Darwin
Chief Financial Officer
31 August 2016

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 Unaudited £'000	Six months ended 30 June 2015 Audited £'000	Year ended 31 December 2015 Audited £'000
Revenue		36,079	28,850	59,979
Cost of sales		(419)	(518)	(1,073)
Gross profit		**35,660**	**28,332**	**58,906**
Administration expenses		(31,895)	(27,236)	(62,712)
Other income		-	-	1,105
Operating profit / (loss)		**3,765**	**1,096**	**(2,701)**
Finance income		13	233	265
Finance costs		(391)	(4,649)	(9,946)
Profit / (loss) before tax		**3,387**	**(3,320)**	**(12,382)**
Tax (charge) / credit	5	(850)	(688)	909
Profit / (loss) for the period attributable to equity shareholders		**2,537**	**(4,008)**	**(11,473)**
Other comprehensive income for the period		-	-	-
Total comprehensive income / (loss) attributable to equity shareholders		**2,537**	**(4,008)**	**(11,473)**
Earnings per share	4	**pence**	**pence**	**pence**
Basic		2.0	(8.0)	(19.0)
Diluted		2.0	(8.0)	(19.0)
Adjusted earnings per share	4			
Basic		2.8	(3.3)	(1.8)
Diluted		2.8	(3.3)	(1.8)

Reconciliation of operating profit to Group Adjusted EBITDA		**£'000**	**£'000**	**£'000**
Operating profit / (loss)		3,765	1,096	(2,701)
Depreciation of property, plant and equipment	6	6,079	4,878	10,907
Amortisation of intangible assets		1,028	1,069	2,308
Exceptional items	3	159	1,464	7,607
Other income		-	-	(1,105)
Long term employee incentive costs		471	-	-
Group Adjusted EBITDA		**11,502**	**8,507**	**17,016**

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Note	30 June 2016 Unaudited	30 June 2015 Audited	31 December 2015 Audited
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	6	88,837	75,975	85,237
Intangible assets		48,344	49,946	49,137
Deferred tax asset	5	-	-	177
Total non-current assets		137,181	125,921	134,551
Current assets				
Inventories		167	140	122
Trade and other receivables		7,044	5,971	5,654
Cash and cash equivalents		7,503	2,941	2,860
Total current assets		14,714	9,052	8,636
Total assets		**151,895**	**134,973**	**143,187**
Current liabilities				
Trade and other payables		30,520	26,780	25,546
Income taxes payable		116	10	-
Borrowings	7	-	4,039	-
Total current liabilities		30,636	30,829	25,546
Non-current liabilities				
Borrowings	7	9,072	74,040	8,966
Provisions		230	226	232
Derivative financial instruments		-	811	-
Deferred tax liabilities	5	557	1,482	-
Total non-current liabilities		9,859	76,559	9,198
Total liabilities		**40,495**	**107,388**	**34,744**
Net assets		**111,400**	**27,585**	**108,443**
Capital and reserves				
Issued capital	10	12	9	12
Own shares held		48	-	48
Capital redemption reserve		4	-	4
Share premium		136,280	48,982	136,280
Retained deficit		(24,944)	(21,406)	(27,901)
Total equity shareholders' funds		**111,400**	**27,585**	**108,443**

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Issued Capital	Own shares held	Capital redemption reserve	Share Premium	Retained deficit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2015 (audited)	9	-	-	48,974	(17,398)	31,585
Loss for the period and total comprehensive loss	-	-	-	-	(4,008)	(4,008)
Issue of Ordinary share capital	-	-	-	8	-	8
At 30 June 2015 (audited)	**9**	**-**	**-**	**48,982**	**(21,406)**	**27,585**
Loss for the period and total comprehensive loss	-	-	-	-	(7,465)	(7,465)
Share based payment charge	-	-	-	-	1,018	1,018
Conversion of preference share capital into Ordinary share capital	2	-	-	-	-	2
Cancellation of share capital	(4)	-	4	-	-	-
Issue and repurchase of share capital	-	48	-	-	(48)	-
Costs associated with the issue of share capital	-	-	-	(2,620)	-	(2,620)
Issue of Ordinary share capital	5	-	-	89,918	-	89,923
At 31 December 2015 (audited)	**12**	**48**	**4**	**136,280**	**(27,901)**	**108,443**
Profit for the period and total comprehensive income	-	-	-	-	2,537	2,537
Share based payment charge	-	-	-	-	420	420
At 30 June 2016 (unaudited)	**12**	**48**	**4**	**136,280**	**(24,944)**	**111,400**

Consolidated Cash Flow Statement

For the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 Unaudited £'000	Six months ended 30 June 2015 Audited £'000	Year ended 31 December 2015 Audited £'000
Cash flows from operating activities				
Cash generated from operations	8	14,262	12,541	21,364
Tax paid		-	-	(73)
Interest paid		(225)	(4,966)	(4,124)
Net cash flows from operating activities before exceptional items and other income		14,037	7,575	17,167
Other income		-	-	1,105
Exceptional items		(129)	(1,464)	(7,001)
Net cash flow from operating activities		**13,908**	**6,111**	**11,271**
Cash flows from investing activities				
Purchase of property, plant and equipment		(9,113)	(11,273)	(27,330)
Purchase of intangible assets		(165)	(145)	(575)
Interest received		13	-	16
Net cash flows used in investing activities		**(9,265)**	**(11,418)**	**(27,889)**
Cash flows from financing activities				
Proceeds of issue of Ordinary shares		-	8	89,931
Drawdown of bank loans		-	1,000	17,500
Payment of financing fees		-	-	(1,067)
Costs with IPO		-	-	(2,620)
Repayment of bank loans		-	-	(53,902)
Drawdown / (repayment) of shareholder loans		-	3,600	(22,699)
Repayment of finance leases		-	(1,936)	(13,241)
Net cash flows from financing activities		**-**	**2,672**	**13,902**
Net increase / (decrease) in cash and cash equivalents		4,643	(2,635)	(2,716)
Cash and cash equivalents at start of period		2,860	5,576	5,576
Cash and cash equivalents at end of period		**7,503**	**2,941**	**2,860**

Notes to the Interim Financial Statements

1. General information

The Directors of The Gym Group plc (the “Company”) present their interim report and the unaudited condensed consolidated financial statements for the six months ended 30 June 2016 (‘Interim Financial Statements’).

The Company is a public limited company, incorporated and domiciled in the UK. Its registered address is Woodbridge House, Woodbridge Meadows, Guildford, Surrey, GU1 1BA.

The Interim Financial Statements were approved by the Board of Directors on 30 August 2016.

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

The information shown for the year ended 31 December 2015 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and has been extracted from the Group’s Annual Report and Financial Statements for the year ended 31 December 2015.

The Interim Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2015, which were prepared in accordance with European Union endorsed International Financial Reporting Standards (‘IFRS’) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Annual Report and Financial Statements for 2015 have been filed with the Registrar of Companies. The Independent Auditors’ Report on the Annual Report and Financial Statements for 2015 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

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

2. Basis of preparation

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

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2015. A number of new European Union endorsed standards and amendments to existing standards are effective for periods beginning on or after 1 January 2016. However, none of these have a material, if any, impact on the annual or condensed interim consolidated financial statements of the Group in 2016.

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

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

3. Exceptional items

	Six months ended 30 June 2016 Unaudited £'000	Six months ended 30 June 2015 Audited £'000	Year ended 31 December 2015 Audited £'000
Costs in relation to IPO	-	727	5,731
Share based payment costs associated with IPO	-	-	1,018
Exploration of strategic options	159	689	809
Costs in relation to aborted merger with Pure Gym	-	48	49
	159	**1,464**	**7,607**

Other income received in the year ended 31 December 2015 of £1,105,000 (six months ended 30 June 2016: £nil, six months ended 30 June 2015: £nil) relates to a payment received on the surrender of a lease.

An additional £2,620,000 of exceptional costs associated with the issue of share capital as part of the IPO have been recognised directly in reserves in the year ended 31 December 2015.

4. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of Ordinary shares outstanding during the year, excluding unvested shares held pursuant to The Gym Group plc Share Incentive Plan and Performance Share Plan (see note 8).

As the Company issued shares and changed its capital structure on IPO during November 2015, the number of shares in the prior periods has been adjusted to match the post restructuring position such that the figures remain comparable.

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. During the six months ended 30 June 2016 the Group had potentially dilutive shares in the form of share options and unvested shares issued pursuant to The Gym Group plc Share Incentive Plan and Performance Share Plan (see note 8).

	Six months ended 30 June 2016 Unaudited	Six months ended 30 June 2015 Audited	Year ended 31 December 2015 Audited
Basic weighted average number of shares	128,105,275	50,227,896	60,485,605
Adjustment for share awards	222,896	-	-
Diluted weighted average number of shares	128,328,171	50,227,896	60,485,605
Basic earnings per share (p)	2.0	(8.0)	(19.0)
Diluted earnings per share (p)	2.0	(8.0)	(19.0)

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

	Six months ended 30 June 2016 Unaudited £'000	Six months ended 30 June 2015 Audited £'000	Year ended 31 December 2015 Audited £'000
Profit / (loss) for the period	2,537	(4,008)	(11,473)
Amortisation of intangible assets	1,028	1,069	2,308
Other income	-	-	(1,105)
Exceptional administration expenses	159	1,464	7,607
Exceptional finance costs	-	-	1,623
Tax effect of above items	(167)	(201)	(67)
Adjusted earnings	3,557	(1,676)	(1,107)
Basic adjusted earnings per share (p)	2.8	(3.3)	(1.8)
Diluted adjusted earnings per share (p)	2.8	(3.3)	(1.8)

5. Taxation

The major components of taxation are:

	Six months ended 30 June 2016 Unaudited £'000	Six months ended 30 June 2015 Audited £'000	Year ended 31 December 2015 Audited £'000
Current income tax			
Current tax on profits for the year	(116)	(236)	-
Adjustments in respect of prior years	-	-	(173)
Total current income tax	(116)	(236)	(173)
Deferred tax			
Origination and reversal of temporary differences	(843)	924	(700)
Change in tax rates	(18)	-	(91)
Adjustments in respect of prior years	127	-	55
Total deferred tax	**(734)**	**924**	**(736)**
Tax (charge) / credit in the Income Statement	**(850)**	**688**	**(909)**

The income tax expense was recognised based on management's best estimate of the annual income tax rate expected for the full financial year, applied to the profit before tax for the half year ended 30 June 2016.

Excluding the tax effect of the amortisation of acquired intangible assets and exceptional items (£167,000) and deferred tax adjustments in respect of prior years (£127,000), the effective tax rate on Adjusted Profit Before Tax (see note 4) for the half year ended 30 June 2016 was 25.0%.

The net deferred tax liability recognised at 30 June 2016 was £557,000 (30 June 2015: £1,482,000; 31 December 2015: £177,000 deferred tax asset). This comprised deferred tax assets relating to tax losses and equity settled share-based incentives totalling £176,000 (30 June 2015: £632,000; 31 December 2015: £1,006,000) and deferred tax liabilities in relation to accelerated capital allowances and acquired intangible assets totalling £733,000 (30 June 2015: £2,114,000; 31 December 2015: £829,000).

At 30 June 2016 there was a net unrecognised deferred tax asset of £nil (30 June 2015: £nil; 31 December 2015: £nil) relating to unrecognised tax losses.

6. Property, plant and equipment

	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2015	56,752	4,033	25,657	533	86,975
Additions	17,364	1,549	9,428	391	28,732
Disposals	(89)	(13)	(298)	-	(400)
At 31 December 2015	74,027	5,569	34,787	924	115,307
Additions	6,242	505	2,846	135	9,728
Disposals	(49)	-	-	-	(49)
At 30 June 2016	80,220	6,074	37,633	1,059	124,986
Accumulated depreciation					
At 1 January 2015	6,606	1,672	10,872	315	19,465
Charge for the year	5,745	656	4,329	177	10,907
Disposals	(42)	(7)	(253)	-	(302)
At 31 December 2015	12,309	2,321	14,948	492	30,070
Charge for the year	3,065	391	2,506	117	6,079
Disposals	-	-	-	-	-
At 30 June 2016	15,374	2,712	17,454	609	36,149
Net book value					
At 31 December 2015	**61,718**	**3,248**	**19,839**	**432**	**85,237**
At 30 June 2016	**64,846**	**3,362**	**20,179**	**450**	**88,837**

Outstanding capital commitments totalled £1,673,000 (30 June 2015: £4,917,000; 31 December 2015: £2,342,000).

7. Borrowings

	30 June 2016 Unaudited £'000	30 June 2015 Audited £'000	31 December 2015 Audited £'000
Non-current			
Bank facility A	10,000	-	10,000
Former bank facilities	-	48,508	-
Finance leases	-	6,068	-
Shareholder loans and accrued interest	-	21,926	-
Loan arrangement fees	(928)	(2,462)	(1,034)
	9,072	**74,040**	**8,966**
Current			
Finance leases	**-**	**4,039**	**-**

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

On 12 November 2015 the Group refinanced its former bank facilities and shareholder loans using the net proceeds of its IPO.

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

At 30 June 2016, facility A was fully drawn and facility B and the revolving credit facility were undrawn.

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

8. Cash generated from operations

	Six months ended 30 June 2016 Unaudited £'000	Six months ended 30 June 2015 Audited £'000	Year ended 31 December 2015 Audited £'000
Operating profit / (loss)	3,765	1,096	(2,701)
Adjustments for:			
Other income	-	-	(1,105)
Non-cash long-term employee incentive costs	471	-	-
Exceptional items	159	1,464	7,607
Depreciation of property, plant and equipment	6,079	4,878	10,907
Amortisation of intangible assets	1,028	1,069	2,308
Loss on disposal of property, plant and equipment	49	19	98
Increase in inventories	(45)	(66)	(47)
Increase in trade and other receivables	(1,389)	(1,485)	(1,372)
Increase in trade and other payables	4,145	5,566	5,669
Cash generated from operations	**14,262**	**12,541**	**21,364**

9. Long term employee incentive costs

The Group operates share based compensation arrangements under The Gym Group plc Performance Share Plan and The Gym Group plc Share Incentive Plan. In accordance with IFRS 2 Share Based Payments, the value of the awards are measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period, based on the management's estimate of the number of shares that will eventually vest.

In the six months ended 30 June 2016, the Group recognised a total charge of £471,000 (six months ended 30 June 2015: £nil, year ended 31 December 2015: £1,018,000) in respect of the Group's share based long term incentive plans and related employer's national insurance (£420,000 and £51,000 respectively).

a) Performance Share Plan

During the six months ended 30 June 2016, 528,435 share awards were granted under the Performance Share Plan ('PSP'). Of these, 134,297 were exercisable at 30 June 2016. The remaining awards will vest after three years, subject to continued employment and the achievement of earnings per share and total shareholder return targets. The fair value of the total shareholder return element of the award was estimated at the grant date using a Monte Carlo simulation model, taking into account the terms and conditions upon which the awards were granted. This model simulates the TSR and compares it against the group of comparator companies. It takes into account historic dividends and share price fluctuations to predict the distribution of relative share price performance.

b) Share Incentive Plan - Free shares

On 26 April 2016, the Company made 79,248 free share awards to employees of the Group. The awards are subject to continued employment requirements over a three year period and have no performance conditions. The shares are held by an employee benefit trust and are dilutive for the purposes of earnings per share.

c) Share Incentive Plan - Matching shares

During the six months ended 30 June 2016, the Company granted 7,564 matching share awards, whereby for every share purchased by an employee the Company will award one matching share, up to a maximum value. The awards are subject to continued employment requirements over a three year period and have no performance conditions. The shares are held by an employee benefit trust and are dilutive for the purposes of earnings per share.

10. Issued capital

During the six months ended 30 June 2016, the Company issued 86,812 Ordinary shares of £0.0001 each in relation to free and matching share awards under The Gym Group Plc Share Incentive Plan. The shares were then allocated to award holders via an Employee Benefit Trust, subject to satisfaction of continued employment conditions, for nil consideration.

11. Related party transactions

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

Phoenix Equity Partners 2010 L.P. and Phoenix Equity Partners 2010 GP L.P. ("the Phoenix Funds"), and Bridges Community Development Ventures Fund II (which is managed by Bridges Ventures LLP) are major shareholders in the Company.
Closewall Limited is a company under the control of a family member of a Director, J Treharne.
C Treharne is a relation of a Director, J Treharne.

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

	Six months ended 30 June 2016 Unaudited £'000	**Six months ended 30 June 2015 Audited £'000**	**Year ended 31 December 2015 Audited £'000**
Phoenix Funds	-	44,667	-
Bridges Ventures LLP	-	22,304	-
Key management	-	3,349	-
Closewall Limited	2	9	49
C Treharne	-	-	-

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

	Six months ended 30 June 2016 Unaudited £'000	**Six months ended 30 June 2015 Audited £'000**	**Year ended 31 December 2015 Audited £'000**
Phoenix Funds	20	681	-
Bridges Ventures LLP	20	341	-
Key management	-	-	-
Closewall Limited	3,132	3,406	7,627
C Treharne	4	4	8