29 August 2019

The Gym Group plc
('the Company' or 'The Gym')

2019 Interim Results
Strong first half delivering continued profitable growth

The Gym Group plc, the fast growing, nationwide operator of 166[1] low cost 24/7 no contract gyms[2], announces its interim results for the six month period ended 30 June 2019.

Financial Highlights

	Post IFRS 16			**Pre IFRS 16**		
	Six months ended 30 June 2019	**Six months ended 30 June 2018**	**Movement**	**Six months ended 30 June 2019**	**Six months ended 30 June 2018**	**Movement**
Revenue (£'000)	73,988	58,327	26.9%	73,988	58,327	26.9%
Group Adjusted EBITDA (£'000)	24,023	18,775	28.0%	22,593	17,533	28.9%
Adjusted Profit before Tax (£'000)	7,113	4,641	53.3%	9,110	6,677	36.4%
Adjusted Earnings (£'000)	5,484	3,545	54.7%	7,081	5,127	38.1%
Adjusted EPS (p)	4.0	2.8	42.9%	5.1	4.0	27.5%
Free cash flow (£'000)	16,049	13,610	17.9%	16,049	13,610	17.9%
Group Operating Cash Flow (£'000)	18,692	16,421	13.8%	18,692	16,421	13.8%

Note: for a summary of KPI definitions used in the table see section provided below the financial review.

- Revenue of £74.0 million, an increase of 26.9% (H1 2018: £58.3 million)
- Group Adjusted EBITDA of £24.0 million, an increase of 28.0% (H1 2018: £18.8 million); EBITDA margin increases to 32.5% (H1 2018: 32.2%)
- Adjusted profit before tax of £7.1 million, up 53.3% (H1 2018: £4.6 million)
- Statutory profit before tax increased by 80.5% to £5.6 million (H1 2018: £3.1 million)
- Adjusted EPS of 4.0p, an increase of 42.9% (H1 2018: 2.8p)
- Non-Property Net Debt broadly flat at £47.2 million (December 2018: £46.0 million)
- Interim dividend of 0.45 pence per share declared, up 28.6% (H1 2018: 0.35 pence)

Strategic and Operational Progress

- 8 new gyms opened in H1 2019 bringing total estate to 165[1]
- Membership numbers increased by 10.6% to 796,000 (H1 2018: 720,000)[3]
- New operating model (New Gym Team) transition to be completed by 1 September 2019
- LIVE IT take-up grows to 135,000 (H1 2018: 55,000) representing 16.9% of total members at 30 June 2019
- Increase in the average revenue per member per month to £15.47 (H1 2018: £14.65) of which £0.16 was from rental income from personal trainers under the New Gym Team operating model

Current Trading and H2

- In the first two months of H2, the Company has continued to trade well and in line with our expectations
- On track to meet opening schedule of 15 -20 standard catchment gyms in 2019
- First small box site to open in Newark, Nottinghamshire at capital cost of £0.70-0.75 million
- The Company is on track to achieve our financial and operational plans for the full year

Richard Darwin, CEO of The Gym Group, commented:

"Our rapid and profitable growth has been achieved through operating high quality great value gyms that offer affordable fitness for all. Our growing membership visited a record 24 million times in the first half of the year demonstrating the wide and diverse appeal of The Gym. Continued investment in systems, infrastructure and people to scale the business is enabling us to take advantage of the huge growth potential that exists in the low cost gym market. We are on track to open between 15 and 20 standard catchment gyms this year whilst our new "small box" format further increases the number of towns that we can go to. We are confident that we can deliver further profitable growth both this year and in the years to come."

An audio webcast of the analyst presentation will be available live on http://view-w.tv/795-1295-22261/en at 9.30 today.

For further information, please contact

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[1] 165 as of 30 June 2019 (vs 158 at 31 December 2018) with eight new sites opened in H1 2019 and one site recently closed (Birmingham Corporation Street). 166 sites as at 29 August 2019

[2] All gyms open 24/7 excluding nine gyms as at 30 June 2019 due to licensing restrictions.

[3] Average number of members grew 20.0% to 797,000 (H1 2018: 664,000). Average members excludes new sites not open at the period end. Proforma members of 720,000 as at 30 June 2018 (including easyGym members acquired on 4 July 2018)

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

The Gym Group has traded well in the first half of 2019, building on the investment in infrastructure and systems put in place over the past two years. With 165 sites across the UK this is now a business of considerable scale and over the coming years we will continue to invest to ensure we maintain a rapid rate of growth. The business aims to create sustainable competitive advantage through the quality of the sites that we operate and the platforms that support them. The first six months of 2019 have delivered another period of substantial progress. Revenue of £74.0 million increased by 26.9% (H1 2018: £58.3 million) with 20.0% growth in the H1 average number of members to 797,000 (H1 2018: 664,000). Average revenue per member per month also increased compared to last year, up 5.6% to £15.47 (H1 2018: £14.65). Approximately half of the growth in this spend per head has come as expected from LIVE IT, our premium pricing proposition, which reached 135,000 members by 30 June 2019.

At the period end, we had 165 sites open; this included eight new openings in the first half of the year, more than we have opened in H1 in recent years. In addition, we completed the transition of the easyGym estate onto our brand and platform converting sites at London Oxford Street and Birmingham Kings Heath. Over the past two years we have acquired two portfolios of sites – Lifestyle Fitness and easyGym - and have successfully integrated them into our business. These acquisitions have delivered rapid increase in scale through access to new catchments and enabled us to accelerate our business plan.

Group Adjusted EBITDA increased by £5.2 million to £24.0 million, up 28.0% (H1 2018: £18.8 million). Site EBITDA[1] increased by 25.7% to £30.5 million assisted by the ongoing maturation of our estate. By the end of the year (2019) the business will have 109 sites that are considered mature increasing to 155 by the end of 2020, underpinning and driving growth in profitability over the next two years.

The Gym Group is a very cash generative business with £16.0 million of free cash flow[2] generated in the half year (H1 2018: £13.6 million). The scale of our mature estate is now such that the cash generated from operations is sufficient to fund the investment in new sites and the development of our platform. Net Debt increased only marginally to £47.2 million (December 2018: £46.0 million) at the half year demonstrating we are reaching the inflexion point where growth and dividends can be self-funded. The result of this is that we can continue our progressive dividend policy with the Board declaring an interim dividend of 0.45 pence per share, up 28.6% versus the first half of 2018 (H1 2018: 0.35 pence).

There are four areas that we believe are key to creating a profitable business within the low cost gym market. These are: i) Taking advantage of the market opportunity across different size formats; ii) Efficiently executing the roll out of sites from a strong pipeline; iii) Building an infrastructure and platform to support our growing business; iv) Continuing to develop our business model. Let me update on the progress we have made in each of these areas in the last six months:

Market Opportunity: The UK low cost gym sector continues to grow with the number of gyms increasing to 687 sites at June 2019[3]. The Gym Group has a market share of 24% within this market. Over the last 18 months, we have grown the number of sites in our estate by 29% whilst the overall market for low cost gyms has grown by 20%. The average size of site that we have developed has been 16,700 sq ft within catchment sizes of greater than 60,000 population ("standard catchment"). In March we commissioned analysis by PWC to assess the potential of the overall market and this showed that the low cost market could grow to 1200-1400 sites by 2026. Half of this growth is estimated to be delivered from standard catchments and half from catchments between 25,000-60,000 population. We aim to take advantage of both areas of growth by continuing to roll out standard catchment size gyms and also open small box gyms of around 5,000-9,000 sq. ft. We expect the capital cost of these smaller gyms to be £0.70-0.75 million and – as with our larger gyms – will be targeting a ROCE of 30% at maturity. Our first small box will open in Newark, Nottinghamshire later this year.

Rolling out sites from a strong pipeline: We opened eight sites in the first half of 2019. These openings are meeting our expectations. Five of the openings are ex-retail sites as we continue to take advantage of the opportunity created by recent retail closures. This is giving us a ready supply of quality sites on retail parks with parking and in the first half we have opened such gyms in Carlisle, Kidderminster, Northampton, Ayr, and Nottingham Radford. However, our model and property requirements have always been very flexible and in the first half openings have also taken place on a leisure park in Ipswich and through landlord redevelopments of sites in Hove and Slough. The pipeline of openings is encouraging for H2 and will include strong South East locations including Basingstoke, Colliers Wood, Acton and Canning Town. We expect to meet our guidance of 15 to 20 new sites for 2019 with our H2 openings expected to be weighted towards the end of the year.

As part of our ongoing estate management we have taken the decision to exit two sites that we do not believe will meet our long-term requirements. We will close the former Lifestyle gym in Stoke on 23 September 2019 and a further site (details not disclosed for commercial reasons) will close before the end of 2019 when we have an opportunity to exercise a break clause; we do not anticipate any further closures in the foreseeable future. In addition, as announced previously, we have currently mothballed the former easyGym site at Birmingham Corporation Street. We have a large site within 300 metres in Birmingham City Centre which can accommodate all the members for both sites and have decided to concentrate our capital spend on an extensive refurbishment of the City Centre site.

Infrastructure development: A significant part of the development that has supported our rapid growth has been the investment in infrastructure over the last two years. This included our Member Management System and Workday ERP system - both projects that are now embedded in our business processes and working well. The digital platform in particular has enabled us to launch additional products such as LIVE IT, Yanga and the member app. Workday, which boosted our administrative systems, is a key enabler of our Personal Trainer model (New Gym Team) transition. Moving forward the pace of technology development is unlikely to relent and we plan to invest in our capability in this area. Ongoing development and investment in technology will enable us to optimise online membership sign-ups; develop our e-commerce website and use data to support our approach to pricing, churn and property evaluation. From 2020 we expect to spend 3.0-3.5% of revenue on IT capex annually (circa. 2.5% of revenue in 2019) and expect that the projects in which we invest will improve the digital and gym experience for members and will enhance efficiency and profitability.

At the end of 2018, we continued the development of the member app. We are pleased with the initial take up, the app has already been downloaded by over 250,000 of our members and is used widely to book classes, monitor fitness and set challenges. We will continue to issue further updates of the app over the coming months, and to use technology to put information in the hands of our managers, improving analytical decision-making and driving our focus on member satisfaction. Data is a key area to driving competitive advantage.

Developing our business model: With the IT platforms now in place we continue to seek ways to enhance our business model either to improve member service or to expand relevant products. LIVE IT, our premium pricing product, continues to be the most significant advancement in driving additional revenue per member. With penetration of 16.9% of membership at the half year, this has increased Average Revenue Per Member per Month (ARPMM), contributing approximately half of the 5.6% growth recorded at the end of June 2019. Further pricing developments are currently in trial - FLEX IT, a variation with no joining fee option, is set at a higher monthly price than our base membership offer which includes a joining fee. We are performing an extended trial across 32 sites to ensure that we can apply the learnings to optimise revenues. Our approach to dynamic pricing enables us to adjust volumes and yields according to local market conditions and capability in the area has been significantly enhanced over the past year.

Also of note are developments in our marketing capability with innovative, relevant campaigns aimed at our target audience. The SO I CAN campaign that we ran for Jan / Feb included TV for the first time but also utilised a diverse range of media that included Out Of Home, digital channels, social media, PPC and SEO. In June we launched First Steps, a campaign aimed at introducing 16-18 years olds to using The Gym by giving them free off-peak membership for six weeks over the summer months. Take up has been good with many tens of thousands of visits over the period of the campaign. The campaign includes an offer to sign up for membership at the end of the six weeks.

Perhaps the most significant recent change to our business model has been the implementation of New Gym Team – the new operating model for Personal Trainers. I am pleased to announce as of 1 September that all sites will be operating on the new model and the transition has gone according to plan. This is a market-leading proposition and allows us to attract and retain the best Personal Trainers. We are now a business that has close to 2000 employees (1500 are part-time Personal Trainers). The next stage of the process is to ensure we can maximise the benefits of the model by driving sustained improvement in member satisfaction. Our initial experience is encouraging and justifies our work to move the business across to the new model.

Progress over the past six months is demonstrated in the financial and non-financial metrics that we have reported in the first half of the year. Site EBITDA margin, as expected, was broadly flat at 41.2% (H1 2018: 41.6%) reflecting a business that is still relatively immature and the inclusion of the former easyGym sites, which currently have a lower margin that our organic sites. Overall Site EBITDA increased by 25.7% to £30.5 million as our estate continued to expand. We continue to open sites in line with historical levels at an overall cost of between £1.3 million to £1.4 million per site.

Our people are critical to this business and the engagement and development of a much larger workforce will be of paramount importance as we expand. I am pleased that we recently retained our Investors in People gold award. To ensure we maintain the strong and positive culture of the business we have launched our values across the wider business. These have landed well and *realness, friendliness, challenging our limits* and *taking the first step* are now at the heart of everything we do.

We continue to invest selectively in central areas that support business development with a focus on expanding our commercial and technology capability. I am pleased to have promoted Barney Harrison our Commercial & Marketing Director to a new position of Chief Commercial Officer to assist in this aim. This gives him a wider remit to expand the commercial capability of the business, building on the work he has done to date in expanding our product and proposition and marketing capabilities.

Our financial success has been achieved by adopting a business model that champions the strong social purpose of the business in expanding affordable health and fitness. All the changes that we make are to ensure our members receive a high-quality experience in a low-cost environment. Our business had 24 million member visits in the first half and as we move into more catchments through the development of small box solutions, we look forward to expanding access to affordable fitness still further. We are proud that this expansion has been done in a way that minimises the impact on the environment in which we operate. We are truly committed to putting sustainability at the heart of the business and have recently started work on a Corporate Sustainability framework to co-ordinate and advance the work that we are doing across the business. We have made a commitment to invest over £2 million over the coming years to reduce our energy consumption in our older estate and we continue to invest in the most efficient solutions in new Gyms.

I am pleased with the pace of change that is being driven through the business to expand the business model, make member-facing improvements and improve profitability. After a good first half we look forward to further progress in the coming months and remain on track to meet our operating and financial plans for the full year. There remain significant opportunities for us go after and with a strong team and the tailwinds of a growing low cost gym market, I am confident about our growth prospects.

Richard Darwin
Chief Executive Officer
29 August 2019

[1] Site EBITDA is calculated as Group Adjusted EBITDA contributed by the gym portfolio
[2] Free Cash Flow is calculated as Group Operating Cash Flow less tax and interest paid and exceptional items
[3] Figures based on Leisure Database Company 2019 State of the UK Fitness Industry Report up to March 2019 and Company analysis to June 2019

Financial Review

IFRS 16 has been adopted for the first time in 2019 and the figures below are presented on this basis unless stated otherwise. The 2018 comparatives have been restated accordingly – see note 2.2 for more detail.

During the half year we have opened a further eight gyms, increasing the size of the estate to 165[1]. Membership numbers have increased from 720,000 to 796,000.

This growth has resulted in a 28.0% increase in Group Adjusted EBITDA to £24.0 million (H1 2018: £18.8 million).

Adjusted profit before tax has grown from £4.6 million in H1 2018 to £7.1 million in H1 2019.

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

	Six months ended 30 June 2019	**Six months ended 30 June 2018**	**Movement**
		Restated	
	£'000	**£'000**	
Revenue	73,988	58,327	26.9%
Group Adjusted EBITDA	24,023	18,775	28.0%
Group Adjusted EBITDA before Pre-Opening Costs	24,585	19,285	27.5%
Adjusted Earnings	5,484	3,545	54.7%
Statutory Profit Before Tax	5,580	3,091	80.5%
Group Operating Cash Flow	18,692	16,421	13.8%
Adjusted Profit Before Tax	7,113	4,641	53.3%
Total number of gyms	165	134	23.1%
Members ('000)	796	720	10.6%
Average number of members[2] ('000)	797	664	20.0%

[1]165 as of 30 June 2019 (vs 158 at 31 December 2018) with eight new sites opened in 2019 and one site recently closed (Birmingham Corporation Street)
[2] Average number of members is calculated as the total number of members divided by the number of months in the period, excluding sites not open at the end of the period.

Revenue

The average number of members for the half year increased by 20.0% to 797,000 (H1 2018: 664,000) driven by the increased size of the estate including the easyGym acquisition from 2018. Average revenue per member per month ("ARPMM") increased by 5.6% to £15.47 (H1 2018: £14.65) due to the following factors:

- An increase in the penetration of our premium pricing product, LIVE IT from 8.4%* at H1 2018 to 16.9% at H1 2019;
- The inclusion of rental income from personal trainers ("PTs") as a result of the transition to our new PT model against which there are salary and other costs;
- The addition of easyGym sites in 2019 (not part of the business in H1 2018) which have a higher ARPMM than the average in the rest of the estate; and
- Pricing maturation in the business as a whole.

As a result of the growth in member volumes and increase in ARPMM, revenue for the half year increased by 26.9% to £74.0 million (H1 2018: £58.3 million).

*55,000 LIVE IT members out of 656,000 total non-proforma members

Group Adjusted EBITDA

Group Adjusted EBITDA increased from £18.8 million in H1 2018 to £24.0 million for H1 2019. Growth was driven by the increased size of the estate, a growing contribution from organic openings and acquisitions in 2018 and the growth of LIVE IT. Group Adjusted EBITDA margin increased to 32.5% (H1 2018: 32.2%) as a result of the ongoing maturation of the estate and a reduction in central costs as a percentage of revenue as we see the benefits of our growing scale.

Result for the period

Depreciation, which under IFRS 16 includes the depreciation of right-of-use property assets, has remained stable as a percentage of revenue at 27.4% (H1 2019: £20.3 million) in the six months to 30 June 2019 (H1 2018: 27.3%, £16.0 million). Of this percentage of revenue 12.7% was depreciation of the right of use assets and 14.7% other depreciation (which is lower than the 15.4% of revenue in H1 2018 due to a change in the useful economic life of gym equipment applied from 1 January 2019).

Amortisation charges increased from £0.9 million to £1.4 million in H1 2019 due to increased investment in software since H1 2018; within this £0.6 million related to amortisation of acquired assets (H1 2018: £0.5 million) and £0.8 million from IT/software amortisation (H1 2018: £0.3 million).

Finance costs have increased to £7.1 million (H1 2018: £6.2 million) comprising the implied interest relating to the finance lease liability under IFRS 16 of £6.1 million (H1 2018: £5.4 million) plus the interest costs associated with our borrowing facilities £1.0 million (H1 2018: £0.9 million), which have increased to fund the ongoing growth in our estate.

As a result of these factors, statutory profit before tax increased by 80.5%, to £5.6 million (H1 2018: £3.1 million).

Adjusted Earnings

	Six months ended 30 June 2019	Six months ended 30 June 2018 Restated
	£'000	**£'000**
Profit before tax	5,580	3,091
Amortisation of acquired assets	613	512
Exceptional administration expenses	920	1,038
Adjusted profit before tax	**7,113**	**4,641**
Tax charge	(1,497)	(899)
Tax effect of above items	(132)	(197)
Adjusted Earnings	**5,484**	**3,545**
Basic Adjusted earnings per share (pence)	4.0	2.8

Adjusted profit before tax is calculated from statutory profit before tax and adding back the amortisation associated with non-IT related intangibles and any exceptional items.

As part of our ongoing estate management, we exercised a break clause in H1 2019 and the site will close before the end of 2019. We do not believe the site will meet our long-term requirements and we have taken advantage of our contractual right to exit. The Group has incurred exceptional costs of £0.9 million in the period in relation to the impairment of assets arising from this lease break clause exercise (H1 2018: £1.0 million in relation to acquisition and restructuring costs). The decision to close our Stoke site was taken in H2 and therefore the impact of this closure is not shown in the H1 financials.

The tax charge was recognised based on management's best estimate of the annual income tax rate expected for the full financial year, applied to the profit before tax for the six-month period. On this basis, the Group's tax charge was £1.5 million (H1 2018: £0.9 million). The Group had an income tax payable of £1.4 million as at 30 June 2019.

Excluding the tax effect of the amortisation of non-IT intangible assets and exceptional items (£132,000), the effective tax rate on adjusted profit before tax for the half year ended 30 June 2019 was 22.9% (H1 2018: 23.6%).

Adjusted earnings for the period increased by 54.7% to £5.5 million (H1 2018: £3.5 million) as a result of the factors discussed above.

Dividends

The Directors have declared an interim dividend of 0.45 pence per share to shareholders on the register at the close of business on 6 September 2019. The ex-dividend date is 5 September 2019, with a payment date of 11 October 2019. The last date for Dividend Reinvestment Plan (DRIP) elections is 20 September 2019.

Cash Flow and Net Debt

	Six months ended 30 June 2019	Six months ended 30 June 2018 Restated
	£'000	£'000
Group Adjusted EBITDA*	24,023	18,775
Movement in working capital	(1,452)	1,124
Maintenance capital expenditure	(3,879)	(3,478)
Group Operating Cash Flow	**18,692**	**16,421**
Exceptional items	(274)	(730)
Net finance costs	(845)	(672)
Taxation	(1,523)	(1,409)
Free cash flow	**16,049**	**13,610**
Expansionary capital expenditure	(15,899)	(19,825)
Dividends paid	(1,312)	(1,154)
Other net cash flows from financing activity	1,955	28,842
Net cash flow	**793**	**21,473**

*See page 11 for a reconciliation of operating profit to Group Adjusted EBITDA

The Group continues to deliver strong cash generation and during the period has invested in opening new sites and refurbishing existing sites as well as investing in software and other technology. Group operating cash flow of £18.7 million in the six months to 30 June 2019 increased from £16.4 million in the first six months of 2018.

The reduction in working capital was due to two factors which combined adversely affected working capital by £3.2m; (1) a new PT rental receivable arising on the rollout of New Gym Team which we will continue to have each month going forward; and (2) two additional days of membership receivables accruing due to the last day of June being a Sunday, an effect that will occur from time to time depending on the day on which the end of the reporting period falls.

As a result, Group operating cash flow conversion decreased from 87.5% in the six months ended 30 June 2018 to 77.8% in the six months ended 30 June 2019.

Expansionary capital expenditure of £15.9 million arises primarily as a result of the fit-out of new and acquired gyms. It also includes £2.1 million of deferred consideration on the initial purchase price of the easyGym acquisition. The decrease in expansionary capex compared to 2018 is primarily due to the considerable investment in the conversion of the acquired Lifestyle sites during the same period in 2018.

Maintenance capital expenditure as a percentage of revenue was lower in H1 2019 than H1 2018, reflecting the timing of spend planned during the year; we expect total maintenance capital expenditure in 2019 as a whole to be between 6-7% of revenue, as previously guided, to ensure our gyms deliver the high-quality experience our members are used to.

The Group has drawn a further £2.0 million of its five year bullet repayment facility of £60.0 million. The net cash outflow of £1.2 million prior to the drawing of the facility has resulted in an increase in non-property net debt to £47.2 million (£46.0 million at December 2018).

Outlook

In the first two months of H2 2019, the Company has continued to trade well and in line with our expectations. As such we re-iterate the FY2019 guidance we gave at the beginning of the year:

- 15 – 20 organic openings with H2 openings being weighted to the end of the year
- New site fit-out costs expected to be between £1.3 million and £1.4 million per site
- £3.5 - 4.0 million of capital spend on IT projects
- Maintenance capital expenditure maintained between 6% and 7% of revenue
- Depreciation (on a pre-IFRS 16 basis) expected to be c.15% of revenue[1]
- Central costs to be 8.0% to 8.5% of revenue

- Long-term employee incentive costs expected to be c.£1.8 million
- Future tax effective rate, after adjusting for amortisation and exceptional items, expected to be 23% in 2019

[1]Change versus previous guidance provided 19 March 2019 – that depreciation would be c.16% of revenue – resulting from the 2019 change in accounting estimate, extending the Useful Economic Life of gym equipment

Principal Risks and Uncertainties

The principal risks and uncertainties set out in the last annual report remain valid at the date of this report and have been updated. 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;
- implementation of wide-ranging and significant projects;
- dependency on the performance of IT systems;
- data security and protection;
- satisfactory delivery from outsourced services providers;
- high operational gearing from the fixed cost base; and
- adherence with regulatory requirements.

Management makes critical judgements in applying the Group's accounting policies in relation to depreciation and amortisation, goodwill impairment and provisions. A more detailed description of these estimations and uncertainties is included in pages 30-33 of the 2018 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 of the Company are listed on pages 38-39 of the 2018 Annual Report.

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).

Richard Darwin
Chief Executive Officer
29 August 2019

Mark George
Chief Financial Officer
29 August 2019

Key Performance Indicators - pre- and post-IFRS 16

The adoption of IFRS 16 as of 1 January 2019 has had a significant impact on the key performance indicators previously adopted by the Group. As there is no impact on Group strategy or cash, the Board has amended the definitions of KPIs, which are non-IFRS GAAP measures, as per the presentation available on our website https://www.tggplc.com with the aim to have cash-based measures that best reflect the underlying performance of the business and these new definitions are those used in this document.

Definitions
For each of the KPIs below the definition remains unchanged with the adoption of IFRS16 unless stated otherwise

- *Group Adjusted EBITDA* - Pre-IFRS 16 definition of Group Adjusted EBITDA is operating profit (including IAS17 rent costs) before depreciation, amortisation, long term employee incentive costs and exceptional items, and is a non-IFRS GAAP measure. Post IFRS 16 definition of Group Adjusted EBITDA is operating profit before depreciation, amortisation, long term employee incentive costs and exceptional items, and after cash rent costs.

- *Adjusted Profit before Tax* - is calculated as profit before tax before non-IT amortisation and exceptional items.

- *Adjusted Earnings* - is calculated as the Group's profit for the year before non-IT amortisation, exceptional items, and the related tax effect.

- *Adjusted EPS* - is calculated as the Group's profit for the year before non-IT amortisation, exceptional items, and the related tax effect, divided by the basic weighted average number of shares.

- *Group Operating Cash Flow* - is calculated as Group Adjusted EBITDA plus movement in working capital less maintenance capital expenditure.

- *Free Cash Flow* - is calculated as Group Operating Cash Flow less tax and interest paid and exceptional items.

- *Non-property net debt* - is calculated as borrowings less property finance leases and cash and cash equivalents.

** Note: the definitions of Adjusted PBT/Earnings/EPS have changed between 2018 and 2019 with IT-related amortisation no longer being excluded. Where shown, the 2018 Adjusted PBT/Earnings/EPS figures have been restated based on this new definition.

*** Note: In 2019 the Company changed its policy relating to the Useful Economic Life of gym equipment (see Note 2.3 below). The H1 2019 numbers in the table above reflect this new policy and the H1 2018 numbers are based on the previous policy.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
		Unaudited	Unaudited Restated*	Audited Restated*
		£'000	£'000	£'000
Revenue	3	73,988	58,327	123,884
Cost of sales		(700)	(557)	(1,007)
Gross profit		**73,288**	**57,770**	**122,877**
Administration expenses		(60,579)	(48,481)	(104,218)
Operating profit		**12,709**	**9,289**	**18,659**
Finance income		18	6	22
Finance costs		(7,147)	(6,204)	(12,681)
Profit before tax		**5,580**	**3,091**	**6,000**
Tax charge	6	(1,497)	(899)	(2,064)
Profit for the year attributable to equity shareholders		**4,083**	**2,192**	**3,936**
Other comprehensive income for the year				
Items that may be reclassified to profit or loss				
Changes in the fair value of derivative financial instruments		(133)	-	(11)
Items that will not be reclassified to profit or loss				
Changes in the fair value of financial assets at fair value through other comprehensive income		-	-	(463)
Total comprehensive income attributable to equity shareholders		**3,950**	**2,192**	**3,462**
Earnings per share		**pence**	**pence**	**pence**
Basic	5	3.0	1.7	3.0
Diluted		2.9	1.7	2.9
Reconciliation of operating profit to Group Adjusted EBITDA:		**£'000**	**£'000**	**£'000**
- Operating profit		12,709	9,289	18,659
- Depreciation	7	20,253	15,951	34,511
- Amortisation		1,390	861	1,973
- Impairment		25	-	-
- Exceptional items	4	920	1,038	2,343
- Long term employee incentive costs		813	695	1,012
- Cash rent payments		(12,087)	(9,059)	(19,367)
- Group Adjusted EBITDA[1]		**24,023**	**18,775**	**39,131**

[1]*Group Adjusted EBITDA is a non-GAAP metric used internally by management and externally by advisors, and is not an IFRS disclosure*

**See note 2.2 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.*

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Note	30 June 2019	30 June 2018	31 December 2018
		Unaudited	Unaudited Restated*	Audited Restated*
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	7	370,437	317,618	366,947
Intangible assets		85,927	73,852	86,618
Financial assets at fair value through other comprehensive income		277	629	285
Derivative financial instruments		36	-	169
Deferred tax assets		364	1,402	366
Total non-current assets		457,041	393,501	454,385
Current assets				
Inventories		276	199	379
Trade and other receivables		10,321	9,735	7,696
Cash and cash equivalents		3,820	21,929	3,027
Total current assets		14,417	31,863	11,102
Total assets		**471,458**	**425,364**	**465,487**
Current liabilities				
Trade and other payables		26,001	25,625	26,376
Lease liabilities		14,385	12,776	9,652
Other financial liabilities		888	-	3,002
Borrowings	8	1,000	1,500	3,000
Provisions	9	518	110	679
Income taxes payable	6	1,443	887	1,293
Total current liabilities		44,235	40,898	44,002
Non-current liabilities				
Borrowings	8	49,369	41,254	45,165
Lease liabilities		231,857	201,787	233,567
Other financial liabilities		-	188	-
Provisions	9	1,201	807	1,145
Total non-current liabilities		282,427	244,036	279,877
Total liabilities		**326,662**	**284,934**	**323,879**
Net assets		**144,796**	**140,430**	**141,608**
Capital and reserves				
Issued capital		14	14	14
Own shares held		48	48	48
Capital redemption reserve		4	4	4
Share premium		159,474	159,474	159,474
Hedging reserve		(11)	-	(11)
Retained deficit		(14,733)	(19,110)	(17,921)
Total equity shareholders' funds		**144,796**	**140,430**	**141,608**

**See note 2.2 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.*

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Issued capital	Own shares held	Capital redemption reserve	Share premium	Hedging reserve	Retained deficit	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	**12**	**48**	**4**	**136,280**	**-**	**(15,723)**	**120,621**
Adjustment from adoption of IFRS 16	-	-	-	-	-	(4,964)	(4,964)
Profit for the period and total comprehensive income	-	-	-	-	-	2,192	2,192
Share based payments	-	-	-	-	-	541	541
Issue of Ordinary share capital	2	-	-	23,998	-	-	24,000
Costs associated with the issue of share capital	-	-	-	(804)	-	-	(804)
Dividends paid	-	-	-	-	-	(1,154)	(1,154)
At 30 June 2018 (Unaudited, Restated)	**14**	**48**	**4**	**159,474**	**-**	**(19,108)**	**140,432**
Profit for the period and total comprehensive income	-	-	-	-	-	1,744	1,744
Share based payments	-	-	-	-	-	256	256
Deferred tax on share based payments	-	-	-	-	-	133	133
Changes in the fair value of derivative financial instruments	-	-	-	-	(11)	-	(11)
Dividends paid	-	-	-	-	-	(483)	(483)
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(463)	(463)
At 31 December 2018 (Audited, Restated)	**14**	**48**	**4**	**159,474**	**(11)**	**(17,921)**	**141,608**
Profit for the year	-	-	-	-	-	4,083	4,083
Share based payments	-	-	-	-	-	728	728
Deferred tax on share based payments	-	-	-	-	-	(178)	(178)
Dividends paid	-	-	-	-	-	(1,312)	(1,312)
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(133)	(133)
At 30 June 2019	**14**	**48**	**4**	**159,474**	**(11)**	**(14,733)**	**144,796**

**See note 2.2 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.*

Consolidated Cash Flow Statement

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
		Unaudited	Unaudited Restated*	Audited Restated*
		£'000	£'000	£'000
Cash flows from operating activities				
Operating profit		12,709	9,289	18,659
Adjustments for:				
Exceptional items	4	920	1,038	2,343
Depreciation of property, plant and equipment	7	20,253	15,951	34,511
Amortisation of intangible assets		1,390	861	1,973
Long term employee incentive costs	11	813	695	1,012
(Profit) / loss on disposal of property, plant and equipment		(1)	61	72
Decrease / (increase) in inventories		103	(2)	(182)
Increase in trade and other receivables		(3,308)	(2,743)	(1,218)
Increase in trade and other payables		1,753	3,808	4,487
Cash generated from operations		34,633	28,958	61,657
Tax paid		(1,523)	(1,409)	(2,009)
Net cash flows from operating activities before exceptional items		33,110	27,549	59,648
Exceptional items		(274)	(730)	(2,105)
Net cash flow from operating activities		**32,836**	**26,819**	**57,543**
Cash flows from investing activities				
Payment for financial assets at fair value through other comprehensive income		-	(313)	(432)
Business combinations		(2,114)	-	(18,600)
Purchase of property, plant and equipment		(16,966)	(21,666)	(42,341)
Purchase of intangible assets		(699)	(1,330)	(4,928)
Interest received		10	6	22
Net cash flows used in investing activities		**(19,768)**	**(23,303)**	**(66,279)**
Cash flows from financing activities				
Dividends paid		(1,312)	(1,154)	(1,637)
Finance lease liabilities paid[1]		(6,000)	(3,681)	(8,460)
Finance lease interest paid[1]		(6,087)	(5,378)	(10,907)
Bank interest paid		(845)	(672)	(1,371)
Payment of financing fees		(15)	(14)	(302)
Drawdown of bank loans		3,985	5,500	12,500
Repayments of bank loans		(2,000)	-	(1,500)
Proceeds of issue of Ordinary shares		-	24,000	24,000
Costs associated with share issue		-	(644)	(804)
Derivative financial instruments paid		-	-	(213)
Net cash flows (used in) / from financing activities		**(12,274)**	**17,957**	**11,306**
Net increase in cash and cash equivalents		793	21,473	2,570
Cash and cash equivalents start of period		3,027	457	457
Cash and cash equivalents at end of period		**3,820**	**21,929**	**3,027**

**See note 2.2 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.*

[1]These two items totalling £12,087,000 represent cash rent as used in the KPI definitions

Notes to the Interim Financial Statements

1. General information

The Directors of The Gym Group plc (the 'Company') and its subsidiaries (the 'Group') present their interim report and the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 ('Interim Financial Statements').

The Company is a public limited company, incorporated and domiciled in the UK. Its registered address is 5th Floor, One Croydon, 12-16 Addiscombe Road, Croydon, CR0 0XT.

The Interim Financial Statements were approved by the Board of Directors on 29 August 2019.

The Interim Financial Statements have not been audited or formally reviewed by the auditors. The financial information shown for the half year period ended 30 June 2019 does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

The information shown for the year ended 31 December 2018 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 2018, save for the restatement as a result of the adoption of IFRS 16 'Leases' (see note 2.2).

The Interim Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2018, 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 2018 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2018 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 and changes to the Group's accounting policies

2.1. 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 comments Disclosure Guidance 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.

2.2. New standards, interpretations and amendments adopted by the Group
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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2018 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on 1 January 2019 and will be adopted in the 2019 annual financial statements. However, a change in accounting estimate (see note 2.3) and a change in presentation (see note 2.4) have been applied in the period. New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases

Details of the impact the new standard has had are given below:

IFRS 16 Leases
IFRS 16 specifies the recognition, measurement, presentation and disclosure of leases and is being applied for the first time in the Group's Consolidated Financial Statements for the year ended 31 December 2019. The standard provides a

2.2. New standards, interpretations and amendments adopted by the Group *(continued)*

single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Adjustments recognised on adoption of IFRS 16

The effect on the statement of financial position is as follows:

	30 June 2018 as reported	Impact of IFRS16	Opening balance at 1 July 2018
	£'000	£'000	£'000
Property, plant and equipment	141,325	176,293	317,618
Intangible assets	63,354	10,498	73,852
Current assets	35,159	(3,296)	31,863
Current liabilities	48,163	(7,265)	40,898
Finance lease liabilities	-	214,563	214,563
Deferred tax liabilities	(1,816)	3,218	1,402

	30 June 2019 under IAS17	Impact of IFRS16	Opening balance at 1 July 2019
	£'000	£'000	£'000
Property, plant and equipment	167,646	202,791	370,437
Intangible assets	77,503	8,424	85,927
Current assets	27,704	(13,287)	14,417
Current liabilities	64,257	(20,022)	44,235
Finance lease liabilities	-	246,242	246,242
Deferred tax liabilities	(3,176)	3,540	364

The effect on profit before tax and adjusted earnings is as shown below. Note that the adoption of IFRS 16 as of 1 January 2019 has had a significant impact on the key performance indicators previously adopted by the Group. As there is no impact on Group strategy or cash, the Board has amended the definitions of KPIs, which are non-IFRS GAAP measures, with the aim to have cash-based measures that best reflect the underlying performance of the business and these new definitions as defined below are those used in this document.

- *Group Adjusted EBITDA* - Pre-IFRS 16 definition of Group Adjusted EBITDA is operating profit (including IAS17 rent costs) before depreciation, amortisation, long term employee incentive costs and exceptional items, and is a non-IFRS GAAP measure. Post IFRS 16 definition of Group Adjusted EBITDA is operating profit before depreciation, amortisation, long term employee incentive costs and exceptional items, and after cash rent costs.

- *Adjusted Profit before Tax* - is calculated as profit before tax before non-IT amortisation and exceptional items.

- *Adjusted Earnings* - is calculated as the Group's profit for the year before non-IT amortisation, exceptional items, and the related tax effect.

2.2. New standards, interpretations and amendments adopted by the Group *(continued)*

	30 June 2018 as reported	Impact of IFRS16	30 June 2018 under IFRS16	Impact of new KPI definitions	30 June 2018 Restated*
	£'000	£'000	£'000	£'000	£'000
Revenue	58,327	-	58,327	-	58,327
Cost of Sales and Admin expenses	(40,794)	10,301	(30,493)	(9,059)	(39,552)
IAS 17 rent costs					
Cash rent payments					
Group Adjusted EBITDA	**17,533**	**10,301**	**27,834**	**(9,059)**	**18,775**
Add back:					
- Cash rent payments				9,059	9,059
- Amortisation on IT related assets				(349)	(349)
Depreciation of property, plant and equipment	(9,000)	(6,951)	(15,951)	-	(15,951)
Depreciation of right of use assets					
Long term employee incentive costs	(695)	-	(695)	-	(695)
Finance income	6	-	6	-	6
Finance costs	(818)	(5,386)	(6,204)	-	(6,204)
Finance lease interest					
Adjusted profit before tax	**7,026**	**(2,036)**	**4,990**	**(349)**	**4,641**
Tax charge	(1,353)	454	(899)	-	(899)
Tax effect of above items	(263)	-	(263)	66	(197)
Adjusted Earnings	**5,410**	**(1,582)**	**3,828**	**(283)**	**3,545**

	30 June 2019 under IAS17	Impact of IFRS16	30 June 2019 under IFRS16	Impact of new KPI definitions	30 June 2019 as reported
	£'000	£'000	£'000	£'000	£'000
Revenue	73,988	-	73,988	-	73,988
Cost of Sales and Admin expenses	(51,395)	13,517	(37,878)	(12,087)	(49,965)
IAS 17 rent costs					
Cash rent payments					
Group Adjusted EBITDA	**22,593**	**13,517**	**36,110**	**(12,087)**	**24,023**
Add back:					
- Cash rent payments				12,087	12,087
- Amortisation on IT related assets				(777)	(777)
Depreciation of property, plant and equipment	(10,834)	(9,419)	(20,253)	-	(20,253)
Depreciation of right of use assets					
Impairment	(25)	-	(25)	-	(25)
Long term employee incentive costs	(813)	-	(813)	-	(813)
Finance income	18	-	18	-	18
Finance costs	(1,052)	(6,095)	(7,147)	-	(7,147)
Finance lease interest					
Adjusted profit before tax	**9,887**	**(1,997)**	**7,890**	**(777)**	**7,113**
Tax charge	(1,897)	399	(1,497)	148	(1,497)
Tax effect of above items	(280)	-	(280)	-	(132)
Adjusted Earnings	**7,710**	**(1,598)**	**6,113**	**(629)**	**5,484**

2.3. Change in accounting estimate

The Group has reviewed the estimated useful economic life ('UEL') of gym equipment and consequently, has increased their UEL. The impact of this change is to decrease the H1 2019 depreciation charge by £440,000, with an estimated full year reduction of approximately £900,000.

2.4 Change in Presentation

Following the adoption of IFRS16 Leases the Group has changed its policy on the presentation of interest paid in the cash flow statement and has presented them as financing cashflows rather than operating cash flows as previously.

	30 June 2018 as reported	Impact of IFRS16	30 June 2018 under IFRS16	Change in presentation	30 June 2018 Restated*
	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	19,900	9,058	28,958	-	28,958
Tax (Paid)/Refunded	(1,409)	-	(1,409)	-	(1,409)
Interest paid	(678)	(5,378)	(6,056)	6,056	-
Net cash flows from operating activities before exceptional items	**17,813**	**3,680**	**21,493**	**6,056**	**27,549**
Exceptional items	(730)	-	(730)	-	(730)
Net cash flow from operating activities	**17,083**	**3,680**	**20,763**	**6,056**	**26,819**
Cash flows from financing activities					
Dividends paid	(1,154)	-	(1,154)	-	(1,154)
Finance lease liabilities paid	-	(3,681)	(3,681)	-	(3,681)
Finance lease interest paid	-	-	-	(5,378)	(5,378)
Bank interest paid	-	-	-	(678)	(678)
Payment of financing fees	(14)	-	(14)	-	(14)
Drawdown of bank loans	5,500	-	5,500	-	5,500
Repayments of bank loans	-	-	-	-	-
Proceeds of issue of Ordinary shares	24,000	-	24,000	-	24,000
Costs associated with share issue	(644)	-	(644)	-	(644)
Net cash flows (used in) / from financing activities	**27,688**	**(3,681)**	**24,007**	**(6,056)**	**17,951**

2.5. Going Concern

The Directors have made appropriate enquiries and formed a judgement at the time of approving the interim 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 interim financial statements.

3. Revenue

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

3.1 Disaggregation of revenue

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

	Six months ended 30 June 2019	**Six months ended 30 June 2018**	**Year ended 31 December 2018**
	Unaudited	**Unaudited Restated***	**Audited Restated***
	£'000	**£'000**	**£'000**
Major products/service lines			
Membership income	71,994	57,392	121,515
Rental income	1,135	293	875
Other income	859	642	878
	73,988	**58,327**	**123,884**
Timing of revenue recognition			
Products transferred at a point in time	1,204	1,036	2,062
Products and services transferred over time	72,784	57,291	121,822
	73,988	**58,327**	**123,884**

4. Exceptional items

	Six months ended 30 June 2019	**Six months ended 30 June 2018**	**Year ended 31 December 2018**
	Unaudited	**Unaudited Restated***	**Audited Restated***
	£'000	**£'000**	**£'000**
Acquisition costs	-	599	644
Acquisition integration costs	-	149	460
Restructuring costs	-	290	1,239
Impairment arising on the exercise of a lease break	920	-	-
	920	**1,038**	**2,343**

5. 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, The Gym Group plc Performance Share Plan, The Gym Group plc Restricted Stock Plan and The Gym Group plc Long Service Award Plan.

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. During the half year period ended 30 June 2019, 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.

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	Unaudited	Unaudited Restated*	Audited Restated*
	2019	2018	2018
Basic weighted average number of shares	137,782,695	128,746,872	133,301,917
Adjustment for share awards	3,332,264	1,443,530	1,569,233
Diluted weighted average number of shares	141,114,959	130,190,402	134,871,150
Basic earnings per share (p)	3.0	1.7	3.0
Diluted earnings per share (p)	2.9	1.7	2.9

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

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	Unaudited	Unaudited Restated*	Audited Restated*
	£'000	£'000	£'000
Profit for the year	4,083	2,192	3,936
Amortisation of non-IT intangible assets	613	512	1,038
Exceptional administration expenses	920	1,038	2,343
Tax effect of above items	(132)	(197)	(185)
Adjusted earnings	5,484	3,545	7,132
Basic adjusted earnings per share (p)	4.0	2.8	5.4
Diluted adjusted earnings per share (p)	3.9	2.7	5.3

6. Taxation

The major components of taxation are:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	Unaudited	**Unaudited Restated***	**Audited Restated***
	£'000	**£'000**	**£'000**
Current income tax			
Current tax on profits for the period	1,808	1,175	2,323
Adjustments in respect of prior years	-	-	22
Total current income tax	1,808	1,175	2,345
Deferred tax			
Origination and reversal of temporary differences	(311)	(276)	69
Change in tax rates	-	-	(28)
Adjustments in respect of prior years	-	-	240
Total deferred tax	**(311)**	**(276)**	**281**
Tax charge in the Consolidated Statement of Comprehensive Income	**1,497**	**899**	**2,064**

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 2019.

Excluding the tax effect of the amortisation of non-IT intangible assets and exceptional items (£132,000), the effective tax rate on Adjusted Profit Before Tax for the half year ended 30 June 2019 was 23%.

The net deferred tax assets recognised at 30 June 2019 was £364,000 (30 June 2018: £1,402,000; 31 December 2018: £366,000). This comprised deferred tax assets relating to tax losses and equity settled share-based incentives totalling £4,001,000 (30 June 2018: £3,218,000; 31 December 2018: £4,239,000) and deferred tax liabilities in relation to accelerated capital allowances and acquired intangible assets totalling £3,637,000 (30 June 2018: £1,816,000; 31 December 2018: £3,873,000).

At 30 June 2019 there was a net unrecognised deferred tax asset of £nil (30 June 2018: £nil; 31 December 2018: £nil) relating to unrecognised tax losses.

7. Property, plant and equipment

	Assets under Construction	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Right of use asset	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 January 2018	2,368	118,075	9,452	57,713	1,950	-	189,558
On adoption of IFRS 16						202,574	202,574
Transfers	(23,412)	16,403	247	6,465	297	-	-
Additions	23,409	10,403	827	4,143	519	54,788	94,089
Business combinations (Restated)	-	9,165	183	2,357	-	-	11,705
Disposals	-	(191)	-	(987)	-	-	(1,178)
At 31 December 2018 (Unaudited, Restated)	**2,365**	**153,855**	**10,709**	**69,691**	**2,766**	**257,362**	**496,748**
Transfers	(9,612)	6,778	86	2,660	69	20	0
Additions	12,847	1,223	202	504	130	9,768	24,673
Disposals	-	(150)	-	(88)	-	-	(238)
At 30 June 2019	**5,600**	**161,705**	**10,997**	**72,767**	**2,965**	**267,149**	**521,183**
Accumulated depreciation							
At 1 January 2018	-	25,944	4,163	24,981	1,114	-	56,202
On adoption of IFRS 16						40,119	40,119
Charge for the year	-	9,868	1,310	8,021	511	14,801	34,511
Disposals	-	(139)	-	(892)	-	-	(1,031)
At 31 December 2018 (Unaudited, Restated)	-	35,673	5,473	32,110	1,625	54,920	129,801
Charge for the year	-	5,873	661	3,999	302	9,417	20,253
Disposals	-	(150)	-	(88)	-	-	(238)
Impairment	-	782	47	95	7	-	931
At 30 June 2019	**-**	**42,178**	**6,181**	**36,116**	**1,933**	**64,338**	**150,746**
Net book value							
At 31 December 2018 (Unaudited, Restated)	2,365	118,182	5,236	37,581	1,141	202,442	366,947
At 30 June 2019	**5,600**	**119,527**	**4,816**	**36,651**	**1,032**	**202,812**	**370,437**

**See note 2.2 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.*

Outstanding capital commitments totalled £2,645,000 (30 June 2018: £4,973,000; 31 December 2018: £1,041,000).

8. Borrowings

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	Unaudited	**Unaudited Restated***	**Audited Restated***
	£'000	**£'000**	**£'000**
Non-current			
Facility A	10,000	10,000	10,000
Facility B	40,000	32,000	36,000
Loan arrangement fees	(631)	(746)	(835)
	49,369	**41,254**	**45,165**
Current			
Revolving credit facility	1,000	1,500	3,000

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

On 12 November 2015, the Group entered into a five 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 previous finance leases, a £25.0 million term loan ('facility B') to fund acquisitions and capital expenditure, and a £5.0 million revolving credit facility. On 14 September 2017, the Group agreed a facility amendment increasing the facility B commitment from £25.0 million to £35.0 million to enable the acquisition of the Lifestyle Portfolio of Gyms. On 4 July 2018, the facility B commitment was extended by £5.0 million to £40.0 million; and the revolving credit facility was extended by £5.0 million to £10.0 million for financing the easyGym acquisition. Interest is charged at LIBOR plus a 2.5% margin.

At 30 June 2019, facility A and B were fully drawn; and £1.0 million of the revolving credit facility was drawn.

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.

Other than the fair value of contingent consideration (classified as other financial liabilities) and the fair value of an unlisted equity investment (classified as financial assets at fair value through other comprehensive income) that are categorised as Level 3, the fair value of all other financial assets and liabilities are categorised as Level 2.

9. Provisions

	Dilapidations	Other	Total
	£'000	£'000	£'000
At 1 January 2018 (restated)	740	917	1,657
Business combinations	143	217	360
New provisions	242	462	704
Utilisation of provisions	-	(917)	(917)
Unwinding of discount	20	-	20
At 31 December 2018	1,145	679	1,824
New provisions	45	113	158
Utilisation of provisions	-	(274)	(274)
Unwinding of discount	11	-	11
At 30 June 2019	**1,201**	**518**	**1,719**
Due in less than one year	-	679	679
Due in more than one year	1,145	-	1,145
At 31 December 2018	1,145	679	1,824
Due in less than one year	-	518	518
Due in more than one year	1,201	-	1,201
At 30 June 2019	**1,201**	**518**	**1,719**

Other provisions are primarily in relation to costs arising from the restructuring activities associated with changing the personal trainers operating model within the business, and for remedial works at acquired sites.

10. Issued capital

During the six months ended 30 June 2019, the Company issued 22,924 Ordinary shares of 0.01 pence each in relation to 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.

The total number of issued share capital as at 30 June 2019 is 137,782,695.

11. Long term employee incentive costs

The Group operates share based compensation arrangements under The Gym Group plc Performance Share Plan and The Gym Group plc Share Incentive Plan. The awards granted during the six months ended 30 June 2019 are similar in nature to those awarded during 2018.

In the six months ended 30 June 2019, the Group recognised a total charge of £813,000 (six months ended 30 June 2018: £695,000, year ended 31 December 2018: £797,000) in respect of the Group's share based long term incentive plans and related employer's national insurance (£728,000 and £85,000 respectively).

12. Related party transactions

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

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

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 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	Unaudited	Unaudited Restated*	Audited Restated*
	£'000	£'000	£'000
Closewall Limited	178	-	98
	178	-	98
Opening balance	98	2	36
Purchases	1,361	3,748	2,405
Repayments	(1,281)	(3,714)	(2,343)
	178	**36**	**98**
Representing:			
Trade and other payables	**178**	**-**	**98**

13. Subsequent events

On 22 August, we communicated to members that our gym in Stoke will close on 23 September 2019. This decision was taken as part of our ongoing estate management as we do not believe the site will meet our long-term requirements. This closure is expected to give rise to exceptional costs of approximately £0.5m in H2 2019.We do not anticipate any further closures in the foreseeable future.