29 August 2018

The Gym Group plc

(‘the Company’ or ‘The Gym’)

2018 Interim Results

Strong first half with substantial growth across all key metrics

The Gym Group plc, the fast growing, nationwide operator of 147 low cost 24/7 no contract gyms[1], announces its interim results for the six month period ended 30 June 2018.

Financial Highlights

- Revenue of £58.3 million, an increase of 36.1% (H1 2017: £42.8 million)
- Group Adjusted EBITDA[2] of £17.5 million, an increase of 28.0% (H1 2017: £13.7 million); EBITDA margin in line with expectations at 30.1% (H1 2017: 32.0%), reflecting immature estate profile and Lifestyle conversions
- Adjusted profit before tax[3] of £7.0 million, up 8.4% (H1 2017: £6.5 million)
- Statutory profit before tax decreased by 14.4% to £5.1 million (H1 2017: £5.9 million), due to increase in exceptional costs to £1.0 million (H1 2017: £0.1 million) primarily relating to acquisition of easyGym
- Adjusted EPS[4] of 4.2p, an increase of 7.8% (H1 2017: 3.9p)
- Net debt decreased to £21.6 million (December 2017: £37.5 million) due to cash of £24.0 million received from equity placing for the easyGym acquisition
- Interim dividend of 0.35 pence per share declared, up 16.7% (H1 2017: 0.30 pence)

Strategic and Operational Progress

- Six new gyms opened in H1 2018 along with acquisition of 13 easyGym sites on 4 July 2018, bringing proforma site number to 147[1]
- Proforma members[5] (including easyGym sites) of 720,000 (June 2017: 508,000)
- 18 Lifestyle sites converted by August 2018; majority of easyGym estate to be converted by the end of 2018
- LIVE IT. take-up grows to 55,000 representing 7.6% of proforma members[6] at 30 June 2018; increase in the average revenue per member per month to £14.65 (H1 2017: £14.42)
- ERP system successfully launched; will enable start of rollout of Personal Trainer model in Quarter 4
- CEO succession completed with Richard Darwin to take over as CEO in September 2018; John Treharne to remain in the business and on the Board as founder director; CFO search making good progress, expect to make an appointment by end of September

John Treharne, CEO of The Gym Group, commented:

“This has been another excellent period for The Gym Group with the hard work of 2017 beginning to come to fruition. We now have systems and technology in place to support a business of considerable size and scale with our ERP system safely landed. These investments will allow us to start the roll out of the new Personal Trainer model and further capitalise on LIVE IT., our premium pricing offer, which is proving popular with our members and experiencing strong levels of take up.

Since the end of the half year we have expanded again with the acquisition of 13 easyGyms taking us close to 150 sites. In addition, we remain well set to achieve our target range of 15 to 20 organic openings for 2018.

In my last set of results as CEO, I am confident that the business is in as strong a position as ever to execute its strategy and deliver further accelerated profitable growth. After a strong first half we are on track to meet market expectations for the full year and look forward to further progress in the second half of the year.”

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

For further information, please contact

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[1] 134 sites branded The Gym and 13 sites currently branded easyGym. By 29 August 2018 increased to 148. All gyms branded The Gym open 24/7 excluding six gyms as at 30 June 2018 due to licensing restrictions.
[2] Group Adjusted EBITDA is calculated as operating profit before depreciation, amortisation, long term employee incentive costs and exceptional items.
[3] Adjusted profit before tax is calculated as profit before tax before amortisation and exceptional items.
[4] Adjusted EPS is calculated as the Group's profit for the period before amortisation, exceptional items and the related tax effect, divided by the diluted weighted average number of shares.
[5] Average number of members grew 34.1% to 664,000 (H1 2017: 495,000). Average members excludes sites not open at the period end.
[6] 55,000 LIVE IT. members at 30 June 2018 representing 7.6% of Proforma members of 720,000 (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

During the first half of 2018 The Gym Group has continued to make strong progress in delivering accelerated profitable growth and cementing our position as the fastest growing UK operator in the low cost market. We have also continued to build the infrastructure needed to support a business of considerable size and scale. The first six months of 2018 have delivered another period of substantial growth in all our key metrics. Revenue of £58.3 million increased by 36.1% (H1 2017: £42.8 million) with 34.1% growth in the H1 average number of members to 664,000 (H1 2017: 495,000). Average revenue per member per month also increased compared to last year up 1.6% to £14.65 (H1 2017: £14.42). The growth in this critical measure of spend per head has been assisted by the launch of LIVE IT., our premium pricing proposition which had increased to 55,000 members by the end of June 2018, supported by a significant marketing campaign in May and June.

At 30 June 2018 we had 134 sites open; this included 10 Lifestyle sites converted to The Gym brand, with a further eight Lifestyle site conversions being completed by the end of August 2018. We opened six sites organically in H1 2018, in line with our expectations. Shortly after the period end we also completed the acquisition of 13 sites from easyGym bringing the total number of sites in our portfolio to 147. The pace of our growth is demonstrated by the fact that we only celebrated our 100th opening at Feltham in October 2017 and within a year we have reached close to 150 sites. Despite this rapid rollout we maintain strong quality control over the sites that we take on – in both recent acquisitions we were able to selectively take the sites that met our selection criteria and leave behind other sites (four in the case of Lifestyle, three for easyGym) that we did not believe could deliver strong long term returns.

Group Adjusted EBITDA increased by £3.8 million to £17.5 million, up 28.0% (H1 2017: £13.7 million). Site EBITDA[1] increased by 29.7% to £23.1 million. This result was partly impacted by the seven months of closure associated with rebranding the Lifestyle sites where we compensated members during the closure period. We will benefit from these sites in the months and years to come.

The Gym Group is a very cash generative business with the bulk of our free cash flow[2] invested into refurbishing sites as well as converting the sites that we have recently acquired. £13.6 million of free cash flow[2] was generated in the half year (H1 2017: £12.8 million). Net Debt reduced to £21.6 million (December 2017: £37.5 million), boosted by the net placing proceeds of £23.3m received prior to the period end to fund the consideration for the easyGym transaction that became payable in the second half of the year. Continuing with our progressive dividend policy, and reflecting the Company's growth, the Board has declared an interim dividend of 0.35 pence per share, up 16.7% versus the first half of 2017 (H1 2017: 0.30 pence)

Our strategy is to deliver accelerated profitable growth. There are four key areas that we have identified that will enable us to continue to deliver this goal. These are: i) Taking advantage of the market opportunity and in particular the rapid growth of the low cost gym segment; ii) Building an infrastructure and platform that enables us to efficiently operate a business of considerable size and scale; iii) Continuing to deliver a high margin and high return business model; iv) Rolling out sites from a strong pipeline. In each of these areas we have made considerable progress in the last six months:

- *Market opportunity*: The latest market analysis from LDC[3] shows that the UK low cost gym sector grew to 598 sites at March 2018 (March 2017: 515 sites). The Gym Group has been the fastest growing low cost operator in the UK market in the past year. In 2017, the business opened or acquired 39 sites, and by 4 July 2018, had acquired or opened a further 19 sites. Within the market our price positioning remains key and the LDC data showed that we remain very price competitive amongst other low cost operators. We remain firm in our view that we should be the lowest cost high quality operator and this, combined with efficient systems and infrastructure, will enable us to deliver a quality product and strong financial returns. Our optimum in terms of size remains gyms of 15,000-16,000 square feet and we have been able to supplement our organic rollout through two selective acquisitions with marginally larger sites; the average square foot of Lifestyle and easyGym was 19,400 and 20,750 square foot respectively.

- *Infrastructure development*: The first half has seen a period of significant change and development as we prepare this business for future growth and its next stage of development. Most significant has been the launch of an ERP system (Workday) that will deliver efficient back-office processes. Workday is market-leading technology – it is the platform that will enable us to deliver efficiently the new Personal Trainer operating model. Key to our thinking was to create a smart and intuitive system that minimises the time our managers spend on administration, allowing them more time to be member-facing. The team that has launched this complex and ground-breaking project did so on time and on budget. The thanks of the Board go to the entire team.

  Now Workday has been launched we are embarking on the second phase of the plan which is to schedule the rollout of the new Personal Trainer operating model across the business in H2. The successful rollout of this model will enable us to put member service at the heart of our proposition. We have trialled the new model in nine sites and recently tested the administrative processing associated with Workday in a further four sites. This pilot identified the need for some further work on the underlying processes which is now being undertaken and we plan to start a rollout throughout the estate in Quarter 4. This is a significant change to our business model but we are confident that it will be a key part of our operations for the next 10 years. The trial has reinforced our belief in the operational benefits of the model. To endorse our thinking, we sought and received HMRC clearance on the new model's regulatory workings.

  In addition, we continue to build upon the new Member Management System launched successfully last year. A member app is due to launch in Quarter 4 bringing together functionality currently offered through our online member area with new digital services such as instructional videos, fitness challenges, integration with wearable technologies and workout tracking, and enabling us to extend communication with new and prospective members. We anticipate that this will be the first of a number of app version releases and that it will become an increasingly important distribution channel for us in the future. In addition we plan to use Artificial Intelligence software to increase operational efficiency, and use advanced data modelling and analytics to support decision-making in several areas of the business. We see our data as an area where we can drive competitive advantage and have been advancing our capability in this area in the first half.

- *Rolling out sites from a strong pipeline*: We opened six sites in the first half of 2018. As expected sites within the M25 will be weighted to the second half of the year. However we have been encouraged by the strength of openings in Manchester Fallowfields, Nottingham Sherwood, Sutton Coldfield, Birmingham Perry Barr, Stockport and Sutton. We have a strong opening programme for H2 and will continue to maintain a significant proportion within the South East including new sites at Bexleyheath, Stepney Green and Horsham. We expect to open within our guidance level of 15 to 20 new sites for 2018. Where the level of property costs allow, we will take sites on leisure and retail parks that have become free as a result of the retail CVAs currently within the market. However these are likely to be a minority of our sites and we continue to see good opportunities in other leisure, office or residential sites demonstrating the flexibility of our model.

  Over the past 12 months we have accelerated our rollout growth through two acquisitions, both targeted because they could deliver quality sites that would strengthen our portfolio in key markets. Lifestyle Fitness increased our coverage in the Midlands and the North of England; easyGym gave us increased coverage in parts of London and key cities such as Southampton, Birmingham, Liverpool and Cardiff. The conversion of Lifestyle has progressed according to our plans and we are in line to complete the conversion of all 18 sites by the end of August 2018. On easyGym we will commence the conversion programme once the individual lease assignments have been completed and intend to have the majority of the conversions completed by the end of 2018. EasyGym gives us the opportunity to extend the reach of our LIVE IT. product. Together the two acquisitions have enabled us to accelerate our business plan adding further sites in addition to our organic rollout.

- *Developing our business model*: We continue to develop our business model to reinforce our strong margins and returns. The most significant change in the past 12 months has been the launch of LIVE IT., our premium pricing proposition. The rollout commenced in the South East, was extended nationwide in H1, and completed by May 2018. This has been a well-researched and well-promoted product extension benefitting from a strong launch marketing campaign. It has proven popular with members and by the end of June 2018 55,000 members had signed up, representing 7.6% of proforma members[4]. As expected the majority of sign-ups occur when new members join The Gym. The product replaces our existing multi-site and twin products. As members signing up to LIVE IT. begin to exceed those that would have previously taken the legacy products, then we expect it to have a beneficial impact on yield (average revenue per member per month). As we complete the conversion of Lifestyle and easyGym sites, we will be introducing LIVE IT. to the membership therefore further extending the reach and the yield potential.

In other ways we are also using our increased scale to further the efficiency of our model. In H1 we concluded the renewal of our equipment supply contract. We will now expand to use two suppliers for equipment and accessories giving us the opportunity to identify further savings in capital cost. We continue to seek efficiency in the build cost in other areas as a way of ensuring strong returns on capital. During H1, we have also embedded “Crunchtime” our new system of measuring member satisfaction. This market-leading technology puts valuable member insight in the hands of a gym’s general manager. It identifies areas that members see the need for improvement in and is an important area of operational focus for us as a business.

Our progress across all these fronts is demonstrated in the financial and non-financial metrics that we have achieved in the first half of the year. Site EBITDA margin, as expected, reduced marginally to 39.6% (H1 2017: 41.5%) reflecting the number of immature sites in the estate and the effect of the Lifestyle closure periods. Average Site EBITDA by total number of sites decreased by 8.0% to £172,000 per site (H1 2017: £187,000). Overall site EBITDA increased by 29.7% to £23.1 million, reflecting growth in the size of our estate. We continue to open sites at an overall cost of between £1.3 million to £1.4 million per site.

Our people are key to the future success of this business, particularly as we look to onboard the Fitness Trainers who will become part time employees for around 12 hours per week – they will continue to operate their self-employed businesses from our gyms for the remainder of their time. The rapid growth in the number of sites and profitability has enabled us to build additional capability at our support office in functions such as IT, commercial and marketing and finance. We are also now building strength in HR and have welcomed Ann-marie Murphy as our new People and Development Director and as a member of Exco. I was also pleased to promote David Melhuish, our Head of Property Development, to Exco reflecting the key role he has displayed in the last four years in the building and maintenance of our sites.

Our financial success has been achieved by adopting a business model that champions the strong social purpose of the business and by minimising the impact on the environment in which we operate. A third of new members have never been a member of a gym and by extending the penetration of gym membership in the UK we are making a real difference to the health of the nation. Our commitment to the environment is shown in parts of our model such as the join journey where we pioneered paperless joining or in the infrastructure of our gyms that are built to ensure efficient use of utilities. Most of the pieces of gym equipment that we use do not require a separate power source. In addition, there is a strong charitable intent throughout the ethos of the business. Our most recent campaign, an Easter Egg challenge, distributed 9,000 eggs to local charities and we have raised over £400,000 for local charties from the join journey since inception.

During the second half of 2018 we will continue to implement our plan for developing the infrastructure of this business while continuing to open new sites and bring to maturity the gyms that have been opened or converted during the last two years. I am confident that the business is in as strong a position as ever to execute its strategy and deliver further accelerated profitable growth. After a strong first half we look forward to further progress in the second half and remain on track to meet market expectations for the full year.

This is my final report as CEO as I will be passing the baton to Richard Darwin, our CFO, who has worked very closely with me over the last three years. I wish him well in taking the business to its next stage of growth. I will remain involved as Founder Director on the Board and look forward to continue bringing my experience and contacts to help the business make further progress.

[1] Site EBITDA is calculated as Group Adjusted EBITDA contributed by the gym portfolio.
[2] Free cash flow is calculated as net cash flow before dividends, expansionary capital expenditure, and financing activities.
[3] Leisure Database Company 2018 State of the UK Fitness Industry Report.
[4] Proforma members represent closing members at 30 June 2018 adjusted for easyGym members acquired at 4 July 2018.

John Treharne

Chief Executive Officer

29 August 2018

Financial Review

During the half year we have opened a further six gyms, increasing the proforma size of the estate to 147 including 13 sites from the easyGym acquisition. Proforma members[1] have increased significantly from 508,000 to 720,000.

This growth has resulted in a 28.0% increase in Group Adjusted EBITDA[2] to £17.5 million (H1 2017: £13.7 million).

Adjusted profit before tax[3] has grown from £6.5 million in H1 2017 to £7.0 million in H1 2018.

We use a number of 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 2018 £'000	Six months ended 30 June 2017 £'000	Movement
Revenue	58,327	42,844	+36.1%
Group Adjusted EBITDA[2]	17,533	13,702	+28.0%
Group Adjusted EBITDA before Pre-Opening Costs[4]	18,400	14,617	+25.9%
Adjusted Earnings[5]	5,410	4,990	+8.4%
Statutory Profit Before Tax	5,088	5,943	-14.4%
Group Operating Cash Flow[6]	16,421	12,981	+26.5%
Total number of gyms	134	95	+41.1%
Proforma members[1] ('000)	720	508	+41.7%
Average number of members[7] ('000)	664	495	+34.1%

[1] Proforma members (720,000) is calculated as closing members at 30 June 2018 (656,000) adjusted for easyGym members acquired at 4 July 2018 (64,000).
[2] Group Adjusted EBITDA is calculated as operating profit before depreciation, amortisation, long term employee incentive costs and exceptional items, and is a non-IFRS GAAP measure.
[3] Adjusted profit before tax is calculated as profit before tax before amortisation and exceptional items.
[4] Group Adjusted EBITDA before Pre-Opening Costs is defined as Group Adjusted EBITDA excluding the costs associated with new site openings, and is a non-IFRS GAAP measure.
[5] Adjusted Earnings is calculated as the Group's profit for the year before amortisation, exceptional items, and the related tax effect, and is a non-IFRS GAAP measure.
[6] Group Operating Cash Flow is calculated as Group Adjusted EBITDA less working capital less maintenance capital expenditures and is a non IFRS GAAP measure.
[7] 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 34.1% to 664,000 (H1 2017: 495,000) driven by the increased size of the estate including the Lifestyle acquisition. Average revenue per member per month increased by 1.6% to £14.65 (H1 2017: £14.42) due to the launch of LIVE IT.. As a result, revenue for the half year increased by 36.1% to £58.3 million (H1 2017: £42.8 million).

Group Adjusted EBITDA

Group Adjusted EBITDA increased from £13.7 million in the six months ended 30 June 2017 to £17.5 million for the six months ended 30 June 2018. Growth was driven by the increased size of the estate and contribution from organic openings and acquisitions in 2017 and the launch of LIVE IT.. Group Adjusted EBITDA margin decreased to 30.1% (H1 2017: 32.0%) which is driven by the closure of Lifestyle sites for refurbishment, the number of immature sites in the portfolio and investment in central costs. The one-off impact of the Lifestyle closures and one site opening being significantly delayed due to regulatory issues outside our control amounted to £0.6 million in H1 2018.

Result for the period

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Group Adjusted EBITDA	17,533	13,702
Exceptional items	(1,038)	(112)
Long term employee incentive costs	(695)	(389)
Depreciation	(9,000)	(6,446)
Amortisation	(900)	(425)
Net finance costs	(812)	(387)
Taxation	(1,353)	(1,437)
Profit for the period	**3,735**	**4,506**

The Group has incurred exceptional costs of £1.0 million in relation to the acquisition of easyGym, the integration of Lifestyle sites and restructuring costs associated with the new Personal Trainer operating model. (H1 2017: £0.1 million in relation to acquisition costs).

Depreciation as a percentage of revenue remained stable at 15.4% in the six months ended 30 June 2018 (H1 2017: 15.0%).

Amortisation charges increased from £0.4 million to £0.9 million due to amortisation on intangible assets acquired in 2017.

As a result of these factors, statutory profit before tax decreased by 14.4%, to £5.1 million (H1 2017: £5.9 million).

Earnings

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Profit before tax	5,088	5,943
Amortisation of intangible assets	900	425
Exceptional items	1,038	112
Adjusted Profit Before Tax	**7,026**	**6,480**
Tax charge	(1,353)	(1,437)
Tax effect of adjustment items	(263)	(53)
Adjusted Earnings	**5,410**	**4,990**
Adjusted Earnings per Share (pence)	4.2	3.9

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 £1.4 million (H1 2017: £1.4 million). The Group had an income tax payable of £1.0 million as at 30 June 2018.

Excluding the tax effect of the amortisation of acquired intangible assets and exceptional items (£263,000), the effective tax rate on adjusted profit before tax for the half year ended 30 June 2018 was 23% (H1 2017: 23%).

Adjusted earnings for the period increased by 8.4% to £5.4 million (H1 2017: £5.0 million) as a result of the factors discussed above.

Dividends

The Directors have declared an interim dividend of 0.35 pence per share to shareholders on the register at the close of business on 7 September 2018. The ex-dividend date is 6 September 2018, with a payment date of 12 October 2018. The last date for Dividend Reinvestment Plan (DRIP) elections is 21 September 2018.

Cash Flow and Net Debt

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Group Adjusted EBITDA	17,533	13,702
Movement in working capital	2,367	1,058
Maintenance capital expenditure	(3,479)	(1,779)
Group Operating Cash Flow	**16,421**	**12,981**
Exceptional items	(730)	(61)
Finance costs	(672)	(211)
Tax (paid) / refunded	(1,409)	48
Free cash flow	**13,610**	**12,757**
Expansionary capital expenditure	(19,825)	(11,213)
Dividends paid	(1,154)	(962)
Draw down of facility	5,500	-
Other net cash flows from financing activity	23,342	-
Net cash flow	**21,473**	**582**

The Group continues to deliver strong cash generation and during the period has invested in refurbishing sites as well as converting sites that have been acquired. Group operating cash flow of £16.4 million in the six months to 30 June 2018 increased from £13.0 million in the first six months of 2017.

As a result, Group operating cash flow conversion decreased from 94.7% in the six months ended 30 June 2017 to 93.7% in the six months ended 30 June 2018.

Expansionary capital expenditure of £19.8 million arises as a result of the fit-out of new and acquired gyms. The increase in expansionary capex reflects the conversion of Lifestyle gyms,the higher number of openings scheduled early in H2 2018 and the movement in capex creditor.

The increase in maintenance capital expenditure reflects the planned refurbish programme with nine site refreshes completed in H1 2018.

The Group has drawn £5.5 million of its five year bullet repayment facility and has completed an equity placing of £24.0 million in H1 2018. The net cash inflow of £15.9 million prior to the drawn down of the facility has resulted in a decrease in net debt to £21.6 million (£37.5 million at December 2017).

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 30-32 of the 2017 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 36-37 of the 2017 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).

John Treharne
Chief Executive Officer
29 August 2018

Richard Darwin
Chief Financial Officer
29 August 2018

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000	Year ended 31 December 2017 Audited £'000
Revenue	3	58,327	42,844	91,377
Cost of sales		(557)	(448)	(982)
Gross profit		**57,770**	**42,396**	**90,395**
Administration expenses		(51,870)	(36,066)	(80,453)
Operating profit		**5,900**	**6,330**	**9,942**
Finance income		6	7	12
Finance costs		(818)	(394)	(763)
Profit before tax		**5,088**	**5,943**	**9,191**
Tax charge	6	(1,353)	(1,437)	(2,020)
Profit for the period attributable to equity shareholders		**3,735**	**4,506**	**7,171**
Other comprehensive income for the period		-	-	-
Total comprehensive income attributable to equity shareholders		**3,735**	**4,506**	**7,171**
Earnings per share	5	**Pence**	**pence**	**pence**
Basic		2.9	3.5	5.6
Diluted		2.9	3.5	5.6
Reconciliation of operating profit to Group Adjusted EBITDA		**£'000**	**£'000**	**£'000**
Operating profit		5,900	6,330	9,942
Depreciation of property, plant and equipment	7	9,000	6,446	14,408
Amortisation of intangible assets		900	425	1,175
Exceptional items	4	1,038	112	1,664
Long term employee incentive costs		695	389	774
Group Adjusted EBITDA		**17,533**	**13,702**	**27,963**

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018 Unaudited £'000	30 June 2017 Unaudited £'000	31 December 2017 Restated* £'000
Non-current assets				
Property, plant and equipment	7	141,325	104,250	133,356
Intangible assets		63,354	48,840	62,536
Trade and other receivables		200	453	515
Available-for-sale financial assets		-	-	316
Financial assets at FVTOCI		629	-	-
Total non-current assets		205,508	153,543	196,723
Current assets				
Inventories		199	186	197
Trade and other receivables		13,031	7,912	9,037
Cash and cash equivalents		21,929	5,404	457
Total current assets		35,159	13,502	9,691
Total assets		**240,667**	**167,045**	**206,414**
Current liabilities				
Trade and other payables		47,011	36,736	43,662
Provisions	9	110	-	917
Income taxes payable		1,042	1,684	822
Total current liabilities		48,163	38,420	45,401
Non-current liabilities				
Borrowings	8	42,754	9,284	37,113
Other financial liabilities		188	-	184
Provisions	9	807	554	740
Deferred tax liabilities	6	1,816	618	2,092
Total non-current liabilities		45,565	10,456	40,129
Total liabilities		**93,728**	**48,876**	**85,530**
Net assets		**146,939**	**118,169**	**120,884**
Capital and reserves				
Issued capital	10	14	12	12
Own shares held		48	48	48
Capital redemption reserve		4	4	4
Share premium		159,474	136,280	136,280
Retained deficit		(12,601)	(18,175)	(15,460)
Total equity shareholders' funds		**146,939**	**118,169**	**120,884**

**See note 12 for details regarding the restatement as a result of fair value adjustments.*

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2018

	Issued Capital	Own shares held	Capital redemption reserve	Share Premium	Retained deficit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017 (audited)	**12**	**48**	**4**	**136,280**	**(22,054)**	**114,290**
Profit for the period and total comprehensive income	-	-	-	-	4,506	4,506
Share based payments	-	-	-	-	335	335
Dividends paid	-	-	-	-	(962)	(962)
At 30 June 2017 (unaudited)	**12**	**48**	**4**	**136,280**	**(18,175)**	**118,169**
Profit for the period and total comprehensive income	-	-	-	-	2,665	2,665
Share based payments	-	-	-	-	320	320
Deferred tax on share based payments	-	-	-	-	115	115
Dividends paid	-	-	-	-	(385)	(385)
At 31 December 2017 (audited)	**12**	**48**	**4**	**136,280**	**(15,460)**	**120,884**
Adjustment from adoption of IFRS 15	-	-	-	-	(263)	(263)
Profit for the period and total comprehensive income	-	-	-	-	3,735	3,735
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)	**14**	**48**	**4**	**159,474**	**(12,601)**	**146,939**

Consolidated Cash Flow Statement

For the six months ended 30 June 2018

	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000	Year ended 31 December 2017 Audited £'000
Cash flows from operating activities			
Operating profit	5,900	6,330	9,942
Adjustments for:			
Exceptional items	1,038	112	1,664
Depreciation of property, plant and equipment	9,000	6,446	14,408
Amortisation of intangible assets	900	425	1,175
Long-term employee incentive costs	695	389	774
Loss/(Profit) on disposal of property, plant and equipment	62	4	(5)
Increase in inventories	(2)	(27)	(38)
Increase in trade and other receivables	(3,534)	(1,720)	(3,334)
Increase in trade and other payables	5,841	2,801	6,358
Cash generated from operations	19,900	14,760	30,944
Tax (Paid)/Refunded	(1,409)	48	(1,050)
Interest paid	(678)	(218)	(771)
Net cash flows from operating activities before exceptional items	17,813	14,590	29,123
Exceptional items	(730)	(61)	(1,147)
Net cash flow from operating activities	**17,083**	**14,529**	**27,976**
Cash flows from investing activities			
Payment for financial assets at FVTOCI (2017: available-for-sale financial assets)	(313)	-	(316)
Business combinations	-	-	(21,300)
Purchase of property, plant and equipment	(21,191)	(12,444)	(35,411)
Purchase of intangible assets	(1,801)	(548)	(1,693)
Interest received	6	7	12
Net cash flows used in investing activities	**(23,299)**	**(12,985)**	**(58,708)**
Cash flows from financing activities			
Dividends paid	(1,154)	(962)	(1,347)
Drawdown of bank loans	5,500	-	28,000
Proceeds of issue of Ordinary shares	24,000	-	-
Costs associated with share issue	(644)	-	-
Payment of financing fees	(14)	-	(286)
Net cash flows from financing activities	**27,688**	**(962)**	**26,367**
Net increase/(decrease) in cash and cash equivalents	21,472	582	(4,365)
Cash and cash equivalents at start of period	457	4,822	4822
Cash and cash equivalents at end of period	**21,929**	**5,404**	**457**

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 2018 ('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 2018.

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 2018 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 2017 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 2017.

The Interim Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2017, 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 2017 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2017 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 2017, except for the adoption of new standards effective as of 1 January 2018. 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 2017 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018, and will be adopted in the 2018 annual financial statements. New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Group's accounting policies are:

- IFRS 9 *Financial Instruments*; and
- IFRS 15 *Revenue from Contracts with Customers*

Details of the impact these two standards have had are given below:

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.
The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the interim financial statements. The new accounting policies are set out

below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Classification and measurement:
On 1 January 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. The significant effect on the group is as follow:

- Equity investments classified as available for sale financial assets under IAS 39 Financial Instruments: Recognition and Measurement have been classified as being at Fair Value through Other Comprehensive Income (FVTOCI) under IFRS 9, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of £316,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI. All fair value movements in value in respect of those assets are recognised in other comprehensive income and accumulated in the equity investment reserve, and these are not recycled to profit or loss. Previously, under IAS 39, impairments of such assets were recognised in profit or loss, and gains and losses accumulated in reserves were recycled to profit or loss on disposal.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has applied IFRS 15 using the modified retrospective method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of the significant changes and quantitative impact of the changes are set out below:

Upfront non-cancellable joining fees
Upfront non-cancellable joining fees for which revenue was recognised previously at a point in time when a customer signed up for the contract under previous policies are now recognised over time under IFRS 15.

Impact on interim financial statements
Had the Group continued to report in accordance with IAS 18 Revenue for the six months ended 30 June 2018, it would have reported the following amounts in these interim financial statements:

	As reported	**Effect**	**Balances without adoption of IFRS 15**
Revenue	58,327	(263)	58,064
Tax expense	(1,353)	60	(1,293)
Profit for the period	3,735	(203)	3,532
Total Equity	146,939	(203)	146,736

The impact is driven by the upfront non-cancellable joining fees being considered to be an advance payment for future goods and services (i.e. membership subscription) and therefore forms part of the overall transaction price of the membership contract. The revenue previously recognised at the point in time in the previous year is now recognised over time and performance obligation of such contracts has been satisfied as at 30 June 2018.

There is no material impact on the statement of cash flows.

2.3 Standards issued not yet effective

At the date of authorisation of these Interim Financial Statements, the following new standard and interpretation which have not been applied in these Interim Financial Statements were in issue but not yet effective:

• IFRS 16 – Leases (effective 1 January 2019)

IFRS 16 specifies the recognition, measurement, presentation and disclosure of leases and will be applied for the first time in the Group's Consolidated Financial Statements for the year ended 31 December 2019. The standard provides a 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. The Group continues to assess the exact financial impact of adopting IFRS 16 and the transition approach it intends to apply on adoption of the new standard. Given the significant leasing arrangements within the Group, the adoption of this standard is expected to have a material impact on the Group's Interim Financial Statements as follows:

• the present value of the Group's operating lease commitments will be recognised on the balance sheet as a right-of-use asset together with a corresponding lease liability;

• operating lease rentals currently included within Administration expenses are expected to decrease to a negligible amount. However, depreciation included within administration expenses and finance costs will increase in respect of the depreciation of the right-of-use asset over the term of the lease with an associated finance cost applied annually to the lease liability. There will be no impact on cash flows, although the presentation of the cash flow statement will change significantly. In addition to the recognition and measurement impacts above, there will also be significantly increased disclosures when the Group adopts IFRS 16.

2.4. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors. The Group's activities consist solely of the provision of high quality health and fitness facilities within the United Kingdom, presently traded through 126 sites operating under and being converted to The Gym brand and eight sites operating under the Lifestyle Fitness brand, with each considered as a separate operating segment under IFRS 8 'Operating Segments' (IFRS 8). However, the Directors have determined that both operating segments have similar economic characteristics, services, customer types, methods and regulatory environments. Consequently, as allowed by IFRS 8 both operating segments have been combined into one single reportable operating segment.

Segment results are measured using earnings before interest, tax, depreciation, amortisation, long term employee incentive costs, exceptional items and other income. Segment assets are measured at cost less any recognised impairment. All revenue arises in and all non-current assets are located in the United Kingdom. The accounting policies used for segment reporting reflect those used for the Group.

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 2018 £'000 Unaudited	**Six months ended 30 June 2017 £'000 Unaudited**	**Year ended 31 December 2017 £'000 Unaudited**
Major products/services lines			
Membership Income	57,392	42,437	90,358
Other Income	935	407	1,019
	58,327	**42,844**	**91,377**
Timing of revenue recognition			
Products transferred at a point in time	1,036	782	1,755
Products and services transferred over time	57,291	42,062	89,622
	58,327	**42,844**	**91,377**

4. Exceptional items

	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000	Year ended 31 December 2017 Audited £'000
Costs associated with head office relocation	-	-	48
Acquisition costs	599	112	548
Integration costs	149	-	525
Restructuring costs	290	-	543
	1,038	**112**	**1,664**

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 2018, 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 2018 Unaudited	Six months ended 30 June 2017 Unaudited	Year ended 31 December 2017 Audited
Basic weighted average number of shares	128,746,872	128,105,275	128,105,275
Adjustment for share awards	1,443,530	366,890	416,773
Diluted weighted average number of shares	130,190,402	128,472,165	128,522,048
Basic earnings per share (p)	2.9	3.5	5.6
Diluted earnings per share (p)	2.9	3.5	5.6

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 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000	Year ended 31 December 2017 Audited £'000
Profit for the period	3,735	4,506	7,171
Amortisation of intangible assets	900	425	1,175
Exceptional items	1,038	112	1,664
Tax effect of above items	(263)	(53)	(483)
Adjusted Earnings	5,410	4,990	9,527
Basic adjusted earnings per share (p)	4.2	3.9	7.4
Diluted adjusted earnings per share (p)	4.2	3.9	7.4

6. Taxation

The major components of taxation are:

	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000	Year ended 31 December 2017 Audited £'000
Current income tax			
Current tax on profits for the year	1,629	1,575	1,712
Adjustments in respect of prior years	-	(73)	24
Total current income tax	1,629	1,502	1,736
Deferred tax			
Origination and reversal of temporary differences	(276)	32	534
Change in tax rates	-	(97)	(78)
Adjustments in respect of prior years	-	-	(172)
Total deferred tax	(276)	(65)	284
Tax charge in the Income Statement	**1,353**	**1,437**	**2,020**

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 2018.

Excluding the tax effect of the amortisation of acquired intangible assets and exceptional items (£263,000), the effective tax rate on Adjusted Profit Before Tax for the half year ended 30 June 2018 was 23.0%.

The net deferred tax liability recognised at 30 June 2018 was £1,816,000 (30 June 2017: £618,000; 31 December 2017: £2,092,000). This comprised deferred tax assets relating to tax losses and equity settled share-based incentives totalling £503,000 (30 June 2017: £210,000; 31 December 2017: £337,000) and deferred tax liabilities in relation to accelerated capital allowances and acquired intangible assets totalling £2,319,000 (30 June 2017: £828,000; 31 December 2017: £2,429,000).

At 30 June 2018 there was a net unrecognised deferred tax asset of £nil (30 June 2017: £nil; 31 December 2017: £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	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
At 1 January 2017	-	90,656	6,747	42,800	1,305	141,508
Additions	2,368	21,875	2,505	10,608	647	38,003
Business Combinations	-	5,724	208	4,827	-	10,759
Disposals	-	(180)	(8)	(522)	(2)	(712)
At 31 December 2017	**2,368**	**118,075**	**9,452**	**57,713**	**1,950**	**189,558**
Transfers	(2,032)	1,802	57	173	-	-
Additions	2,873	9,155	727	4,017	334	17,106
Disposals	-	(66)	-	(985)	-	(1,051)
At 30 June 2018	**3,209**	**128,966**	**10,236**	**60,918**	**2,284**	**205,613**
Accumulated depreciation						
At 1 January 2017	-	18,683	3,133	19,909	746	42,471
Charge for the year	-	7,429	1,034	5,575	370	14,408
Disposals	-	(168)	(4)	(503)	(2)	(677)
At 31 December 2017	-	**25,944**	**4,163**	**24,981**	**1,114**	**56,202**
Charge for the year	-	4,510	637	3,611	242	9,000
Disposals	-	(24)	-	(890)	-	(914)
At 30 June 2018	**-**	**30,430**	**4,800**	**27,702**	**1,356**	**64,288**
Net book value						
At 31 December 2017	**2,368**	**92,131**	**5,289**	**32,732**	**836**	**133,356**
At 30 June 2018	**3,209**	**98,536**	**5,436**	**33,216**	**928**	**141,325**

Outstanding capital commitments totalled £4,973,000 (30 June 2017: £6,051,000; 31 December 2017: £4,205,000).

8. Borrowings

	30 June 2018	30 June 2017	31 December 2017
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Non-current			
Bank facility A	10,000	10,000	10,000
Bank facility B	32,000	-	28,000
Revolving credit facility	1,500	-	-
Loan arrangement fees	(746)	(716)	(887)
	42,754	**9,284**	**37,113**

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. Interest is charged at LIBOR plus a 2.5% margin.

At 30 June 2018, facility A was fully drawn; £3.0 million of facility B was undrawn; and £3.5 million of the revolving credit facility was undrawn.

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.

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) that is 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 2017	544	-	544
New provisions (Restated*)	184	917	1,101
Unwinding of discount	12	-	12
At 31 December 2017 (Restated*)	740	917	1,657
New provisions	59	-	59
Utilisation of provisions	-	(807)	(807)
Unwinding of discount	8	-	8
At 30 June 2018	**807**	**110**	**917**
Due in less than one year (Restated*)	-	917	917
Due in more than one year (Restated*)	740	-	740
31 December 2017 (Restated*)	740	917	1,657
Due in less than one year	-	110	110
Due in more than one year	807	-	807
30 June 2018	**807**	**110**	**917**

**See note 12 for details regarding the restatement as a result of fair value adjustments.*

Other provisions are primarily in relation to costs arising from the restructuring activities associated with changing the personal trainers operating model within the business.

10. Issued capital

During the six months ended 30 June 2018, the Company issued 21,255 Ordinary shares of 0.01 pence 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.

On 13 June 2018, a total of 9,677,420 new ordinary shares of 0.01 pence each were placed by Numis Securities Limited at a price of 248 pence per share, raising gross proceeds of approximately £24 million (before expenses).

The total number of issued share capital as at 30 June 2018 is 137,955,617.

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 2018 are similar in nature to those awarded during 2017.

In the six months ended 30 June 2018, the Group recognised a total charge of £695,000 (six months ended 30 June 2017: £389,000, year ended 31 December 2017: £655,000) in respect of the Group's share based long term incentive plans and related employer's national insurance (£541,000 and £154,000 respectively).

12. Business combinations

IFRS 3 requires fair values of assets and liabilities acquired to be finalised within 12 months of the acquisition date. During the six months ended 30 June 2018, the Group finalised the fair values of the assets and liabilities of the Lifestyle business combination which was completed on 29 September 2017. The adjustments made in finalising fair values primarily relate to the recognition of provisions at acquisition.

The details of the Lifestyle transaction, the purchase consideration, the net assets acquired and goodwill are as follows:

Net assets acquired	As reported Lifestyle £'000	Adjustments* £'000	Fair value £'000
Intangibles	1,880	-	**1,880**
Property, plant and equipment	10,283	-	**10,283**
Provisions	(295)	(470)	**(765)**
Deferred tax	(1,242)	-	**(1,242)**
Net Assets	10,626	(470)	**10,156**
Goodwill	9,874	470	**10,344**
Total consideration	20,500	-	**20,500**
Satisfied by			
Cash	20,500	-	**20,500**
Total consideration	20,500		**20,500**
Net cash outflow arising on acquisition			
Cash consideration	20,500	-	**20,500**
Net cash outflow	20,500	-	**20,500**

**Adjustments relate to additional fair value liability at the acquisition date.*

The goodwill is attributable to the workforce and the profitability of the acquired businesses were relevant. It will not be deductible for tax purposes.

On 4 July 2018, the Group acquired 13 gyms from easyGym for an initial cash consideration of £20.6 million, with an additional £4.1 million payable when lease extensions are agreed on two sites. The acquisition was part-funded by an equity placing of £24.0 million by the Company and an extension of the Group banking facilities of £10.0 million. The provisional fair value of the net identifiable assets and liabilities acquired at the date of acquisition and the purchased goodwill have not been determined due to limited information available for initial fair value accounting calculation.

13. 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 2018	**Six months ended 30 June 2017**	**Year ended 31 December 2017**
	Unaudited	**Unaudited**	**Audited**
	£'000	**£'000**	**£'000**
Closewall Limited	-	163	36

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

	Six months ended 30 June 2018	**Six months ended 30 June 2017**	**Year ended 31 December 2017**
	Unaudited	**Unaudited**	**Audited**
	£'000	**£'000**	**£'000**
Closewall Limited	1,110	1,770	3,748

14. Subsequent events

On 4 July 2018, the Group acquired 13 gyms from easyGym for an initial cash consideration of £20.6 million, with an additional £4.1 million payable when lease extensions are agreed on two sites. The acquisition was part-funded by an equity placing of £24.0 million by the Company and an extension of the Group banking facilities of £10.0 million.

On 4 July 2018, facility B of the extended credit facility 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.