19 March 2020

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

Full Year Results
Response to Covid-19

The Gym Group plc, the fast growing, nationwide operator of 179[1] low cost, 24/7[2] no contract gyms, announces its full year results for the year ended 31 December 2019.

Outlook including update on Covid-19

- Trading in the first two months of the year was in line with the Board's expectations with 891,000 members at the end of February
- The emerging outbreak of Covid-19 has in the last two weeks begun to have an impact on the business: daily gym usage has started to decrease, new joiner numbers are marginally lower than expected, cancellations are higher and the number of members freezing their membership has increased
- As of 18 March we have 870,000 members; all gyms remain open currently
- Operationally, we are monitoring the outbreak carefully and being guided by advice from Public Health England with the health and safety of our members and staff our first priority
- Financially, we have taken a number of actions to reduce cash outgoings, including pausing our pipeline rollout, as we operate through what we anticipate to be a period of significant disruption. Further details are provided in the Financial Review section

2019 Financial highlights

	IFRS 16			Pre IFRS 16		
	31 December 2019	**31 December 2018**	**Movement**	**31 December 2019**	**31 December 2018**	**Movement**
Revenue (£'000)	153,134	123,884	23.6%	153,134	123,884	23.6%
Group Adjusted EBITDAR (£'000)	74,453	58,498	27.3%	74,453	58,498	27.3%
Group Adjusted EBITDA (£'000)[3]	48,540	39,131	24.0%	47,005	36,813	27.7%
Adjusted Profit before Tax (£'000)	13,969	10,275	36.0%	18,206	13,348	36.4%
Statutory Profit before Tax (£'000)	6,219	6,956	(10.6)%	10,673	9,967	7.1%
Adjusted Earnings (£'000)	10,574	7,712	37.1%	13,925	10,217	36.3%
Statutory Earnings (£'000)	3,595	4,763	(24.5)%	7,132	7,206	(1.0%)
Basic Adjusted Earnings per Share (p)	7.7	5.8	32.8%	10.4	7.6	36.8%
Free cash flow (£'000)	33,867	28,487	18.9%	33,867	28,487	18.9%
Return On Invested Capital (%)	31	30	100bps	31	30	100bps

Note: for a summary of KPI definitions used in the table see page 15.

- Revenue of £153.1 million, an increase of 23.6% (2018: £123.9 million)
- Group Adjusted EBITDA of £48.5 million, an increase of 24.0% (2018: £39.1 million); Group Adjusted EBITDA margin remains strong at 31.7% (2018: 31.6%)
- Adjusted profit before tax of £14.0 million, up 36.0% (2018: £10.3 million)
- Statutory profit before tax decreased by 10.6% to £6.2 million (2018: £7.0 million)
- Basic Adjusted Earnings per Share (EPS) of 7.7p, an increase of 32.8% (2018: 5.8)
- Return on invested capital on mature estate above 30% target at 31% (2018: 30%)
- Non-Property Net Debt at £47.4 million (2018: £46.0 million, H1 2019: £47.2 million), demonstrating that we funded our expansion through operating cash flows
- Proposed final dividend of 1.15p per share, giving a proposed full year dividend of 1.60p per share (2018: 1.30p per share). As part of our response to Covid-19, we currently do not anticipate putting a resolution to the AGM to pay this dividend

2019 Strategic and operational progress

- 20 new gyms opened including our first two small box format gyms increasing the total estate to 175[1] at December 2019
- Total year end members at 794,000, an increase of 9.7% versus prior year (2018: 724,000); average member numbers grew by 14.9% to 796,000 (2018: 693,000)
- LIVE IT continues to grow to 150,000 representing 18.9% of total members at 31 December 2019 (85,000 representing 11.7% of total members at 31 December 2018)
- Average revenue per member per month grew by 7.6% to £16.02 (2018: £14.89); excluding the rental income from personal trainers, growth was 5.2%
- New operating model for personal trainers (New Gym Team) transition completed in September 2019

Richard Darwin, CEO of The Gym Group, commented:

"Whilst 2019 was another successful year in which The Gym Group delivered substantial growth in members, revenue and profits, we are now focused on planning for the potential impact on our business of Covid-19. To date, we have seen a small impact on trading and all 179 of our gyms remain open. We go into a period of anticipated disruption with an established membership base, a cash generative business model and a strong balance sheet. As the scale of the outbreak escalates we have contingency plans in place.

Our business has a significant reach with over 10 million member visits already this year and our focus is to be in a strong position when we emerge from the Covid-19 disruption to extend access to affordable fitness across the UK"

The information in the RNS is extracted from the Consolidated Financial Statements which are unaudited. The Company expects to publish its audited Annual Report during the week commencing 23rd March 2020

An audio webcast of the analyst presentation will be available live on https://kvgo.com/IJLO/TheGymGroup_Full_Year_Results_2019 at 09:00 am.

For further information, please contact

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[1]175 as of 31 December 2019 (vs 158 at 31 December 2018) with twenty new sites opened in 2019 and three gyms closed as previously announced; two sites acquired from the Lifestyle Fitness and easyGym acquisitions plus one site opened in 2015 for which a five year break clause was exercised by the Group. 179 sites as at 19 March 2020

[2] All gyms open 24/7 excluding nine gyms as at 31 December 2019 due to licensing restrictions

[3] Group Adjusted EBITDA is Group Adjusted EBITDAR minus cash rent costs

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.

Chairwoman's Statement

Our current position

During the first two months of 2020 the business traded well and guidance had been prepared to expect continued profitable growth with an acceleration of small box openings for the year. However, the Covid-19 pandemic has in March begun to impact our business with participation levels in gyms dropping and with similar businesses in Europe announcing closure during periods of government-led self-isolation. It is now our expectation that a period of disruption is likely and we will take all measures to protect our colleagues, members and business through this unprecedented event. This will include the reduction of cost and the protection of cash and liquidity until revised prospects can be ascertained. At this time it is not possible to guide with any accuracy what the impact will be, however appropriate financial modelling has been undertaken to support the assessment of the business as a going concern with the material uncertainty from Covid-19 and in support of viability.

Our 2019 results

The rapid development of the Group has continued with revenue growth of 23.6% and Group Adjusted EBITDA growth of 24.0%. Mature estate Return On Invested Capital was maintained above our 30% hurdle. During the year 18 standard gyms were opened and a further two small box gyms as we extend our attractive proposition to smaller sized towns and communities. Following three site closures, this takes the number of gyms from 158 to 175 in the year with membership growing 9.7% to 794,000. Notably, this rate of growth is largely self-funded with net debt moving marginally from £46.0m to £47.4m. Our bank facilities were refinanced during the year increasing headroom and receiving more favourable rates. The strength of our listed company covenant continues to be attractive to landlords and is an important advantage in winning new sites.

Our shareholders

In addition to the many investor meetings held by executive directors during the year, I also offered to engage with our top ten shareholders, many of whom have been significant investors since our IPO in 2015. This allowed me to discuss the process undertaken to manage director succession and to listen to shareholder views on our business. Of particular note, I focused on telling our sustainability story, recognising the strength of our purpose – bringing affordable fitness to towns and communities across the UK.

I was pleased to kick off the work of a Sustainability Working Group drawn from across the business and it is encouraging to report significant progress. The team has identified four key areas of focus all of which are United Nations Sustainable Development Goals; promoting Health & Well-being, Good Jobs, Quality Education and Lifelong Learning, Diversity & Inclusion, and Responsibility to the Environment. You will be able to read more about our work in our Annual Report.

Our team

Our business has been well led in their first full year by CEO, Richard Darwin and CFO, Mark George, together with a stable and talented team of executives. Significant work has been undertaken to embed our values and nurture our positive culture. We remain committed to lead an organisation that helps members and each other 'take the first steps', we are characterized by 'Realness', being fair and honest in all we do. We run gyms that accentuate 'Friendliness' being welcoming, inclusive and not intimidating. 'Challenging Your limits' is a mindset we bring to members and to each other and to the Group as a whole. We were delighted to retain the Investors in People Gold award, a very significant accolade for a growing business.

Our People and Operations teams, led by Ann-Marie Murphy and Nick Henwood respectively, managed a most significant change to our business model in the roll-out of New Gym Team (NGT). We now have 1,600 Fitness Trainers as part-time employees, bringing consistency across the estate and offering them support to further their self-employed businesses for which a rent is paid. Taking the business from 500 to over 2,000 employees was a major achievement and has required, and will continue to require, significant focus on the development and recruitment of well qualified trainers.

Our work

Your Board continues to work out in our gyms and visit sites individually and together as a Board. It continues to be the best way of satisfying ourselves of the standards being maintained and the progress being made. I was particularly pleased to visit Newark, our first small box gym, and see the innovations that have been developed to create an excellent gym on a smaller footprint at appropriately lower capital expenditure.

The Board retains close oversight of performance as the team execute our approved strategy. I am grateful to my Board colleagues for their engagement and contribution, always given with a good heart when either challenging or supporting the executive team. The transparency and openness of our dialogue together with continued improvement of reporting to the Board were universally recognised as strengths in our Board performance review. We are also delighted to welcome Katy Tucker as our first dedicated Company secretary; I know she will support us all to achieve greater effectiveness as we become a business of scale.

On behalf of the Board let me thank all our colleagues for their dedication to making our members' lives healthier and thank them for their support in facing into the new difficulties that Covid-19 poses to us all.

Penny Hughes
Chairwoman
19 March 2020

Chief Executive's Review

Covid-19

At this time our business is focused on mitigating the impact that Covid-19 is likely to have over the coming months. We go into this period of disruption with an established membership base, a cash generative model and a strong balance sheet following a successful 2019. Mitigating Covid-19 will require a period of slowdown in our expansion to preserve cash in order that we are well placed, when this period of uncertainty ends, to address the long-term growth opportunity for low cost gyms in the UK.

Review of 2019

2019 was another year of strong growth and rapid development for The Gym Group. We continued to grow our business by remaining focused on our strong and worthwhile purpose, bringing affordable fitness to towns and communities across the UK. Our growth has also been assisted by the investment in central infrastructure and systems made over the past 2-3 years and a stable, talented team that is focused on the profitable expansion of the business. We continue to believe that there is a substantial opportunity within the UK low cost gym market and we are intent on ensuring that the business is well positioned to take advantage of the potential for further expansion.

Our membership base continued to expand as we rolled out new sites and grew market share with total year end members up 9.7% to 794,000 (2018: 724,000) and average members up 14.9% to 796,000 (2018: 693,000). This is reflected in the growth of our financial metrics: revenue up 23.6% to £153.1 million (2018: £123.9 million) and Group Adjusted EBITDA up by 24.0% to £48.5 million (2018: £39.1 million). Adjusted Profit before Tax increased by 35.9% to £14.0 million (2018: £10.3 million) and Basic Adjusted Earnings per Share was up by 32.8% to 7.7p (2018: 5.8). Our statutory Profit before Tax decreased to £6.2 million (2018: £7.0 million).

These metrics are very much in line with our expectations for the business, demonstrating that as our estate matures and we concentrate on organic growth, this business is well positioned to generate strong profits and cashflow.

After two acquisitions in 2017 and 2018, our site growth this year has been concentrated on growing the Group organically. We expanded the estate by opening 18 sites of c.15,000 square feet each with the focus being on ensuring we open high quality sites in a variety of locations around the UK. Significantly we have created an additional avenue of growth with our small box format, with our first two openings late in the year. As we build on the opportunity to open small box sites our growth will enable us to offer affordable fitness to a greater proportion of the UK. Our market share currently stands at 24% of the low-cost market by number of sites (higher as a proportion of members) and we are well positioned with a strong future pipeline for this to increase further over the coming years.

We continue to believe there is a substantial opportunity for the Group to expand in the UK. The PwC report we commissioned last year noted the potential for the low-cost gym market to almost double from its base of 727 gyms as at December 2019. Around half of the future growth is forecast to come from catchments with a population of over 60,000 within a 15-minute drive time (standard catchments) and half in smaller catchments. Through 2019 we have continued to take advantage of opening standard gyms. The smaller catchment opportunity is also significant for the small box format where we opened our first two sites in Newark and Beverley during the year.

Strategic progress

Delivering strong performance from gyms

At the end of 2019 we had 109 sites out of 175 sites which have been open and in our network for over two years (which we define as Mature). By the end of 2020 this number will grow to 155, therefore in 2020 we will continue to derive the benefits of a maturing estate. Mature Site EBITDA in 2019 was £48.1 million, up 23.3% (2018: £39.0 million) and Mature Site EBITDA per site remained strong at £437,000 (2018: £438,000), with the 2017 cohort of sites performing well. In 2019 we achieved a return on invested capital in the mature estate of 31% (2018: 30%), once again achieving our target return on capital of 30% for organic openings. This measure continues to be achieved consistently both from sites reaching maturity more recently as well as from our older sites, which have maintained strong levels of performance.

During the year we have made good progress with the sites acquired from Lifestyle Fitness (in 2017) and easyGym (in 2018). The two remaining easyGym branded sites (Oxford Street and Kings Heath) were converted to our brand and operating model during 2019. We intend to invest further in these sites once the lease extensions are confirmed.

The former Lifestyle sites have demonstrated strong member growth as we have brought the sites up to our specification and as a result have delivered significantly increased revenue in 2019 vs 2018. The easyGym sites are also making good progress, with particularly encouraging take up of LIVE IT; penetration is already higher for ex-easyGym sites than the Group average, even though they have been selling the product for a relatively short period of time. As a result, we have seen revenue in the former easyGym sites increase in 2019 vs 2018 on a like for like basis. We will continue to make some selective investments to ensure we take advantage of the significant potential of the sites.

Our marketing capability is a real source of competitive advantage and an important way of driving high levels of member acquisition. Our no-contract proposition is appealing to new members as they know they have the flexibility to cancel their membership at any time and as a result we have some members who join and cancel multiple times. It remains important therefore that we deliver strong rejoiner numbers from ex-members and that they have had a good experience whilst being a member to encourage them to return. Our ability to attract new and ex-members is enhanced by our capability in areas such as CRM and in different marketing channels (TV, Out of home, digital, SEO and social media). Our innovative First Steps campaign launched in June offered 16 to 18-year olds their first taste of being in a gym with a 6-week off-peak free membership, helping them to manage their stress during the exam period and enabling us to reach this important group of potential members.

Developing the Business Model

Our premium membership package, LIVE IT, has benefited from being in operation for a full year across the entire estate. With the ability to access more than one site being a key feature of the premium membership, take-up of LIVE IT is assisted by the growth in our overall network of sites, demonstrated by strong levels of demand in the metropolitan areas such as London, Manchester and Birmingham where we have multiple sites. The other LIVE IT member benefits of "refer a friend" and use of the Fitquest machine are also proving popular and now are an integral part of our offer. At December 2019 150,000 members (18.9% of our total base; 2018: 85,000 members, 11.7% of our total base) had taken advantage of LIVE IT. We continue to be encouraged by the level of take-up.

Following a trial in 47 sites we have now also rolled out Yanga Sports Water to the entire estate ahead of the peak Jan and Feb trading period. This is another great value product offered at £3.99 per month and also a sustainable product given it requires members to fill up using their own water bottles.

The roll-out of our new operating model for personal trainers, New Gym Team (NGT) went according to plan in 2019 with all gyms now on the common operating model. We now have 1,600 part-time employees who work for us 12 hours a week ("Fitness Trainers"). Outside of these hours they run their self-employed personal trainer business in our gyms for which they pay us a rent. In addition, we have around 300 full rental personal trainers who do not do any employed hours and are wholly self-employed – they also pay us a rent. We consider that this model is both market leading and also reflective of the flexible working economy that allows Fitness Trainers to be employees for part of their week, with the benefits that come from being employed, and self-employed for the rest of the time. The transition has gone smoothly and we are now focused on leveraging the benefits of this model. This means driving consistency of operational delivery across our whole estate along with the ability for Fitness Trainers to develop their skill set to further their self-employed businesses and provide high quality personal training services to our members. We hope that this will attract the best personal trainers who will then in turn provide even better member experience.

In addition to improving the overall member experience, these initiatives are also increasing Average Revenue Per Member Per Month (ARPMM), which grew by 7.6% to £16.02 in the year. The increase in revenue from personal trainers under NGT (offset by a salary cost), accounted for about a third of this increase; excluding this factor ARPMM increased by 5.2%. Increased LIVE IT penetration accounted for approximately a third of the growth in ARPMM with the remainder coming from an increase in average headline price. We ended 2019 with an average headline price of £18.45 per month (2018: £17.14). Our philosophy remains to be a high-quality operator charging the lowest price in any given market. Where we can increase price, we will do so but we are also prepared to reduce price on occasion if the local market requires. Our capability around yield management has advanced in the last year with central support from our data and analytics team.

Achieving our rollout strategy

We opened 20 sites organically in 2019 of which two were our first small box gyms, which will bring our affordable fitness to smaller catchments across the UK. With three site closures in the year, this brings our total estate to 175 gyms. Our primary focus is selecting strong locations for the long term and we are encouraged by the quality of sites that are becoming available. Our strong, listed company covenant continues to be highly attractive to landlords, which supports us in securing high potential sites that come onto the market. Two trends are worth highlighting: increasingly we are successful in taking sites on retail parks at a time when there has been less demand from retailers for physical stores. Colliers Wood, Basingstoke and Northampton are good examples of sites we have opened in the last year on retail parks. In addition, we still see plenty of opportunities in residential areas in large towns and cities – during the year we have opened in Hove, Battersea and Glasgow West End as examples of this trend. The strength of our new openings is highlighted by the performance of the 2017 cohort (21 sites) which has now become mature and we are seeing a similar trend with the 2018 cohort that will mature this year. We continue to take a variety of sites, including new builds, which demonstrates the flexibility of our model.

Our small box format gives us the ability to take advantage of the opportunity highlighted by our market analysis. These sites have a smaller square footage than our standard model of 15,000 sq. ft and we expect to open sites of between 5000-9000 sq. ft. The development that we have made across both the operating model and capital model enables us to open at a capital cost of between £700k-£750k and we expect to continue to achieve the 30% return on capital on a lower average member level. The average monthly price that we will charge is around £2 higher than in the rest of the estate but in these types of location the competitive environment (mainly from local authority or franchise operators), will

enable us to charge at this price point and be very competitive. Members' response to the small box format at Newark and Beverley has been encouraging.

Developing the member proposition

Investment continued across our existing estate and our focus in 2019 has been to ensure the sites have the appropriate equipment mix. Particular investment has been in plate-loaded equipment and enhanced functional areas. We are also maintaining our very high maintenance standards ensuring that the sites continue to maintain high levels of fit-out even as they become more mature. We will focus the more substantial refurbishments on sites that need an enhanced product and a competitive boost in their local market. We have plans to enhance our Group Exercise capability in 2020 by trialling a combined real and virtual offering in some of our sites. This is part of a wider development of our Group Exercise proposition.

Our use of technology

We highlighted in 2019 that increasingly we think of our business as both an e-commerce leisure retailer and a multi-site operator. As part of this we have committed to invest into technology capex developments in the future. Our technology platforms deliver the online member experience and also serve finance, HR and commercial functions and are key to delivering sustainable scale advantages. Our focus is on making changes that deliver member improvements and operating efficiency. The initial spend will be in three areas: an upgraded website that will deliver improved opportunities for product sales and conversion; investment into efficiency gains within the gyms such as the upgrade of our digital camera systems; and a data function with enhanced models that support our team in decision making in areas such as pricing and retention. We are excited about the opportunities within this area and have been building the capability and strength of our technology team over the past year under the leadership of our CIO, Jasper McIntosh. Technology will remain fundamental to the delivery of our business model and is key to facilitating the low-cost environment in which we operate.

Sustainability at the heart of our business

Sustainability is one of the foundations on which our business is built and continues to be a core focus as we grow. We are seeking to build on the strong credentials we already have and to enhance our work in this area. During the year we have established a Sustainability Working Group ('SWG') to oversee the management of sustainability across the Group. In addition, we are working with expert advisers to articulate our sustainability strategy. We have identified four key areas of focus: i) 'Promoting Health & Wellbeing'; ii) 'Good Jobs, Quality Education and Lifelong Learning'; iii) 'Diversity and Inclusion' and iv) 'Responsibility to the Environment.' As outlined further within the sustainability section of this report these help to deliver against the United Nations Sustainable Development Goals. In the coming year we plan to publish our first full Sustainability Report in accordance with the Global Reporting Initiative (GRI) Standards on sustainability reporting. In doing so we will be able to provide our stakeholders with information that helps demonstrate how we perform against our sustainability goals and how we are progressing with our material workstreams.

Our people

Our entire team across the business buy into the strong social purpose of The Gym Group. Our aim is to break down barriers to Health & Fitness and in doing so to spread affordable fitness across the UK. Our values that we launched to our colleagues in 2019 – *taking the first step, friendliness, realness, and challenging our limits* – have landed well and we are now looking at ways to boost engagement across the whole team through the use of improved communication tools. Optimising Fitness Trainer recruitment is an area of focus for us now that the NGT model has been rolled out. We recognise that there are multiple recruitment channels that we need to tap into.

The drive and passion of all our people across the whole business is what makes The Gym Group special. We retained our Gold Investors In People (IIP) status during the year and were shortlisted for Employer of the Year in the IIP awards. Rightly we celebrate these achievements with our teams. I would like to personally thank all our colleagues for their efforts in building this business. As we enter into a difficult period as a result of Covid-19, I am sure that our teams will respond to the challenges ahead.

Outlook

In the first two months of the year trading was in line with the Board's expectations. Membership numbers at the end of February show an increase to 891,000, another record level, with a 12.2% increase since December 2019.

In the last two weeks there has been a small impact on trading from Covid-19 and we have drawn up plans to react to an ever changing situation. Currently all gyms are open and any actions we take in the future will be guided by advice from Public Health England. At 18 March our membership base was 870,000 members and our Net Debt £41.9m.

Our response involves slowing down the expansion to preserve cash and running the business as efficiently as possible with reductions in discretionary spend. In this way we intend to get to a position of having neutral cashflows even with lower revenues in the short term.

We remain confident in our business model and believe that when we are through this period we will be able to return to a growth trajectory.

Richard Darwin
Chief Executive Officer
19 March 2020

Note: Refer to page 15 for the definitions of key performance indicators under IFRS 16.

Financial Review

Summary

The Group has delivered another strong set of financial results, with revenue growing 23.6% to £153.1 million and Group Adjusted EBITDA growing 24.0% to £48.5 million. We have also continued to deliver a strong return on invested capital, with ROIC in our mature sites at 31% (2018: 30%), once again meeting our target of 30%.

The growth in Group Adjusted EBITDA has been achieved alongside significant transformation and investment in the business in 2019 with 20 organic site openings, which included the first two of our new small box gym sites towards the end of the year.

Group Operating Cash Flow increased 20.0% to £40.8 million (2018: £34.0 million) as a result of the growth in EBITDA and continuing efficient use of working capital. Free cash flow which also incorporates exceptional items, tax and interest increased from £28.5m to £33.9m.

We ended the year with non-property net debt of £47.4 million, a small increase on the £46.0 million at Dec 2018 and broadly in line with the £47.2 million debt level at June 2019, demonstrating that we are now at the point of being able to fund our expansion through operating cash flows.

IFRS 16 has been adopted for the first time in 2019 and all figures presented are on this basis unless stated otherwise. The 2018 comparatives have been restated accordingly – see note 3 for more detail. This financial review uses a combination of statutory and non-statutory measures to report on 2019 performance. See page 15 for the definitions of the Key Performance Indicators.

	2019	**2018 Restated**
	£'000	**£'000**
Total Number of Gyms	175[1]	158
Total Number of Members ('000)	794	724
Revenue	153,134	123,884
Group Adjusted EBITDAR*	74,453	58,498
Group Adjusted EBITDA*	48,540	39,131
Group Adjusted EBITDA before Pre-Opening Costs*	49,715	40,671
Mature Gym Site EBITDA	48,113	38,967
Adjusted Profit Before Tax*	13,969	10,275
Adjusted Earnings*	10,574	7,712
Group Operating Cash Flow*	40,763	33,972
Free cash flow	33,867	28,487
Statutory profit before tax	6,219	6,956
	%	%
Return on Invested Capital (%)	31	30

[1] Excludes three gyms closed in 2019 as previously announced; two sites acquired from the Lifestyle Fitness and easyGym acquisitions plus one site opened in 2015 for which a 5-year break clause was exercised by the Group

* Refer to page 15 for the definitions of the Key Performance Indicators.

Key financial metrics on a pre-IFRS 16 basis[2]:

	2019 £'000	**2018 Restated £'000**
Revenue	153,134	123,884
Group Adjusted EBITDA	47,005	36,813
Adjusted Profit Before Tax	18,206	13,348
Adjusted Earnings	13,925	10,217

[2] Figures shown using IAS 17 rent costs rather than IFRS 16 right of use depreciation and interest. 2018 figures restated to include IT amortisation costs following a change to definition of Adjusted PBT and Adjusted Earnings in 2019.

Result for the year on IFRS 16 basis

	2019 £'000	2018 Restated £'000
Revenue	153,134	123,884
Cost of sales	(1,437)	(1,007)
Gross profit	**151,697**	**122,877**
Administration expenses excluding exceptional items	(124,036)	(100,919)
Exceptional administration items	(6,086)	(2,343)
Operating profit	**21,575**	**19,615**
Finance income	32	22
Finance costs excluding exceptional items	(14,902)	(12,681)
Exceptional finance costs	(486)	-
Profit before tax	**6,219**	**6,956**
Tax charge	(2,624)	(2,193)
Profit for the year	**3,595**	**4,763**
Profit before tax	6,219	6,956
Amortisation of non-IT intangible assets	1,178	976
Exceptional administration and finance expenses	6,572	2,343
Adjusted profit before tax	**13,969**	**10,275**
Tax charge	(2,624)	(2,193)
Tax effect of above items	(771)	(370)
Adjusted Earnings	**10,574**	**7,712**

	2019 £'000	2018 Restated £'000
Operating profit	**21,575**	**19,615**
Depreciation of property, plant and equipment and Impairment	41,778	33,539
Amortisation of intangible assets	3,114	1,989
Exceptional administration costs	6,086	2,343
Long term employee incentive costs	1,900	1,012
Cash rent payments	(25,913)	(19,367)
Group Adjusted EBITDA	**48,540**	**39,131**

Revenue

The increase in revenue was driven by a combination of growth in the number of members and an increase in the Average Revenue Per Member Per Month ('ARPMM').

We ended the year with 794,000 members, an increase of 9.7% compared with the closing membership level in December 2018. As a result of the increased size of the estate, including the easyGym acquisition in July 2018, the average membership level across the 12-month period grew by 14.9% to 796,000 (2018: 693,000).

ARPMM increased 7.6% from £14.89 to £16.02 in 2019 through a combination of factors. Approximately one third of the increase came from the rollout of our new personal trainer operating model, NGT, which added rental income to each site (offset by a salary cost); excluding this factor, ARPMM growth would have been 5.2%. Of the remaining increase in ARPMM, £0.37 came from the increased penetration of our premium membership package LIVE IT and £0.40 resulted from an increase in average headline price. The positive contribution to yield from pricing was due to selected price

increases across our mature estate, the maturation of pricing on recently opened sites and the impact of former easyGym sites being in our estate for a whole year in 2019 (vs only six months in 2018).

As a result of these factors, revenue for the year increased 23.6% to £153.1 million (2018: £123.9 million).

Group Adjusted EBITDA

Group Adjusted EBITDA (Group Adjusted EBITDAR minus cash rent costs) increased by 24.0% to £48.5 million (2018: £39.1 million). Growth was driven by the increased size and maturation of the organic estate and a growing contribution from sites acquired in the Lifestyle and easyGym acquisitions. Group Adjusted EBITDA margin remained strong at 31.7% (2018: 31.6%) which is particularly encouraging in light of the rollout of NGT in the year, which, as planned, increased revenue and had a small reduction in EBITDA.

Mature Site EBITDA* contributed by the 110** mature sites increased to £48.1 million (2018: £39.0 million Mature Site EBITDA from 89 mature sites) and this has contributed significantly towards the growth in overall Group Adjusted EBITDA.

EBITDA from new sites*** increased from £10.9 million in 2018 to £13.3 million in 2019. New sites in the year include sites acquired from Lifestyle Fitness in 2017 and from easyGym in 2018, in addition to new gyms opened in 2018 and 2019, which are performing in line with expectations.

* Mature sites are defined as gyms that have been open for 24 months or more measured at the end of the year. New sites are defined as gyms that have been open for fewer than 24 months at the end of the year.
**Total number of mature sites during the year was 110. Following the closure of a site in December 2019 there were 109 mature sites at year end.
***Total number of new sites (sites opened in 2018 onwards and those acquired from Lifestyle Fitness and easyGym) during the year was 70 including two gyms closed in 2019 (2018: 68).

Administration expenses

Administration expenses (excluding exceptional items) increased by 22.9%, primarily due to the number of gyms increasing from 158 at 31 December 2018 to 175 at 31 December 2019.

The largest cost within administration expenses is depreciation, which following the adoption of IFRS 16 now includes the depreciation of property lease right of use assets. As a percentage of revenue, depreciation charges have increased from 27.0% (£33.5 million) in 2018 to 27.3% (£41.7 million) in 2019. Excluding property lease assets depreciation, the depreciation charges have decreased from 15.9% of revenue (£19.7 million) in 2018 to 14.7% (£22.6 million) in 2019, partly as a result of a change in the useful economic life assumption of gym equipment.

Staff costs also form a significant part of administration expenses and increased from £16.8 million to £24.7 million, excluding a charge of £1.9 million (2018: £1.0 million) from long term employee incentives. The increase in staff costs was driven by new gym openings and a scaling up of support office costs to support future growth and the roll out of NGT.

Overall central support office costs (including central staff costs) increased from £10.6 million in 2018 to £12.9 million in 2019 due primarily to headcount increases. This represents a decrease as a percentage of revenue from 8.6% to 8.4%.

Amortisation charges increased from £2.0 million to £3.1 million of which £1.9 million was amortisation of IT and software investment (£1.0 million in 2018) and £1.2 million was amortisation of acquisition intangibles (£1.0 million in 2018).

Exceptional items

Exceptional administration costs increased to £6.1 million, from £2.3 million in 2018, and comprised:

- £3.0 million due to a change in the probability-based estimate of contingent consideration that will be payable for the acquisition of two former easyGym sites (London Oxford Street and Birmingham Kings Heath) as it is assumed that the Group will be successful in acquiring new leases for these sites;
- £2.7 million arising on the closure of three sites during 2019, which arose as a result of estate management. Stoke and Birmingham Corporation Street were acquisitions from Lifestyle and easyGym respectively, whilst we exercised a lease break option in Newport, a site we opened in 2015;
- £0.4 million of restructuring costs, related to the cost associated with changing the operating model in relation to the use of personal trainers within the business.

Exceptional finance costs increased to £0.5 million (2018: £nil) and comprised:

- £0.5 million of unamortised bank facility fees from our previous bank facilities which were written off on completion of our refinancing in October 2019.

Of the £6.6 million of exceptional items, only £1.1 million had a cash impact in the year.

Long term employee incentives

During the year the Group granted further shares under the Performance Share Plan (PSP) and Share Incentive Plan (SIP) and also Restricted Stock Options to certain members of senior management. The awards vest in three years provided continuous employment during this period and, in the case of the PSP, certain performance conditions are attained relating to earnings per share and total shareholder returns.

The Group continues to operate a matching shares scheme under the SIP, where for every share purchased by an employee the Group will award one matching share, up to a maximum value, which vest in three years subject to continuous employment.

Towards the end of the year, the Group has also granted shares under a new share saving scheme (SAYE), where all employees were invited to save regularly, up to a maximum value, to buy the Group's shares at a discounted price, which vest in three years subject to continuous employment.

The Group recognised a charge of £1.9 million (2018: £1.0 million) in relation to these share-based payment arrangements.

Finance costs

Finance costs excluding exceptionals increased to £14.9 million in 2019 (2018: £12.9 million) comprising the implied interest relating to the lease liability under IFRS 16 of £12.9 million (2018: £10.9 million) plus interest costs associated with our bank borrowing facilities of £2.0 million (2018: £1.7 million).

In October 2019 the Group refinanced its existing £60.0 million facilities with a new £70.0 million Revolving Credit Facility (RCF). The interest charge on the new RCF varies according to the Group's leverage ratio at any time but at current leverage levels interest is charged at 1.75% above LIBOR. This compares to the previous facilities' interest rate of 2.5% above LIBOR, regardless of leverage. As the new RCF came into effect towards the end of the year the benefit on overall finance costs in 2019 was minimal. The remaining unamortised loan arrangement fees of £0.5 million in relation to the previous facility have been written off as a result of the debt refinance (see Exceptional items above) and an additional £0.9 million of fees has been incurred on the establishment of the RCF, which will be amortised over the term of the facility.

At December 2019 the Group has drawn £50.0 million of the facilities and with cash of £2.6 million ended the year with non-property net debt of £47.4 million, representing 0.98x Group Adjusted EBITDA (2018: 1.17x). This relatively low level of leverage ensures we can offer a strong covenant to potential landlords, providing us with a significant commercial advantage in the securing of desirable new sites.

Taxation

The Group has incurred a tax charge of £2.6 million for the year ended 31 December 2019, which represents an effective tax rate (ETR) on statutory profit before tax of 42.2% (2018: 31.5%). The increase in ETR is due to an increased level of exceptional items which are not deductible for tax purposes and increased charges relating to share based payments.

The underlying effective tax rate on adjusted profit before tax, after adjusting for amortisation and exceptional items, is 24.3% (2018: 24.1%).

Earnings

Statutory profit before tax decreased to £6.2 million (2018: £7.0 million), with an increase in Group Adjusted EBITDA, offset by increased depreciation due to increased number of sites, increased amortisation of intangible assets from acquisitions and higher exceptional costs. The Group delivered a profit for the year of £3.6 million (2018: £4.8 million) as a result of the factors discussed above.

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. Adjusted profit before tax in the year was £14.0 million up 35.9% from £10.3 million in 2018.

Basic earnings per share (EPS) was 2.6p (2018: 3.6p). Basic Adjusted EPS was 7.7p (2018: 5.8p).

Dividend

The Board expects to continue to adopt a progressive dividend policy. When making proposals for the payment of dividends, the Board considers the resources available to the Group.

The Group declared an interim dividend of 0.45p per share earlier in the year. The Board recommends a final dividend of 1.15p per share in respect of the financial year ending 31 December 2019, resulting in a full year dividend of 1.60p per share. As part of our response to Covid-19, we currently do not anticipate putting a resolution to the AGM to pay this dividend .

Capital Expenditure

The Group invested expansionary capital expenditure[3] of £32.3 million (2018: £54.5 million) in the fit-out of new gyms, the conversion of two of the easyGym sites acquired in 2018 and investment in new LED lighting across the estate. Expansionary capital expenditure also includes IT & software capital expenditure of £3.9 million (2018: £3.2 million) as a result of investment in website, infrastructure, app and support office technology. Adjusting for the movement in capex creditors, the cash flow in the year from expansionary capital expenditure was £32.5 million.

Total maintenance capital expenditure[4] was £10.2 million (2018: £7.6 million) and, at 6.7% of revenue, in line with our guidance. Adjusting for the movement in capex creditors, the cash flow in the year from maintenance capital was £10.3 million.

3 Expansionary capital expenditure relates to the Group's investment in the fit-out of new gyms, the acquisition of the Lifestyle and easyGym portfolios and technology projects. It is stated net of contributions towards landlord building costs. It is a non-IFRS GAAP measure
4 Maintenance capital expenditure comprises the replacement of gym equipment and premises refurbishment. It is a non-IFRS GAAP measure

Cash flow

	2019 £'000	2018 Restated £'000
Group Adjusted EBITDA*	48,540	39,131
Movement in working capital	2,507	3,159
Maintenance capital expenditure cash flow	(10,284)	(8,318)
Group Operating Cash Flow	**40,763**	**33,972**
Exceptional items	(1,120)	(2,105)
Bank interest	(2,197)	(1,371)
Taxation	(3,579)	(2,009)
Free cash flow	33,867	28,487
Expansionary capital expenditure cash flow	(32,504)	(57,551)
Dividends paid	(1,933)	(1,637)
Refinancing fees	(884)	(302)
Net proceeds from issue of Ordinary shares	-	23,196
Other financial assets purchased	-	(645)
Bank interest received	32	22
Movement in non-property net debt	**(1,422)**	**(8,430)**
Net drawdown of borrowings	1,000	11,000
Net Cash flow	**(422)**	**2,570**

*See page 16 for a reconciliation of operating profit to Group Adjusted EBITDA

Group Operating Cash Flow has increased by 20.0% from £34.0 million to £40.8 million as a result of an increase in Group Adjusted EBITDA. Our Group Operating Cash Flow Conversion has decreased slightly to 84.1% (2018: 86.8%).

Balance sheet

	2019 £'000	2018 £'000
Non-current assets	500,990	467,284
Current assets	12,027	11,102
Current liabilities	(49,691)	(44,131)
Non-current liabilities	(312,893)	(286,785)
Net assets	**150,433**	**147,470**

Non-current assets have increased by £33.6 million to £501.3 million (2018: £467.7 million). This is largely as a result of capital expenditure in property, plant and equipment and intangibles plus an increase in right of use assets totalling £82.1 million, offset by depreciation and amortisation of £44.8 million.

Current assets have increased £0.9 million due to higher trade receivables (as a result of the introduction of rental income charged to personal trainers) and higher inventories (as a result of the increased stock of Yanga water in our gyms). Current liabilities have increased by £5.6 million as a result of growth in the number of gyms, which has increased trade and other payables as well as lease liabilities.

As of 31 December 2019 the Group had drawn £50.0 million of its £70.0 million revolving credit facility.

As a precaution against a potential period of disruption to the business resulting from the Covid-19 outbreak, the Group drew the remaining £20.0 million of the revolving credit facility in March 2020.

Response to Covid-19

In the first two months of 2020, the Group traded in line with our expectations.

In the first half of March we have begun to see an impact to our business from the Covid-19 outbreak. Our strategy for operating through the outbreak will be to:

- reduce run rate cash outgoings to a level whereby we can remain cash neutral at a substantially lower level of monthly revenue; and
- retain a cash 'buffer' to help us in the event there is a period of widespread enforced gym closures during which we may have no revenue for a number of weeks.

We have taken a number of actions to reduce our cash outgoings in anticipation of a period of disruption:

- We have drawn down the remaining £20m of our RCF. As of 18 March have £28.9m of cash;
- New gyms under construction will be completed but all other new sites put on hold, resulting in 7 standard gyms and 1 small box gym opening in H1 2020. YTD committed expansionary capex of £10m;
- Expenditure on maintenance and IT capex reduced to essential spend only; we currently plan to complete the refurbishment of the London Oxford Street and Fulham sites;
- Operating costs will be reduced by halting discretionary spend, reducing marketing and focusing maintenance on essential health & safety spend only;
- We plan to not pay the final dividend for FY2019 which would preserve a further £1.6m of cash.

We also have other options open to us including (i) additional reductions in expenditure at certain times to improve liquidity; (ii) the announcement by the Chancellor of the Exchequer on 17th March 2020 of measures to assist companies with the impact of the Covid-19 pandemic including a rates holiday for retail, leisure and hospitality and, more specifically, guaranteed loans for lending of over £300bn to enable companies to help meet their fixed cost obligations including rent, rates and staff costs during the period of the pandemic; (iii) the potential of the Group to access additional debt where the Directors note that the Group's existing £70m revolving credit facility includes a further £30m accordion which requires consent of the banks; (iv) the potential for the Group to agree with its landlords deferrals in the timing of rental payments ; or (v) the potential to raise additional funds from third parties

Mark George
Chief Financial Officer
19 March 2020

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

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

- *Group Adjusted EBITDAR* - is operating profit before depreciation, amortisation, long term employee incentive costs and exceptional items.

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

- *Group Adjusted EBITDA* before Pre-Opening Costs - is defined as Group Adjusted EBITDA excluding the costs associated with new site openings.

- *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.

- *Basic 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, interest and other financing costs and exceptional items.

- *Non-Property Net Debt* - is calculated as borrowings less property finance leases and cash and cash equivalents.

- *Return On Invested Capital* – is calculated as Group Adjusted EBITDA of the Group's mature sites, divided by total capital invested in the sites.

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	31 December 2019 £'000	31 December 2018 Restated* £'000
Revenue	4	153,134	123,884
Cost of sales		(1,437)	(1,007)
Gross profit		**151,697**	**122,877**
Administration expenses		(130,122)	(103,262)
Operating profit		**21,575**	**19,615**
Finance income		32	22
Finance costs		(15,388)	(12,681)
Profit before tax		**6,219**	**6,956**
Tax charge		(2,624)	(2,193)
Profit for the year attributable to equity shareholders		**3,595**	**4,763**
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
Changes in the fair value of derivative financial instruments		(155)	(11)
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income		(277)	(463)
Total comprehensive income attributable to equity shareholders		**3,163**	**4,289**
Earnings per share	**6**	**Pence**	**Pence**
Basic		2.6	3.6
Diluted		2.6	3.5
Reconciliation of operating profit to Group Adjusted EBITDA:		**£'000**	**£'000**
- Operating profit		21,575	19,615
- Depreciation and impairment of property, plant and equipment	8	41,778	33,539
- Amortisation and impairment of intangibles		3,114	1,989
- Exceptional administration costs	5	6,086	2,343
- Long term employee incentive costs		1,900	1,012
- Cash rent payments[2]		(25,913)	(19,367)
- Group Adjusted EBITDA[1]		48,540	39,131

[1]Group Adjusted EBITDA is a non-GAAP metric used internally by management and externally by investors
[2]Cash rent payments are the actual cash payments which are paid for the property leases during the year

* See note 3 for details regarding the restatement as a result of the IFRS 16 adoption

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 December 2019 £'000	31 December 2018 Restated* £'000	1 January 2018 Restated* £'000
Non-current assets				
Property, plant and equipment (excluding right of use asset)	8	176,001	163,675	133,530
Right of use asset	8	238,535	216,995	166,396
Intangible assets		86,441	86,160	71,218
Financial assets at fair value through other comprehensive income		-	285	316
Derivative financial instruments		13	169	-
Total non-current assets		500,990	467,284	371,460
Current assets				
Inventories		654	379	197
Trade and other receivables		8,769	7,696	5,479
Cash and cash equivalents		2,605	3,027	456
Total current assets		12,028	11,102	6,132
Total assets		**513,018**	**478,386**	**377,592**
Current liabilities				
Trade and other payables		29,389	26,376	23,490
Lease liabilities		15,702	9,652	7,794
Other financial liabilities		3,875	3,002	-
Borrowings	9	-	3,000	-
Provisions		352	679	917
Income taxes payable		374	1,422	633
Total current liabilities		49,692	44,131	32,834
Non-current liabilities				
Borrowings	9	49,116	45,165	37,113
Lease liabilities		261,876	239,907	187,064
Provisions		1,303	1,145	740
Deferred tax liabilities		598	568	271
Total non-current liabilities		312,893	286,785	225,188
Total liabilities		**362,585**	**330,916**	**258,022**
Net assets		**150,433**	**147,470**	**119,570**
Capital and reserves				
Issued capital	10	14	14	12
Own shares held		48	48	48
Capital redemption reserve		4	4	4
Share premium		159,474	159,474	136,280
Hedging reserve		(166)	(11)	-
Retained deficit		(8,941)	(12,059)	(16,774)
Total equity shareholders' funds		**150,433**	**147,470**	**119,570**

* See note 3 for details regarding the restatement as a result of the IFRS 16 adoption

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Issued capital	Own shares held	Capital redemption reserve	Share premium	Hedging reserve	Retained deficit	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018 (as previously reported)		**12**	**48**	**4**	**136,280**	**-**	**(15,723)**	**120,621**
Adjustment from adoption of IFRS 16	**3**	**-**	**-**	**-**	**-**	**-**	(1,051)	(1,051)
At 1 January 2018 (restated)		**12**	**48**	**4**	**136,280**	**-**	**(16,774)**	**119,570**
Profit for the period and total comprehensive income (restated)		-	-	-	-	-	4,763	4,763
Share based payments		-	-	-	-	-	797	797
Deferred tax on share based payments		-	-	-	-	-	133	133
Issue of Ordinary share capital		2	-	-	23,998	-	-	24,000
Costs associated with the issue of share capital		-	-	-	(804)	-	-	(804)
Changes in the fair value of derivative financial instruments		-	-	-	-	(11)	-	(11)
Dividends paid		-	-	-	-	-	(1,637)	(1,637)
Changes in the fair value of financial assets at fair value through other comprehensive income		-	-	-	-	-	(463)	(463)
Deferred tax arising on IFRS 16 adoption		-	-	-	-	-	1,122	1,122
At 31 December 2018		**14**	**48**	**4**	**159,474**	**(11)**	**(12,059)**	**147,470**
Profit for the year		-	-	-	-	-	3,595	3,595
Share based payments	11	-	-	-	-	-	1,670	1,670
Deferred tax on share based payments	12	-	-	-	-	-	8	8
Dividends paid	30	-	-	-	-	-	(1,933)	(1,933)
Changes in the fair value of financial assets at fair value through other comprehensive income		-	-	-	-	-	(277)	(277)
Changes in the fair value of derivative financial instruments		-	-	-	-	(**155**)	-	(155)
Deferred tax arising on IFRS 16 adoption		-	-	-	-	-	55	55
At 31 December 2019		**14**	**48**	**4**	**159,474**	**(166)**	**(8,941)**	**150,433**

* See note 3 for details regarding the restatement as a result of the IFRS 16 adoption

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	31 December 2019	31 December 2018 Restated*
		£'000	£'000
Cash flows from operating activities			
Profit before tax		6,219	6,956
Adjustments for:			
Net finance costs		15,356	12,659
Exceptional administration costs	5	6,086	2,343
Depreciation and Impairment of property, plant and equipment	8	41,778	33,539
Amortisation of intangible assets		3,114	1,989
Long term employee incentive costs		1,900	1,012
(Profit) / loss on disposal of property, plant and equipment		(112)	72
Increase in inventories		(275)	(182)
Increase in trade and other receivables		(1,073)	(1,218)
Increase in trade and other payables		3,967	4,487
Cash generated from operations		76,960	61,657
Tax paid		(3,579)	(2,009)
Net cash flows from operating activities before exceptional items		73,381	59,648
Exceptional items		(1,120)	(2,105)
Net cash flow from operating activities		**72,261**	**57,543**
Cash flows from investing activities			
Payment for financial assets at fair value through other comprehensive income		-	(432)
Business combinations		(2,114)	(18,600)
Purchase of property, plant and equipment		(38,604)	(42,341)
Purchase of intangible assets		(2,461)	(4,928)
Disposal of tangible assets		391	-
Interest received		32	22
Net cash flows used in investing activities		**(42,756)**	**(66,279)**
Cash flows from financing activities			
Dividends paid		(1,933)	(1,637)
Lease liabilities paid[1]		(13,093)	(10,907)
Lease interest paid[1]		(12,820)	(8,460)
Bank interest paid		(2,197)	(1,371)
Payment of financing fees		(884)	(302)
Drawdown of bank loans		51,000	12,500
Repayments of bank loans		(50,000)	(1,500)
Proceeds of issue of Ordinary shares		-	24,000
Costs associated with share issue		-	(804)
Derivative financial instruments paid		-	(213)
Net cash flows (used in) / from financing activities		**(29,927)**	**11,306**
Net (decrease) / increase in cash and cash equivalents		(422)	2,570
Cash and cash equivalents start of period		3,027	457
Cash and cash equivalents at end of period		**2,605**	**3,027**

**See note 3 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.*

[1]These two items totalling £25,913,000 represent cash rent as used in the KPI definitions

** See note 3 for details regarding the restatement as a result of the IFRS 16 adoption*

1. General information

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

.The financial information set out above does not constitute statutory accounts for the years ended 31 December 2019 or 2018 within the meaning of sections 435(1) and (2) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards.

The Consolidated Financial Statements for the year ended 31 December 2018, upon which the Company's auditors have given a report which was unqualified and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

The Consolidated Financial Statements for the year ended 31 December 2019 have yet to be signed. They will be finalised based on the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course. At this time, it expected that Ernst & Young LLP will provide an unqualified report on the Consolidated Financial Statements for the year ended 31 December 2019 and their report will not contain any statement under section 498(2) or (3) of the Companies Act 2006. However, we expect that Ernst & Young LLP will include a reference within their report drawing attention to material uncertainty related to going concern arising from the current uncertainty of the impact of the Covid-19 pandemic on the Group's business.

2. Basis of preparation

The Consolidated Financial Statements for the year ended 31 December 2018, from which the financial information in this announcement is derived, have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the EU, International Financial Reporting Interpretations Committee ('IFRIC') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared on a going concern basis under the historical cost convention as modified by the recognition of derivative financial instruments and other financial liabilities at fair value.

In assessing the going concern position of the Group for the Consolidated Financial Statements for the year ended 31 December 2019, which are currently unaudited, the Directors have considered the Group's cash flows, liquidity and business activities. At 31 December 2019, the Group had cash balances of £2.6 million and undrawn financing facilities of £20.0 million which are available for general corporate purposes, including but not limited to funding new sites, working capital and capital expenditure.

Based on the Group's forecasts, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014 published by the UK Financial Reporting Council.

In making this assessment the Directors have made a current consideration of the potential impact of the Covid-19 pandemic on the cashflows and liquidity of the Group over the next 12 month period. This assessment has taken in to account the current measures being put in place by the Group to preserve cash and reduce discretionary expenditure during a period when the Group may need to temporarily close some or all of its sites as a result of enforcement action by the UK Government, and potential reductions in revenues resulting from changes in the behaviours of members. The Group's financial modelling assumes reduced membership and revenue as a result of Covid-19 impacting members behaviours and associated actions by the UK government, than it would have otherwise expected during the next 12 months both during the period of any closure and thereafter. The Company has considered the impact of additional downside scenarios with a greater length of closure and a more severe impact on the Group's cashflows and liquidity as a result of additional loss of membership and revenue. These downside scenarios assume that Group Adjusted EBITDA in 2020 reduces by approximately 65% compared to the Board's expectations prior to development of the Covid-19 pandemic. At these levels of Group Adjusted EBITDA reductions, when combined with the mitigating actions that are within the Group's control including reductions in capital and other expenditure, the Directors currently believe the Group can maintain sufficient liquidity within its £70m debt financing facilities (reflecting the £20m drawdown in March 2020 of the remaining facility) and satisfy its bank covenant levels over the next 12 months.

The Directors have also assessed the impact of an even more severe effect on the Group were there to be an even longer period of enforced closure and greater reductions in revenues resulting from changes in members' behaviours. Under certain of these scenarios the Group could breach its bank covenants or have insufficient liquidity within the next 12 months. In considering the impact on the Group's going concern position the Directors have carried out a preliminary assessment of the additional options that may be available to the Group to mitigate the impact on its cashflows and liquidity. In particular Directors have considered (i) additional reductions in expenditure at certain times to improve liquidity; (ii) the announcement by the Chancellor of the Exchequer on 17th March 2020 of measures to assist companies with the impact of the Covid-19 pandemic including a rates holiday for retail, leisure and hospitality and, more specifically, guaranteed loans for lending of over £300bn to enable companies to help meet their fixed cost obligations including rent, rates and staff costs during the period of the pandemic; (iii) the potential of the Group to access additional debt where the Directors note that the Group's existing £70m revolving credit facility includes a further £30m accordion which requires consent of the banks; (iv) the potential for the Group to agree with its landlords deferrals in the timing of rental payments ; or (v) the potential to raise additional funds from third parties.

2. Basis of preparation *(continued)*

The Directors have concluded that the potential impact of the Covid-19 pandemic described above and uncertainty over possible mitigating actions represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern. Nevertheless, having assessed the combination of these various options and the impact of a potential liquidity shortfall in the event of a longer period of impact from the Covid-19 pandemic the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and Company were unable to continue as a going concern.

3. New standards, interpretations and amendments adopted by the Group

New standards impacting the Group for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

IFRS 16 'Leases'

IFRS 16 supersedes IAS 17 Leases, the standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group adopted IFRS 16 using the full retrospective method of adoption, with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). At the date of initial application, the applicable IBR for each lease varied between 3.7% and 8.1%.

Adjustments recognised on adoption of IFRS 16

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

	31 December 2017 under IAS17 £'000	**Impact of IFRS16 £'000**	**Opening balance at 1 January 2018 £'000**
Right of use asset	-	166,396	166,396
Intangible assets	62,536	8,682	71,218
Current assets	9,691	(3,559)	6,132
Other assets	134,187	(341)	133,846
Total assets	**206,414**	**171,178**	**377,592**
Current liabilities	(45,401)	20,361	(25,040)
Finance lease liabilities	-	(194,856)	(194,856)
Deferred tax liabilities	(2,092)	1,821	(271)
Other liabilities	(38,037)	184	(37,853)
Total liabilities	**(85,530)**	**(172,490)**	**(258,020)**
Net assets	**120,884**	**(1,312)**	**119,572**
Retained earnings	(15,273)	(1,312)	(16,585)
Other changes in equity	136,157	-	136,157
Total equity shareholders' funds	**120,884**	**(1,312)**	**119,572**

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

	31 December 2018 as reported £'000	Impact of IFRS16 £'000	Closing balance at 31 December 2018 £'000
Right of use asset	-	216,995	216,995
Intangible assets	76,080	10,080	86,160
Current assets	15,318	(4,216)	11,102
Other assets	164,959	(830)	164,129
Total assets	**256,357**	**222,029**	**478,386**
Current liabilities	(56,957)	22,478	(34,479)
Finance lease liabilities	-	(249,559)	(249,559)
Deferred tax liabilities	(3,248)	2,680	(568)
Other liabilities	(46,310)	-	(46,310)
Total liabilities	**(106,515)**	**(224,401)**	**(330,916)**
Net assets	**149,842**	**(2,372)**	**147,470**
Retained earnings	(9,687)	(2,372)	(12,059)
Other changes in equity	159,529	-	159,529
Total equity shareholders' funds	**149,842**	**(2,372)**	**147,470**

	31 December 2019 under IAS17 £'000	Impact of IFRS16 £'000	Closing balance at 31 December 2019 £'000
Right of use asset	-	238,535	238,535
Intangible assets	77,134	9,307	86,441
Current assets	18,441	(6,413)	12,028
Other assets	176,134	(120)	176,014
Total assets	**271,709**	**241,309**	**513,018**
Current liabilities	(61,962)	27,972	(33,990)
Finance lease liabilities	-	(277,578)	(277,578)
Deferred tax liabilities	(3,035)	2,437	(598)
Other liabilities	(50,419)	-	(50,419)
Total liabilities	**(115,416)**	**(247,169)**	**(362,585)**
Net assets	**156,293**	**(5,860)**	**150,433**
Retained earnings	(3,081)	(5,860)	(8,941)
Other changes in equity	159,374	-	159,374
Total equity shareholders' funds	**156,293**	**(5,860)**	**150,433**

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

- Group Adjusted EBITDA - Pre-IFRS 16 definition of Group Adjusted EBITDA is operating profit (including IAS17 rent costs) before depreciation, amortisation, long term employee incentive costs and exceptional items, and is a non-IFRS GAAP measure. Post IFRS 16 definition of Group Adjusted EBITDA is operating profit before depreciation, amortisation, long term employee incentive costs and exceptional items, and after cash rent costs.
- Adjusted Profit before Tax - is calculated as profit before tax before non-IT amortisation and exceptional items.
- Adjusted Earnings - is calculated as the Group's profit for the year before non-IT amortisation, exceptional items, and the related tax effect.

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

	31 December 2018 as reported £'000	Impact of IFRS16 £'000	31 December 2018 under IFRS16 £'000
Revenue	123,884	-	123,884
Cost of Sales	(1,007)	-	(1,007)
Gross profit	**122,877**	**-**	**122,877**
Depreciation of property, plant and equipment	(19,710)	(12,667)	(33,539)
Other administration expenses	(91,470)	19,629	(69,723)
Operating profit	**11,697**	**6,962**	**19,615**
Finance income	22	-	22
Finance costs	(1,752)	(10,929)	(12,681)
Statutory profit before tax	**9,967**	**(3,967)**	**6,956**

	31 December 2018 as reported £'000	Impact of IFRS16 £'000	31 December 2018 under IFRS16 £'000	Impact of new KPI definitions £'000	31 December 2018 Restated* £'000
Revenue	123,884	-	123,884	-	123,884
Cost of Sales and Admin expenses	(87,071)	21,685	(65,386)	(19,367)	(84,753)
IAS 17 rent costs					
less: Cash rent payments					
Group Adjusted EBITDA	**36,813**	**21,685**	**58,498**	**(19,367)**	**39,131**
Add back: Cash rent payments				19,367	19,367
Amortisation on IT related assets				(1,013)	(1,013)
Depreciation of property, plant and equipment	(19,710)	(13,829)	(33,539)	-	(33,539)
Depreciation of right of use assets					
Long term employee incentive costs	(1,012)	-	(1,012)	-	(1,012)
Finance income	22	-	22	-	22
Finance costs	(1,752)	(10,929)	(12,681)	-	(12,681)
Lease interest					
Adjusted profit before tax	**14,361**	**(3,073)**	**11,288**	**(1,013)**	**10,275**
Tax charge	(2,761)	568	(2,193)	-	(2,193)
Tax effect of above items	(370)	-	(370)	-	(370)
Adjusted Earnings	**11,230**	**(2,505)**	**8,725**	**(1,013)**	**7,712**
Earnings per share	**pence**	**pence**	**pence**	**pence**	**pence**
Basic	5.4	(2.8)	2.6	1.0	3.6
Diluted	5.3	(2.7)	2.6	0.9	3.5

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

	31 December 2019 under IAS17 £'000	Impact of IFRS16 £'000	31 December 2019 under IFRS16 £'000	Impact of new KPI definitions £'000	31 December 2019 as reported £'000
Revenue	153,134	-	153,134	-	153,134
Cost of Sales and Admin expenses	(106,129)	27,448	(78,681)	(25,913)	(104,594)
IAS 17 rent costs					
less: Cash rent payments					
Group Adjusted EBITDA	**47,005**	**27,448**	**74,453**	**(25,913)**	**48,540**
Add back: Cash rent payments				25,913	25,913
Amortisation on IT related assets				(2,031)	(2,031)
Depreciation of property, plant and equipment and impairment	(22,850)	(18,833)	(41,683)	-	(41,683)
Depreciation of right of use assets					
Long term employee incentive costs	(1,900)	-	(1,900)	-	(1,900)
Finance income	32	-	32	-	32
Finance costs	(2,050)	(12,852)	(14,902)	-	(14,902)
Lease interest					
Adjusted profit before tax	**20,237**	**(4,237)**	**16,000**	**(2,031)**	**13,969**
Tax charge	(3,538)	914	(2,624)	-	(2,624)
Tax effect of above items	(1,102)	(28)	(1,130)	359	(771)
Adjusted Earnings	**15,597**	**(3,351)**	**12,246**	**(1,672)**	**10,574**
Earnings per share	**pence**	**pence**	**pence**	**pence**	**pence**
Basic	5.6	(3.0)	2.6	-	2.6
Diluted	5.5	(2.9)	2.6	-	2.6

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

Change in Presentation

Following the adoption of IFRS16 Leases the Group has changed its policy on the presentation of interest paid in the cash flow statement and has presented them as financing cashflows rather than operating cash flows as previously. This revised classification better reflects the nature of the interest costs, being substantially in relation to interest on leases and bank loans, whilst also aligning it with the existing classification of interest costs within the income statement.

	31 December 2018 as reported £'000	Impact of IFRS16 £'000	31 December 2018 under IFRS16 £'000	Change in presentation £'000	31 December 2018 Restated* £'000
Cash flows from operating activities					
Cash generated from operations	42,290	19,367	61,657	-	61,657
Tax (Paid)/Refunded	(2,009)	-	(2,009)	-	(2,009)
Interest paid	(1,371)	(8,460)	(9,831)	9,831	-
Net cash flows from operating activities before exceptional items	**38,910**	**10,907**	**49,817**	**9,831**	**59,648**
Exceptional items	(2,105)	-	(2,105)	-	(2,105)
Net cash flow from operating activities	**36,805**	**10,907**	**47,712**	**9,831**	**57,543**
Cash flows from financing activities					
Dividends paid	(1,637)	-	(1,637)	-	(1,637)
Lease liabilities paid	-	(10,907)	(10,907)	-	(10,907)
Lease interest paid	-	-	-	(8,460)	(8,460)
Bank interest paid	-	-	-	(1,371)	(1,371)
Payment of financing fees	(302)	-	(302)	-	(302)
Drawdown of bank loans	12,500	-	12,500	-	12,500
Repayments of bank loans	(1,500)	-	(1,500)	-	(1,500)
Proceeds of issue of Ordinary shares	24,000	-	24,000	-	24,000
Costs associated with share issue	(804)	-	(804)	-	(804)
Payment of derivative financial instrument	(213)	-	(213)	-	(213)
Net cash flows (used in) / from financing activities	**32,044**	**(10,907)**	**21,137**	**(9,831)**	**11,306**

Change in accounting estimate
The Group has reviewed the estimated useful economic life ('UEL') of gym equipment and consequently, has increased their UEL. The impact of this change is to decrease the 2019 depreciation charge by £954,000.

In addition, we reviewed the UEL of Lifestyle gym equipment and reduced the UEL of strength equipment by two years to approximately four years, and cardio equipment by one year to approximately three years. The impact of this is an increase in depreciation of £346k in 2019 and an estimated increase in depreciation of £580k in 2020.

4. Revenue

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

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.

	31 December 2019	31 December 2018
	£'000	**£'000**
Major products/service lines		
Membership income	146,782	121,515
Rental income from personal trainers	4,572	875
Other income	1,780	1,494
	153,134	**123,884**
Timing of revenue recognition		
Products transferred at a point in time	2,550	2,062
Products and services transferred over time	150,584	121,822
	153,134	**123,884**
Liabilities relating to contracts with customers		
Contract liabilities	(7,961)	(7,112)
Revenue recognised that was included in contract liabilities in the prior year		
Membership income	7,051	5211
Other income	61	66

Contract liabilities relate to membership fees received at the start of a contract, where the Group has the obligation to provide a gym membership over a period of time. The contract liability balance increases as the Group's membership numbers increase, and therefore has increased between 2018 and 2019.

5. Exceptional items

	31 December 2019 £'000	31 December 2018 £'000
Remeasurement of contingent consideration	2,988	-
Impairment and other costs arising as a result of site closures	2,688	-
Restructuring costs	410	1,239
Acquisition costs	-	644
Acquisition integration costs	-	460
Total exceptional items in operating expenses	**6,086**	**2,343**
Refinancing costs	486	-
Total exceptional items in financing expenses	**486**	**-**
Total exceptional items	**6,572**	**2,343**

5. Exceptional items *(continued)*

Remeasurement of contingent consideration relates to a change in the probability-based estimate of contingent consideration that will be payable for the acquisition of two easyGym sites in the event the Group is successful in acquiring new leases for these sites. This remeasurement of the acquisition consideration has been recognised in the income statement but has no cash impact in 2019.

Impairment and other costs arising as a result of site closures relate to the closure of three sites during 2019, which arose as part of our estate management in order to optimise group performance; the closures comprised two sites acquired from the Lifestyle and easyGym acquisitions plus one site opened in 2015 for which a 5-year break clause was exercised by the Group. These costs substantially relate to the impairment of right of use assets, leasehold improvements and gym equipment, and the provision for post-closure costs.

Refinancing costs relate to unamortised costs incurred in relation to the previous bank facility that was refinanced in October 2019.

Restructuring costs relate to the costs associated with changing the operating model for the use of personal trainers within the business that was completed in 2019.

6. 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 (see note 13).

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 year ended 31 December 2019, the Group had potentially dilutive shares in the form of share options and unvested shares issued pursuant to The Gym Group plc Share Incentive Plan, The Gym Group plc Performance Share Plan, The Gym Group plc Restricted Stock Plan and The Gym Group plc Long Service Award Plan (see note 13).

	31 December 2019	**31 December 2018 Restated***
	2019	**2018**
Basic weighted average number of shares	137,870,237	133,301,917
Adjustment for share awards	2,561,055	1,569,233
Diluted weighted average number of shares	140,431,292	134,871,150
Basic earnings per share (p)	2.6	3.0
Diluted earnings per share (p)	2.6	2.9

* See note 3 for details regarding the restatement as a result of the IFRS 16 adoption

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

	31 December 2019	**31 December 2018 Restated***
	£'000	**£'000**
Profit for the year	3,595	4,763
Amortisation of non-IT intangible assets	1,273	976
Exceptional items	6,572	2,343
Tax effect of above items	(771)	(370)
Adjusted earnings	**10,669**	**7,712**
Basic adjusted earnings per share (p)	7.7	5.8

Diluted adjusted earnings per share (p)	7.6	5.7

* See note 3 for details regarding the restatement as a result of the IFRS 16 adoption

7. Business combinations

easyGym portfolio

On 4 July 2018 the Group acquired the trade and assets of a portfolio of 13 gyms trading under the easyGym brand for an initial cash consideration of £14.5 million, with an additional £6.1 million deferred consideration payable on completion of a lease assignment on three sites and further contingent consideration if lease extensions are agreed on two sites. £4.0 million of deferred consideration was paid shortly after acquisition. At 31 December 2018, deferred and contingent consideration with fair value of £3.0 million was outstanding and recognised within other financial liabilities.

During the year ended 31 December 2019 the remaining deferred consideration of £2.1 million was paid.

During 2019 the Directors reassessed the probabilities of the lease extensions occurring in respect of the two sites concerned and now consider these to be virtually certain. As a consequence the estimated fair value of contingent consideration payable in respect of these lease extensions at 31 December 2019 has increased by £3.0m to £3.9 million (2018: £0.9 million).

The undiscounted settlement value of the contingent consideration could be between £nil and £3.9 million. The contingent consideration has been recognised at its fair value of £3.9 million using an expected value methodology. This is a Level 3 valuation under the fair value hierarchy.

A loss of £3.0 million was recognised in profit and loss during the year in relation to the liability (see note 7). The valuation of the liability will vary between the potential settlement amounts dependent on the likelihood of the contingent consideration becoming payable. In measuring the estimated contingent consideration, it has been assumed that the probability of the relevant leases being extended is now 100% (2018: a range of nil to 50% probability). The estimated liability has not been discounted due to the short time frame of any possible pay out.
The acquisition was part-funded by an equity placing of £24.0 million by the Company and an extension of the Group banking facilities of £10.0 million.

Prior to 3 July 2019 the Group also finalised the fair values of the assets and liabilities of these business combinations. The adjustments made in finalising fair values relate to the adjustment of fair value of the gym equipment acquired and the restated 2018 amounts are shown below.

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

	Fair value as previously reported £'000	**Adjustments £'000**	**Total £'000**
Net assets acquired:			
Intangibles	768	-	768
Property, plant and equipment	11,705	(836)	10,869
Provisions	(360)	-	(360)
Deferred tax	(1,008)	-	(1,008)
Net assets	11,105	(836)	10,269
Goodwill	10,397	836	11,233
Total consideration	**21,502**		**21,502**
Satisfied by:			
Cash consideration	14,500	-	14,500
Deferred and contingent consideration	7,002	-	7,002
Total consideration	**21,502**		**21,502**

Net cash outflow arising from acquisition:	**31 December 2019**	**31 December 2018**
Deferred consideration paid	2,114	4,000
Cash consideration	-	14,500
Net cash outflow in the year	**2,114**	**18,500**

Goodwill represents the synergies and economies of scale expected from combining each gym within the Group's operations, the premium associated with advantageous site locations, potential growth opportunities offered by each gym and the assembled workforce. It will not be deductible for tax purposes.

8. Property, plant and equipment

	Assets under Construction	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Total before Right of use assets	Right of use assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 January 2018 (as previously reported)	2,368	118,075	9,452	57,719	1,950	189,564	-	189,564
On adoption of IFRS 16	-	-	-	-	-	-	205,582	205,582
At 1 January 2018 (restated)	2,368	118,075	9,452	57,719	1,950	189,564	205,582	395,146
Transfers	(23,412)	16,403	247	6,465	297	-	-	-
Additions	23,409	10,403	827	4,143	519	39,301	60,411	99,712
Business combinations	-	9,165	183	2,357	-	11,705	-	11,705
Disposals	-	(191)	-	(987)	-	(1,178)	-	(1,178)
At 31 December 2018 (as previously reported)	2,365	153,855	10,709	69,697	2,766	239,392	265,993	505,385
Fair Value adjustment – see note 13	-	-	-	(836)	-	(836)	-	(836)
At 31 December 2018 (Restated)	2,365	153,855	10,709	68,861	2,766	238,556	265,993	504,549
Additions	24,672	7,462	519	3,968	251	36,872	41,841	78,714
Disposals	-	(157)	-	(580)	-	(737)	-	(737)
Transfers	(23,338)	15,566	655	6,903	215	-	-	-
At 31 December 2019	**3,699**	**176,726**	**11,883**	**79,152**	**3,232**	**274,692**	**307,835**	**582,526**
Accumulated depreciation								
At 1 January 2018 (as previously reported)	-	25,944	4,163	24,981	1,114	56,202	-	56,202
On adoption of IFRS 16		-	-	-	-	-	35,169	35,169
At 1 January 2018 (restated)	-	25,944	4,163	24,981	1,114	56,202	35,169	91,371
Charge for the year	-	9,868	1,310	8,021	511	19,710	13,829	33,539
Disposals	-	(139)	-	(892)	-	-	-	(1,031)
At 31 December 2018	-	35,673	5,473	32,110	1,625	74,881	48,998	123,879
Charge for the year	-	12,238	1,308	8,406	619	22,571	19,112	41,683
Disposals	-	(110)	-	(347)	-	(457)	-	(458)
Impairment	-	1,165	24	498	9	1,696	1,189	2,885
At 31 December 2019	**-**	**48,966**	**6,805**	**40,667**	**2,253**	**98,691**	**69,299**	**167,990**
Net book value								
At 31 December 2018 (Restated)	2,365	118,182	5,236	36,751	1,141	163,675	216,995	380,670
At 31 December 2019	**3,699**	**127,760**	**5,078**	**38,485**	**979**	**176,001**	**238,535**	**414,536**

The impairment charge of £2,885,000 for 2019 relates mainly to the closure of three sites during 2019. See note 5 for further details.

Right of use assets relate to property leases.

Notes

9. Borrowings

	31 December 2019 £'000	31 December 2018 £'000
Current		
Revolving credit facility[1]	-	**3,000**
Non-current		
Facility A	-	10,000
Facility B	-	36,000
Revolving credit facility[1]	50,000	-
Loan arrangement fees	(884)	(835)
	49,116	**45,165**
Total borrowings	**49,116**	**48,165**

[1]Prior to the debt refinancing in 2019, the revolving credit facility supported working capital requirements and therefore was classified within current liabilities.

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

In October 2019, the Group successfully refinanced its borrowings, moving from a mix of term loans and RCF to a single committed RCF of £70m with an uncommitted £30 million accordion facility, giving the Group an option (subject to lender approval) to increase its total borrowings under the facility to £100 million. The facility is syndicated to a three lender panel of HSBC, Barclays and Sabadell and matures in 2023. The funds borrowed under the facility bear interest at a minimum annual rate of 1.75% (2018: 2.5%) above the appropriate Sterling LIBOR. The average interest rate paid in the year on drawn funds under the new facility is 2.71% (2018 previous facility:3.21%). Undrawn funds bear interest at a minimum annual rate of 0.613% (2018: 0.875%). At the year end, the Group had drawn down £50 million (2018: £49 million) on the facility.

The refinancing of the previous facility resulted in its derecognition and a charge to the Consolidated Statement of Comprehensive Income of £487,000 relating to the balance of unamortised financing fees. The fees incurred in connection to the new arrangement were £873,000 and the costs will be spread over the term of the loan using the effective interest method. The facility is recognised at its amortised cost.

Covenants

The RCF is subject to financial covenants relating to leverage and fixed charge cover, which did not change significantly from those under the previous facility. 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.

10. Issued capital

The total number of issued share capital as at 31 December 2020 is 137,870,237

11. Long term employee incentive costs

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

For the year ended 31 December 2020, the Group recognised a total charge of £1,900,000 (31 December 2018: £1,012,000) in respect of the Group's share based long term incentive plans and related employer's national insurance.

Five Year Record

For definitions of these key performance indicators refer to page 13. The following table sets out a summary of selected key financial information and key performance indicators for the business under IFRS 16.

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Revenue	153,134	123,884	91,377	73,539	59,979
Group Adjusted EBITDA	48,540	39,131	30,558	25,377	20,684
Group Operating Cash Flow	40,763	33,972	24,677	24,944	18,616
Expansionary Capital Expenditure	32,504	57,551	52,453	20,922	28,230
Non-Property Net Debt	47,395	45,973	37,543	5,178	7,140
Non-Property Net Debt to Group Adjusted EBITDA	0.98x	1.17x	1.23x	0.2x	0.35x
Total number of gyms (number)	175	159	128	89	74
Total number of members (‘000)	794	724	607	448	376
Average Revenue per Member per Month (£)	16.02	14.89	14.41	14.31	14.08
Number of Mature gyms in operation (number)	109	89	74	55	40
Mature Gym Site EBITDA	48,113	38,967	32,376	26,589	19,490
Return on Invested Capital for Mature Sites	31%	30%	30%	32%	32%