12 September 2023

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

2023 Interim Results

Leading low cost gym operator, The Gym Group, announces its interim results for the six month period ended 30 June 2023.

Key financial metrics[1]

	Six months ended 30 June 2023	Six months ended 30 June 2022 Restated*	Movement
Revenue (£m)	99.8	84.2	18.5%
Group Adjusted EBITDA (£m)	35.1	33.5	4.8%
Group Adjusted EBITDA Less Normalised Rent (£m)	17.2	17.0	1.2%
Adjusted Loss before tax (£m)	(5.2)	(4.7)	(10.6)%
Statutory Loss before tax (£m)	(6.1)	(7.2)	15.3%
Statutory Loss after tax (£m)	(6.1)	(3.4)	(79.4)%
Basic and Diluted Adjusted Loss per share (p)	(2.9)	(0.8)	(262.5)%
Basic and Diluted Statutory Loss per share (p)	(3.4)	(2.0)	(70.0)%
Free cash flow (£m)	14.2	7.5	89.3%
Non-Property Net Debt (£m) (as at period end)	(69.7)	(57.6)	(21.0)%

* Refer to note 3 of the Unaudited Condensed Consolidated Financial Information for details of the restatement of Finance costs (no impact at Group Adjusted EBITDA level).

Financial highlights

- Revenue grew 18.5% year on year, reflecting growth in average membership of 9.3% and yield (‘ARPMM’) of 8.4%; like-for-like revenue grew 6.9% year on year[2]
- Membership at 30 June 2023 was 867,000, up 9.7% year on year (Jun 2022: 790,000) and up 5.6% since the end of 2022 (Dec 2022: 821,000)
- Yield continued to strengthen due to both the average price of a standard DO IT[3] membership increasing by 5.4% to £22.02 at 30 June 2023 and LIVE IT[4] penetration growing to 30.7% of total membership (Jun 2022: 28.7%)
- EBITDA Less Normalised Rent broadly flat, in line with guidance, with revenue growth offsetting inflationary cost increases
- Free cash flow generation of £14.2m resulted in £6.4m reduction in Non-Property Net Debt to £69.7m at 30 June 2023 (Dec 2022: £76.1m); leverage improved to 1.82x

Business and operational highlights

- Board and management team strengthened: Will Orr appointed as Group CEO and joined the business on 1 September; Simon Jones, of Whitbread, appointed as Non-Executive Director on 6 February 2023
- Two new gyms opened in the first half at Edinburgh and Accrington and anticipate opening up to a further five sites in the second half; sites opened in 2021 and 2022 maturing in line with expectations
- High levels of member engagement with increasing visit frequency (up 9.0% year on year in H1) and continuing strong customer satisfaction scores; increased maintenance capital expenditure to support member experience
- Trial of three-tier price product architecture in 64 sites showing early encouraging results
- Bank facilities secured until October 2025 with supportive syndicate; Covid-related covenants removed

Outlook and current trading

- Trading in July and August continued in line with expectations; on track to deliver our plans for the year as a whole
- We are maintaining our guidance for FY 2023, provided in March, that revenue growth will broadly be offset by cost inflation; leverage[5] expected to remain within the range of 1.5 to 2.0x

[1] For a summary of KPI definitions used in the table see the ‘Definition of non-statutory measures’ section
[2] Like-for-like revenue vs 2022 includes all sites open as at 31 December 2020
[3] Includes Standard product in sites where three-tier price product architecture is being trialled
[4] Includes Ultimate product in sites where three-tier price product architecture is being trialled
[5] Calculated as Non-Property Net Debt : Group Adjusted EBITDA Less Normalised Rent

John Treharne, Chair of The Gym Group, commented:

"The Gym Group has delivered a solid first half, driving growth in both membership and yield, and remains on track for the full year. I am delighted to welcome Will Orr on board. The actions we have taken to strengthen management, our financial position and the Group's customer proposition will enable us to continue to take advantage of the many growth opportunities in our market under his leadership."

Will Orr, CEO of The Gym Group, commented:

"*Our 'high value, low cost' proposition meets a clear customer need in a growing market. I am excited to join a passionate, expert team who are committed to lowering barriers to fitness across the UK. As well as getting to understand all aspects of the business I'm already starting work with the team to deliver the next phase of The Gym Group's development and capturing our share of the undoubted market potential."*

A live audio webcast of the analyst presentation will be available at 9:00 a.m. today via the following link:

https://storm-virtual-uk.zoom.us/webinar/register/WN_kJUuhA0xS0aqKbrRXVnkSQ

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Forward-looking statements

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

Notes for editors

The Gym Group was a pioneer of the low cost gym model, and now operates 230 high quality sites across the UK. These gyms offer 24/7 opening and flexible, no contract membership. As at 30 June 2023, there were 867,000 members nationwide. Our gyms have over 53 million visits per annum, score highly on member satisfaction, and are consistently rated "excellent" on Trustpilot. The Gym Group is the UK's first carbon neutral chain of gyms.

Business and Operational Review

The Gym Group has delivered a solid first half against an economic backdrop that has seen no let-up in inflation and pressures on discretionary consumer spending. With this background, The Gym Group has focused on delivering great value for our members and managing controllable costs tightly to underpin our attractive low cost proposition. We have seen continuing good demand and strengthened pricing, driving an 18.5% increase in first half revenue, offsetting the step-up in inflationary costs, in particular utilities costs, to deliver EBITDA similar to last year. This is consistent with our FY 2023 guidance, which remains unchanged. Details of the financial results will follow in the Financial Review. The following section focuses on the operational progress in the half.

Continuing progress in strategic priorities
The Gym Group's founding mission is to make health and fitness accessible and affordable for everyone. Our highly efficient, low cost model ensures that we can offer a high quality member experience at low prices with no contract obligation. We now operate 230 well-equipped gyms across the UK, helping more than 800,000 members keep mentally and physically active. In an environment where consumers face significant pressures on their costs of living, demand for health and fitness remains robust and we have focused on maintaining great value, supported by our recent technology investment. As a result, we have continued to grow our membership whilst further improving revenues per member.

New site openings moderated after record openings in 2022
After opening a record number of sites in 2022, we are on track with our plan for new sites in 2023, with the intention to be fully self-financing. In the first half, two new sites opened at Accrington and Edinburgh Corstorphine, both of which are in retail park locations. We anticipate opening up to a further five sites in the second half. One site was closed in Manchester due to a lease expiry. The sites opened in 2021 and 2022 are maturing in line with our expectations.

Strong membership and yield growth
Like-for-like revenue[6] grew 6.9% year on year. Total membership stood at 867,000 as at 30 June 2023, 9.7% higher than at 30 June 2022, and 5.6% higher than at 31 December 2022. Average member numbers in H1 2023 of 885,000 are similarly 9.3% higher than the average of H1 2022. Revenue in comparable sites is on an improving trend and is now at 97% of 2019[7] levels.

Average revenue per member per month ('ARPMM') increased by 8.4% in the first half to £18.81, due to a combination of optimising headline subscription rates and higher penetration of our premium LIVE IT subscription, supported by a new pay up-front option. The average standard DO IT membership monthly cost has increased by 5.4% to £22.02 as at 30 June 2023 (June 2022: £20.89; Dec 2022: £21.49). LIVE IT take-up has exceeded 30% for the first time in this period, reflecting improvements in the product offer such as the integration of the Fiit app - offering free digital workouts – enabled by our technology platform investment in 2022.

Improving operational metrics
We have made further good progress in ensuring we serve the needs of today's members effectively. Visits per member are up 9.0% year on year and up 21.4% on 2019 levels. This means that the average member visited four times per month in the first half of the year, in line with our social value target.

57% of our members rated The Gym Group 5 out of 5 in overall satisfaction measures[8], with 93% rating us at least 4 out of 5; and more than two thirds rated us 5 out of 5 for friendliness. Our Trustpilot and Google ratings are both industry-leading at 4.5.

Downloads of The Gym Group app rose 15.4% in H1 compared with the prior year. We averaged 700,000 users in the first half, up 34% year on year, and penetration levels have increased to 80% of our member base. Again, satisfaction levels are high with Apple and Android ratings at 4.7 and 4.6 out of 5 respectively.

Investing in the core gym product
During the period, we spent £7.0m on maintenance capex (H1 2022: £2.8m) as part of our investment in format enhancements and major kit replacements at key mature sites to maintain high standards and reinforce the attraction to our members. We are also rolling out new equipment to sites across the country, including extending the dumbbell range in 88 gyms, and adding lifting rigs, SkiErgs and air bikes in a number of further sites, to ensure we are continuing to offer relevant and high quality equipment and help increase capacity in existing footprints.

Trialling three-tier membership structure
In May we began trialling a three-tier price architecture in 64 of our sites aimed at attracting incremental membership volumes and providing a platform for enhanced yield management. The three-tier price architecture includes a lower entry price for off-peak membership which appeals to additional, more price-sensitive members and emphasises our value credentials; as well as an enhanced upper end premium product, building on our successful LIVE IT product.

The initial results from the trial are encouraging and we are continuing to evaluate and optimise and prepare a potential rollout plan.

[6] Like-for-like revenue vs 2022 includes all sites open as at 31 December 2020
[7] Like-for-like revenue vs 2019 includes all sites open as at 31 December 2018
[8] Overall Satisfaction score surveys undertaken by Service Management Group

Extending Corporate membership

A growing channel for new members is our offer to Corporates which gives us substantial additional reach potential. We have grown our Corporate memberships from small beginnings very rapidly over the past year, more than doubling Corporate sales. As a result, this segment now accounts for more than 2% of our overall membership.

Sustainability at the core of our purpose

Our commitment to being a sustainable business, with the core purpose of breaking down barriers to fitness for all, extends across all our activities. We are proud to be AAA rated by MSCI.

In the first half of 2023, we have continued to grow our social value as members made over 32 million visits to our gyms, up 20% on the prior half year.

A core driver of ensuring we can continue to deliver value to our members at the same time as reducing our carbon footprint is managing our site costs through energy saving initiatives, including lighting and water usage. These initiatives are continuing to underpin our status as the UK's first carbon neutral chain of gyms.

We have continued to invest in our people, with enhanced early career development and engagement initiatives. We have accelerated our personal trainer programme in order to ensure we are offering an attractive career path, to develop future leaders and to support staff retention.

Strengthening Board and management

On 3 May 2023, The Gym Group announced the appointment of Will Orr, formerly of Times Media Group, as CEO. Will commenced his role on 1 September 2023, joining the Board as an Executive Director on that date, and will also join the Sustainability Committee from 12 September 2023. As announced on 12 January 2023, following Will's appointment, John Treharne has resumed his former Non-Executive role and duties as Chair of the Board.

In addition, Simon Jones, Managing Director for Premier Inn and Restaurants, UK and Global Commercial Director at Whitbread, joined the Board as a Non-Executive Director on 6 February 2023. David Kelly stepped down as a Non-Executive Director at the AGM on 11 May 2023 after seven years of service.

Finally, The Gym Group has appointed Krishan Pandit as Company Secretary with effect from 13 November 2023, replacing Katy Tucker who will step down as Company Secretary on 19 September 2023. Luke Tait will act as Company Secretary in addition to his Executive responsibilities on an interim basis until Krishan joins in November 2023.

Summary Guidance and Outlook

- Our guidance for FY 2023 is unchanged, that revenue growth is anticipated to be broadly offset by cost inflation.
- We expect to open up to five sites in the balance of the year, financed from free cash flow. Our current plans are to open 10-12 new gyms in 2024.
- Bank facilities secured to October 2025 with supportive syndicate and Covid-related covenants removed; Leverage (calculated as Non-Property Net Debt : Group Adjusted EBITDA Less Normalised Rent) is expected to remain within the target range of 1.5 to 2.0x (covenant set at 3.0x).

Financial Review

Presentation of results

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

	Six months ended 30 June 2023	**Six months ended 30 June 2022 Restated***	**Movement**
Total number of gyms at end of period	230	212	8.5%
Total number of members at end of period ('000)	867	790	9.7%
Revenue (£m)	99.8	84.2	18.5%
Group Adjusted EBITDA (£m)	35.1	33.5	4.8%
Group Adjusted EBITDA Less Normalised Rent (£m)	17.2	17.0	1.2%
Adjusted Loss before tax (£m)	(5.2)	(4.7)	(10.6)%
Statutory Loss before tax (£m)	(6.1)	(7.2)	15.3%
Statutory Loss after tax (£m)	(6.1)	(3.4)	(79.4)%
Net cash inflow from operating activities (£m)	42.0	29.6	41.9%
Free cash flow (£m)	14.2	7.5	89.3%
Non-Property Net Debt (£m) (as at period end)	(69.7)	(57.6)	(21.0)%

* Refer to note 3 of the Unaudited Condensed Consolidated Financial Information for details of the restatement of Finance costs (no impact at Group Adjusted EBITDA level).

Results for the period

	Six months ended 30 June 2023			Six months ended 30 June 2022 Restated*		
	Underlying result £m	Non-underlying items £m	Total £m	Underlying result £m	Non-underlying items £m	Total £m
Revenue	99.8	-	99.8	84.2	-	84.2
Cost of sales	(1.4)	-	(1.4)	(0.8)	-	(0.8)
Gross profit	**98.4**	**-**	**98.4**	**83.4**	**-**	**83.4**
Other income	-	-	-	0.3	-	0.3
Operating expenses (before depreciation, amortisation & impairment)	(64.7)	(0.5)	(65.2)	(50.8)	(1.2)	(52.0)
Depreciation, amortisation & impairment	(28.5)	(0.1)	(28.6)	(29.4)	(0.1)	(29.5)
Operating profit	**5.2**	**(0.6)**	**4.6**	**3.5**	**(1.3)**	**2.2**
Finance costs	(10.4)	(0.3)	(10.7)	(8.2)	(1.2)	(9.4)
Loss before tax	**(5.2)**	**(0.9)**	**(6.1)**	**(4.7)**	**(2.5)**	**(7.2)**
Tax credit	-	-	-	3.2	0.6	3.8
Loss for the period attributable to equity shareholders	**(5.2)**	**(0.9)**	**(6.1)**	**(1.5)**	**(1.9)**	**(3.4)**
Loss per share						
Basic and diluted (p)	**(2.9)**		**(3.4)**	**(0.8)**		**(2.0)**

* Refer to note 3 of the Unaudited Condensed Consolidated Financial Information for details of the restatement of Finance costs (no impact at Group Adjusted EBITDA level).

Revenue

Trading in the first half of 2023 was positive despite the ongoing cost-of-living pressures on consumers, demonstrating the resilience of the low cost gym model. Revenue increased by 18.5% to £99.8m (H1 2022: £84.2m), reflecting 9.3% higher average membership numbers throughout the period and an 8.4% increase in yields.

The average membership number in the six months to 30 June 2023 was 885,000 compared with 810,000 in the six months ended 30 June 2022; and we closed the period with 867,000 members which was up 5.6% on 31 December 2022.

The average headline price of a standard DO IT membership increased to £22.02 in June 2023 compared with £20.89 in June 2022 and £21.49 in December 2022, largely as a result of higher joining fees and price increases for new members, as well as some repricing of the base membership. In addition, the proportion of members taking our premium membership was 30.7% in June 2023 compared with 28.7% and 29.6% in June 2022 and December 2022 respectively. As a result, Average Revenue Per Member Per Month (‘ARPMM’) in the first half of 2023 was up 8.4% to £18.81 compared with £17.36 in the first half of 2022.

Cost of sales

Cost of sales increased to £1.4m in the first half of 2023 (H1 2022: £0.8m), reflecting revenue and membership growth.

Underlying operating expenses (before depreciation, amortisation and impairment)

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

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m
Site costs before Normalised Rent	53.3	41.8
Site Normalised Rent	17.7	16.3
Site costs including Normalised Rent	**71.0**	**58.1**
Central Support Office costs	10.0	8.4
Central Support Office Normalised Rent	0.2	0.2
Central support office costs including Normalised Rent	**10.2**	**8.6**
Share based payments	1.4	0.6
	82.6	67.3
Less: Normalised Rent	(17.9)	(16.5)
Underlying operating expenses (before depreciation, amortisation and impairment)	**64.7**	**50.8**

Site costs including Normalised Rent

Site costs including Normalised Rent in the first half of 2023 increased to £71.0m (H1 2022: £58.1m). The fixed costs associated with running the sites (predominantly rates and service charges) increased by £4.2m year on year as a result of the increased estate size and the end of the Covid-related rates relief which reduced costs in the first quarter of 2022.

Controllable site costs increased by £7.3m with higher utilities costs accounting for £5.1m of this increase, largely as a result of the increased unit costs of energy. Marketing costs were also higher year on year, reflecting increased advertising spend to drive membership numbers in the peak January/February trading period. Higher staff costs reflected inflationary pay increases and increased site bonus payments following a successful first period of trading. Other increases in controllable costs broadly reflect the larger estate size.

Site Normalised Rent, which is defined as the contractual rent that would have been paid in normal circumstances without any agreed deferments, recognised in the monthly period to which it relates, amounted to £17.7m in the period (H1 2022: £16.3m). The increase year on year reflects the larger estate size.

Central Support Office costs including Normalised Rent

Central Support Office costs in the six months to 30 June 2023 increased to £10.2m (H1 2022: £8.6m), reflecting inflationary pressure on pay and rewards as well as the annualisation of the investment in people and technology that was made in the first half of 2022.

Share based payments

Share based payment costs in the period amounted to £1.4m (H1 2022: £0.6m), reflecting a more regular run rate following a year in which the charge was lower than expected due to share price volatility and a number of adjustments for leavers.

Underlying depreciation and amortisation

Underlying depreciation and amortisation charges in the period amounted to £28.5m (H1 2022: £29.4m). The reduction year on year reflects a return to more normal levels as the prior year charge included accelerated depreciation and amortisation on a number of assets that were replaced following the launch of the new consumer website and brand.

Group Adjusted EBITDA Less Normalised Rent

The Group's key profit metric is Group Adjusted EBITDA Less Normalised Rent, as the Directors believe that this measure best reflects the underlying profitability of the business. Group Adjusted EBITDA Less Normalised Rent is reconciled to statutory operating profit as follows:

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m
Operating profit	**4.6**	**2.2**
Non-underlying operating items	0.6	1.3
Share based payments	1.4	0.6
Underlying depreciation and amortisation	28.5	29.4
Group Adjusted EBITDA	**35.1**	**33.5**
Normalised Rent	(17.9)	(16.5)
Group Adjusted EBITDA Less Normalised Rent	**17.2**	**17.0**

Group Adjusted EBITDA Less Normalised Rent in the period was broadly in line with the prior year at £17.2m (H1 2022: £17.0m), as the increased revenue was offset by increased operating costs.

Underlying finance costs

Underlying finance costs in the period amounted to £10.4m (H1 2022: £8.2m). The implied interest relating to the lease liability was £7.8m (H1 2022: £6.9m). Finance costs associated with our bank borrowing facilities were £2.6m (H1 2022: £1.3m) comprising interest costs and fee amortisation. Funds borrowed under the Revolving Credit Facility ('RCF') bear interest at a minimum rate of 2.85%.

Non-underlying items

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

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 Restated* £m
Affecting operating expenses (before depreciation, amortisation and impairment)		
Costs of major strategic projects and investments	0.1	1.3
Restructuring and reorganisation costs (including site closures)	0.4	(0.1)
	0.5	**1.2**
Affecting depreciation, amortisation and impairment		
Amortisation of business combination intangible assets	0.1	0.1
	0.1	**0.1**
Affecting finance costs		
Refinancing and remeasurement of borrowings	0.3	1.2
	0.3	**1.2**
Total all non-underlying items before tax	**0.9**	**2.5**
Tax credit on non-underlying items	-	(0.6)
Total all non-underlying items	**0.9**	**1.9**

* Refer to note 3 of the Unaudited Condensed Consolidated Financial Information for details of the restatement of Finance costs.

Non-underlying items affecting operating expenses before depreciation, amortisation and impairment amounted to £0.5m in the period (H1 2022: £1.2m).

The costs of major strategic projects and investments in the period of £0.1m relate predominantly to the Group's work in relation to introducing a three-tier price product architecture. As noted earlier in this report, the trial results have been encouraging and we are now evaluating and optimising the results and preparing a potential rollout plan.

Restructuring and reorganisation costs in the period of £0.4m include the costs associated with the change of Group CEO and other Board and Executive Committee changes, as well as restructuring within the Central Support Office team, partly offset by accrual true-ups and lease surrender income associated with the closure of a small number of gyms in recent years.

Non-underlying costs affecting depreciation, amortisation and impairment in the period amounted to £0.1m (H1 2022: £0.1m) and relate to the amortisation of business combination intangibles acquired as part of the Lifestyle, easyGym and Fitness First acquisitions.

Non-underlying items affecting finance costs amounted to £0.3m in the period (H1 2022 restated: £1.2m) and reflect the costs associated with making certain changes to the Group's RCF earlier in the year, as well as the periodic remeasurement of the Group's RCF.

Taxation
The tax credit in the period was £nil (H1 2022 restated: credit of £3.8m) and the effective tax rate on the statutory loss before tax for the period ended 30 June 2023 was therefore 0% (H1 2022 restated: 52.8%).

The net deferred tax asset recognised at 30 June 2023 was £16.3m (31 December 2022: £16.3m; 30 June 2022 restated: £20.0m). This comprised deferred tax assets in respect of tax losses and other temporary differences where the Directors believe it is probable that these will be recovered within a reasonable period. Short term timing differences are generally recognised ahead of losses on the basis that they are likely to reverse more quickly.

The financial forecast used in the Going Concern assessment was also used to assess the deferred tax recoverability at 30 June 2023, and the Directors believe that this plan provides convincing evidence to support the continued recognition of the deferred tax assets that were recognised at 31 December 2022. However, given the ongoing macro-economic and geopolitical uncertainty, the Directors do not believe it is appropriate to recognise additional deferred tax assets at 30 June 2023.

Earnings
As a result of the factors discussed above, the statutory loss before tax for the period was £6.1m (H1 2022 restated: loss of £7.2m) and the statutory loss after tax for the period was £6.1m (H1 2022 restated: loss of £3.4m).

Adjusted loss before tax is calculated by taking the statutory loss before tax and adding back the non-underlying items. Adjusted loss before tax in the period was £5.2m (H1 2022: loss of £4.7m). Adjusted loss after tax was also £5.2m (H1 2022: loss of £1.5m).

The basic and diluted loss per share was 3.4p (H1 2022 restated: loss of 2.0p), and the basic and diluted adjusted loss per share was 2.9p (H1 2022: loss of 0.8p).

Dividend
It is a condition of the £10m additional RCF that the Company shall not declare or pay a dividend. Although this facility currently remains undrawn, the Directors would like to continue to have access to it as necessary and, as a result, the Directors are not proposing an interim dividend in respect of 2023 (H1 2022: £nil).

Cash flow

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m
Group Adjusted EBITDA Less Normalised Rent	**17.2**	**17.0**
Movement in working capital	7.5	(4.8)
Maintenance capital expenditure funded by leases	(1.5)	-
Maintenance capital expenditure funded by other sources	(5.5)	(2.8)
Group operating cash flow	**17.7**	**9.4**
Non-underlying items	(0.6)	(1.1)
Net interest paid	(2.9)	(1.3)
Taxation	-	0.5
Free cash flow	**14.2**	**7.5**
Expansionary capital expenditure funded by leases	(1.5)	(1.8)
Expansionary capital expenditure funded by other sources	(6.1)	(13.2)
Refinancing fees	(0.2)	(0.6)
Net consideration paid on acquisition	-	(5.4)
Cash flow before movement in debt	**6.4**	**(13.5)**
Net increase in finance lease indebtedness	0.3	0.6
Net (repayment)/drawdown of borrowings	(7.0)	12.5
Net cash flow	**(0.3)**	**(0.4)**

The Group operating cash inflow in the period was £17.7m (H1 2022: inflow of £9.4m) largely reflecting the Group's trading performance, with working capital inflows broadly offsetting the maintenance capital expenditure. The higher than expected working capital inflow of £7.5m (H1 2022: outflow of £4.8m) reflects careful cash management throughout the period as well as some short term timing differences around the period end which are expected to reverse in the second half of the year. The prior year outflow included £1.6m in relation to the unwind of deferred rents from 2020 and 2021.

Fixed asset additions in respect of maintenance capital expenditure in the period amounted to £3.3m (H1 2022: £2.8m) continuing the higher run rate in the second half of 2022 as we returned to more normal levels of operation and investment. However, the timing of settlement of some maintenance capital creditors brought forward from the prior year has meant that the cash flow from maintenance capital expenditure in the period was £7.0m (H1 2022: £2.8m), including £1.5m funded by finance leases (H1 2022: £nil).

Fixed asset additions in respect of expansionary capital expenditure in the period amounted to £4.1m (H1 2022: £16.5m) and relate to the fit-out of new gyms, enhancements to existing gyms and spend on technology projects. The fit-out costs are stated net of landlord contributions. Adjusting for the movement in capital creditors, the cash flow from expansionary capital expenditure was £7.6m (H1 2022: £15.0m), including £1.5m funded by finance leases (H1 2022: £1.8m).

Balance sheet

	At 30 June 2023 £m	At 30 June 2022 Restated* £m	At 31 December 2022 £m
Non-current assets	567.2	568.9	580.4
Current assets	10.8	16.1	15.2
Current liabilities	(63.2)	(56.8)	(64.7)
Non-current liabilities	(385.6)	(379.1)	(396.9)
Net assets	**129.2**	**149.1**	**134.0**

* Refer to note 3 of the Unaudited Condensed Consolidated Financial Information for details of the restatement of Finance costs.

Non-current assets decreased in the period by £13.2m to £567.2m as the investment in maintenance and expansionary assets was more than offset by the depreciation and amortisation charged in the period.

Current assets decreased by £4.4m to £10.8m in the period, largely reflecting the unwind of year end prepayments in relation to marketing and rates. Current liabilities were broadly in line with the position at 31 December 2022 as the unwind of capital creditors brought forward from the prior year end was largely offset by an increase in short term lease liabilities (despite overall lease liabilities falling by £2.0m as a result of the reduction in new site leases signed).

Drawings under the RCF decreased by £7.0m in the period reflecting careful cash management and prudent investment in new site openings. At 30 June 2023, the Group had Non-Property Net Debt of £69.7m (31 December 2022: £76.1m; 30 June 2022: £57.6m) comprising drawn facilities of £63.0m and finance leases of £11.8m, less cash of £5.1m.

Banking facilities
On 5 September 2023, the Group agreed a number of amendments to its £80m RCF. These included an extension of the facilities to October 2025 and the inclusion of Barclays within the syndicate alongside HSBC and NatWest. In addition, Covid-related covenants have been removed.

Going concern
The Board has reviewed the financial forecasts and downside scenario of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 December 2024. As a result, the Directors continue to adopt the going concern basis in preparing the Interim Financial Statements. In making this assessment, consideration has been given to the macroeconomic and geopolitical environment; the Group's current and future expected trading performance, including membership levels and behaviours; the Group's financing arrangements and relationship with its lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios. Further detail is provided in note 2 of the Interim Financial Statements.

Principal risks and uncertainties
The Directors take very seriously their responsibility for operating a robust risk management and internal controls process, and for reviewing their effectiveness at least annually. The risk management framework is designed to effectively identify, assess and mitigate risks, whilst enabling the Group to deliver its strategic and operational objectives.

During the period, there has been a continued focus on risk management. Key risk indicators are monitored quarterly, and functional risk registers have been updated during the period. We also continue to monitor the ongoing macroeconomic and geopolitical uncertainty and assess the impact this could have on the Group's principal risks.

The principal risks and uncertainties that the Group expects to be exposed to in the second half of the year are the same as those described in the 'Principal risks and uncertainties' section of the Group's Annual Report and Accounts 2022 (pages 54-62), a summary of which is provided below.

- Significant business interruption
- Operational gearing
- Member experience
- Trading environment
- Structural change in the industry
- Our people
- IT dependency
- Cyber and data security
- Reputation, brand and trust
- Relationships with key suppliers

However, the ongoing geopolitical tensions, inflationary cost pressures and interest rate increases, continue to make the macroeconomic outlook uncertain. The Directors believe that this is leading to upward pressure on the 'Trading environment' risk, as the longer this uncertainty continues, the higher the likelihood that members may choose to cancel their memberships due to financial hardship.

The 'People' risk is also trending upwards as the cost-of-living crisis is making it more difficult to attract people who want to start their own personal training business; and the cost of retention is increasing as employees look for higher salaries to combat high inflation and rising interest rates.

The 'Relationships with key suppliers' and 'Operational gearing' risks are also increasing as a result of the continued inflationary pressure on the Group's cost base and site fit-out costs. In addition, the recent interest rate rises have resulted in a substantial increase in the cost of servicing the Group's debt.

To mitigate the upward trend on these risks, we continue to use a variety of tools to attract, retain and motivate staff at all levels of the business and are currently trialling new gym staffing models to assist in recruitment and retention. Tight debt and cash management also remain in place and all new site selection and capital spend is rigorously challenged to ensure that available funds are invested in those projects expected to give the best returns.

Climate change remains an emerging risk for the Group and work is currently underway to update our climate scenario analysis and financial modelling.

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

- the condensed consolidated financial statements ('Interim Financial Statements') have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the United Kingdom and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group for the period ended 30 June 2023 as required by the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority ('DTR') 4.2.4R.
- the half year results announcement includes a fair review of the significant events during the first six months of the financial year and a description of principal risks and uncertainties for the remaining six months of the financial year as required by DTR 4.2.7R.
- the notes to the condensed consolidated financial statements include a fair review of related party transactions and changes thereto as required by DTR 4.2.8R.

The Directors of the Company are listed on pages 72 and 73 of the Group's Annual Report and Accounts 2022, subject to the changes set out below:

- On 24 March 2023, Richard Darwin resigned as Chief Executive Officer and Executive Director.
- At the Group's AGM on 11 May 2023, David Kelly did not seek reappointment as Non-Executive Director.
- On 1 September 2023, Will Orr joined the Group and assumed the role of Chief Executive Officer and Executive Director.

A list of the current Directors is maintained on the Group's website at www.tggplc.com.

On behalf of the Board

Luke Tait
Chief Financial Officer
12 September 2023

Definition of non-statutory measures

- *Group Adjusted EBITDA* – operating profit before depreciation, amortisation, share based payments and non-underlying items.
- *Normalised Rent* – the contractual rent that would have been paid in normal circumstances without any agreed deferments, recognised in the monthly period to which it relates.
- *Adjusted Loss/Profit before Tax* – loss/profit before tax before non-underlying items.
- *Adjusted Earnings* – loss/profit for the period before non-underlying items and the related tax effect.
- *Basic Adjusted EPS* – Adjusted Earnings divided by the basic weighted average number of shares.
- *Group Operating Cash Flow* – Group Adjusted EBITDA Less Normalised Rent, movement in working capital and maintenance capital expenditure.
- *Free Cash Flow* – Group Operating Cash Flow less cash non-underlying items, bank and non-property lease interest and tax.
- *Non-Property Net Debt* – bank and non-property lease debt less cash and cash equivalents.
- *Maintenance capital expenditure* – costs of replacement gym equipment and premises refurbishment.
- *Expansionary capital expenditure* – costs of fit-out of new gyms (both organic and acquired), technology projects and other strategic projects. It is stated net of capital contributions from landlords.

Consolidated Statement of Comprehensive Income

For the period ended 30 June 2023

		6 months ended 30 June 2023			6 months ended 30 June 2022 Restated*		
		Unaudited			Unaudited		
		Underlying	Non-underlying (note 5)	Total	Underlying	Non-underlying (note 5)	Total
	Note	£m	£m	£m	£m	£m	£m
Revenue	4	99.8	-	99.8	84.2	-	84.2
Cost of sales		(1.4)	-	(1.4)	(0.8)	-	(0.8)
Gross profit		**98.4**	**-**	**98.4**	**83.4**	**-**	**83.4**
Other income		-	-	-	0.3	-	0.3
Operating expenses (before depreciation, amortisation & impairment)		(64.7)	(0.5)	(65.2)	(50.8)	(1.2)	(52.0)
Depreciation, amortisation & impairment		(28.5)	(0.1)	(28.6)	(29.4)	(0.1)	(29.5)
Operating profit		**5.2**	**(0.6)**	**4.6**	**3.5**	**(1.3)**	**2.2**
Finance costs		(10.4)	(0.3)	(10.7)	(8.2)	(1.2)	(9.4)
Loss before tax		**(5.2)**	**(0.9)**	**(6.1)**	**(4.7)**	**(2.5)**	**(7.2)**
Tax credit	6	-	-	-	3.2	0.6	3.8
Loss for the period attributable to equity shareholders		**(5.2)**	**(0.9)**	**(6.1)**	**(1.5)**	**(1.9)**	**(3.4)**
Other comprehensive income *Items that may be reclassified to profit or loss*							
Changes in the fair value of derivative financial instruments		-	-	-	0.1	-	0.1
Total comprehensive expense attributable to equity shareholders		**(5.2)**	**(0.9)**	**(6.1)**	**(1.4)**	**(1.9)**	**(3.3)**
Loss per share (p)	7						
Basic and diluted		**(2.9)**		**(3.4)**	**(0.8)**		**(2.0)**

* Refer to note 3 of the Unaudited Condensed Consolidated Financial Information for details of the restatement of Finance costs.

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

		Note	6 months ended 30 June 2023 Unaudited	6 months ended 30 June 2022 Unaudited
			£m	£m
Operating profit			**4.6**	**2.2**
Add back:	Non-underlying operating items	5	0.6	1.3
	Share based payments (included in Operating expenses)	13	1.4	0.6
	Underlying depreciation and amortisation		28.5	29.4
Group Adjusted EBITDA			**35.1**	**33.5**
Less:	Normalised Rent[2]		(17.9)	(16.5)
Group Adjusted EBITDA Less Normalised Rent[1]			**17.2**	**17.0**

1 Group Adjusted EBITDA Less Normalised Rent is a non-statutory metric used internally by management and externally by investors. It is calculated as operating profit before depreciation, amortisation, share based payments and non-underlying items, and after deducting Normalised Rent.

2 Normalised Rent is the contractual rent that would have been paid in normal circumstances without any agreed deferments, recognised in the monthly period to which it relates.

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	At 30 June 2023	At 30 June 2022 Restated	At 31 December 2022
		Unaudited	Unaudited	Audited
		£m	£m	£m
Non-current assets				
Intangible assets		91.5	91.8	92.7
Property, plant and equipment	8	171.8	166.8	181.0
Right-of-use assets	9	286.6	289.3	289.4
Investments in financial assets		1.0	1.0	1.0
Deferred tax assets	6	16.3	20.0	16.3
Total non-current assets		**567.2**	**568.9**	**580.4**
Current assets				
Inventories		0.8	0.7	0.9
Trade and other receivables		4.9	8.1	8.9
Income taxes receivable		-	0.4	-
Cash and cash equivalents		5.1	6.9	5.4
Total current assets		**10.8**	**16.1**	**15.2**
Total assets		**578.0**	**585.0**	**595.6**
Current liabilities				
Trade and other payables		35.3	31.1	38.8
Lease liabilities	9	27.6	25.1	25.3
Provisions		0.3	0.6	0.6
Total current liabilities		**63.2**	**56.8**	**64.7**
Non-current liabilities				
Borrowings	10	63.3	57.3	70.0
Lease liabilities	9	320.8	320.0	325.1
Provisions		1.5	1.8	1.8
Total non-current liabilities		**385.6**	**379.1**	396.9
Total liabilities		**448.8**	**435.9**	**461.6**
Net assets		**129.2**	**149.1**	**134.0**
Capital and reserves				
Own shares held		0.1	0.1	0.1
Share premium		189.8	189.7	189.8
Merger reserve		39.9	39.9	39.9
Retained deficit		(100.6)	(80.6)	(95.8)
Total equity shareholders' funds		**129.2**	**149.1**	**134.0**

* Refer to note 3 of the Unaudited Condensed Consolidated Financial Information for details of the restatement of Finance costs.

Consolidated Statement of Changes in Equity

For the period ended 30 June 2023

	Note	Own shares held £m	Share premium £m	Hedging reserve £m	Merger reserve £m	Retained deficit £m	Total £m
At 1 January 2023		0.1	189.8	-	39.9	(95.8)	**134.0**
Loss for the period		-	-	-	-	(6.1)	**(6.1)**
Other comprehensive income		-	-	-	-	-	**-**
Total comprehensive expense		**-**	**-**	**-**	**-**	**(6.1)**	**(6.1)**
Share based payments	13					1.3	**1.3**
Deferred tax on share based payments		-	-	-	-	-	**-**
At 30 June 2023 (Unaudited)		**0.1**	**189.8**	**-**	**39.9**	**(100.6)**	**129.2**

Consolidated Statement of Changes in Equity (Restated)*

For the period ended 30 June 2022

	Note	Own shares held £m	Share premium £m	Hedging reserve £m	Merger reserve £m	Retained deficit £m	Total £m
At 1 January 2022		0.1	189.7	(0.1)	39.9	(77.5)	**152.1**
Loss for the period		-	-	-	-	(3.4)	**(3.4)**
Other comprehensive income		-	-	0.1	-	-	**0.1**
Total comprehensive expense		**-**	**-**	**0.1**	**-**	**(3.4)**	**(3.3)**
Share based payments	13	-	-	-	-	0.6	**0.6**
Deferred tax on share based payments		-	-	-	-	(0.3)	**(0.3)**
At 30 June 2022 (Unaudited)		**0.1**	**189.7**	**-**	**39.9**	**(80.6)**	**149.1**

* Refer to note 3 of the Unaudited Condensed Consolidated Financial Information for details of the restatement of Finance costs.

Consolidated Cash Flow Statement

For the period ended 30 June 2023

	Note	6 months ended 30 June 2023 Unaudited £m	6 months ended 30 June 2022 Restated* Unaudited £m
Cash flows from operating activities			
Loss before tax		(6.1)	(7.2)
Adjustments for:			
Finance costs		10.7	9.4
Non-underlying operating items		0.6	1.3
Underlying depreciation of property, plant and equipment	8	12.0	13.5
Underlying depreciation of right-of-use assets	9	14.0	13.4
Underlying amortisation of intangible assets		2.5	2.5
Share based payments	13	1.4	0.6
Rent concessions		-	(0.1)
Decrease/(increase) in inventories		0.1	(0.4)
Decrease/(Increase) in trade and other receivables		3.9	(1.4)
Increase/(decrease) in trade and other payables		3.8	(1.4)
Decrease in provisions		(0.3)	-
Cash generated from operations		**42.6**	**30.2**
Tax received		-	0.5
Net cash inflow from operating activities before non-underlying items		**42.6**	**30.7**
Non-underlying items		(0.6)	(1.1)
Net cash inflow from operating activities		**42.0**	**29.6**
Cash flows from investing activities			
Purchase of property, plant & equipment	8	(7.7)	(13.1)
Purchase of intangible assets		(3.9)	(2.9)
Business combinations		-	(5.4)
Bank interest received		0.1	-
Net cash outflow used in investing activities		**(11.5)**	**(21.4)**
Cash flows from financing activities			
Repayment of lease liability principal		(13.4)	(12.6)
Lease interest paid		(7.8)	(6.8)
Bank interest paid		(2.4)	(1.1)
Payment of financing fees		(0.2)	(0.6)
Drawdown of bank loans		-	18.0
Repayment of bank loans		(7.0)	(5.5)
Net cash outflow used in financing activities		**(30.8)**	**(8.6)**
Net decrease in cash and cash equivalents		**(0.3)**	**(0.4)**
Cash and cash equivalents at the start of the period		5.4	7.3
Cash and cash equivalents at the end of the period		**5.1**	**6.9**

* Refer to note 3 of the Unaudited Condensed Consolidated Financial Information for details of the restatement of Finance costs.

Notes to the Condensed Consolidated Financial Information

1. General information

The Directors of The Gym Group plc ('the Company') and its subsidiaries ('the Group') present their interim report and unaudited condensed consolidated financial statements ('Interim Financial Statements') for the six months ended 30 June 2023. The Group operates low cost, high quality, 24/7, no contract gyms.

The Company is a public limited company whose shares are publicly traded on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The registered address of the Company is 5th Floor, OneCroydon, 12-16 Addiscombe Road, Croydon, CR0 0XT, United Kingdom.

The Interim Financial Statements were approved by the Board of Directors on 12 September 2023. They have not been audited or formally reviewed by the auditors.

2. Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK, and the Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority (where applicable).

The Interim Financial Statements provide comparative information in respect of the previous period. The financial information shown for the half year periods ended 30 June 2023 and 30 June 2022 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 2022 has been extracted from the Group's Annual Report and Accounts 2022 and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The Interim Financial Statements should be read in conjunction with the Group's Annual Report and Accounts 2022. The Consolidated Financial Statements for the year ended 31 December 2022 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Group's Annual Report and Accounts for 2022 was unqualified and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

The functional currency of each entity in the Group is pounds sterling. The Interim Financial Statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds, except where otherwise indicated.

Accounting policies
The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those described in the Group's Annual Report and Accounts 2022, except for new standards effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The table below sets out those new and revised IFRS standards that have been issued and are relevant to the Group and effective for the current reporting period. Adoption of the below has not had a material impact on the Interim Financial Statements.

New pronouncement	Effective date
Definition of Accounting Estimates - Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023

2. Basis of preparation (continued)

Going concern

The Interim Financial Statements have been prepared on a going concern basis under the historical cost convention as modified by the recognition of derivative financial instruments, financial assets and other financial liabilities at fair value through the profit and loss and the recognition of financial assets at fair value through other comprehensive income.

In assessing the going concern position of the Group for the period ended 30 June 2023, the Directors have considered the following:

- the Group's trading performance in the first half of 2023 and in July and August;
- future expected trading performance to December 2024 (the going concern period), including membership levels and behaviours;
- the macroeconomic and geopolitical environment; and
- the Group's financing arrangements and relationship with its lenders and shareholders.

Trading in the first half of 2023 has been encouraging and the Group has generated significant levels of free cash flow. Membership at 30 June 2023 was 867,000, up 9.7% year on year (Jun 2022: 790,000) and up 5.6% since the end of 2022 (Dec 2022: 821,000) and yields have continued to strengthen. As a result, revenue increased by 18.5% year on year in the first half of 2023, offsetting inflationary cost increases. Trading in July and August has continued to be encouraging.

The Group continues to have access to a combined £80m revolving credit facility ('RCF') as well as £13.65m of finance lease facilities (£15m permitted under the RCF). As at 30 June 2023, the Group had Non-Property Net Debt (including finance leases) of £69.7m, a reduction of £6.4m since 31 December 2022, resulting in £22.1m of headroom (calculated off bank debt less cash) under the RCF.

On 5 September 2023, the Group agreed a number of amendments to its £80m RCF. These included an extension of the facilities to October 2025 and the inclusion of Barclays within the syndicate alongside HSBC and NatWest. In addition, Covid-related covenants have been removed. The RCF is subject to quarterly financial covenant tests on leverage (Net Debt to Group Adjusted EBITDA Less Normalised Rent) and fixed charge cover (Adjusted EBITDAR to Net Finance Charges and Normalised Rent).

Despite the positive trading to date in 2023, the Directors expect the macroeconomic uncertainty to continue for some time which may impact consumer behaviour. As a result, we have taken a cautious approach to preparing the financial plan that underpins the going concern review.

The base case forecast for the period to 31 December 2024 anticipates continued growth in yields across the whole estate as a result of pricing actions that have already been taken. However, modest increases in membership levels are driven largely by the sites opened in 2022 and not by growth in the mature estate. In addition, the Directors have continued to take a measured approach to new site openings throughout the plan period, with all new sites assumed to be self-financed. Under this scenario, all financial covenants are passed with good levels of headroom and the Group can operate within its financing facilities.

The Directors have considered a downside scenario which anticipates a greater impact of the macroeconomic uncertainty and resultant weaker trading throughout the period under review. Under this scenario, membership numbers in the mature estate start to deviate from the base case from September 2023 such that they are approximately 14% lower by the end of 2024. Under this scenario, the number of new site openings is reduced, and discretionary performance-related bonuses removed to ensure that all financial covenants continue to be passed with reasonable levels of headroom, and the Group continues to operate within its financing facilities.

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

Conclusion

The Board has reviewed the financial forecasts and downside scenario of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 December 2024. As a result, the Directors continue to adopt the going concern basis in preparing these Interim Financial Statements. In making this assessment, consideration has been given to the current and future expected trading performance and liquidity position; the macroeconomic and geopolitical environment; the Group's financing arrangements and relationship with its lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios.

3. Adjustments to prior year

Remeasurement of borrowings
The Group has borrowings in the form of an RCF which should be measured at amortised cost using the effective interest method. Following changes made to the banking facilities in May 2022, the valuation of the borrowings at amortised cost was not correctly reflected in the financial statements at 30 June 2022. Correction of this error results in finance costs decreasing by £1.4m with a corresponding reduction in the carrying value of the borrowings on the balance sheet. The tax effect of the adjustment is a decrease in the tax credit in the income statement of £0.4m and a corresponding reduction in the deferred tax asset on the balance sheet. There is no impact to Adjusted earnings as the remeasurement of borrowings is excluded from this key performance indicator.

Condensed consolidated income statement for the six months ended 30 June 2022 (extract):

	As reported	Remeasurement of borrowings	Restated
	£m	£m	£m
Operating profit	**2.2**	**-**	**2.2**
Finance costs	(10.8)	1.4	(9.4)
Loss before tax	**(8.6)**	**1.4**	**(7.2)**
Tax credit/(charge)	4.2	(0.4)	3.8
Changes in the fair value of derivative instruments	0.1	-	0.1
Loss for the period and total comprehensive loss attributable to equity shareholders	**(4.3)**	**1.0**	**(3.3)**

Loss per share	**pence**	**pence**	**pence**
Basic and diluted	**(2.6)**	**0.6**	**(2.0)**

Condensed consolidated statement of financial position as at 30 June 2022 (extract):

	As reported	Remeasurement of borrowings	Restated
	£m	£m	£m
Non-current assets			
Deferred tax assets	20.4	(0.4)	20.0
Total non-current assets	**569.3**	**(0.4)**	**568.9**
Total assets	**585.4**	**(0.4)**	**585.0**
Non-current liabilities			
Borrowings	58.7	(1.4)	57.3
Total non-current liabilities	**380.5**	**(1.4)**	**379.1**
Total liabilities	**437.3**	**(1.4)**	**435.9**
Net assets	**148.1**	**1.0**	**149.1**

3. Adjustments to prior year (continued)

Condensed consolidated cash flow statement for the six months ended 30 June 2022 (extract):

	As reported	Remeasurement of borrowings	Restated
	£m	£m	£m
Loss before tax	(8.6)	1.4	(7.2)
Adjustments for:			
Net finance costs	10.8	(1.4)	9.4
Cash generated from operations	**30.2**	**-**	**30.2**

4. Revenue

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

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

	6 months ended 30 June 2023	6 months ended 30 June 2022
	Unaudited	Unaudited
	£m	£m
Major products/service lines		
Membership income	94.3	79.1
Rental income from personal trainers	3.9	3.9
Ancillary income	1.6	1.2
	99.8	84.2
Timing of revenue recognition		
Products transferred at a point in time	1.8	1.6
Products and services transferred over time	98.0	82.6
	99.8	84.2

Contract liabilities at 30 June 2023 amounted to £11.6m (H1 2022: £8.3m). Contract liabilities relate to membership fees received at the start of a contract, where the Group has an obligation to provide a gym membership over a period of time and are included within trade and other payables in the Statement of Financial Position.

The Group operates in a market that experiences a small degree of seasonality. The majority of members join during the first quarter of the year as a result of a post-Christmas drive to improve fitness levels and general health. A second wave of new joiners is experienced in September and October as students return to university, with quieter periods experienced during the school holidays. Marketing expenditure is phased towards peak joining periods, particularly the January/February campaign.

5. Non-underlying items

	6 months ended 30 June 2023 Unaudited £m	6 months ended 30 June 2022 Restated Unaudited £m
Affecting operating expenses before depreciation, amortisation and impairment		
Costs of major strategic projects and investments	**0.1**	1.3
Restructuring and reorganisation (income)/costs (including site closures)	**0.4**	(0.1)
Total affecting operating expenses before depreciation, amortisation and impairment	**0.5**	1.2
Affecting depreciation, amortisation and impairment		
Amortisation of business combination intangible assets	**0.1**	0.1
Total affecting depreciation, amortisation and impairment	**0.1**	0.1
Total affecting operating expenses[1]	**0.6**	1.3
Affecting finance costs		
Refinancing and remeasurement of borrowings	**0.3**	1.2
Total affecting finance costs	**0.3**	1.2
Total all non-underlying items before tax	**0.9**	2.5
Tax on non-underlying items	**-**	(0.6)
Total non-underlying charge in income statement	**0.9**	1.9

[1] The cash flow on non-underlying operating items was £0.6m (H1 2022: £1.1m). Depreciation, amortisation and impairment and remeasurement of borrowings are non-cash items.

The costs of major strategic projects and investments in the period of £0.1m relate predominantly to the Group's work in relation to introducing a three-tier price product architecture. As noted earlier in this report, the trial results have been encouraging and we are now evaluating and optimising the results and preparing a potential rollout plan.

Restructuring and reorganisation costs in the period of £0.4m include the costs associated with the change of Group CEO and other Board and Executive Committee changes, as well as restructuring within the Central Support Office team, partly offset by accrual true-ups and lease surrender income associated with the closure of a small number of gyms in recent years.

Non-underlying costs affecting depreciation, amortisation and impairment in the period amounted to £0.1m (H1 2022: £0.1m) and relate to the amortisation of business combination intangibles acquired as part of the Lifestyle, easyGym and Fitness First acquisitions.

Non-underlying items affecting finance costs amounted to £0.3m in the period (H1 2022 restated: £1.2m) and reflect the costs associated with making certain changes to the Group's RCF earlier in the year, as well as the periodic remeasurement of the Group's RCF.

6. Taxation

The tax credit in the Consolidated Statement of Comprehensive Income of £nil (H1 2022 restated: credit of £3.8m) has been calculated based on management's best estimate of the annual income tax rate expected for the full financial year, applied to the loss before tax for the half year ended 30 June 2023. The effective tax rate on the statutory loss before tax for the period ended 30 June 2023 was therefore 0% (H1 2022 restated: 52.8%).

The net deferred tax asset recognised at 30 June 2023 was £16.3m (31 December 2022: £16.3m; 30 June 2022 restated: £20.0m). This comprised deferred tax assets in respect of tax losses and other temporary differences where the Directors believe it is probable that these will be recovered within a reasonable period. Short term timing differences are generally recognised ahead of losses on the basis that they are likely to reverse more quickly.

The financial forecast used in the Going Concern assessment was also used to assess the deferred tax recoverability at 30 June 2023, and the Directors believe that this plan provides convincing evidence to support the continued recognition of the deferred tax assets that were recognised at 31 December 2022. However, given the ongoing macro-economic and geopolitical uncertainty, the Directors do not believe it is appropriate to recognise additional deferred tax assets at 30 June 2023.

7. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of Ordinary shares outstanding during the period, excluding unvested shares held pursuant to The Gym Group plc's share based long term incentive schemes.

Diluted loss per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. During the period ended 30 June 2023, the Group had potentially dilutive shares in the form of share options and unvested shares issued pursuant to The Gym Group plc's share based long term incentive schemes. As the Group is in a loss-making position, all potential dilutive share options will not be dilutive.

	6 months ended 30 June 2023	**6 months ended 30 June 2022**
		Restated
	Unaudited	**Unaudited**
Loss (£m)		
Loss for the period attributable to equity shareholders	**(6.1)**	(3.4)
Adjustment for non-underlying items	**0.9**	1.9
Adjusted loss for the period attributable to equity shareholders	**(5.2)**	(1.5)
Weighted average number of shares		
Basic and diluted weighted average number of shares	**178,373,139**	176,618,656
Earnings per share (p)		
Basic and diluted loss per share	**(3.4)**	(2.0)
Adjusted basic and diluted loss per share	**(2.9)**	(0.8)

At 30 June 2023, 9,575,032 share awards (H1 2022: 7,443,898) were excluded from the diluted weighted average number of Ordinary shares calculation because their effect would be anti-dilutive.

8. Property, plant and equipment

Amounts recognised in the Consolidated Statement of Financial Position in respect of property, plant and equipment are as follows:

For the period ended 30 June 2023

	Assets under construction	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2023	2.3	240.8	11.6	90.0	5.6	350.3
Additions	2.0	1.6	-	1.0	0.2	4.8
Disposals	(0.1)	-	-	-	-	(0.1)
Transfers	(1.2)	0.8	-	(1.5)	-	(1.9)
At 30 June 2023	**3.0**	**243.2**	**11.6**	**89.5**	**5.8**	**353.1**
Accumulated depreciation						
At 1 January 2023	-	(95.2)	(9.6)	(60.5)	(4.0)	(169.3)
Charge for the period	-	(7.9)	(0.3)	(3.4)	(0.4)	(12.0)
At 30 June 2023	**-**	**(103.1)**	**(9.9)**	**(63.9)**	**(4.4)**	**(181.3)**
Net book value						
At 30 June 2023	**3.0**	**140.1**	**1.7**	**25.6**	**1.4**	**171.8**

For the period ended 30 June 2022

	Assets under construction	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2022	2.1	208.7	11.5	86.6	4.3	313.2
Additions	5.1	7.1	0.1	0.8	0.4	13.5
Business combinations	-	1.1	-	0.1	-	1.2
Transfers	(1.2)	1.1	-	0.1	-	-
At 30 June 2022	**6.0**	**218.0**	**11.6**	**87.6**	**4.7**	**327.9**
Accumulated depreciation						
At 1 January 2022	-	(79.2)	(9.1)	(55.9)	(3.4)	(147.6)
Charge for the period	-	(7.9)	(0.4)	(4.9)	(0.3)	(13.5)
At 30 June 2022	**-**	**(87.1)**	**(9.5)**	**(60.8)**	**(3.7)**	**(161.1)**
Net book value						
At 30 June 2022	**6.0**	**130.9**	**2.1**	**26.8**	**1.0**	**166.8**

Included within additions for the period is £2.9m of accrued capital expenditure (31 December 2022: £6.2m).

Outstanding capital commitments at 30 June 2023 totalled £5.8m (31 December 2022: £0.8m).

9. Right-of-Use Assets and Leases

Amounts recognised in the Consolidated Statement of Financial Position in respect of right-of-use assets are as follows:

For the period ended 30 June 2023

	Property leases	Non-property leases	Total
	£m	£m	£m
Cost			
At 1 January 2023	420.5	15.3	435.8
Additions	8.2	1.1	9.3
Transfers	-	1.9	1.9
At 30 June 2023	**428.7**	**18.3**	**447.0**
Accumulated depreciation			
At 1 January 2023	(144.6)	(1.8)	(146.4)
Charge for the period	(13.0)	(1.0)	(14.0)
At 30 June 2023	**(157.6)**	**(2.8)**	**(160.4)**
Net book value			
At 30 June 2023	**271.1**	**15.5**	**286.6**

For the period ended 30 June 2022

	Property leases	Non-property leases	Total
	£m	£m	£m
Cost			
At 1 January 2022	388.2	7.2	395.4
Additions	16.8	1.8	18.6
Business combinations	3.6	-	3.6
Disposals	(0.8)	-	(0.8)
At 30 June 2022	**407.8**	**9.0**	**416.8**
Accumulated depreciation			
At 1 January 2022	(114.0)	(0.2)	(114.2)
Charge for the period	(12.6)	(0.7)	(13.3)
At 30 June 2022	**(126.6)**	**(0.9)**	**(127.5)**
Net book value			
At 30 June 2022	**281.2**	**8.1**	**289.3**

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

	30 June 2023	30 June 2022	31 December 2022
	Unaudited	Unaudited	Audited
	£m	£m	£m
Current	27.6	25.1	25.3
Non-current	320.8	320.0	325.1
Total Lease liabilities	**348.4**	**345.1**	**350.4**

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

The maturity analysis of lease liabilities is as follows:

	30 June 2023 Unaudited £m	30 June 2022 Unaudited £m	31 December 2022 Audited £m
Within one year	43.2	41.1	40.4
Greater than one year but less than two years	43.9	40.4	43.4
Greater than two years but less than three years	41.1	38.8	40.5
Greater than three years but less than four years	39.6	37.3	38.6
Greater than four years but less than five years	38.9	37.4	38.7
Five years or more	237.5	245.3	246.0
	444.2	**440.3**	**447.6**
Less: unearned interest	(95.8)	(95.2)	(97.2)
Total Lease liabilities	**348.4**	**345.1**	**350.4**

During the period, the Group entered into additional leasing arrangements with a total available facility of £1.0m to finance portals that are used in the fit-out of new gyms, increasing the total available facilities to £13.65m (31 December 2022: £12.5m; 30 June 2022: £12.5m). As at 30 June 2023, the amount outstanding on these facilities was £11.8m (31 December 2022: £11.5m; 30 June 2022: £7.0m).

10. Borrowings

The carrying value of the Group's bank borrowings at 30 June 2023 was £63.3m (31 December 2022: £70.0m; 30 June 2022: £58.7m).

The Group has in place an RCF which is syndicated to a three-lender panel of banks. Funds drawn under the RCF bear interest at a minimum annual rate of 2.85% above the Sterling Overnight Index Average (SONIA) plus a credit adjustment spread. The average interest rate paid in the period on drawn funds was 7.60% (H1 2022: 3.23%). Undrawn funds bear interest at a minimum annual rate of 1.14%.

The Group's borrowings are held at amortised cost using the effective interest method. Each reporting period, the Group reviews its cash flow forecasts and if these have changed since the previous reporting period, the borrowings are remeasured using the effective interest rate. Any remeasurement of borrowings is treated as non-underlying and excluded from Adjusted earnings.

The RCF is subject to financial covenants relating to leverage and fixed charge cover.

At 30 June 2023, the Group had drawn down £63.0m under the RCF, leaving £17.0m undrawn and available.

Non-Property Net Debt at the period end was as follows:

	30 June 2023 Unaudited £m	30 June 2022 Unaudited £m	31 December 2022 Audited £m
Bank borrowings	63.0	57.5	70.0
Less: Cash and cash equivalents	(5.1)	(6.9)	(5.4)
Non-Property Net Debt excluding non-property leases	**57.9**	**50.6**	**64.6**
Non-property leases (note 9)	11.8	7.0	11.5
Non-Property Net Debt	**69.7**	**57.6**	**76.1**

11. Financial instruments and investments in financial assets

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

- Level 1: quoted prices in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as process) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable market data)

There were no transfers between levels throughout the periods under review.

With the exception of the Group's borrowings, the carrying value of financial assets and liabilities equal their fair value. The carrying value of borrowings of £63.3m (June 2022: £58.7m; December 2022: £70.0m) have a fair value of £63.0m (June 2022: £57.5m; December 2022: £70.0m). The fair values of financial derivatives and borrowings have been calculated by discounting the future cash flows at prevailing market interest rates. Other than the fair value of financial assets at fair value through profit and loss that are categorised as Level 3, the fair value of all other financial assets and liabilities are categorised as Level 2.

In February 2020, the Group purchased convertible loan notes in Fiit Limited for cash consideration of £1.0m. These notes are measured at fair value through profit and loss and the carrying value at 30 June 2023 was £1.0m (31 December 2022 and 30 June 2022: £1.0m). This is a level 3 valuation under the fair value hierarchy and was determined based on the performance of the business post-acquisition against the business plan produced at the time of the investment. The range of sensitivity in the valuation of 30 June 2023 to reasonably possible changes in the assumptions used is not considered to be material.

12. Issued capital

The total number of shares in issue at 30 June 2023 was 178,401,999 (31 December 2022: 178,039,002).

13. Share based payments

The Group operates share based compensation arrangements under The Gym Group plc Share Incentive Plan (SIP), The Gym Group plc Performance Share Plan (PSP), The Gym Group plc Restricted Stock Plan (RSP), The Gym Group plc Long Service Award Plan and The Gym Group plc Save as You Earn Plan (SAYE).

During the period, a total of 3,324,866 share awards were granted under the Group's share based compensation schemes. These grants and their vesting criteria are similar in nature to those awarded during 2022, except in the case of the deferred shares granted as part of the Deferred Share Bonus Plan for Executive Directors (details of which were set out on page 93 of the Annual Report and Accounts 2022), and an equivalent grant for other members of the senior management team, which are subject to continued employment over a two year or 18-month period respectively and have no other performance conditions.

For the period ended 30 June 2023, the Group recognised a total charge of £1.4m (H1 2022: £0.6m) in respect of the Group's share based payment arrangements and related employer's national insurance.

14. Related party transactions

The Group's significant related parties are as disclosed in Note 28 on page 158 of the Group's Annual Report and Accounts 2022. In March 2023, two dormant entities, Derwent Fitness NW Limited and Derwent Fitness GS Limited, were struck off. There have been no other significant changes to the nature of the Group's related parties during the period.

15. Subsequent events

On 5 September 2023, the Group agreed a number of amendments to its £80m RCF. These included an extension of the facilities to October 2025 and the inclusion of Barclays within the syndicate alongside HSBC and NatWest. In addition, Covid-related covenants have been removed.