

# The Gym Group plc

('the Company' or 'The Gym')

## 2020 Interim Results

### *Responding to the impact of COVID-19*

The Gym Group plc, the nationwide operator of 183 low cost, no contract gyms, announces its interim results for the six month period ended 30 June 2020. The results reflect a period of significant disruption in which the Company's gyms were required by the UK Government to close on 20 March 2020 due to the COVID-19 outbreak. The gyms remained closed for the remainder of the reporting period before gyms in England re-opened on 25 July 2020.

#### Finance Summary

	<b>Six months ended 30 June 2020 £'000</b>	<b>Six months ended 30 June 2019 £'000</b>
Revenue	37,274	73,988
Group Adjusted EBITDA	1,719	24,023
Group Adjusted EBITDA with Normalised Cash Rent	(7,710)	24,023
Adjusted (loss) / profit before tax	(26,328)	7,113
Statutory (loss) / profit before tax	(26,983)	5,580
Adjusted Earnings per share (p)	(14.9)	4.0
Statutory Earnings per share (p)	(15.3)	3.0
	<b>Six months ended 30 June 2020</b>	<b>Year ended 31 December 2019</b>
Non-property net debt	29,163	47,395

\*Definitions of KPIs can be found below the Directors responsibility statement

#### Financial and Operational Update for H1 2020

- Strong January/February campaign, increasing membership levels to 891,000 as at 29 February 2020
- 4 new gyms opened in H1 2020 bringing total estate to 179 as at 30 June 2020
- Rapid lockdown of gym estate, following UK Government announcement; closed gyms on 20 March 2020, with cost reduction plans implemented to minimise cash outflows during closure
- Equity Placing completed with net proceeds of £39.9 million
- £30.0 million extension to existing £70.0 million Revolving Credit Facility agreed with lending banks
- Membership numbers decreased to 698,000 by 30 June 2020 (H1 2019: 796,000)
- Development of COVID-secure operating protocols in preparation for re-opening of gyms on 25 July 2020

#### Current Trading

- Estate now reopened nationwide; gyms in England re-opened on 25 July with gyms in Wales opening on 10 August 2020 and gyms in Scotland opening on 31 August 2020
- As at 25 July, prior to the first gyms re-opening, total membership was 658,000 members
- 4 new sites, which had been under construction prior to lockdown, opened during August, taking total number of sites opened in 2020 to 8 and total number of gyms in estate to 183
- As at 31 August 2020, total membership was 676,000 members; 639,000 paying members and a further 37,000 members on 'free freeze'; average age of members is 32
- In the first five weeks of trading, the number of joiners was up 30% year-on-year and cancellations were up 6% year-on-year
- LIVE IT penetration at 22.3% at 31 August 2020 (Dec 2019: 18.9%)
- Gym visits growing week on week as member confidence increases;
- Non-Property Net Debt at 30 June of £29.2 million; liquidity headroom of £70.8 million within £100.0 million RCF
- Cash flow positive in August 2020 after re-opening on 25 July 2020

**Richard Darwin, CEO of The Gym Group, commented:**

“Following our decisive actions during lockdown to minimise costs and secure additional liquidity, we have reopened as the strongest capitalised company in the sector. Exacting new safety measures and innovative uses of technology have resulted in member numbers and gym usage growing since reopening as member confidence increases.

We anticipate the long-term structural growth of low-cost gyms will continue to be driven by the underlying interest in health and fitness, which is accelerating as a result of COVID 19 and the Government’s initiative to reduce obesity. With the likelihood of a challenging economic environment in the coming months, gym-goers will increasingly look for great value and as the lowest-priced high quality gym operator we are well placed to meet this demand.”

A conference call will be held for analysts and investors at 8.30am today. Please email [leisure@instinctif.com](mailto:leisure@instinctif.com) for dial-in details or alternatively call Jack Devoy at Instinctif on 0207 427 1445.

An accompanying slide presentation to the conference call will be available from 9.30am at: <https://www.tggplc.com/investors/results,-reports-presentations>

**For further information, please contact**

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1 179 as of 30 June 2020 (vs 175 at 31 December 2019) with four new sites opened in H1 2020

**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 impact of the COVID 19 pandemic forced the closure of the entire estate of The Gym Group on 20 March 2020. With the majority of our sites in England reopening on 25<sup>th</sup> July 2020, this meant that during the first half of 2020 our sites were closed for over 3 months. Our business entered the crisis in a strong position following a successful trading period in January and February with membership at the end of February of 891,000. Financially, the Board's prudent approach to financing meant that we had a low leverage balance sheet with Net Debt of £47.4 million and Net Debt: EBITDA of 0.98x at 31 December 2019. However, the prolonged period of closure meant virtually no revenue as a result of our commitment not to charge members whilst their gyms were closed, which meant a challenging time even for a healthy business such as ours.

Operating a business with no revenue and ongoing uncertainty over the future reopening date required decisive action to create financial resilience. This meant making operating cost reductions and central cost savings, commencing landlord rent negotiations as well as securing increased liquidity from the debt and equity raise. Focus then turned to the marketing, technology and operating protocols that were necessary to support the reopening and bring colleagues back from furlough and welcome members back with confidence. The Board has maintained a regular weekly virtual meeting to support this decision-making process. Together with the executive leadership it has sought external expert input to our new protocols and is now visiting many sites to ensure these necessary standards are being upheld. This routine supports our confidence in the success of the reopening and the flexibility required to manage in the current environment.

### *Responding to the crisis*

Our response to the crisis came in three phases. First, shutdown of the sites and measures taken to protect our people and minimise cash burn; second, steps to boost liquidity; and third, putting in place COVID-secure reopening procedures.

Across the business we implemented a hard lockdown after closure, minimising operating costs and cash outflows. We were assisted in this and are grateful for the response of key suppliers including our cleaning firms, contact centre operator and vending suppliers who all furloughed staff to ensure that contractual costs were minimised. In addition, we are appreciative for the pragmatic approach taken by our landlords. Upon closure we entered into constructive dialogue with landlords to reach agreement to defer payments during the period of closure. In around ten percent of the estate we have also been able to establish deals to extend the leases or remove a lease break and in doing so agree additional rent-free periods. The cash flow benefit of these rent-frees will be realised over both 2020 and 2021 with total benefit around £2.5 million over the next 12 months, of which £1.1 million was a realised benefit in H1 2020. In addition to this £1.1 million H1 saving, a further £9.4 million of rent due in H1 has been deferred and will be repaid over the next 12 months. In total therefore cash rent paid in H1 was reduced by £10.5 million compared to what would otherwise have been due in the period. We are also grateful for decisive actions taken by the government to support our sector. At the peak of the closure we have had over 95% of our workforce in the gyms and our central support teams on furlough. This financial support has been significant to the business along with the business rates relief and the scheme to defer VAT.

Notwithstanding the decisive actions that we took to reduce cost and cash outflows, it was important that the business also boosted its liquidity. In April an equity placing of 19.9% of our share capital raised net proceeds of £39.9 million - we are grateful for the support of our shareholders in this capital raise. At the same time our syndicate of three leading banks agreed an additional £30 million of debt facility for an initial 18 month term. This increased our total available facilities to £100 million and meant that at the end of June there remained untapped liquidity of £70.8 million compared to our non property net debt position of £29.2 million. Again, we are thankful for the strong support of our lenders at this difficult time and it demonstrates the faith that stakeholders have in the business and how they share our view about the opportunities for recovery and growth. As part of our measures to preserve cash, we are not declaring an interim dividend in 2020 (2019: 0.45 pence per share).

In the last two months of the period the business developed the operating procedures and strategy to be able to welcome members back to the gym safely. Our gyms already have excellent ventilation systems; substantial amounts of fresh air are pumped in every second with the entire volume of one of our gyms typically replaced in under an hour. This means when members are working out, any aerosols can be dispersed rapidly. To ensure our members are confident in the steps we have taken to make our gyms a safe place to work out we have implemented measures above and beyond the guidelines including the purchase of screens to place in front of banks of cardio equipment to further reduce the spread of aerosols. The government guidelines limit capacity to 100 sq. ft. per member and we are able to accommodate this through limiting entry where necessary using the technology embedded in the entrance portals. The guidelines also require social distancing and enhanced cleaning and sanitation measures. Our large facilities with an average size of 16,500 square feet mean that we have been able to keep to the original 2 metre social distancing. We have purchased specialised cleaning equipment to make the cleaning of equipment more efficient and effective. We have also added in additional levels of governance to monitor the effective implementation of COVID-19 procedures including a Health and Safety sub-committee of the Board.

Our re-opening protocols were reviewed by academics from the Advanced Wellbeing Research Centre at Sheffield Hallam University to ensure our plans were consistent with leading scientific understanding of transmission risks and

mitigation. Our work supported the industry body, UKActive, in establishing industry standards that became part of the Government's guidelines for operating gyms in a COVID-secure way.

#### *Operational and strategic progress*

The results in H1 were substantially impacted by the 3 months of closure. Revenues were £37.3 million, down 49.6% and Group Adjusted EBITDA with Normalised Cash Rent<sup>1</sup> was a loss of £7.7 million, versus a profit of £24.0 million at 30 June 2019. Prior to the start of the pandemic we opened four sites in 2020 at Cheltenham, Catford, Lowestoft and Isle of Wight. Four other sites almost completed were paused as part of our initial response to reduce cash outflow during the pandemic. All were completed by the end of July and opened in early August adding sites in Stourbridge, Plymouth Laira Bridge, South Ruislip and Birmingham Stechford, bringing our portfolio up to 183 sites. In addition, I am pleased that we were also able to continue with significant refurbishments of two former easyGym sites in London at Fulham and Oxford Street. Having brought them up to the standard we expect, these will be good long-term investments for the group. We plan to assess the right time to recommence our new site rollout after the initial results of our reopening are clear.

Despite the enforced closure of our estate, we have continued with work on one of our key strategic priorities to enhance our technology capability and improve our central infrastructure enabling us to operate a strong low cost business at scale. A number of improvements have been made to support the post-COVID operations for members. We have introduced contactless entry through the use of QR codes on our app and member adoption of this in the weeks after opening has been very strong. Also, our app has been enhanced to include a busyness tracker that enables members to see how busy the gyms are at any point in time. There was also a relaunch of our website to improve the join journey and make it more mobile friendly. Further functionality launched included the ability of members to free freeze for an additional month along with the relaunch of member direct debits following closure. I am very confident that the strength of our tech team will continue to drive competitive advantage in this area over the coming years.

The other significant launch during the year was the launch of discounted membership of Fiit online classes for our members, providing them with an alternative to working out at the gyms whilst our gyms were closed. The Fiit partnership, which we signed in January 2020, includes the ability for the Group to take virtual content from Fiit and for members to do home workouts in Fiit pods and studios in our gyms. As a result of lockdown there has been some delay to this rollout, however we remain confident about the quality of product and have recently launched the first enhanced studio concept at our site in Tottenham White Hart Lane.

Whilst we took the decision to pause our new site rollout as a result of the crisis, we remain confident about our long-term positioning in the market. We are the only listed health and fitness operator and with a low leverage balance sheet and strong covenant we believe that there will be substantial pipeline opportunities in the coming months. Our priority will be to take advantage of an altered retail property landscape to be able to pick up high quality site opportunities at reasonable rents. This will show itself in two ways: i) the availability of strong new site opportunities at lower rents and whilst early days since the reopening of our sector there are initial signs that these pipeline sites are beginning to become available and ii) the availability of more premium sites at rents that will make these types of locations more affordable for our business model. In addition, we will aim to take advantage of any quality distressed operators. In many instances this will be attracting displaced members from other gyms; as the lowest price high quality operator, we will ensure that our marketing makes these prospective members aware of the opportunity in their locality.

#### *People*

The importance of the New Gym Team model that we implemented in 2018 and 2019 meant that we were able to furlough our Fitness Trainers (who are part-time employees for us). This proved to be an important source of financial support for them at a time when it was not possible for them to train their clients in the gyms. The support of all our people has been fantastic during this time and demonstrated the strength of the culture within the Group. This is a team with real strength in depth and I am confident that a business based around a strong team and exceptional member service will continue to be very successful. I would like to thank the entire team for helping us navigate through a difficult few months.

We also want to have an even more diverse team. At the beginning of the year we launched a Diversity and Inclusion working group to ensure that these principles are embedded in all our people development and recruitment processes. We have also signed up to the race charter. Ours is a diverse workforce with 31% from BAME background and 26% female. However, higher in the organisation we can and should be more diverse and I strongly believe that doing this will further improve the performance of our leadership team.

#### *Sustainability*

The pause in our rollout does not mean that our commitment to grow this business in a sustainable way is at all diminished. Sustainability is a focus for our company and we will continue to work to the UN sustainability goals across the 4 key areas we have identified as being most important to our stakeholders: (1) Good health and promoting wellbeing; (2) Good jobs, quality education and lifelong learning; (3) Diversity and equal opportunity; and (4) Responsibility to the

<sup>1</sup> For definitions please see table at the end of the Financial Review

environment. Never has good health been more important to our society and we will continue to deliver affordable exercise, and the health benefits it brings, to our members. As a fast growing market leader, offering exciting career and development opportunities to our employees is a priority and being an inclusive and diverse employer supports our culture of innovation. We continue to take a proactive, strategic approach to environmental management, constructing our new facilities with energy efficiency as a priority and where possible re-fitting existing gyms with updated energy-efficient technology, such as the recent installation of LED lighting across our estate.

#### *Looking Forward*

Now that we have reopened it is important to continue to rebuild the confidence of our members and be able to grow our membership levels and yields. Our total membership has increased from 658,000 at the point of re-opening our gyms on 25 July 2020, to 676,000 as at 31 August 2020 (771,000 as at 31 August 2019), during a summer holiday period when in a normal year membership would be expected to decline. Of these members, 37,000 have opted to 'freeze' their membership temporarily without charge. Since re-opening, member visits have been steadily increasing week by week. Whilst the total number of visits remains lower than the same period last year, due to the lower membership levels, the number of visits per member is now at the level of last year, demonstrating a growing confidence in our member base about working out in our gyms. A change in usage patterns by members since re-opening, with a significant reduction in evening peaks, is enabling us to operate within the new government guidelines with only minimal waiting times for members even in our busiest gyms.

Our infrastructure, scale, strong culture and the quality of our people mean that I have absolute confidence that The Gym Group will continue to be a leading player in an increasingly important sector. The benefits to the whole nation of increased health and fitness both in terms of physical and mental wellbeing have been made all too obvious by COVID-19.

**Richard Darwin**  
**Chief Executive Officer**  
**2 September 2020**

## Financial Review

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 2020 £'000	Six months ended 30 June 2019 £'000	Movement
Revenue	37,274	73,988	-49.6%
Group Adjusted EBITDA	1,719	24,023	-92.8%
Group Adjusted EBITDA with Normalised Cash Rent	(7,710)	24,023	-132.1%
Group Adjusted EBITDA before Pre-Opening Costs	1,955	24,585	-92.0%
Adjusted Earnings	(22,119)	5,484	-503.3%
Statutory (Loss) / Profit Before Tax	(26,983)	5,580	-583.6%
Group Operating Cash Flow	(4,016)	18,692	-121.5%
Adjusted (Loss) / Profit Before Tax	(26,328)	7,113	-470.1%
Total number of gyms <sup>1</sup>	179	165	8.5%
Members ('000)	698	796	-12.3%
Average number of members <sup>2</sup> ('000)	777	797	-2.5%

<sup>1</sup>179 as of 30 June 2020 (vs 175 at 31 December 2019) with four new sites opened in 2020

<sup>2</sup>The sum of the closing membership in each month (excluding sites not open at the end of the month) divided by the number of months in the period

The following summary income statement compares the performance in the Period with the same period in 2019

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000
Revenue	37,274	73,988
Cost of sales	(769)	(700)
<b>Gross profit</b>	<b>36,505</b>	<b>73,288</b>
Site costs incl. cash rent (excl. exceptional costs)	(27,964)	(42,805)
Central Costs (excl. exceptional costs)	(6,822)	(6,460)
<b>Group Adjusted EBITDA</b>	<b>1,719</b>	<b>24,023</b>
Cash rent deferred to subsequent period	(9,429)	-
<b>Group Adjusted EBITDA with Normalised Cash Rent</b>	<b>(7,710)</b>	<b>24,023</b>
Add back cash rent deferred to subsequent periods	9,429	-
Add back cash rent paid in periods	3,267	12,087
<b>Group Adjusted EBITDAR</b>	<b>4,986</b>	<b>36,110</b>
Depreciation of right of use asset	(10,838)	(9,417)
Other depreciation	(12,017)	(10,861)
Amortisation of IT intangible assets	(1,370)	(777)
Finance costs – leases	(6,788)	(6,095)
Finance costs – borrowing	(1,333)	(1,052)
Finance income	6	18
Long term employee incentive costs	1,027	(813)
Adjusted tax	4,209	(1,629)
<b>Adjusted Earnings</b>	<b>(22,119)</b>	<b>5,484</b>
- Basic adjusted earnings per share	(14.9)	4.0
- Diluted adjusted earnings per share	(14.7)	3.9

	Six months ended 30 June 2020	Six months ended 30 June 2019
	£'000	£'000
<b>Adjusted (Loss) / Profit Before Tax</b>	<b>(26,328)</b>	<b>7,113</b>
Exceptional expenses	(357)	(920)
Amortisation of non-IT intangible assets	(298)	(613)
<b>(Loss) / Profit Before Tax</b>	<b>(26,983)</b>	<b>5,580</b>
Tax credit / (charge)	4,307	(1,497)
<b>Earnings</b>	<b>(22,676)</b>	<b>4,083</b>
- Basic earnings per share	(15.3)	3.0
- Diluted earnings per share	(15.1)	2.9

## Revenue

During the half year we opened a further four gyms, increasing the size of the estate to 179<sup>1</sup>.

In the first two months of the year, a successful marketing campaign resulted in membership numbers increasing from 794,000 at the start of the year to 891,000 by the end of February. Membership levels started to fall during March as the impact of COVID-19 started to become widespread and we continued to see additional cancellations after the gyms were closed on 20 March 2020, with membership levels decreasing to 698,000 at 30 June 2020.

From 20 March 2020 onwards, remaining members were put on 'free freeze' and therefore not charged a monthly subscription and as a result regular subscription revenue was not earned after this date.

The total revenue for H1 2020 was £37.3 million (H1 2019: £74.0 million).

## Operating Costs including the benefits of UK Government COVID-19 initiatives

Site costs, including cash rent and excluding exceptional expenses, decreased to £28.0 million (H1 2019: £42.8 million) as a result of the gyms being closed for more than half of the Period. Central support office costs increased slightly to £6.8 million (H1 2019: £6.5 million) but this increase was smaller than originally planned for the year; an investment in people and technology that would otherwise have increased costs year-on-year, was offset by savings from furloughed staff during the period of gym closure.

Immediately after the closing of our gyms on 20 March 2020 we implemented a prepared plan to put our gyms into a 'hard lockdown' to ensure operating costs were reduced as far as possible while our gyms were closed. From that date until the end of the Period we operated at a significantly lower cost level from a combination of our own actions and support from UK Government initiatives.

### *Mitigating actions to reduce costs*

Upon closure of our gyms we were able to reduce the estate running costs significantly: maintenance was reduced to a bare minimum for health and safety requirements and to prepare the sites for re-opening; utilities were reduced substantially although not down to zero as standing charges were still incurred; cleaning costs were reduced to zero; and insurance costs were reduced, reflecting the lower risk of sites not being in operation. In addition we reduced marketing spend very significantly with a minimal spend focused on maintaining engagement with existing members.

In June we implemented a restructuring programme that resulted in a 20% reduction in headcount across our central support office and regional operations management structure. The associated cost savings will materialise in H2.

### *Support from UK Government initiatives :*

In addition to the mitigating actions above, a number of government initiatives enabled us to reduce or defer costs:

- **Business Rates Relief** – relief available from April 2020 to March 2021 saved us £3.2 million in the Period and will provide further benefit of £1.1 million per month until March 2021
- **Coronavirus Job Retention Scheme (CJRS)** – across our gyms and central support we furloughed approximately 95% of our staff from 21 March to shortly before the gyms re-opened in July. The total support claimed from the CJRS in the Period was £4.3 million with a further £0.5 million received for July
- **Rent** – following the introduction of the government protections against eviction of tenants in March 2020, later formalised in the Corporate Insolvency and Governance Bill, we have deferred £9.4 million in cash rent

payments that would otherwise have been paid during H1 2020. Immediately after the gyms were closed we engaged proactively with our 171 landlords and with the vast majority were able to agree a process for deferring rent payments while the gyms were closed and to repay such deferred payments over the subsequent 12 months. These deferments did not impact the IFRS16 income statement charge for the Period but did reduce the cash rent outflow, thereby supporting Operating Cash Flow and Group Adjusted EBITDA<sup>2</sup>. The £9.4 million rent deferred from H1 2020 will be repaid across H2 2020 and H1 2021 resulting in higher cash rent outflows in those periods than would otherwise have arisen (see below). In addition, for a number of sites we have also been able to establish deals with landlords to extend the leases or take out a lease break and in doing so earn additional rent-free periods; the benefit of these rent-free periods will total approximately £2.5 million across 2020 and 2021 of which £1.1 million was a benefit in the Period

#### *Ongoing impact on costs of COVID-19 measures and Government support*

A number of the benefits of the Government initiatives described above will continue into H2 2020 and H1 2021. Offsetting these benefits will be the repayment of the rent deferred from H1 2020 along with incremental costs from the enhanced cleaning regime for our COVID-secure protocols. The table below summarises the key changes to our 'business as usual' operating cost base over the next 12 months as a result of these COVID-related factors:

Increase / (decrease) in key costs versus 'business as usual' as a result of COVID-19	Estimate	Estimate
(£ million)	H2 2020	H1 2021
Cash rent deferrals from H1 2020 to be repaid over next 12 months	4.7	4.7
Rent free deals negotiated with landlords for lease extensions or sale of breaks	(0.9)	(0.5)
Business rates relief	(6.4)	(3.2)
Increase in cleaning costs	0.9	0.9
Furlough of site staff	(0.4)	0.0
Furlough of central staff	(0.1)	0.0

#### **Group Adjusted EBITDA**

As a result of the extended period of closure and the factors outlined above, Group Adjusted EBITDA decreased from £24.0 million in H1 2019 to £1.7 million for H1 2020.

As described above, the deferment of some of our cash rent benefited Group Adjusted EBITDA by £9.4 million in the Period and will consequently reduce Group Adjusted EBITDA in subsequent periods. To enable investors and analysts to understand this effect as clearly as possible we will for the time being also report **Group Adjusted EBITDA with Normalised Cash Rent**, which is calculated using the cash rent that would have been paid in normal circumstances without the agreed deferments, rather than the cash rent that was actually paid. For H1 2020 the Group Adjusted EBITDA with Normalised Cash Rent was a loss of £7.7 million.

#### **Exceptional expenses**

Exceptional expenses for the Period were £0.4 million (H1 2019: £0.9 million) arising from one-off restructuring costs relating to the programme of redundancies in the central support office implemented in June.

#### **Result for the period**

Depreciation increased to £22.9 million in the six months to 30 June 2020 (H1 2019: £20.3 million). Of this, £10.9 million was depreciation of the right of use assets (H1 2019: £9.4 million) and £12.0 million other depreciation (H1 2019: £10.9 million).

Amortisation charges were £1.7 million (H1 2019: £1.4 million); within this £0.3 million related to amortisation of acquired assets (H1 2019: £0.6 million) and £1.4 million from IT/software amortisation (H1 2019: £0.8 million).

Finance costs have increased to £8.1 million (H1 2019: £7.1 million) comprising the implied interest relating to the finance lease liability under IFRS 16 of £6.8 million (H1 2019: £6.1 million) plus the interest costs associated with our borrowing facilities £1.3 million (H1 2019: £1.0 million).



As a result of these factors, statutory loss before tax was £27.0 million (H1 2019: £5.6 million profit).

### Adjusted Earnings

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000
(Loss) / Profit before tax	(26,983)	5,580
Amortisation of acquired assets	298	613
Exceptional administration expenses	357	920
<b>Adjusted (loss) / profit before tax</b>	<b>(26,328)</b>	<b>7,113</b>
Tax credit / (charge)	4,307	(1,497)
Tax effect of above items	(98)	(132)
<b>Adjusted Earnings</b>	<b>(22,119)</b>	<b>5,484</b>
Basic Adjusted earnings per share (pence)	(14.9)	4.0

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.

The tax credit 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 credit was £4.3 million (H1 2019: tax charge of £1.5 million). The Group had an income tax payable of £0.4 million as at 30 June 2020.

Excluding the tax effect of the amortisation of non-IT intangible assets and exceptional items (£98,000), the effective tax rate on adjusted profit before tax for the half year ended 30 June 2019 was 16.0% (H1 2019: 22.9%).

Adjusted loss for the period of £22.1 million (H1 2019: £5.5 million profit) as a result of the factors discussed above.

### Financing

On 20 March 2020 we were required by the UK Government to close our gyms. We faced an extended period of closure with no revenue and with no visibility of when gyms would be allowed to re-open. At the end of March 2020 the Company had drawn its £70 million Revolving Credit Facility in full and held £22.4 million of cash. With approximately £12 million of expected unwind of working capital and committed capital expenditure and a monthly cash burn of approximately £5 million after cost mitigating actions had been taken, the Company sought additional sources of liquidity to ensure viability could be ensured in the event of a sustained period of closure.

On 17 April 2020, the Company issued a total of 27,396,606 new ordinary shares (representing 19.9% of the issued share capital) of 0.01p each in the capital of the Company at a price of 150 pence per share, via a placing (the **Placing**), raising gross proceeds of approximately £41.3 million (net proceeds of £39.9 million after related costs).

On 5 June 2020 the Company agreed with its lending banks to extend its existing £70 million Revolving Credit Facility (the **RCF**) with an additional £30 million facility for a term of 18 months (the **New Bank Facility**). From September 2020 until June 2021 the covenant tests of the RCF will be replaced by new covenant tests primarily relating to the performance of the Company against agreed targets for Group Adjusted EBITDA with Normalised Cash Rent. Upon termination or early cancellation of the New Bank Facility the covenants and all other terms of the original RCF will apply until the maturity of the RCF in October 2023.

As a result of the Placing and the New Bank Facility the Company secured sufficient liquidity to finance the business through a period of gym closure extending into 2021, well beyond any reasonable scenario envisaged.

### Dividends

A condition of the New Bank Facility is that the Company shall not declare or pay a dividend during the term of the facility and as such the Directors are not proposing an interim dividend relating to H1 2020 and do not expect to pay a final dividend at the end of the financial year 2020.

## Cash Flow and Net Debt

	Six months ended 30 June 2020	Six months ended 30 June 2019
	£'000	£'000
Group Adjusted EBITDA <sup>1</sup>	1,719	24,023
Movement in working capital	(106)	(1,452)
Maintenance capital expenditure	(5,629)	(3,879)
<b>Group Operating Cash Flow</b>	<b>(4,016)</b>	<b>18,692</b>
Exceptional items	(361)	(274)
Finance costs	(580)	(845)
Taxation	-	(1,523)
<b>Free cash flow</b>	<b>(4,957)</b>	<b>16,050</b>
Expansionary capital expenditure	(15,403)	(15,899)
Investment in third party	(1,009)	-
Dividends paid	-	(1,312)
Net proceeds of issue of Ordinary shares	39,915	-
Repayment of borrowings	(320)	(40)
Bank interest received	6	10
<b>Movement in non-property net debt<sup>2</sup></b>	<b>18,232</b>	<b>(1,191)</b>
(Decrease) / increase in debt	(14,000)	1,985
<b>Net cash flow</b>	<b>4,232</b>	<b>794</b>
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Non-property net debt</b>	<b>29,163</b>	<b>47,180</b>

<sup>1</sup>See page 15 for a reconciliation of operating profit to Group Adjusted EBITDA

<sup>2</sup> Movement in non-property net debt represents the movement from the year end

As a result of the closure period and consequent drop in profitability, Group Operating Cash Flow was an outflow of £4.0 million, in contrast to the cash inflow of £18.7 million delivered in H1 2019.

Following the closure of our gyms on 20 March 2020, a number of actions were taken to preserve cash in case the closure period became protracted. In addition to the operating cost mitigating actions described in the "Operating Costs" section above, the Company introduced a number of additional measures to conserve cash:

- **Maintenance Capital Expenditure** includes the replacement and refurbishment of fixtures and fittings in the existing gyms as well as investment in new gym equipment in existing gyms and in the Period totalled £4.1 million (H1 2019: £3.3 million). Adjusting for the movement in capex creditors, the cash flow in the Period from maintenance capital expenditure was £5.6 million. Following the closure of gyms on 20 March 2020, maintenance capex was minimised by focusing only on repairs required for health and safety reasons. To preserve cash, no major refurbishments beyond those already underway were started in the Period and none are planned in the remainder of 2020.
- **Expansionary Capital Expenditure** arises primarily as a result of the fit-out of new and acquired gyms and in H1 2020 totalled £13.3 million (H1 2019: £13.6 million). Adjusting for the movement in capex creditors, the cash flow in the Period from expansionary capital expenditure was £13.2 million. Prior to the closure of gyms on 20 March 2020, four new gyms had been opened in the year (of which one was a 'small box' gym) and four additional gyms were under construction. Work continued to complete the four sites under construction, which were opened in August 2020, but to conserve cash the Company took the decision not to start any new development of pipeline sites during the closure period. In addition to new sites, major refurbishment work was undertaken in two former easyGym sites: London Fulham (completed) and London Oxford Street (partially completed).

- **VAT** – following the introduction of Government measures to offer relief on VAT payments, we retained £1.5 million of VAT payments relating to Q1 2020 due in March 2020, which will now be paid in March 2021. In Q2 the Company operated with losses and as at 30 June 2020 had a VAT receivable of £1.6 million.

As at 30 June 2020, the Group had drawn £36.0 million of its £70.0 million RCF facility and none of its £30.0 million New Bank Facility. Non-Property Net Debt was £29.2 million (£47.6 million at December 2019).

## Outlook

We have emerged after re-opening as a profitable business in the first month of trading. The level of membership needed for cash flow break-even is approximately 520k paying members (depending on average revenue per member) and we are already above that level and expect to grow from this point. As there is no expansionary capex currently, the business operated with a positive cash flow in the first full month after re-opening, which means we are not eating into our liquidity headroom as the business recovers.

Capex in the second half will be focused on essential maintenance and targeted technology spend where we can see immediate impact to support trading, plus the major refurbishment of our London Oxford Street gym which is expected to complete in October. We currently have no new sites under development but do have a number of new leases agreed. We will re-start our build programme when we have sufficient confidence in the broader economic outlook. If we do incur any further capex spend on new sites in 2020 it will be modest and towards the end of the year, most likely for sites that will open in early 2021.

## Principal Risks and Uncertainties

The principal risks and uncertainties set out in the 2019 Annual Report and Accounts published 31 March 2020, remain valid at the date of this report and have been reviewed and updated in light of the COVID-19 pandemic. In summary, these include:

- economic conditions, including the impact of COVID-19 (see below)
- the competitive position of the Group;
- the delivery of the organic rollout plan;
- providing members with a high quality product and service;
- retention of key staff;
- dependency on the performance of IT systems;
- data security and protection;
- satisfactory delivery from outsourced services providers;
- high operational gearing from the fixed cost base; and
- adherence with regulatory requirements.

Update on COVID-19 related risks:

On 25 July 2020 gyms in England were permitted to re-open, followed by our gyms in Wales on 10 August 2020 and Scotland on 31 August 2020. With the gyms now open, the principal COVID-19 risks relating to business performance and a summary of our mitigating actions are as follows:

COVID-19 risk	Mitigating Actions
<p><b>Our membership levels (and therefore revenue and profitability) reduce significantly as a result of (a) reduced confidence in the safety of gyms during the pandemic and/or (b) an economic recession arising from the pandemic</b></p>	<p><b>Ensuring our members can be confident about coming to the gym</b></p> <p>We have developed a comprehensive framework of protocols for operating our gyms in a COVID-secure way. This framework was developed in line with Government guidance and following academic review by the Advanced Wellbeing Research Centre at Sheffield Hallam University. Our spacious, well-ventilated gyms have been enhanced with additional cleaning protocols and equipment, a contactless entry system, limits on the number of members in the gym at any one time and the spacing of equipment to ensure social distancing. We have also developed a 'gym busyness' tracker to enable members to see when their gym is less busy to reduce peak usage. To provide confidence to our members, in addition to these measures they will see in the gyms, we have implemented a comprehensive communications plan providing them with information, videos and FAQs, via email and on our website. For further information on our #safewithus commitment please go to: <a href="https://www.thegymgroup.com/coronavirus-information/">https://www.thegymgroup.com/coronavirus-information/</a></p>

	<p><b>Trading in a recession</b></p> <p>The Gym was founded and grew rapidly in the global financial crisis of 2008-2012. During that period the number of people overall in the UK with a gym membership remained flat, before returning to growth again in the years since, demonstrating that the health &amp; fitness sector is very resilient to economic downturns. We are very well-placed to operate successfully in a challenging economic environment; we are the lowest price gym operator in the UK market with an average monthly subscription of £18.55 which is £2-5 per month lower than competitors in the low-cost gym sector and significantly lower than rates charged by mid-market and premium operators. Although some of our members may choose to cancel their subscription due to financial hardship we would also expect to benefit from others ‘trading down’ from the mid-market or premium gyms.</p> <p><b>Trading profitably with a reduced level of membership</b></p> <p>With all or most of our gyms trading, but with a reduced level of membership, we anticipate operating with monthly cash outflows of around £9 million. This £9 million includes operating costs (inclusive of COVID-related factors such as rent deferral repayment and business rates relief), capital expenditure on maintenance and IT, and debt interest payments, but excludes the cost of capital projects underway that are due to be completed by September and any new expansionary capital projects that may be started in the future. The lower operating cost level assumes significantly lower spend on marketing and other discretionary costs and reduced capital expenditure, focused on IT and essential maintenance only. With this level of cash outgoings, we expect to be cash flow positive on a monthly basis with membership levels above 520,000 paying members (vs membership of 639,000 paying members at 31 August 2020 and 891,000 paying members as at 29 February 2020).</p>
<p><b>A series of regional lockdowns or a second nation-wide lockdown requires us to close some or all of our gyms and as a result our revenue is reduced or eliminated for a period of time</b></p>	<p>We have detailed operational plans for how to respond to individual gym or estate-wide closure based on the experience of the original lockdown. A small number of temporary individual site closures would not have a material impact on our overall financial performance. In the event of an estate-wide closure, revenue would once again be reduced to zero and our cash burn each month would be in the range of £2.5-7.5 million, depending on (i) the extent of any Government support schemes made available such as the CJRS and (ii) our ability to defer rent as we did successfully in the original lockdown period, with agreements from landlords. With Non-Property Net Debt of £29.2 million as at 30 June 2020 and debt facilities in place of up to £100.0 million, the business has sufficient liquidity to sustain itself through a prolonged period of closure should a second national lockdown occur.</p>
<p><b>Government guidelines with respect to the COVID-secure operation of gyms change to an extent that it impacts our operating costs or limits the number of members attending the gym at any one time, and therefore impacts the profitability of our economic model</b></p>	<p>The Government guidelines have been developed with the participation of sector operators (including The Gym Group), Public Health England (PHE) and medical experts from the Government’s Scientific Advisory Group for Emergencies (SAGE). Although the guidelines are therefore based on significant operational and scientific input it cannot be certain that such guidelines won’t change in the future if the severity of the pandemic and the understanding of its causes and effects change over time. It is difficult to estimate the impact on profitability of any such changes but the most detrimental impact on our economic model would be a reduction in the number of people allowed to train in a gym at any one time (currently 1 member per 100 sq ft). A reduced capacity may mean we are unable to support the current level of membership in some of our busiest gyms and although it may be possible to mitigate some of the revenue impact through increased pricing it could adversely impact overall revenue. (See “Trading profitably with a reduced level of membership” above).</p>

<p><b>A combination of the risks listed above results in a reduction in profitability such that the Group breaches one or more of its bank debt covenants. If unable to reach agreement with the banks to waive covenants or restructure debt, the Group may be required to source additional forms of financing in order to continue to operate as a going concern.</b></p>	<p>The Directors consider that the combination of events required to lower the profitability of the Group to the point of breaching bank covenants is unlikely but not implausible. In the event that the Group fails to meet one or more of its debt covenants, the Directors believe it likely that an agreement could be reached with the lending banks to waive or amend covenants as part of a revised business plan, on the basis that if such a breach were to occur, the Group would not at the time of breach have drawn down on the incremental £30 million of the New Bank Facility agreed in June 2020. However, no such commitment for further covenant waivers is currently in place with the lending banks. For more detail on the Directors opinion with regards to Going Concern and the risks considered in forming this opinion please refer to Note 2.2</p>
<p><b>An increase in the COVID-19 infection rate results in a significant number of our gym staff becoming ill and unable to work temporarily</b></p>	<p>We have taken a number of precautions to reduce the chances of our staff becoming infected. In addition to the social distancing and cleaning measures outlined above, members and staff are asked not to visit the gym if they are feeling ill or displaying COVID symptoms and staff members have their temperature measured at the start of each shift.</p> <p>Our flexible employment model – see below – and large estate means we will be able to cover staff shortages through a combination of flexing up the hours worked by other staff in the same gym or by utilising staff from other nearby gyms.</p>
<p><b>A reduction in demand for personal training causes a reduction in the number of Fitness Trainers in our business</b></p>	<p>In addition to having a full-time Gym Manager and Assistant Gym Manager, each gym has a number of Fitness Trainers (FTs) who are employed on a part-time basis (typically 12 hours per week) to provide a range of member service duties. Outside of these employed hours the FTs operate a self-employed personal training business in our gyms with our members as clients and for the right to do this the FTs pay us rent each month. In the event that there is a significant reduction in the demand for personal training from our members, the FTs' self-employed income would decrease and they may choose to look for employment or self-employment opportunities elsewhere. If this happened, certain gyms may face a shortage of staff cover.</p> <p>To reduce this risk occurring we are:</p> <ul style="list-style-type: none"> <li>• offering significant discounts on the monthly rent charged to FTs in the first few months after re-opening ;</li> <li>• ensuring our FT employment model remains industry-leading in terms of reward and flexibility; and</li> <li>• remaining focused on FT recruitment and retention with FT resourcing being a primary focus and KPI for Gym Managers and the business as a whole;</li> </ul> <p>As a result of these actions, FT vacancy rates are currently at an all-time low. If FT shortages do occur in certain gyms in the future we expect to be able to cover the shortage by moving FTs from other gyms (without a cost to the business) or by flexing up the hours of other FTs in the same gym or cleaning contractors, which would incur an incremental cost.</p>

### Going Concern

The outbreak of COVID-19 and its continuing impact on the economy casts a degree of uncertainty as to the future financial performance and cash flows of the Group. When assessing the ability of the Group to continue as a going concern the Directors have considered the Group's financing arrangements, the pattern of trading since gyms in England re-opened on 25 July 2020 and future trading risks including further regional or nationwide lockdowns.

Note 2.2 details the various risks and scenarios considered by Directors in forming their opinion. In summary, whilst the Group has secured sufficient liquidity, via the raising of equity and additional debt facilities, to finance operations for at least the next twelve months through any reasonable scenario, there are plausible scenarios in which the Group may breach its bank debt covenants. In the event that the Group fails to meet one or more of its debt covenants, the Directors believe it likely that an agreement could be reached with the lending banks to waive or amend covenants as part of a revised business plan, on the basis that if such a breach were to occur, the Group would not at the time of breach have drawn down on the incremental £30 million of the New Bank Facility agreed in June 2020. However, no such commitment for further covenant waivers is currently in place with the lending banks.

Accepting that the risks as described in Note 2.2 – all of which relate to COVID-19 impacts - represent a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, the Board has a

reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months and therefore the Directors continue to adopt the going concern basis in preparing these interim accounts. For more detail please refer to Note 2.2.

### **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 50-52 of the 2019 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**  
**2 September 2020**

**Mark George**  
**Chief Financial Officer**  
**2 September 2020**

### **Key Performance Indicators**

#### **Definitions**

- *Group Adjusted EBITDA* - is calculated as operating profit before depreciation, amortisation, long term employee incentive costs and exceptional items, and after cash rent costs.
- *Group Adjusted EBITDA with Normalised Cash Rent* - is calculated as operating profit before depreciation, amortisation, long term employee incentive costs and exceptional items, and after the cash rent costs that would ordinarily be payable in the period (which may not have actually been paid due to rent deferrals agreed with landlords relating to site closures)
- *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.
- *Normalised cash rent* - calculated using the cash rent that would have been paid in normal circumstances without any agreed deferrals, rather than the cash rent that was actually paid

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Revenue	3	37,274	73,988	153,134
Cost of sales		(769)	(700)	(1,437)
<b>Gross profit</b>		<b>36,505</b>	<b>73,288</b>	<b>151,697</b>
Administration expenses		(55,373)	(60,579)	(130,122)
<b>Operating (loss) / profit</b>		<b>(18,868)</b>	<b>12,709</b>	<b>21,575</b>
Finance income		6	18	32
Finance costs		(8,121)	(7,147)	(15,388)
<b>(Loss) / profit before tax</b>		<b>(26,983)</b>	<b>5,580</b>	<b>6,219</b>
Tax credit / (charge)	6	4,307	(1,497)	(2,624)
<b>(Loss) / profit for the year attributable to equity shareholders</b>		<b>(22,676)</b>	<b>4,083</b>	<b>3,595</b>
<b>Other comprehensive income for the year</b>				
<i>Items that may be reclassified to profit or loss</i>				
Changes in the fair value of derivative financial instruments		(3)	-	(155)
<i>Items that will not be reclassified to profit or loss</i>				
Changes in the fair value of financial assets at fair value through other comprehensive income		-	(133)	(277)
<b>Total comprehensive (loss) / income attributable to equity shareholders</b>		<b>(22,679)</b>	<b>3,950</b>	<b>3,163</b>
<b>Earnings per share</b>		<b>pence</b>	<b>pence</b>	<b>pence</b>
Basic	5	(15)	3.0	2.6
Diluted		(15)	2.9	2.6
<b>Reconciliation of operating profit to Group Adjusted EBITDA:</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
- Operating profit / (loss)		(18,868)	12,709	21,575
- Depreciation and impairment of property, plant and equipment	7	22,856	20,253	41,778
- Amortisation and impairment of intangibles		1,668	1,390	3,114
- Impairment		-	25	-
- Exceptional items	4	357	920	6,086
- Long term employee incentive costs		(1,027)	813	1,900
- Cash rent payments <sup>2</sup>		(3,267)	(12,087)	(25,913)
<b>- Group Adjusted EBITDA<sup>1</sup></b>		<b>1,719</b>	<b>24,023</b>	<b>48,540</b>

<sup>1</sup>Group Adjusted EBITDA is a non-GAAP metric used internally by management and externally by advisors, and is not an IFRS disclosure

<sup>2</sup>Cash rent payments are the actual cash payments which are paid for the property leases during the year.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Note	30 June 2020 Unaudited £'000	30 June 2019 *Restated Unaudited £'000	31 December 2019 Audited £'000
<i>Non-current assets</i>				
Property, plant and equipment (excluding right-of-use asset)	7	179,399	167,625	176,001
Right-of-use asset		239,860	223,969	238,702
Intangible assets		86,771	85,927	86,379
Trade and other receivables		103	-	-
Financial assets at fair value through other comprehensive income		1,000	277	-
Derivative financial instruments		4	36	13
Deferred tax assets		3,810	-	-
<b>Total non-current assets</b>		<b>510,947</b>	<b>477,834</b>	<b>501,095</b>
<i>Current assets</i>				
Inventories		663	276	654
Trade and other receivables		4,605	10,321	8,769
Cash and cash equivalents		6,837	3,820	2,605
<b>Total current assets</b>		<b>12,105</b>	<b>14,417</b>	<b>12,028</b>
<b>Total assets</b>		<b>523,052</b>	<b>492,251</b>	<b>513,123</b>
<i>Current liabilities</i>				
Trade and other payables		21,539	26,001	29,389
Lease liabilities		16,296	14,385	15,637
Other financial liabilities		3,875	888	3,875
Borrowings	8	-	1,000	-
Provisions	9	572	518	352
Income taxes payable	6	360	1,443	374
<b>Total current liabilities</b>		<b>42,642</b>	<b>44,235</b>	<b>49,627</b>
<i>Non-current liabilities</i>				
Borrowings	8	35,263	49,369	49,116
Lease liabilities		277,301	247,383	262,706
Other financial liabilities		-	-	-
Provisions	9	1,361	1,201	1,303
Deferred tax liabilities	6	-	(364)	208
<b>Total non-current liabilities</b>		<b>313,925</b>	<b>297,589</b>	<b>313,333</b>
<b>Total liabilities</b>		<b>356,567</b>	<b>341,824</b>	<b>362,960</b>
<b>Net assets</b>		<b>166,485</b>	<b>150,427</b>	<b>150,163</b>
<i>Capital and reserves</i>				
Issued capital		17	14	14
Own shares held		48	48	48
Capital redemption reserve		4	4	4
Share premium		159,474	159,474	159,474
Hedging reserve		(169)	(11)	(166)
Merger reserve		39,912	-	-
Retained deficit		(32,800)	(9,102)	(9,211)
<b>Total equity shareholders' funds</b>		<b>166,485</b>	<b>150,427</b>	<b>150,163</b>

\* See note 2.3 for details



## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Issued capital	Own shares held	Capital redemption reserve	Share premium	Hedging reserve	Merger reserve	Retained deficit	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2019</b>	<b>14</b>	<b>48</b>	<b>4</b>	<b>159,474</b>	<b>(11)</b>	<b>-</b>	<b>(12,290)</b>	<b>147,239</b>
Profit for the period and total comprehensive income	-	-	-	-	-	-	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)
<b>At 30 June 2019</b>	<b>14</b>	<b>48</b>	<b>4</b>	<b>159,474</b>	<b>(11)</b>	<b>-</b>	<b>(9,102)</b>	<b>150,427</b>
Loss for the period and total comprehensive income	-	-	-	-	-	-	(488)	(488)
Share based payments	-	-	-	-	-	-	942	942
Deferred tax on share based payments	-	-	-	-	-	-	202	202
Dividends paid	-	-	-	-	-	-	(621)	(621)
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(144)	(144)
Changes in the fair value of derivative financial instruments	-	-	-	-	(155)	-	-	(155)
<b>At 31 December 2019</b>	<b>14</b>	<b>48</b>	<b>4</b>	<b>159,474</b>	<b>(166)</b>	<b>-</b>	<b>(9,211)</b>	<b>150,163</b>
Loss for the period and total comprehensive income	-	-	-	-	-	-	(22,676)	(22,676)
Issue of Ordinary share capital	3	-	-	-	-	39,912	-	39,915
Share based payments	-	-	-	-	-	-	(638)	(638)
Changes in the fair value of derivative financial instruments	-	-	-	-	(3)	-	-	(3)
Deferred tax on share based payments	-	-	-	-	-	-	(275)	(275)
<b>At 30 June 2020</b>	<b>17</b>	<b>48</b>	<b>4</b>	<b>159,474</b>	<b>(169)</b>	<b>39,912</b>	<b>(32,800)</b>	<b>166,485</b>

# Consolidated Cash Flow Statement

For the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Restated* Audited £'000
<i>Cash flows from operating activities</i>				
Operating (loss) / profit		(18,868)	12,709	6,219
Adjustments for:				
Net finance costs		-	-	15,356
Exceptional items	4	357	920	6,086
Depreciation of property, plant and equipment	7	22,856	20,253	41,778
Amortisation of intangible assets		1,668	1,390	3,114
Long term employee incentive costs	11	(1,027)	813	1,900
Loss / (profit) on disposal of property, plant and equipment		1	(1)	(112)
(Increase) / decrease in inventories		(9)	103	(275)
Decrease / (increase) in trade and other receivables		2,904	(3,308)	(1,073)
(Decrease) / increase in trade and other payables		(3,002)	1,753	2,015
Cash generated from operations		4,880	34,633	75,008
Tax paid		-	(1,523)	(3,579)
Net cash flows from operating activities before exceptional items		4,880	33,110	71,429
Exceptional items		(361)	(274)	(1,120)
<b>Net cash flow from operating activities</b>		<b>4,519</b>	<b>32,836</b>	<b>70,309</b>
<i>Cash flows from investing activities</i>				
Payment for financial assets at fair value through other comprehensive income		(1,009)	-	-
Business combinations		-	(2,114)	(2,114)
Purchase of property, plant and equipment		(18,972)	(16,966)	(36,652)
Purchase of intangible assets		(2,060)	(699)	(2,461)
Disposal of tangible assets		-	-	391
Interest received		6	10	32
<b>Net cash flows used in investing activities</b>		<b>(22,035)</b>	<b>(19,768)</b>	<b>(40,804)</b>
<i>Cash flows from financing activities</i>				
Dividends paid		-	(1,312)	(1,933)
Lease liabilities paid <sup>1</sup>		(753)	(6,000)	(13,093)
Lease interest paid <sup>1</sup>		(2,514)	(6,087)	(12,820)
Bank interest paid		(580)	(845)	(2,197)
Payment of financing fees		(320)	(15)	(884)
Drawdown of bank loans		20,000	3,985	53,500
Repayments of bank loans		(34,000)	(2,000)	(52,500)
Proceeds of issue of Ordinary shares		41,268	-	-
Costs associated with share issue		(1,353)	-	-
<b>Net cash flows from / (used in) financing activities</b>		<b>21,748</b>	<b>(12,274)</b>	<b>(29,927)</b>
Net increase in cash and cash equivalents		4,232	793	(422)
Cash and cash equivalents start of period		2,605	3,027	3,027
<b>Cash and cash equivalents at end of period</b>		<b>6,837</b>	<b>3,820</b>	<b>2,605</b>

<sup>1</sup>These two items totalling £3,267,000 represent cash rent as used in the KPI definition

\* See note 2.3 for details

# 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 2020 ('Interim Financial Statements').

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

The Interim Financial Statements were approved by the Board of Directors on 2 September 2020.

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 2020 does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

The information shown for the year ended 31 December 2019 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 2019.

The Interim Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2019, 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 2019 was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006, but did include a reference drawing attention to a material uncertainty related to going concern arising from the current uncertainty of the impact of the COVID-19 pandemic on the Group's business.

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

## 2. Basis of preparation 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.

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 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 2.2 Going Concern

The outbreak of Covid-19 and its continuing impact on the economy casts a degree of uncertainty as to the future financial performance and cash flows of the Group. When assessing the ability of the Group to continue as a going concern the Directors have considered the Group's financing arrangements, the pattern of trading since gyms in England re-opened on 25 July 2020 and future trading risks including further regional or nationwide lockdowns on the cashflows, liquidity and bank facility covenants of the Group over the next 12 month period.

In the first half of 2020 the Group raised additional financing in the form of:

- an equity placing, which raised net proceeds of £39.9 million; plus
- a £30.0 million debt facility extension (the **New Bank Facility**), which provided incremental liquidity beyond the existing £70.0 million Revolving Credit Facility (**RCF**)

As a result of these actions, the Company secured sufficient liquidity to finance the business through a period of gym closure extending into 2021, well beyond any reasonable closure scenario envisaged. The number of months of closure in 2021 for which we would have sufficient liquidity would depend on, among other factors, the extent to which UK Government support schemes such as CJRS and Business Rates relief were extended, if at all, beyond their current expected termination dates.

As at 31 July, one week after gyms in England re-opened, the Group had Non-Property Net Debt of £35.7 million versus £100.0 million of total borrowing capacity and has since been trading with positive cash flow.

During the 18-month term of the New Bank Facility, the covenants of the RCF have been replaced with new covenants based on the EBITDA performance of the Group after re-opening, based on a revised business plan presented to the lending banks. The covenant tests will be performed quarterly as follows:

- Q3 2020: Cumulative EBITDA in August and September 2020 vs agreed targets
- Between Q4 2020 and Q3 2021: Cumulative EBITDA from October 2020 through to the end of the relevant quarterly reporting period vs agreed targets

Based on the trading performance since re-opening up until the end of August, the Directors are confident of meeting the Q3 2020 EBITDA covenant test. In order to meet the targets between Q4 2020 and Q3 2021, the Group will be required to deliver a steady growth in revenue each quarter; with an overall increase of approximately 10% between September 2020 and September 2021. The Directors expect the Group to deliver on this target, barring any further extended national lockdown periods.

With operating costs largely within the Group's control, the risks of the EBITDA targets being missed relate primarily to revenue, with the most likely causes being as follows:

- A period of further nationwide lockdown of a month or more would cause a period of loss that would very likely reduce the cumulative EBITDA achieved from October 2020 to such an extent as to cause the covenants to be breached;
- The number of paying members may fall below the level needed to deliver the required EBITDA covenant targets in a given quarter, caused by a general lack of confidence in members returning to the gym and/or a series of regional lockdowns

Although these outcomes are not considered probable, the Directors deem these downside scenarios to be plausible and therefore the risk of a breach in debt covenants is possible. In the event that the Group fails to meet one or more of its debt covenant EBITDA targets, the Directors believe it likely that an agreement could be reached with the lending banks to waive or amend covenants as part of a revised business plan, on the basis that if such a breach were to occur, the Group would not at the time of breach have drawn down on the incremental £30 million of the New Bank Facility agreed in June 2020. However, no such commitment for further covenant waivers is currently in place with the lending banks.

The Directors have concluded that the potential impact of COVID-19 described above and uncertainty over possible mitigating actions, including covenant waivers represents a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. However, having assessed the financial forecasts, sensitivities and possible mitigating actions, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months and therefore the Directors continue to adopt the going concern basis in preparing these interim accounts. Accordingly, these interim accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

## 2.3 Adjustments to prior year

### *Adjustments in relation to IFRS 16*

Following the adoption of IFRS 16, the Group presented its first audited financial statements under the new standard for the year ended 31 December 2019. In preparing those financial statements, it was identified that certain leases were not reflected correctly in the half year results. The effect of these corrections are shown in the table below. There is no impact on the interim income statement or cash flow statement for 30 June 2019.

Note that this has no impact on the audited financial statements for the year ended 31 December 2019.

*Consolidated statement of financial position (unaudited) as at 30 June 2019 (extract):*

	Six months ended 30 June 2019	Adjustments	Six months ended 30 June 2019
	Unaudited	Unaudited	*Restated Unaudited
	£'000	£'000	£'000
Impact on the consolidated statement of financial position (extract):			
<i>Non-current assets</i>			
Right-of-use asset	202,812	21,157	223,969
<i>Non-current liabilities</i>			
Lease liabilities	231,857	15,526	247,383
<b>Net assets</b>	<b>144,796</b>	<b>5,631</b>	<b>150,427</b>
<i>Capital and reserves</i>			
Retained deficit	(14,733)	5,631	(9,102)
<b>Total equity shareholders' funds</b>	<b>144,796</b>	<b>5,631</b>	<b>150,427</b>

### Classification of cash flows in respect of capital expenditure

In the Consolidated cash flow statement for the year ended 31 December 2019, cash outflows of £1,585,000 in relation to the purchase of plant, property and equipment were incorrectly classified within movements in trade and other payables. This classification has therefore been amended as shown in the table below. There is no impact on the income statement or net cash.

Consolidated cash flow statement for the year ended 31 December 2019 (extract):

	As reported £000	Reclassification of capex creditor £000	Restated £000
Increase in inventories	(275)	-	(275)
Increase in trade and other receivables	(1,073)	-	(1,073)
Increase in trade and other payables	3,967	(1,585)	2,382
Other operational cash flows	69,642	-	69,642
<b>Net cash flow from operating activities</b>	<b>72,261</b>	<b>(1,585)</b>	<b>70,676</b>
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment	(38,604)	1,585	(37,019)
Other investing cash flows	(4,152)	-	(4,152)
<b>Net cash flows used in investing activities</b>	<b>(42,756)</b>	<b>1,585</b>	<b>(41,171)</b>
<b>Net cash flows used in financing activities</b>	<b>(29,927)</b>	<b>-</b>	<b>(29,927)</b>
Net increase in cash and cash equivalents	(422)	-	(422)
Cash and cash equivalents start of period	3,027	-	3,027
<b>Cash and cash equivalents at end of period</b>	<b>2,605</b>	<b>-</b>	<b>2,605</b>

### 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 2020 Unaudited £'000	Six months ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
<i>Major products/service lines</i>			
Membership income	34,968	71,994	146,782
Rental income	1,769	1,135	4,572
Other income	537	859	1,780
	<b>37,274</b>	<b>73,988</b>	<b>153,134</b>
<i>Timing of revenue recognition</i>			
Products transferred at a point in time	600	1,204	2,550
Products and services transferred over time	36,674	72,784	150,584
	<b>37,274</b>	<b>73,988</b>	<b>153,134</b>

### 4. Exceptional items

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	Unaudited £'000	Unaudited £'000	Audited £'000
Remeasurement of contingent consideration	-	-	2988
Impairment and other costs arising as a result of site closures	(214)	920	2688
Restructuring costs	571	-	410
<b>Total exceptional items in operating expenses</b>	<b>357</b>	<b>920</b>	<b>6,086</b>
Refinancing costs	-	-	486
<b>Total exceptional items in financing expenses</b>	<b>-</b>	<b>-</b>	<b>486</b>
	<b>357</b>	<b>920</b>	<b>6,572</b>

## 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 2020, 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 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	Unaudited	Unaudited	Audited
Basic weighted average number of shares	148,617,471	137,782,695	137,870,237
Adjustment for share awards	1,361,025	3,332,264	2,561,055
Diluted weighted average number of shares	149,978,496	141,114,959	140,431,292
Basic earnings per share (p)	(15.3)	3.0	2.6
Diluted earnings per share (p)	(15.1)	2.9	2.6

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 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	Unaudited £'000	Unaudited Restated* £'000	Audited Restated* £'000
Profit for the year	(22,676)	4,083	3,595
Amortisation of non-IT intangible assets	298	613	1,178
Exceptional administration expenses	357	920	6,572
Tax effect of above items	(98)	(132)	(771)
<b>Adjusted earnings</b>	<b>(22,119)</b>	<b>5,484</b>	<b>10,574</b>
Basic adjusted earnings per share (p)	(14.9)	4.0	7.7
Diluted adjusted earnings per share (p)	(14.7)	3.9	7.5

## 6. Taxation

The major components of taxation are:

	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
<i>Current income tax</i>			
Current tax on profits for the period	-	1,808	2,681
Adjustments in respect of prior years	(14)	-	(153)
<b>Total current income tax</b>	<b>(14)</b>	<b>1,808</b>	<b>2,528</b>
<i>Deferred tax</i>			
Origination and reversal of temporary differences	(4,501)	(311)	91
Change in tax rates	71	-	-
Adjustments in respect of prior years	137	-	5
<b>Total deferred tax</b>	<b>(4,293)</b>	<b>(311)</b>	<b>96</b>
<b>Tax (credit) / charge in the Consolidated Statement of Comprehensive Income</b>	<b>(4,307)</b>	<b>1,497</b>	<b>2,624</b>

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 2020.

Excluding the tax effect of the amortisation of non-IT intangible assets and exceptional items (£98,000), the effective tax rate on Adjusted Profit Before Tax for the half year ended 30 June 2020 was 16.0%.

The net deferred tax assets recognised at 30 June 2020 was £3,810,000 (30 June 2019: £364,000; 31 December 2019: (£208,000)). This comprised deferred tax assets relating to tax losses, provisions and equity settled share-based incentives totalling £6,325,000 (30 June 2019: £4,001,000; 31 December 2019: £3,604,000) and deferred tax liabilities in relation to accelerated capital allowances and acquired intangible assets totalling £2,515,000 (30 June 2019: £3,637,000; 31 December 2019: £3,882,000). All deferred tax assets and liabilities have been recognised.



## 7. Property, plant and equipment

	Assets under Construction	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Total before Right of use asset	Right of use asset	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>								
At 1 January 2019	2,365	153,855	10,709	68,861	2,766	238,556	267,629	506,185
Additions	24,672	7,462	519	3,968	251	36,872	40,372	77,244
Disposals	-	(157)	-	(580)	-	(737)	-	(737)
Transfers	(23,338)	15,566	655	6,903	214	-	-	-
At 31 December 2019	3,699	176,726	11,883	79,152	3,231	274,691	308,001	582,692
Transfers	(7,607)	4,101	90	3,416	-	-	-	-
Additions	8,614	5,636	51	995	123	15,418	11,998	27,415
Disposals	-	-	-	(1)	-	(1)	-	(1)
<b>At 30 June 2020</b>	<b>4,706</b>	<b>186,463</b>	<b>12,023</b>	<b>83,562</b>	<b>3,354</b>	<b>290,108</b>	<b>319,999</b>	<b>610,106</b>
<i>Accumulated depreciation</i>								
At 1 January 2019	-	35,673	5,473	32,110	1,625	74,881	48,998	123,879
Charge for the year	-	12,238	1,308	8,406	618	22,570	19,112	41,682
Disposals	-	(110)	-	(347)	-	(457)	-	(457)
Impairment	-	1,165	24	498	9	1,696	1,189	2,885
At 31 December 2019	-	48,966	6,805	40,667	2,252	98,690	69,299	167,989
Charge for the year	-	6,820	632	4,250	316	12,017	10,838	22,856
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
<b>At 30 June 2020</b>	<b>0</b>	<b>55,786</b>	<b>7,437</b>	<b>44,917</b>	<b>2,568</b>	<b>110,707</b>	<b>80,137</b>	<b>190,845</b>
<i>Net book value</i>								
At 31 December 2019	3,699	127,760	5,078	38,485	979	176,001	238,702	414,703
<b>At 30 June 2020</b>	<b>4,706</b>	<b>130,677</b>	<b>4,587</b>	<b>38,645</b>	<b>785</b>	<b>179,399</b>	<b>239,860</b>	<b>419,259</b>

Outstanding capital commitments totalled £2,562,000 (30 June 2019: £2,645,000; 31 December 2019: £3,461,000).

## 8. Borrowings

	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
<i>Current</i>			
Revolving credit facility	-	1,000	-
<i>Non-current</i>			
Facility A	-	10,000	-
Facility B	-	40,000	-
Revolving credit facility	36,000	-	50,000
Loan arrangement fees	(737)	(631)	(884)
	<b>35,263</b>	<b>49,369</b>	<b>49,116</b>
<b>Total borrowings</b>	<b>35,263</b>	<b>50,369</b>	<b>49,116</b>

In October 2019, the Group successfully refinanced its borrowings, moving from a mix of term loans and RCF to a single committed RCF (the "RCF") of £70 million. The facility is syndicated to a three lender panel of HSBC, Barclays and Sabadell and matures in 2023. In June 2020 the Group agreed an additional £30 million commitment from its existing panel of lenders (the "New Bank Facility"), bringing the entire committed funds to £100 million. The £30 million New Bank Facility has an 18 month term and funds borrowed bear interest at 3.10% over the appropriate sterling LIBOR. Whilst the New Bank Facility is in place, funds borrowed under the RCF will bear interest at 2.6% over the appropriate sterling LIBOR.

At 30 June 2020, the Group had drawn down £36 million (2018: £51 million) on the RCF. The New Bank Facility was undrawn.

The agreement of the New Bank Facility resulted in fees of £360,000 which will be amortised over the 18-month term. The New Bank Facility is recognised at its amortised cost.

### Covenants

The RCF is subject to financial covenants relating to leverage and interest cover. The Group has been in compliance with all of the covenants during the periods under review. Breach of the covenants following a cure period would render any outstanding borrowings subject to immediate settlement.

From the period ended 30 June 2020 to the period ended 30 September 2021 (or earlier if the New Bank Facility is cancelled), the Group is no longer subject to covenants in respect of interest cover and leverage but will instead be subject to covenants related to agreed target levels of EBITDA.

### Valuation

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 £'000	Other £'000	Total £'000
At 1 January 2019	1,145	679	1,824
New provisions	134	161	295
Utilisation of provisions	-	(412)	(412)
Unwinding of discount	24	-	24
Release of provision	-	(76)	(76)
At 31 December 2019	1,303	352	1,655
New provisions	45	262	307
Unwinding of discount	13	-	13
Release of provision	-	(42)	(42)
<b>At 30 June 2020</b>	<b>1,361</b>	<b>572</b>	<b>1,933</b>
Due in less than one year	-	352	352
Due in more than one year	1,303	-	1,303
At 31 December 2019	1,303	352	1,655
Due in less than one year	-	572	572
Due in more than one year	1,361	-	1,361
<b>At 30 June 2020</b>	<b>1,361</b>	<b>572</b>	<b>1,933</b>

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

## 10. Issued capital

On 17 April 2020, the Company issued a total of 27,396,606 new ordinary shares (representing approximately 19.9% of the existing issued share capital) of 0.01p each in the capital of the Company at a price of 150 pence per share, via a placing (the **Placing**), raising gross proceeds of approximately £41.3 million (net proceeds of £39.9 million after related costs).

During the six months ended 30 June 2020, the Company issued 270,816 Ordinary shares of 0.01 pence each in relation to exercise of options issued under the Gym Group Plc Performance Share Plan and Long Service Award Plan

The total number of issued share capital as at 30 June 2020 is 165,878,544.

## 11. Long term employee incentive costs

The Group had the following share based payment arrangements in operation during the year:

- a) The Gym Group plc Performance Share Plan
- b) The Gym Group plc Share Incentive Plan – Free shares
- c) The Gym Group plc Share Incentive Plan – Matching shares
- d) The Gym Group plc Restricted Stock Plan
- e) The Gym Group plc Long Service Award Plan
- f) The Gym Group plc Savings-Related Share Plan

No new awards was granted during the six months ended 30 June 2020.

In the six months ended 30 June 2020, the Group recognised a reduction in the provision for future long term incentives £(1,027,000) (six months ended 30 June 2019: total charge of £813,000, year ended 31 December 2019: total charge of £1,670,000) in respect of the Group's share based payment arrangements and related employer's national insurance (£638,000 and £389,000 respectively), reflecting the significantly reduced expected payout in the 2018 and 2019 Performance Share Plans.

## 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 2020 Unaudited £'000	Six months ended 30 June 2019 *Restated Unaudited £'000	Year ended 31 December 2019 Audited £'000
Closewall Limited	-	178	186
	-	<b>178</b>	<b>186</b>
Opening balance	186	98	98
Purchases	607	1,361	2,120
Repayments	(793)	(1,281)	(2,032)
	-	<b>178</b>	<b>186</b>
Representing:			
Trade and other payables	-	<b>178</b>	<b>186</b>

## 13. Subsequent events

At the end of the reporting period (30 June 2020) the Group's entire estate was closed due to the COVID-19 pandemic and as a result it was not earning subscription revenue from its members. Following the lifting of restrictions across the UK, gyms in England were permitted to open on 25 July 2020, gyms in Wales on 10 August and gyms in Scotland on 31 August. As such the Group has been earning revenue from 25 July 2020; for more details regarding the performance of trading since re-opening refer to the Current Trading section on the opening page of this statement plus the Chief Executive's Review section.