Registration number: 11385914

Deuce Midco Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2021

Deuce Midco Limited

Contents

Deuce Midco Limited

Company Information

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Registered Number	11385914
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Deuce Midco Limited

Strategic Report for the Year ended 31 December 2021

The directors present their strategic report on the Group for the year ended 31 December 2021.

Deuce Midco Limited ("the Company") is the holding company for David Lloyd Leisure Limited ("DLL") and other subsidiaries (together "the Group"). David Lloyd Clubs is Europe's leading premium lifestyle club operator (by revenue) with 125 clubs as at 31 December 2021 – 99 clubs in the UK (including 3 Harbour Clubs), and a further 26 across the Republic of Ireland and continental Europe.

Our clubs provide the perfect destinations to stay fit and healthy as a family. Facilities include state-of-the-art gyms, heated indoor and outdoor pools, top-class racquets facilities, well-equipped group exercise studios and luxurious spas. If you need a place to meet with friends or enjoy a bite to eat, our clubs also feature large and inviting spaces to work, relax and socialise.

We're proud to welcome more than 700,000 members and currently employ over 10,000 people, including leading experts in fitness, racquet sports and swimming.

Business model

At David Lloyd Clubs, we believe that a balance of exercise, nutrition, mindfulness and sociability are the keys to wellness and to sustaining a positive and healthy life. We provide a highly differentiated offering to our members with a unique breadth of facilities and services. Our clubs help to promote physical and mental wellbeing for our members. Across our clubs, members can enjoy:

- Clubiness - vibrant club rooms, varied social events and an extensive range of "clubs within clubs" fostering a community;
- Family - unique mix of facilities and services along with kids' structured programmes and tuition;
- Wellness - relaxing spa facilities, dedicated mind and body studios and a healthy and nutritious menu;
- Sports - racquets, swimming and sports facilities of unrivalled quality in the market along with tuition from leading professional coaches;
- Fitness - innovative group exercise programme, extensive studio facilities and state of the art gyms; and
- @home - digital touch points, coupled with partnerships with ancillary service providers and provision of the @home service (catalogue of videos and on-demand workouts) tailored to local members.

Our highly differentiated offering and size give us a significant competitive advantage. New entrants face high barriers to entry and significant challenges to replicate our proposition. Few catchment areas can support more than a single club with a comparable offering to a typical David Lloyd club and there is a lack of available sites.

Our business model is underpinned by diversified and affluent members who are loyal and generate significant recurring subscription income. More than 75% of the Group's revenues are generated through member subscriptions with most members on 12 month rolling contracts requiring them to provide 3 months' notice to leave.

Membership income, the economic engine of our business, is driven by three fundamental levers: yield, new member sales and attrition. All three levers are highly dependent, with a change in one typically having consequential impact on the others. All three levers depend on member satisfaction, which sits at the heart of our operating model. Our investment into our staff and club facilities has improved member satisfaction, reducing attrition, providing scope for yield enhancements, and attracting new high-quality members.

Our history

David Lloyd Clubs was founded in 1982 by former professional tennis player David Lloyd, who sought to create high-quality fitness destinations suitable for the whole family. He recognised that the UK had very few indoor sport and leisure facilities, so created a pioneering concept of combining fitness and tennis in a family-friendly environment.

The very first David Lloyd Club to open its doors was David Lloyd Heston - a club which is still open and operating today. By 1995 there were 18 clubs in the UK, at which point the business was bought by British leisure giant Whitbread. David Lloyd Leisure was purchased by private equity firm TDR in 2013, and since then our total number of clubs has increased from 90 to 126 (April 2022) through a combination of acquisition and new builds.

Our Vision and Values

Our vision is "My Club for My Life" which we characterise as "Nobody builds a sense of belonging like David Lloyd Clubs. We can be your me-time and your together-time, your work, rest and play time. Just your workout or your home from home. However you use us, we can improve your life for all of your life, and you will feel part of your Club."

We're passionate about making our clubs a comfortable and welcoming place to come together with friends, family and fellow members to maintain physical and mental health and wellness. We seek to create an environment where all members develop a real sense of belonging to their local clubs and where the clubs become an integral part of members' lives, throughout their lives.

Modern lives are now busier than ever and finding meaningful time for those we care about the most can be difficult. Even when we do, we are still competing for full attention with the likes of social media and easy access to film and TV. At David Lloyd Clubs, we believe that we can provide the perfect place for 'We Time' - precious, quality time spent together with friends and family in a positive, active environment.

Our clubs are also a place to relax and socialise and we encourage the sense of community and belonging that being part of a club can generate. Whether that's with some quiet time in our serene spa facilities, getting to know new people by regularly attending a group exercise class, chatting to fellow members in the spa, or using our Clubrooms to meet as a group for coffee, at David Lloyd Clubs, we're much more than just a gym.

Our ability to deliver "My Club for My Life" is supported by six values:

- Passion To Serve - We all have genuine passion, enthusiasm and energy to serve our members and make a real difference. We lead the business by seeing it through our customers' eyes and actively seeking opportunities to listen and take action.
- Will To Win - We work together to deliver stunning results, and by bringing our A-game every day we find ways to make winning happen.
- Freedom To Succeed - We make the best decisions for the business close to the customer. We give each other the confidence, trust and support to succeed and fail.
- Edge - We do the right thing, not the easiest thing.
- We Play - We create a positive, energetic environment and actively seek out ways to have fun whilst working with each other and with members.
- Thank You - We recognise great performance and team members who have gone the extra mile. We thank our teams and individuals personally and we celebrate success.

Management place an emphasis on creating an environment of local autonomy, empowering local teams to make decisions for local members, which has driven both employee engagement and service quality. The Group builds value by growing member count through the delivery of service excellence, by enhancing member engagement, investing in high quality club facilities and the expansion of the club portfolio both in the UK and Europe.

Strategies - Delivering My Club For My Life

The core of our strategy is to continue to deliver sustainable, profitable growth by focusing on creating a premium experience for our club members. With our well-invested estate and wide product offering, we put our members at the heart of our proposition, enabling us to deliver yield and growth. Through reinvesting our profits into our existing estate to deliver an ever-improving member experience, we create a virtuous circle that is proven and sustainable.

To deliver My Club for My Life the 'transformation group' created six strategies and key performance indicators to measure performance against these strategies. KPIs were significantly disrupted in the first half of the year by the COVID-19 pandemic as almost all the Group's clubs were required by UK and European Governments to close. Measurement of performance against strategies predominantly focuses on the second half of the year and compares to pre COVID-19 2019 results.

Strategies - Delivering My Club For My Life (continued)

1. Brilliant Basics

To deliver the operational basics brilliantly, every time, everywhere, every day by everybody.

This is measured by:

- > 85% monthly mystery visit (customer feedback)

Our mystery member programme resumed in May 2021. We achieved an average score of 89.4% for the period May to December 2021. This exceeded our 85% target and was up on the 2019 average score of 86.8%.

2. Us

To find, keep and progress the best people who live our values and develop great leaders at every level.

This is measured by:

- > 86% engagement index.

Employee engagement - measures the extent to which our employees feel passionate about their jobs, are committed to the business and put discretionary effort into their work. This is measured against a target to achieve an employee engagement score of 86%. The Group achieved a KPI rating of 78% in the current period which is down (7%) on 2019. The decline in employee engagement reflects the impact of COVID-19 on the Group.

3. Help Me Belong

To help everyone feel it's their Club, however they want to use us, so that they feel at home and welcomed throughout their journey.

This is measured by:

- Usage - % of penetration of members by month.
- Frozen Members – as a % of closing count.

In terms of unique attendance, 2021 (August to December) saw 67.4% of members attend our clubs compared to 70.1% for the equivalent period in 2019. Falls in attendance of members aged over 50 reflected their ongoing concerns over COVID-19. Member attendance across Europe was also notably low in 2021 reflecting the slower removal of COVID-19 social distancing rules in some territories.

We ended the year with frozen members representing 3% of the closing member count. This increased in Q4 2021 because of COVID-19 related social distancing rules across Europe (particularly Holland) and the UK as Governments cited concerns over the Omicron variant.

Management has recognised that the business needed the flexibility to adapt its offering on a club-by-club basis to respond to local member needs and that service excellence needed to sit at the heart of everything David Lloyd does.

Founded on the principle of providing local clubs with the "Freedom to Succeed" general managers are given greater autonomy to adapt service delivery to respond to local member feedback.

Strategies - Delivering My Club For My Life (continued)

4. We Are International

To become an international company with an international mindset whilst keeping the local touch.

This is measured by:

- An average of at least four openings a year including UK and Europe

The number of clubs opened measures the Group expansion. The target is to open four new clubs per year.

In May 2021 there was an exchange of contracts to purchase a site for another new club in the Shawfair area southeast of Edinburgh. This completed in April 2022.

On 14 December 2021, the Group acquired three clubs from Spanish fitness group Áccura. The three clubs are in Barcelona, Málaga and Zaragoza, and the Group now operates a total number of five clubs in Spain. Following its latest acquisition, the Group plans to invest EUR 9 million to refurbish the clubs and firmly position the brand as Spain's leading premium fitness groups.

On 16 December 2021, the Group announced that it is opening a new premium club in north-west London in Spring 2022. Ambitious plans are already underway to redevelop the site which was vacated by its current operator in January 2022. The club, named David Lloyd Cricklewood Lane will offer a wide range of market-leading fitness, spa and wellness facilities. The Group signed a lease for the club on 14 January 2022. The club opened in April 2022 with the full refurbishment expected to be completed by late Summer 2022.

On 25 February 2022 the Group was successful with a bid of c. €4.6m to acquire Club Santana, Spain. The administration process is ongoing and is expected to complete later in 2022.

The Group has also developed a strong pipeline of sites that underpin the roll-out programme for the next three years and has carried out extensive analysis to identify white space in target towns and cities, generating 50 potential catchment areas in the UK and over 150 in Continental Europe. The Group are committed to opening a club in Bicester in 2022 and a further 3 clubs in 2023 across UK and Europe. We remain well on track to achieve our target of 150 clubs by 2027.

5. Premium Experience

To continually innovate and broaden our product range, developing the little touches that make our members feel special. Providing a service that helps improve our members' lives and overall wellbeing.

This is measured by:

- > 83.5% App satisfaction - % overall experience

Measurement of member experience resumed in April 2021. We achieved an average score of 82.2% for the period April to December 2021 (an increase of 1% on the year ended 31st December 2019).

The Group has continued to develop its product range to deliver an overall premium health and wellness experience. DL bespoke products include Blaze, Cyclone, Rhythm, Battlebox, Spirit and Ignite. The Group continues to roll out its luxury 'Spa Concept' and has delivered transformational capex at our Meridian clubs.

6. Commercial

Unlock the potential from existing revenue streams. Develop and launch new opportunities.

This is measured by:

- > 45% EBITDARR margin % per club

EBITDARR is defined as Earnings Before Interest, Tax, Depreciation, Amortisation, Rent and Rates. The increased levels of local club autonomy demanded a step change in the level of accountability expected from local management teams, who would now be expected to take full ownership of the financial and operational performance of their clubs. Senior club managers are encouraged to be more entrepreneurial and to seek to capitalise on incremental profit opportunities while driving service excellence in everything they always do and prioritising health and safety.

Strategies - Delivering My Club For My Life (continued)

Following re-opening of our clubs EBITDARR margin % has steadily improved during 2021. EBITDARR margin % per club for December 2021 was 43.7% although this included a couple of one-off costs being the 'Thank You' payment (£978k) and Holland club closure (£450k). Excluding these one-off costs, EBITDARR % for December 2021 was 46.2% compared to 47.4% in December 2019.

Post COVID-19 Recovery

For the second year in a row the impact of the COVID-19 pandemic was significant as our UK clubs were closed for c. 29% of the year. On 4 January 2021, England entered a third national lockdown with all UK clubs closed. Most European countries in which we operate also had periods of national lockdowns meaning many of our European clubs were also closed at times.

We opened our outdoor facilities (tennis, group exercise and swimming) across the vast majority of our English clubs from the 29 March 2021. Our English clubs re-opened on 12 April 2021 (albeit with significant restrictions) followed by our Scottish clubs (26 April 2021) and our Welsh clubs (3 May 2021). Our European clubs also started re-opening outdoor activities from March 2021, but generally with greater social distancing restrictions than the UK. Legislation required many of our European members to complete antigen tests or provide vaccination proof to visit our clubs for much of 2021.

Since the re-opening of our UK clubs, record-breaking New Member Sales (NMS) have driven our recovery throughout Summer 2021 with our total member count returning to pre-pandemic levels as at end of July 2021. We ended December 2021 with 704k members being 36k (5%) ahead of the pre-pandemic position and 77 Clubs finished ahead of their February 2020 closing count.

The rapid bounce back and unprecedented business growth has in part been fuelled by pent-up demand experienced by our industry as a whole. However, our breadth and depth of family friendly lifestyle facilities, plus our suburban locations, has also driven the uplift, supporting the shift in lifestyles to hybrid working and less commuting which has seen a boom in people looking to join health clubs closer to their homes. Our Clubrooms also provide business lounges for those working remotely, as well as a friendly club community, supporting mental wellbeing after months of isolation working from home.

Research shows that the pandemic has not only resulted in people valuing mental and physical health more than ever – with wellbeing and overall lifestyle both cited in the top 3 reasons for new joiners taking out a membership. They are also willing to invest more of their disposable income in themselves, and in the health facilities market. This means that in recent months the Group has been able to attract not just its traditional member base but also a broader sector of the market who may not previously have considered them but are now looking for more than just a gym. We offer luxury spas, group exercise and holistic classes, first-class gyms, indoor and outdoor pools and renowned racquet facilities, all appealing to a new post pandemic market segment who now recognise the value of the broad wellness offering.

More than this, the Group is investing heavily in expanding its digital offering, initially addressing the trend towards digital workouts with the launch of the David Lloyd Clubs @ Home app in March 2020, offering thousands of live and on demand fitness workouts. However, community is a key part of our offering and the app has already naturally evolved with the introduction of quiz nights and coffee mornings, plus wellbeing sessions and lifestyle tutorials. The app receives 1m on demand views per month, 10k live class participants per month, and offers members a complementary product in addition to its in-club offering.

COVID-19 had a short-term negative impact on the Group's member base, but the bounceback driven by strong performance in new membership sales has been fantastic. Record new member sales in FY21 will lead to significant attrition in H2 FY22 and FY23 as the Group currently has a higher percentage of members within their initial membership term. We mitigate this risk through continued investment in our club facilities and development of our product range to provide a premium offering to our members.

Post COVID-19 Recovery (continued)
The directors remain confident in our business model and consider there to be substantial opportunity in the medium to longer term in the UK and European Health & Fitness Market and that the Group is very well placed to take advantage of this.

Financial review of the business
On 18 June 2021, a newly incorporated company, Deuce FinCo plc (a subsidiary of the Company) issued £645m of Senior Secured Notes ("the Sterling Notes") and €300m of Senior Secured Notes ("the Euro Notes"). The Notes are listed on The International Stock Exchange, for which Deuce FinCo plc is the issuer and certain subsidiaries of the Group are guarantors. Interest on the Sterling Notes accrues at a rate of 5.50%, payable semi-annually. Interest on the Euro Notes accrues at 4.75% plus three-month EURIBOR, payable quarterly in arrears. The Notes are due to be repaid in full on 15 June 2027.

On the same date, Deuce Holdco Limited (a parent of the Company) issued £250m of PIK debt with a maturity date of 18 June 2028. Interest is charged at 10% and rolls-up into the principal every 6 months.

As part of the transaction, £100m of cash equity was contributed into Deuce Holdco Limited (via Deuce Topco Limited) by TDR Capital.

The total proceeds (c. £1.24bn) were used to repay existing indebtedness, for general corporate purposes including working capital requirements, capital expenditures and strategic acquisitions, and to pay fees and expenses incurred in connection with the transaction.

The Group also has access to a £125m super senior revolving credit facility ("SSRCF") which has a maturity date of 18 December 2026.

As a result of this transaction, the Group has significantly increased its liquidity and strengthened the balance sheet.

On 30 January 2020, Deuce Topco Limited (the Company's ultimate parent) granted David Lloyd Leisure (a subsidiary of the Company) an option to acquire the entire issued share capital of DLL Greenwich Limited. The option was exercisable at any point from 30 January 2020 to 30 January 2023. This option was terminated on 18 June 2021 as part of the refinancing.

At the same time, immediately following the refinancing, the Company's ultimate parent Deuce Topco Limited transferred its shareholding in DLL Greenwich Limited and its subsidiaries to David Lloyd Leisure Group Limited (a subsidiary of the Company) in exchange for £10.2m. This transaction has been accounted for as a merger. The transaction was considered to fall within the scope of a common control transaction as the ultimate shareholders, and their relative rights remained the same before and after the combination. Common control transactions are outside the scope of IFRS 3, but merger accounting principles are typically applied. The Group has therefore chosen to apply merger accounting principles.

Under merger accounting principles, the results and cash flows of all the combining entities would be brought into the financial statements of the combined entity from the beginning of the prior financial year in which the combination occurs. The year ended 31 December 2021 includes the effect of this transaction in full and the comparative figures accordingly restated.

The impact of the COVID-19 pandemic was once again significant on the Group's financial performance for the year as almost all the Group's clubs were required by UK and European Governments to close for at least the first 3.5 months of 2021.

Financial review of the business (continued)

Statutory measures

On a statutory basis, the Group recorded revenue of £390.6m (2020 restated: £284.4m) an increase of £106.2m (37%) reflecting the increased number of open trading days compared to the prior year and that average membership numbers were higher in 2021 than in 2020.

During the period clubs were closed, members were not charged a monthly subscription. Retail and other revenue were also lost during periods of closure. As a result, revenue recorded for the years ended 31 December 2021 and 31 December 2020 was materially impacted.

The significant increase in revenue resulted in the Group recording an operating profit for the year of £5.6m (2020 restated: operating loss of £85.2m) which was up £90.8m on prior year. Operating profit included exceptional items of £10.1m. This primarily consisted of a net impairment charge of £1.4m, refinancing and acquisition costs of £2.1m, costs of lease re-negotiations of £1.5m and £5m related to legal provisions recognised in the year. The operating profit benefited from £30.6m (2020 restated: £39.7m) of other income relating to government grants.

Net finance costs were £16.9m (10%) lower than prior year driven by lower interest rates on the senior secured notes. Also included within net finance costs is a £5.1m foreign exchange gain primarily due to a favourable exchange movement on the Group's Euro denominated borrowings.

The consolidated loss after taxation for the year is £153.0m (2020 restated: loss of £226.3m). This includes a tax charge of £11.6m (2020 restated: £22.7m credit) on the underlying loss before taxation for the year.

Non-statutory measures

Adjusted EBITDA (pre-IFRS16) is considered the key measure of profitability and is a non-statutory financial measure. It is considered by management to be the most appropriate measure to understand the underlying trading and financial performance of the Group and is the measure used to report performance to both the board and external lenders.

Adjusted EBITDA (pre-IFRS16) represents loss or profit for the financial year, before net finance cost, taxation, depreciation, amortisation, profit/loss on sale of property, plant & equipment, exceptional items (as defined in these financial statements), share based payment charges, pre-opening costs, closed club costs, acquisition and aborted expenses, monitoring fees and rent expense on a pre-IFRS 16 basis.

Reported EBITDA is a non-IFRS measure defined as earnings before net finance cost, taxation, depreciation, amortisation, profit/loss on sale of property, plant and equipment and exceptional items (see note 6).

Financial review of the business (continued)

This non-statutory financial measure has been reconciled to the loss for the financial year in the table below:

Non-statutory measures

	31 December 2021 £ 000	Restated[1] 31 December 2020 £ 000
Loss for the financial year	**(152,988)**	**(226,342)**
Tax charge/(credit) on ordinary activities	11,630	(22,703)
Net finance costs	147,007	163,893
Operating profit/(loss)	**5,649**	**(85,152)**
Depreciation of PP&E and amortisation	54,006	55,212
Depreciation of right of use assets	29,269	34,782
Loss/(profit) on disposal of PP&E	3,122	(5,291)
Exceptional items (note 6)	10,131	41,741
Reported EBITDA	102,177	41,292
Rent expense	(77,768)	(77,033)
Pre-opening costs	77	1,267
Monitoring fees and non-exec director fees	2,119	2,116
Long-term incentive scheme	2,241	1,434
Closed club costs	414	183
Integration, acquisition and aborted expenses	2,075	556
Foreign exchange difference	187	(194)
Adjusted EBITDA (pre-IFRS16)	**31,522**	**(30,379)**

Definitions

Rent expense - rental costs that would have been recognised in the income statement on a pre-IFRS16 basis.

Pre-opening costs - the total of all club operating costs incurred prior to the opening of a new club, primarily consisting of staff costs and marketing costs.

Monitoring fees and non-exec director fees - recurrring fees relating to directors and shareholders.

Long-term incentive scheme and non-recurring redundancies - share based payment charges in relation to management incentive schemes and redundancies not in the ordinary course of business.

Closed club costs - ongoing costs in relation to clubs that are permanently closed, excluding clubs that were closed as a result of local or national lockdowns due to COVID-19.

Integration, acquisition and aborted expenses - costs incurred in relation to new and aborted acquisitions and integrating newly acquired clubs into the Group's systems and processes.

Foreign exchange difference - difference between rate used for reported EBITDA and actual exchange rate

The Group recorded an adjusted EBITDA (pre-IFRS16) profit of £31.5m (2020 restated: loss of £30.4m) which was an increase of £61.9m (204%) on prior year. This result reflects reflecting the increased number of open trading days compared to the prior year and that average membership numbers were higher in 2021 than in 2020.

[1] *As explained in Note 2 Significant accounting policies.*

Financial position including capital structure

The Group has net liabilities of £388.2m (restated 2020: £662.5m) and net current liabilities of £55.8m (2020: £160.2m) at the balance sheet date.

	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Non-current assets excluding right-of-use assets	810,964	767,025
Right-of-use assets	947,710	959,010
Current assets (excluding cash)	46,639	33,495
Cash and cash equivalents	124,213	82,566
Current liabilities excluding loans and lease liabilities	(174,249)	(190,597)
Non-current liabilities excluding loans and lease liabilities	(250,431)	(192,123)
Lease liabilities	(1,002,455)	(984,990)
Loans and borrowings	(890,551)	(1,136,859)
Total net liabilities	(388,160)	(662,473)

Significant movements in the statement of financial position have been outlined below. Property, plant and equipment has increased by £7.7m driven by additions of £50.5m and assets of £12.8m acquired through business combinations offset by the annual depreciation charge of £43.2m, disposals of £6.6m and foreign exchange movements of £5.7m.

Right-of-use assets have decreased by £11.3m driven by annual depreciation charge of £29.3m, disposals of £5.0m and foreign exchange movements of £7.8m. Offsetting this were additions of £28.5m and leases of £2.5m acquired through business combinations.

The decline of intangible assets of £6.0m is driven by the annual amortisation charge of £10.8m and a foreign exchange loss of £5.9m offset by additions of £7.6m and £3.2m of intangibles acquired through business combinations.

Trade and other receivables have increased by £12.4m. This is principally driven by prepayments up £10.4m. This increase is driven by deferred rent payments (up £11.2m) which have been recorded within prepayments in line with IFRS 16.

Trade and other payables have decreased by £18.0m. This is principally driven by accrued expenses (down £16.0m) due to payment of accrued interest on loans and borrowings as part of the refinancing, and social security and other taxes (down £7.6m) driven by the repayment of the Q1 2020 deferred VAT liability and amounts due to group undertakings (down £16.1m). Offsetting these reductions is an increase in trade payables (up £17.3m) primarily relating to invoices from landlords and suppliers where payment has been deferred, and contract liabilities (up £4.8m) driven by the sale of ten-year memberships in the year.

Lease liabilities have increased by £17.5m principally driven by interest (£65.9m) and additions (£28.5m) offset by payments of £65.1m. The increase in provisions of £5m reflects legal provisions recognised in the year. The net deferred tax liability has increased by £11.3m reflecting the deferred tax charge recognised in the income statement.

Loans and borrowings have decreased by £246.3m as a result of the refinancing of the Group on 18 June 2021. A newly incorporated company, Deuce FinCo plc (a subsidiary of the Company) issued £645m of Senior Secured Notes ("the Sterling Notes") and €300m of Senior Secured Notes ("the Euro Notes"). The Notes are listed on The International Stock Exchange, for which Deuce FinCo plc is the issuer and certain subsidiaries of the Group are guarantors. Interest on the Sterling Notes accrues at a rate of 5.50%, payable semi-annually. Interest on the Euro Notes accrues at 4.75% plus three-month EURIBOR, payable quarterly in arrears. The Notes are due to be repaid in full on 15 June 2027.

Financial position including capital structure (continued)
On the same date, Deuce Holdco Limited (a parent of the Company) issued £250m of PIK debt with a maturity date of 18 June 2028. Interest is charged at 10% and rolls-up into the principal every 6 months. As part of the transaction, £100m of cash equity was contributed into Deuce Holdco Limited (via Deuce Topco Limited) by TDR Capital.

The total proceeds (c. £1.24bn) were used to repay existing loans and borrowings, for general corporate purposes including working capital requirements, capital expenditures and strategic acquisitions, and to pay fees and expenses incurred in connection with the transaction.

On 18 June 2021, the Company issued 425,797,898 ordinary shares of £1 for cash proceeds of £342.4m and the contribution of DLL Greenwich Ltd and its subsidiaries (comprising the Meridian Group and Geneva Country Club) for £83.4m.

The key terms of the Group's borrowing facilities at 31 December 2021 are summarised below:

	Loan amount	Maturity	Interest	Amount drawn
Sterling senior secured notes	£645.0m	15/06/2027	5.50%	£645.0m
Euro senior secured notes	€300.0m	15/06/2027	4.75% + EURIBOR	€300.0m
Mezzanine bonds	€3.5m	31/12/2021	7.00%	€3.5m
Super senior revolving credit facility	£125.0m	18/12/2026	3.25% + LIBOR	£Nil
Swiss government loan	CHF0.5m	30/09/2027	Interest free	CHF0.5m
Kratus Inversiones D.A.C loan	€2.9m	31/03/2043	2.00%	€2.9m
Unicaja Banco loan	€4.0m	31/03/2029	1.75%	€4.0m

The senior secured notes ("Notes") are listed on The International Stock Exchange, for which Deuce FinCo plc is the issuer and certain subsidiaries of the Group are guarantors. Interest on the Sterling Notes accrues at a rate of 5.50%, payable semi-annually. Interest on the Euro Notes accrues at 4.75% plus three-month EURIBOR, payable quarterly in arrears. The Notes are due to be repaid in full on 15 June 2027.

The Group also has access to a £125m super senior revolving credit facility ("SSRCF") which has a maturity date of 18 December 2026. The SSRCF is subject to a financial covenant relating to Consolidated Leverage Ratio (EBITDA to Net Debt ratio) only if the SSRCF is at least 40% drawn. The SSRCF was not drawn at any point throughout the year and remains undrawn post year-end.

The Group has a gearing ratio of 126% (2020 restated: 144%) based on its total borrowings over total equity and borrowings.

Net debt reconciliation
Net debt is defined as total borrowings (being loans and borrowings) plus lease liabilities less cash and cash equivalents.

	31 December 2020 £ 000	Cash flows £ 000	Non-cash movement £ 000	31 December 2021 £ 000
Cash and cash equivalents	82,566	42,333	(686)	124,213
Loans and borrowings	(1,136,859)	195,956	50,352	(890,551)
Net debt (excl. IFRS 16 lease liabilities)	**(1,054,293)**	**238,289**	**49,666**	**(766,338)**
Lease liabilities	(984,990)	(65,080)	47,615	(1,002,455)
Net debt	**(2,039,283)**	**173,209**	**97,281**	**(1,768,793)**

Net debt reconciliation (continued)

Net debt has decreased by £270.5m reflecting the decrease in loans and borrowings as a result of the refinancing on 18 June 2021. The increase in lease liabilities was driven by the recognition of lease liabilities on acquisition of the Accura clubs, and remeasurements as a result of lease modifications.

The Group's closing cash position is £124.2m (2020: £82.6m). The increase is driven by the proceeds of the Senior secured loan notes issued, and proceeds from the issue of shares in the year.

Outlook and trading update

The COVID-19 pandemic brought disruptive changes to the industry and worked as a catalyst for ongoing consumer fitness trends, especially in the digital sector. In order to stay connected to their members, operators introduced or further expanded their digital services.

2022 should be the year in which the developed world learns to live with COVID-19. High levels of vaccinations have helped weaken the link between case rates and deaths in richer countries. As a result, the industry has seen membership growth return. The basic market drivers such as increasing health awareness and focus on prevention have been strengthened by the pandemic. EuropeActive still believe that the mantra of "100 million members by 2030" is a realistic target (Source: EuropeActive/Deloitte Market Report 2021).

A strong labour market and a desire to move on from the pandemic could increase household spending within higher income households to propel growth.

However, many consumers will be hit by the 'cost of living crisis'. A combination of high inflation outstripping wage increases and upcoming tax increases have squeezed incomes for many households. Energy bills are increasing due to rising wholesale gas prices, caused by a shortage of gas supplies in Europe and Asia and which has now been exacerbated by the Ukraine conflict. These rising costs are translating into high inflation with the UK inflation rate reaching a 30-year high in March 2022 when the consumer price index (CPI) hit 7%. This has already prompted the Bank of England to increase the current bank interest rate to 0.75% in March 2022 in a bid to curb inflation. This results in higher mortgage payments squeezing households further. From April 2022 the increase in the Energy Price Cap (+54%), the introduction of the 1.25% health and social care levy and increases in council tax payments will put further pressure on household budgets.

Our business model is underpinned by diversified and affluent members. Given our members are from higher-income households we expect to be protected from the worst of the cost of living impact.

In recent weeks we have witnessed Russia's unprovoked invasion of Ukraine and our thoughts are with the Ukrainian people. This invasion has resulted in many global impacts including ever-increasing energy costs, but there is no direct impact on our ability to trade and business model.

In the first quarter of the year, membership levels increased to 722,386 as at 31 March 2022, despite the short-term impact of the Omicron variant on consumer confidence in January. COVID-19 continues to have a short-term impact on EBITDA in Europe driven by the impact of social distancing and other operating restrictions including the closure of our Dutch clubs for the first 14 days in FY22.

Attrition rates are expected to be high but remain in line with forecast. The Group is seeing inflationary pressures, especially around energy, although we are well protected for 2022 as 80% of the UK electricity volumes and 94% of the UK gas volumes have been forward purchased. We remain confident about the future with a strong pipeline of opportunity. The Group are committed to opening a club in Bicester in 2022 and plan to open a further 3 clubs in 2023.

Tax strategy
The Group's tax strategy is underpinned by principles of full compliance, transparency and sound risk management. The Group acts lawfully and with integrity. The CFO is the Board member with responsibility for tax matters and day-to-day management of the tax affairs delegated to the Head of Tax.

The Group manages tax risks and tax costs in a manner consistent with applicable regulatory requirements and with shareholders' best long term interests, taking into account operational, economic and reputational factors. The Group seeks to reduce the level of tax risk arising from its operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect compliance with its tax obligations.

The Group's approach to taxation is reviewed periodically in light of changes to the general business environment, our business operations, tax laws and regulations and emerging business and tax risks.

The Group has established and maintains robust policies and compliance processes and controls to ensure the integrity of its tax returns and the timely and accurate payment of tax. The Group maintains documented tax policies and procedures in relation to key tax processes which are continually reviewed.

The Group manages tax risks to ensure compliance with legal requirements in a manner which ensures payment of the right amount of tax. At all times the Group seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen.

Principal risks and uncertainties
The principal risks and uncertainties recorded below are those which we consider to be material to our business model, and which could adversely affect the operations, revenue, profit, cash flow or assets of the Group. The Board assessed the potential impact that Brexit could have on the Group. The key risk identified was a temporary supply chain issue regarding the delivery of food into our clubs. Other risks identified include employee recruitment and retention, due to the number of employees from the EU working in the UK. To date the business has incurred minimal disruption because of Brexit. As a result the Board no longer considers Brexit a principal risk.

<u>Member Experience</u>
The core of our strategy is to continue to deliver sustainable, profitable growth by focusing on creating a premium experience for our club members. We generate more than 75% of the Group's revenues through member subscriptions and if we are unable to attract and retain members, it could result in a reduction in members, revenue and profitability. We mitigate this risk through continued investment in our club facilities and development of our product range to provide a premium offering to our members. We focus on both member satisfaction and feedback and monitor club usage to maximise member experience. We invest in our team members to deliver enhanced service levels to our members.

<u>Injury of club members</u>
Any injury or death of a member could impact the Group's reputation and value. Failure to manage this risk could result in reputational damage, criminal fines, civil damages and regulatory fines. The key risks for the Group are safety around the swimming pools, child safeguarding within the DL Kids programmes and safe use of the gym equipment. Effective procedures have been put in place to prevent their occurrence including prominent signage around swimming pools, establishing remote pool monitoring outside lifeguarding hours and fully documented procedures and operating practices for the supervision of children within the DL Kids programme. These policies are under continuous review. The Group also takes out comprehensive insurance against these risks where this is possible.

<u>Business Interruption (including pandemic risk)</u>
Business interruption risk from pandemics or climate change due to an increase in the likelihood and severity of environmental disasters such as storms or floods. Extended periods of club closure due to national lockdowns or major infrastructure damage and outages of electricity, gas and water supplies would result in a loss of revenue and a decrease in membership numbers. Over an extended period, a loss of revenue coupled with the inability of the Group to remove certain of its cost base in a closure scenario means this could result in a liquidity risk. We have identified and implemented proven measures to quickly mothball our clubs, preserve cash and reduce discretionary spend during a period when the Group's clubs are closed, and to be able to reopen quickly to minimise

Principal risks and uncertainties (continued)

Business Interruption (including pandemic risk) (continued)
revenue loss. Insurance policies have been taken out to replace damaged or destroyed assets and to insure against business interruption.

Regulatory Compliance
The Group is subject to regulatory and legislative requirements, including health and safety, employment law, Modern Slavery Act, Bribery Act, the Listing Rules of The International Stock Exchange, taxation, General Data Protection Regulation ("GDPR") planning regulations, noise abatement and advertising and marketing regulations. Failure to comply with these requirements could lead to potential reputational damage and penalties. The Board is responsible for compliance with legislation and delegates responsibilities to the senior management team. Legal advice and expert opinion is taken when necessary. Clubs are assessed on a regular basis on food safety, fire safety, legionella, licensing, and health and safety. All employees receive regular training.

Data Protection
The Group holds business critical and confidential information electronically. Unauthorised access, loss or disclosure of this information may lead to regulatory penalties, disruption of operations, reputational damage, and legal claims. A cyber security steering group assesses the risks posed by cyber threats and makes changes to its technologies, policies, and procedures to mitigate identified risks. Insurance policies have been taken out against this risk. Systems are protected by anti-virus software and firewalls, which are regularly kept up to date.

Information technology dependency
The Group depends on accurate, timely information from key software applications to manage its day-to-day operations. Disruption to critical IT systems could cause operational disruption as well as our ability to collect revenue leading to financial loss. To mitigate the risk our primary data systems are hosted by fully qualified organisations in suitable data centres. All memberships and business information is backed up and robust disaster recovery and business continuity plans are in place.

Health and safety
As well as providing a fantastic experience for our members David Lloyd is also committed to a high standard of health and safety. Clubs are assessed on a regular basis on food safety, fire safety, legionella, licensing, and health and safety. The majority of clubs attain our expected standards and the minority that do not are provided with the coaching, advice and guidance to achieve the required standards. Every club has multiple audit visits and support visits every year to drive standards, foster continual improvement and imbed safety culture. All UK clubs have a UK Food Standards Agency (FSA)/Food Standards Scotland (FSS) grading of good or very good (pass in Scotland) with 91 clubs achieving the highest grading.

There is increasing consumer demand to know what is in their food. We have a comprehensive allergen menu which is on our website, a dedicated app and at point of sale. This highlights the fourteen major allergens in all the food we serve. Our menu proposition remains committed to enabling members to make informed decisions around health and wellness as well as providing balance and choice. We offer a menu with suitable dietary needs for vegetarians, vegans and under 600 calories. We offer a selection of drinks exempt from the sugar tax levy due to being under the threshold. Calorie information is displayed on our menu and our @table app in line with legislation effective from 6 April 2022.

Environmental, Social and Governance (ESG)
As Europe's leading health, sports and leisure group, we have been helping families lead healthy and active lives for more than 30 years. The Group recognises the importance of its role and responsibility in contributing to a healthy society and a sustainable environment. We have taken some very significant steps in this area, that demonstrate our commitment to the Environmental Social and Governance (ESG) principles that increasingly underpin our entire business strategy.

Our key objective remains constant; that doing the right thing by our members, our team and the communities in which we operate is integral to our future success as a sustainable business.

We are equally committed to actions and initiatives that support our other principles. This includes doing our utmost towards combating climate change by reducing our clubs' waste and using sustainable raw materials.

Environmental, Social and Governance (ESG) (continued)

Our 2030 Carbon Net Zero Commitment
Net Zero means that across all of our clubs, we add no more greenhouse gases than we remove. We include emissions that we are directly responsible for, and we go further than this by also including emissions that occur throughout our supply chain activity. To achieve this, we will 'electrify' as much as we possibly can through deployment of renewable technologies, and then any remaining emissions will be eliminated from our supply chain.

Why should we do this now?
Our members and our team members tell us it is very important that we make a positive contribution in this area. There are a lot of activities and projects we are able to commence work on imminently, which will deliver carbon reductions. The 2030 timeframe also gives us time to work out answers to the more difficult challenges.

How we will deliver our Net Zero commitment?
- Further deployment of energy and water efficiency measures
- Club new build no/low carbon emissions
- Increase our onsite renewable energy generation
- Collaborate with our supply chain to reduce indirect emissions
- Improve communications and awareness to our colleagues and members
- Develop a green travel policy
- Improve our existing processes to reduce waste and improve recycling rates

Furthermore, we will:
- Decarbonise our heat usage through the use of renewable technologies
- Continue to increase the use of onsite & low carbon generation
- Continue to procure renewable sourced energy across the UK & Europe
- Make ongoing investment in energy & water reduction initiatives
- Embed sustainable design principles
- Invest in goods and services that consider whole life costs
- Develop sustainable procurement practises
- Reduce our total waste volumes & increase our recycling rates
- Encourage the use of sustainable modes of transport
- Improve communications and awareness to our colleagues & members
- Ensure our future targets are externally validated & accredited
- Promote & enhance biodiversity activity.

What progress have we made?

During 2021 & 2022 we are investing over £10m to deliver a number of utility related initiatives. These incorporate technologies such as LED upgrades to tennis court lighting, BMS systems, and improvements to other heating and cooling infrastructure.

Impact – anticipated reduction of 5,000 tonnes of CO_2e during 2022.

During 2020 & 2021 we committed to purchasing electricity from renewable sources for our UK group contract and a number of our European contracts. This proactive change has reduced our overall group carbon emissions.

Impact – reduction of over 10,000 tonnes of CO_2e

We have committed to our first full solar pV installation in the UK. The project will generate 20% of the club electricity requirements, reduce future costs and carbon emissions, and deliver a positive brand message to our key stakeholders. This is expected to go live in the summer of 2022.

Impact – reduction of 50 tonnes of CO_2e per annum.

Environmental, Social and Governance (ESG) (continued)

We are the first company within the UK's health and leisure sector to be granted a self-supply license from water industry regulator Ofwat. Our decision to self-supply is an integral part of our commitment to manage water resources efficiently and innovatively.

Impact – as a self-supply license holder, we will be able to accelerate our work on reducing our water consumption, as witnessed in other industries.

Doing the right thing by our members, our employees, and the communities in which we operate is something we are passionate about. A crucial part of our community responsibility is our work with numerous charities. 'DL Giving', which is all about us giving back to local causes, where our clubs are based, chosen and supported by our members and our team, whether that's through fundraising or volunteering. On 30 May 2021 we held our DL Giving day to raise funds for The Captain Tom Foundation. In total we raised £68,000 for charities (including £37,000 for The Lullaby Trust) for the year ended 31 December 2021.

In March 2022 we launched our Ukraine Humanitarian Appeal, and all our UK clubs and head office will raise money for the Disasters Emergency Committee (DEC). We are working with our international clubs to identify an equivalent and appropriate charity in each of the European countries we operate in. We have chosen the DEC and the European equivalent charities as they are either in Ukraine or working with partners close to Ukraine to ensure the money raised gets to the right place as needed. Our Company pledge is that we will double the fundraising by matching all monies raised up to £100,000.

In April 2020 we launched a partnership with Change Please, an award-winning coffee company with a difference; a social enterprise supporting people out of homelessness through Life Changing Coffee. Members in all our UK clubs are now enjoying Change Please coffee with 100% of the profits going towards reducing homelessness. This partnership enables Change Please to expand their training programme nationally and help more people across the UK. In 2022, we will be working with Change Please to drive awareness and raise funds for the Change Please Foundation and Driving for Change initiative. We have set ourselves an ambitious 2022 fund raising target of £100,000.

At David Lloyd Clubs we believe that health and fitness isn't just for January. We believe that long term health, fitness and happiness comes from a sustainable, balance and long-term approach to wellness. As the UK's fitness industry leaders, this is why we're making a pledge to highlight our commitment to only encouraging healthy habits in 2022 and beyond. We're teaming up with Actress and TV Personality, Nadia Sawalha, to launch our brand's leading Wellness Pledge to urge the fitness industry as a whole to adopt and embrace a commitment to responsible wellness.

<u>David Lloyd Clubs Wellness Pledge</u>

• We will not work with influencers who promote rapid weight loss diets and/or exercise plans or any other unhealthy or potentially dangerous fitness quick fixes

• We will not promote our clubs as a short-term, rapid weight loss solution in any of our advertising or marketing materials, but rather as a place to feel happy and healthy in your body, and achieve your long-term wellness goals

• We will train all our fitness team to coach members to develop long-term healthy habits which will empower them to be mentally and physically healthy and well for life

• We will continue to provide a wide range of activities and group exercise classes that feel inclusive and encourage people of all ages and fitness levels to be active and live long-term healthier lifestyles

• We will not promote unrealistic body standards in any of our advertising and marketing materials, and will not digitally enhance any images to alter body shape

We're passionate about making our clubs a comfortable and welcoming place for everybody. In 2019 the Group committed to having one Fitness Trainer aged 55 or over in each of its clubs on average by the end of 2022. Sport England's Adult Lives Active survey and report published 29 April 2021 revealed a decline in the number of over 50's exercising as a result to the pandemic. In response and to inspire older people to exercise more the Group has renewed its pledge to employ more older fitness trainers.

Our People

Our people make us who we are. The Group aims to provide a happy, inviting and safe culture where our team members feel comfortable and are able to thrive. We're really passionate about our people and creating a great place to work.

Employee involvement

Employee engagement is measured twice a year by way of an online employee survey to ensure the Board is listening and responding to its employees' needs. Action plans are prepared by each department to improve engagement on an ongoing basis. Due to COVID-19 and our clubs being closed for the majority of H1 2021 only one formal engagement survey happened in 2021.

Celebrating success underpins our value of 'Thank You' and is something which lives and breathes in our clubs. One of the ways we celebrate success is through our Team Member of the Month scheme, which runs across all of our clubs. At the end of the year each club identifies their Team Member of the Year who is then invited to attend an all-expenses-paid trip overseas with their fellow winners. Unfortunately, the 2021 trip had to be cancelled because of COVID-19 restrictions but took place in March 2022 instead.

The leadership team continue to recognise the importance of career progression and personal development and we continue to promote internally through our 'Step up to General Manager' and 'Step to up HoD' development programmes. Our E-learning Management System allows all team members to access a range of e-learning training and development modules. The leadership team continue to invest in our highly popular company induction for all new or newly promoted managers which promotes our company Vision, Values and Strategies and is presented directly by the CEO and Directors.

Employee consultation

The Group places considerable value on communicating with its employees and has continued to keep them informed on matters affecting the performance of the Group. This is achieved through formal and informal meetings, the Group's employee app 'Kitbag' and regular business communication from the CEO.

All new employees receive an induction and any relevant job training, giving them the opportunity to learn about the Group and understand their job and what is expected of them. All employees have regular opportunities to discuss their role and responsibilities and commit to honest two-way feedback. In addition, performance is reviewed against annual objectives and personal development plans are discussed on a formal basis once a year. These form the four "HR Non-negotiables", which ensures that every employee has an induction, objectives, regular one-to-ones, and an end of year performance review.

Employee reward

The Group is proud to offer pay that exceeds the National Living Wage to all our UK team members, as well as ensuring our pay is competitive. From 1 April 2022, our minimum wage will increase to £9.60 per hour for all hourly paid employees regardless of age. We also offer benefits including Wagestream, allowing our team members the flexibility to get paid earlier than their normal monthly pay date, a contributory pension scheme and company funded Life Assurance.

All our team members receive complimentary membership at our clubs to encourage a healthy and active lifestyle, as well as significant discounts on our healthy-eating menu in our clubs, while our flexible benefits scheme allows our team to choose benefits that are important to them in a tax-efficient way. We offer a free and confidential Employee Advice Line to help our team members and their family deal with challenges that might adversely impact their health, wellbeing, or work performance.

Every employee has personal objectives that should be aligned to the strategies and key performance indicators. Individual contribution to the business is recognised through the Group's bonus scheme, which is available to all eligible salaried employees and payable upon Group and individual performance.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee health and safety

The Group is committed to taking all reasonable steps to provide a safe and healthy workplace and working environment for all team members. The assistance and training necessary for all team members to competently fulfil their duties and responsibilities is provided. The responsibility for implementing health and safety policies lies with all directors, managers and team members.

Diversity

David Lloyd Clubs is an equal opportunities employer committed to providing equal opportunities to all employees regardless of personal status and to prohibit all forms of discrimination. Alongside a commitment to promote talent from within, recruiting people from outside industry is important to us, as it brings fresh ideas and alternative views. This is done without regard to sex, race, disability, national origin, ethnicity, sexual orientation, age or marital status. To inspire older people to exercise more, the Group has committed to having at least one Fitness Trainer aged 55 or over on average at each of its clubs by the end of 2022.

Gender diversity

The table below provides a breakdown of the gender of directors, senior managers and employees:

	31 December 2021		Restated 31 December 2020	
	Male	Female	Male	Female
Directors	8	-	9	-
Senior managers	154	64	147	63
Employees (Headcount)	3,991	5,694	3,356	4,556
Total	4,153	5,758	3,512	4,619

A director is defined as a statutory director of the Company or non-executive director that attends the board meetings. A senior manager is defined as someone who is a general manager, a regional manager, a regional sales manager, a senior position within club support, a direct report to the executive board or a member of the executive board. This group of senior managers are defined as the 'transformation group'.

Appointments to the Board are made on merit considering the combination of skills, background, experience and knowledge required to give constructive challenge and achieve effective decision-making.

Gender pay

In accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, the Group's gender pay reporting for 2021 is published on the website www.davidlloyd.co.uk.

We are pleased with the improvement in our gender pay gap, bonus pay gap and pay quartiles for the 2021 gender pay gap reporting. We continue in our commitment to focus on the pay quartiles and to ensuring inclusivity and will continue to use this reporting and analysis to help shape our future agenda.

Currently, there is a gender pay gap of 8.3% which means that the average pay of male team members is 8.3% higher than the average pay of female team members. This is an improvement on the previous 4 years and 3.1% lower than in 2019.

Our focus continues to be on the proportion of females in our leadership roles. We are delighted to see how we have improved in this area with females in the upper quartile being 1.9% lower than their overall representation in the company compared to 10% lower when we started reporting the representation of females in the upper quartile 4 years ago.

To enable more women to move into senior leadership roles we continue to focus on the role of the General Manager, and we can see a notable difference in the female representation in this population. We will also look at the female representation on our talent pipelines into club management as we resume our usual talent programmes now our clubs are fully open again. As we enter 2022, we will continue to evolve our inclusion and diversity journey and return our focus to training and development with an expectation that we will see a positive impact in the future.

Anti-bribery and anti-corruption
The Group has anti-bribery and anti-corruption policies in place which are available to all employees via the intranet. All giving and receiving of gifts, hospitality and entertainment are logged on the gift, hospitality and entertainment register and any issues are reported to the designated Bribery Act Compliance Officer. In addition, employees are required to complete mandatory training on anti-bribery and anti-corruption via the learning management system.

Human rights: Modern Slavery Act 2015
The Group is fully committed to respecting the human rights of our employees and to compliance with all applicable laws. David Lloyd Clubs has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all its business dealings and relationships to ensure that modern slavery is not taking place in the business or supply chains.

In accordance with section 54(1) of the Modern Slavery Act 2015, the Group's slavery and human trafficking statement for the financial year ended 31 December 2021 has been published on our website: www.davidlloyd.co.uk.

Section 172(1) statement
Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. This statement sets out how the directors have complied throughout 2021 with the requirements of Section 172 of the Companies Act 2006.

The Role of the Board
The Board's principal responsibility is to promote the long-term success of the Group through creating shareholder value and contributing to a healthy society and a sustainable environment. The Board's key objective remains constant; that doing the right thing by our members, our team and the communities in which we operate is integral to our future success as a sustainable business.

The Board sits at the Deuce Midco Limited level (referred to as "the Board" throughout) and consists of six directors and two non-executive directors. As is normal for large companies, the Deuce Midco Limited Board delegates authority for day-to-day management of the Company and its subsidiaries to the Executive Board and then engages management in setting, approving and overseeing execution of the business strategy and related policies. The corporate governance structure and group policies are set by the Board of Deuce Midco Limited. The Board ensure that when they are applying these group policies, they have due regard to our fiduciary duties and responsibilities.

The Board meets monthly and is advised of stakeholder views in several different ways, including:

- The CEO's Board Report;
- Health and Safety, Strategy and Finance Packs;
- Employee survey reports;
- Annual conference;
- The Annual Budget and Business planning process and;
- Corporate governance, and regulatory development updates.

All formal Board meetings are minuted and these minutes are formally approved at the following meeting.

a. The likely consequences of any decisions in the long-term.	The Board's decision making is focused around ensuring that the Company is sustainable in the long term. Each year, the Board considers our three-year Business Plan, which assesses the opportunities and risks for the Group over this timeframe. On an annual basis the Executive Board meets to consider the impact of broader socio-economic trends on a longer timescale. Each year the Board considers the Group's strategy and key performance indicators and how we will achieve our goal. This is communicated and discussed with the wider transformation group at an annual conference.

Section 172(1) statement (continued)

a. The likely consequences of any decisions in the long-term (continued).	Significant capex investment appraisals potential acquisitions and disposals are reviewed and subsequently approved/declined by the Board. In making these decisions, the Board considers the financial merits of each proposal and whether it is aligned to our strategy and premium offering. During 2021 as the Group emerged from the COVID-19 pandemic, the Board continued to take great care in ensuring the decisions they made struck the right balance between protecting the interest of the Group and its stakeholders in the short term and longer-term.
b. The interests of the company's employees.	The Board places considerable value on communicating with its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, the Group's employee app'Kitbag' and periodic business communications from the CEO. Employee engagement is measured twice a year by way of an online employee survey to ensure the Board is listening and responding to its employees' needs. Due to COVID-19 and our clubs being closed for the majority of H1 2021 only one formal engagement survey happened in 2021. The Board spends a good proportion of time on people matters with regular discussions on Health and Safety, employee engagement, talent, and succession planning. Read more on our engagement with employees on pages 17 to 19 of the strategic report.
c. The need to foster the company's business relationships with suppliers, customers and others	The Board recognises the importance of its role and responsibility in contributing to a healthy society and a sustainable environment in addition to its responsibilities to members, employees, suppliers and shareholders. Members - Our vision "My Club For My Life" seeks to create an environment where our members develop a real sense of belonging to their local clubs and where the clubs become an integral part of members' lives, throughout their lives. Doing the right thing for our members was a key priority for us and we communicated with them throughout the pandemic. We did not charge customers when our clubs were closed and provided members with health concerns relating to COVID-19 the ability to freeze memberships. Investors - We are responsible to the Group's shareholders and key stakeholders including bondholders for the proper conduct and success of the business through setting the strategy, values, and culture of the Group. Shareholders are represented on the Board and thus engaged through the monthly board meetings. The Group has established an Investor Relations function to manage the relationships with bondholders and presentations of financial results are given quarterly to the investor community. Suppliers – We recognise the importance of our supply chains and invest in our relationships with them to ensure that they are treated in a fair and consistent way. Recently we have worked with our cleaning contractors to offer their employees use of our club facilities to aid recruitment, retention and engagement. During the year, the Board received updates on our payment practices and on our supply chain, where relevant, from our business line leaders.

Section 172(1) statement (continued)

d. The impact of the company's operationson the community and environment.

The Board recognises the importance of its role and responsibility in contributing to a healthy society and a sustainable environment. The Board is committed to actions and initiatives that support our other Corporate Social Responsibility (CSR) principles. This includes doing our utmost towards combating climate change by reducing our clubs' waste and using sustainable raw materials.

During the year, the Board developed our 2030 Carbon Net Zero Commitment. Net Zero means that across all of our clubs, we add no more greenhouse gases than we remove. We include emissions that we are directly responsible for, and we go further than this by also including emissions that occur throughout our supply chain activity. To achieve this, we will 'electrify' as much as we possibly can through deployment of renewable technologies, and then any remaining emissions will be eliminated from our supply chain.

The Board monitors on a quarterly basis the Group's performance against key Environmental, Social and Governance metrics which are also benchmarked against other portfolio businesses. Read more in the Environmental, Social and Governance (ESG) section in the Strategic report on pages 14 to 16.

e. The desirability of thecompany maintaining a reputation for high standards of business conduct.

The Board take the reputation of the Group seriously and is committed to a high standard of health and safety. Clubs are assessed on a regular basis on food safety, fire safety, legionella, licensing and health and safety. The majority of clubs attain our expected standards and the minority that do not are provided with the coaching, advice and guidance to achieve the required standards. Refer to page 14 of the Strategic Report for our health and safety scores.

The Board is fully committed to respecting the human rights of our employees and to compliance with all applicable laws. David Lloyd Clubs has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all its business dealings and relationships to ensure that modern slavery is not taking place in the business or supply chains.

All new team members are required to complete a compulsory online training module on 'Modern Slavery' to drive awareness and understanding.

In accordance with section 54(1) of the Modern Slavery Act 2015, the Group's slavery and human trafficking statement for the financial year ended 31 December 2021 has been published on our website: www.davidlloyd.co.uk.

f. The need to act fairly between members of the company.

The Board seeks to act fairly between all members of the Group by seeking to align the interests of the majority shareholders (TDR) and minority shareholders (Management). The Board is represented by all parties and the Board culture allows for healthy and constructive debates

Approved by the Board on 4 May 2022 and signed on its behalf by:

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PJ Burrows

Director

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2021

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

Principal activity
The principal activity of the Company is that of a holding company for David Lloyd Leisure Limited ("DLL") and other subsidiaries (together "the Group"). During the year, the Group engaged in the operation of health, sport and leisure clubs in the United Kingdom and Europe, principally under the David Lloyd Clubs brand name. As at 31 December 2021, the Group operated 99 clubs in the UK, and a further 26 across the Republic of Ireland and continental Europe.

Ownership
The ultimate parent of the Company is Deuce Holding S.a r.l. and the ultimate controlling party is a group of investment funds managed by TDR Capital LLP (registered in the UK). TDR Nominees Limited holds the investment on behalf of the following fund Partnerships: TDR Capital III Holding LP (74%) and TDR Capital Deuce Co-investment L.P. (26%). TDR Capital is a leading private equity firm with over €13 billion of committed capital. TDR invests in medium-sized, European businesses and partners with them to develop and grow their operations.

TDR Capital acquired the Group from UK-based property company London Regional Properties Limited and Caird Capital LLP, the manager of Bank of Scotland's legacy Integrated Finance portfolio in November 2013. TDR have worked with management to improve all aspects of the member experience in order to cement the Group's position as a market leader in premium family leisure.

TDR have supported David Lloyd's new site development programme in the UK and Continental Europe through the acquisition of small portfolios as well as standalone sites. With the initial focus on the UK, the Group acquired 14 racquet clubs from Virgin Active in May 2017 and has opened seven individual new clubs. The current focus of the new club strategy is on expansion in Continental Europe where to date the Group has acquired four individual clubs in Spain, Italy, Germany and France as well as completing the acquisition of Meridian Spa & Fitness, an estate of eight clubs in Germany and the acquisition of Geneva Country Club. In December 2021 the Group acquired three clubs from Spanish fitness group Áccura and announced that it is opening a new premium club in north-west London in Spring 2022. The Group continues to develop its product range including the roll out of its luxury 'Spa Concept' to deliver an overall premium health and wellness experience. In addition, the Group is investing heavily in its digital offering to significantly improve the experience of its members.

Directors of the Group
The directors, who held office during the year, and up to the date of signing the consolidated financial statements are given below:

MA Stephens
BJ Magnus
DG Earlam
PJ Burrows
SA Lloyd
PW Philipson
MJ Evans
R Barnes
M Dale (resigned 12 May 2021)

Mark Stephens
Mark joined TDR Capital in September 2012. Prior to joining TDR, Mark worked at Morgan Stanley in London as an Associate in its Private Equity fund and previously as an Analyst in its UK Investment Banking team. He received a degree in Business and Legal Studies, with first class honours, from University College Dublin.

Directors of the Group (continued)

Brian Magnus
Brian joined TDR Capital in September 2012. Prior to joining TDR, he was a Managing Director at Morgan Stanley where he was European Head of Morgan Stanley Private Equity, and formerly Head of UK Investment Banking. He joined Morgan Stanley in 2000 having previously worked in the Corporate Finance Division of Schroders, a company later acquired by Citigroup. Brian graduated from the University of Manchester with a degree in Management Sciences and qualified as a Chartered Accountant with PriceWaterhouse. External appointments include directorships at Stonegate Pubs and Montagu.

Manjit Dale
Manjit founded TDR Capital with Stephen Robinson in 2002, with whom he had previously worked at DB Capital partners. He has over 25 years experience in private equity, leveraged finance and consulting. PreviouslyManjit was Managing Director and Head of DB Capital Partners Europe and predecessor firm BT Capital Partners, which he joined in 1994. External appointments include directorships at Stonegate Pubs, Seacon Group Limited and Pandora Express Limited.

Peter Philipson
Peter spent the first 20 years of his career in a range of international marketing and general management positions within Gilette and Diageo. In 2001 he was appointed CEO of Tussauds Group under the ownership of Charterhouse. He subsequently held various private equity backed Board roles, including Chairman of Merlin Entertainments Plc, Saga Group, NEC Group, and Forest Holidays. He joined the Board of David Lloyd Leisure in 2015. He has worked with businesses backed by Charterhouse, Blackstone, LDC, TDR, Sovereign, Montagu, Kings Park Capital and August Equity.

Scott Lloyd
Scott was the Chief Executive Officer (CEO) of David Lloyd Leisure until June 2015, at which point he became the non-executive Deputy Chairman of the Group. Scott launched Next Generation Clubs business in 1999 and led the acquisition of David Lloyd Leisure by London & Regional and HBOS from Whitbread in August 2007. Scott was CEO of the integrated businesses from 2007.

Glenn Earlam - Chairman
Glenn has over 20 years of experience in the leisure sector having joined David Lloyd Leisure in June 2015 from Merlin Entertainments Plc where he was Managing Director of Midway Attractions, the largest operating business within Merlin. Post year-end, Glenn has become Chairman with Russell Barnes replacing him as CEO.

Russell Barnes - Chief Executive
Russell joined David Lloyd Leisure in September 2015 having previously been responsible for 48 attractions across Europe for Merlin Entertainments Plc. His experience includes successfully opening Merlin businesses in Asia including China, Japan and Korea as well as North America. He also was responsible for leading Alton Towers Resort through a period of brand change and repositioning. He has over 25 years of operational experience including a period residing in the U.S. Post year-end, Russell has been appointed CEO.

Patrick Burrows - Chief Financial Officer
Patrick joined David Lloyd as Chief Financial Officer in September 2017 from London City Airport having been involved in the £2.4bn sale of the business. Prior to London City Airport Patrick held Finance Director positions at New Look and Tesco.

Martin Evans – Chief Commerical Officer
Martin has a total of 15 years of experience with David Lloyd Leisure and over 20 years of experience in the leisure sector. He has held previous positions in sales, marketing and operations for First Leisure, Whitbread, DeVere and Esporta.

Executive Team (excluding Directors)
Bruce Gardner - New Clubs Director
Bruce is the Group's New Clubs Director having previously held the position of Group IT Director of David Lloyd Leisure. Bruce's previous roles include IT Director at NSL Services, a part of NCP and IT Director of Whitbread's pub division. Bruce joined David Lloyd Leisure in 2011 as Group IT Director.

Andrea Dearden - Marketing Director
Andrea has over 20 years experience in the leisure industry, joining David Lloyd Leisure in February 2017 from Merlin Entertainments Plc where she was responsible for heading up the marketing of the London and European attractions portfolio.

Michelle Luxford - Human Resources Director
Michelle joined David Lloyd Leisure as HR Director in March 2013 having previously been involved with David Lloyd Leisure during her 20 year career with Whitbread where she held senior HR roles in many parts of the Whitbread portfolio of brands, including working as HR Director for Premier Inn. Michelle also acted as an HR Consultant to David Lloyd Leisure leading ona number of HR Projects when it merged with the Next Generation business.

Mia Manson-Bishop - Member Experience Director
Mia joined David Lloyd Leisure in March 2013 as part of the operational team and joined the senior leadership team in September 2015 as Member Experience Director. Mia brings great David Lloyd Leisure operational experience as well as over 15 years senior leadership experience in customer service, marketing and operations with national and global brands including Wyndham Worldwide, Esporta and Sitel.

Stuart Caswell – New Clubs Acquisitions Director
Stuart joined David Lloyd in April 2021 from Aldi, where he was responsible for property expansion and format development in London; this included the launch of the successful Aldi Local store concept. Prior to this, Stuart worked across a number of Property & Strategy roles for both Sainsbury's and Tesco in the UK & ROI.

Yossef La-Cherie – Strategy Director
Yossef joined David Lloyd in December 1999 when it was part of the Whitbread group. As a qualified accountant, his experience has primarily been within the Finance function with c20 years in key leadership roles. Yossef's current position entails working collaboratively with the business in forming the group's long term business plan and formulating a strategic roadmap for the group's IT capability.

Nick Marsh – Operational Finance Director
Nick joined David Lloyd as Operational Finance Director in September 2016 from Merlin Entertainments Plc where he was responsible for the financial performance of over 100 attractions worldwide. His experience with Merlin included a significant period of time based in the US and also playing a key role in Merlins IPO. Prior to Merlin Nick worked in private practice.

Stephen Brown – Business Support Director
Stephen joined David Lloyd 8 years ago and has always held operational roles, including 5 years as Operations Director from 2016. He has over 30 years direct industry experience across the premium end of the sector with such brands as Next Generation, Esporta and Virgin Active.

Directors' liabilities
The Company maintains liability insurance for its directors and officers. Following shareholder approval, the Company has also provided an indemnity for its directors and the company secretary, which is a qualifying indemnity provision for the purposes of the Companies Act 2006. This provision was in force during the financial year and onwards, including the date of approval of the financial statements.

Future developments
There are no significant changes planned to the existing estate and operations of the Group. The Group's future strategy will focus on building and retaining the David Lloyd membership base, new club acquisition and integration, and David Lloyd ("DL") Digital.

The Group continues to look for further expansion opportunities across UK and the rest of Europe, including acquisitions and new build sites and successfully integrate them into the David Lloyd operational and business model. DL Digital is the continuation of the development of @home and production of a first-class whole lifestyle app that enhances our members lives.

Employees
Consultation with employees and consideration for disabled employees have been discussed in the Strategic Report on page 17 of these financial statements. The Strategic Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Dividends
The Group paid out no dividends during the year (2020: £nil)

Political donations
The Group made no political donations during the year (2020: £nil).

Branches outside the UK
The Group operates one branch in Milan, Italy.

Financial instruments
Information in respect of the Group's policies on financial risk management objectives including policies to manage credit risk, liquidity risk and foreign currency risk are given in note 25 to the financial statements.

Going concern
The Group and Company's 'going concern' review is set out in detail in note 2 on pages 56 to 57. In preparing the Group's financial statements the directors have considered the forecast cash flows of the Group and the liquidity available over the period May 2022 to December 2023. These forecasts indicate that the Group will have sufficient cash and operate with a satisfactory level of headroom. The directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for at least 12 months from the signing date of the financial statements and for the foreseeable future thereafter. Accordingly, the directors continue to adopt the going concern basis in preparing the annual reports and financial statements.

Post balance sheet events
Please refer to note 32 of these financial statements for details of post balance sheet events.

Prior year adjustment
During the year the directors assessed the classification of the Company intercompany balances as current or non-current. Although the intercompany balances are repayable on demand, the likelihood of repayment within the next 12 months is remote. Following this reassessment, the directors have concluded that the loans to group undertakings should be reclassed to non-current assets. As a result, a prior year adjustment has been made and is reflected in the restated 2020 balances as presented. The effect of the prior year restatement is to decrease Company trade and other receivables by £516.3m and increase Company non-current other receivables by £516.3m. The net impact on the Company's income statement results and statement of financial position is £nil. The restatement has been made to ensure comparability between the periods.

Supplier payment policy
The Group complies with regulations made under section 3 of the Small Business, Enterprise and Employment Act 2015, these can be found at www.legislation.gov.uk. The Group typically pays all its suppliers between 30 and 45 days. The Group makes weekly payment runs to clear supplier bank accounts each Friday. The payment run parameters are set to select all undisputed invoices that are due for payment up to and including the Friday clearing date based on the supplier payment terms held within the supplier master record.

The average time taken to pay invoices for the period 1 July 2021 to 31 December 2021 was 43 days (2020: 37 days) and 58 days (2020: 31 days) for the period 1 January 2021 to 30 June 2021. The increase in average time taken to pay invoices was driven by the significant impact on the Group of COVID-19.

Variations to these standard payment terms are by exception only:

- F&B Partner - all undisputed invoices received in the month are paid by no later than the 16th of the following month,
- Self-employed professionals - all undisputed invoices relating to previous month's activity are paid weekly upon receipt,
- Landlords - all rental invoices are paid as contractually agreed. As a response to COVID-19, we engaged with landlords to manage rent obligations through securing rent-free periods/rent deferrals.

Guidelines for Disclosure and Transparency in Private Equity
The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

Statement on engagement with employees
As a UK company incorporated under the Companies Act 2006 with a monthly average number of UK-based employees that exceeds 250 we are required to explain:

i) how the directors have engaged with employees; and
ii) how the directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

We have set this out in our Section 172(1) statement (see section b) on page 20 of the Strategic Report. Further disclosure on how the Board engages with employees can be found on pages of 17 to 19 of the Strategic Report.

Statement on engagement with suppliers, customers and others in a business relationship with the Group
As a qualifying large company under the Companies Act 2006, we are required to summarise how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

We have set this out in our Section 172(1) statement (see section c) on pages 20 to 21 of the Strategic Report.

Statement of corporate governance arrangements
For the year ended 31 December 2021, the Group has voluntarily applied the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council (FRC) in December 2018.

The Wates Principles provide a framework for the Board to monitor corporate governance of the Group and see where governance standards can be raised to a higher level across the business.

Wates Principle 1 Purpose and leadership
We believe that a balance of exercise, nutrition, mindfulness and sociability are the keys to wellness and to sustaining a positive and healthy life. Our purpose is to provide facilities, services, equipment and social spaces which help to promote physical and mental wellbeing for our members.

Our vision “My Club For My Life” seeks to create an environment where our members develop a real sense of belonging to their local clubs and where the clubs become an integral part of members’ lives, throughout their lives.

Our culture is about making our clubs a comfortable and welcoming place to come together with friends, family and fellow members to maintain physical and mental health and wellness. The Board monitors the Group’s culture through team member feedback. Employee engagement is measured and reported to the Board twice a year (only once in 2021 due to COVID-19) by way of an online employee survey to ensure the Group is listening and responding to its employees’ needs.

Our values and strategies that we have embedded to underpin them and the measures that we have used to monitor our performance against them are set out in the Strategic report on pages 3 to 6. Communication of our values and strategies is achieved through formal and informal meetings, the Group's employee app 'Kitbag' and regular business communication from the CEO.

Wates Principle 2 Board composition
The Board sits at the Deuce Midco Limited level and consists of six directors and two independent non-executive directors[2]. Biographies of the board members can be found in the Directors’ Report on pages 22 to 24.

Appointments to the Board are made on merit considering the combination of skills, background, experience and knowledge required to give constructive challenge and achieve effective decision-making.

We consider the size and composition of the Board to be appropriate for our business. The two non-executive Directors bring challenge, experience, and offer different perspectives.

As is normal for large companies, the Deuce Midco Limited Board delegates authority for day-to-day management of the Company and its subsidiaries to the Executive Committee.

The Executive Committee comprises the Executive Chairman, Chief Executive Officer, Chief Financial Officer, Innovation and Product Development Director, New Clubs Acquisitions Director, New Clubs Director, HR Director, Member Experience Director, Marketing Director, Strategy Director, Operational Finance Director and Business Support Director.

The Board has established an Audit Committee with responsibility for the appointment of auditors and review of the scope and results of the external audit.

[2] *The Group is not required to apply the UK Corporate Governance Code. Under the Code Scott Lloyd would not be considered independent.*

Statement of corporate governance arrangements (continued)

Wates Principle 2 Board composition (continued)
The Board and the Executive Committee together comprise 81% men and 19% women. We acknowledge that there is a relative lack of diversity on the Board and this is not reflective of the mix in the business. Page 18 of the Strategic Report analyses the gender diversity of the Group.

Directors and Executive Committee members update their knowledge of the business by frequent visits to Clubs and meetings with senior management.

Both the Board and the Executive Committee meet monthly. Attendance and proceedings at meetings are recorded with action points noted and followed up.

Wates Principle 3 Directors' responsibilities
The Board typically meets eleven times a year. The Board receives regular and timely information (at least monthly) on all key aspects of the business including the financial performance of the business, health and safety, performance against the Group's strategies and key performance indicators and capex investment appraisals and potential acquisitions.

Key financial information is collated from the Group's various accounting systems. The Group's finance function is appropriately qualified to ensure the integrity of this information and is provided with the necessary training to keep up to date with accounting changes. The Group's statutory financial statements are externally audited by Deloitte LLP on an annual basis.

The Group has developed policies that provide clear lines of accountability and responsibility for effective decision making. The Board delegates authority for day-to-day management to the Executive Committee.

Independent non-executive directors have no material business relationships with the Group which may influence their judgment or their ability to provide independent challenge. Directors are required to declare any conflict of interest in advance of any discussion.

Wates Principle 4 Opportunity and risk
The Board seeks out opportunities while mitigating risk. The Group's key financial and non-financial risks and mitigations are described in the 'Principal risks and uncertainties' section of the Strategic Report on pages 13 to 14.

The Executive Committee (as delegated by the Board) also considers further risks as part of the day to day management of the business.

The Board's priority during the first half of the year was managing the cash flows and liquidity of the Group achieved by a successful refinancing of the Group's debt in June. Focus on the second half of the year was rebuilding member count to pre-pandemic levels (refer to Post COVID-19 recovery section of the Strategic Report).

The Board considers significant capex investment projects and potential acquisitions and approves them before any bids are made or contracts exchanged. During the year, the Board approved the acquisition of three clubs from Spanish fitness group Áccura and a new club in Cricklewood, North London.

The Board and Executive Committee have established an internal control framework designed to manage risk. The clubs are required to comply with both a compliance framework and a finance policy and procedures manual. The clubs are subject to regular health & safety and internal audits by the respective function. Red audit revisits are reported to the Executive Committee who monitor both the results and remediation action plan.

The Board has established an ESG Committee to consider climate and other social and environmental risks and opportunities to improve the Group's sustainability.

Statement of corporate governance arrangements (continued)

Wates Principle 5 Remuneration
Remuneration of directors and senior management is reviewed and set by the shareholder directors.

The directors, senior management and operational management participate in an equity-based incentive plan which is linked to shareholder value. More detail is given in Note 26 “Share based payments” on page 93 of these financial statements.

We report on Gender Pay on page 18 of the strategic report. The Board’s focus is to close the gap by increasing the proportion of females in our leadership roles.

Wates Principle 6 Stakeholder relationships and engagement
The Board’s principal responsibility is to promote the long-term success of the Group through creating shareholder value and contributing to a healthy society and a sustainable environment. The Board’s key objective remains constant; that doing the right thing by our members, our team and the communities in which we operate is integral to our future success as a sustainable business.

As a result of the refinancing in June 2021, the Board also now considers its relationship with bondholders as an additional stakeholder. The Group has established an Investor Relations function to manage this relationship and presentations of financial results are given quarterly to the investor community.

The Section 172(1) Statement on pages 19 to 21 of the Strategic Report explains how the Board engages with its employees, members and fosters effective stakeholder relationships aligned to the Group’s purpose.

Energy and carbon reporting
We have reported on all sources of GHG emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

GHG emissions and energy usage

GHG emissions and energy usage data for period 1 January 2021 to 31 December 2021			
		UK and offshore	
Energy Use	**Units**	**2021**	**2020**
Gas consumption	MWh	342,919	298,569
Purchased electricity consumption	MWh	47,962	37,298
Greenhouse Gas (GHG) Emissions			
Total gas	t/CO2e	62,809	54,898
Total fuel (gas oil)	t/CO2e	323	238
Total transport	t/CO2e	10	9
Total fugitive	t/CO2e	1,166	1,190
Total purchased electricity	t/CO2e	10,184	8,696
Greenhouse Gas (GHG) Emissions			
Direct emissions (Scope 1)	000t/CO2e	64,307	56,334
Indirect emissions from electricity (Scope 2)	000t/CO2e	10,184	8,696
Total CO2 emissions (location based)	t/CO2e	74,491	65,030
Total CO2 emissions (market based)	t/CO2e	64,307	56,334
Total Greenhouse Gas (GHG) Emissions	**Units**	**2021**	**2020**
Direct emissions (Scope 1)	000t/CO2e	64	56
Indirect emissions from electricity (Scope 2)	000t/CO2e	10	9
Total CO2 emissions (location based)	000t/CO2e	74	65
Procured renewable energy	000t/CO2e	10	9
Total C02 emissions (market based approach)	000t/CO2e	64	56
Intensity ratio	**Units**	**2021**	**2020**
Total emissions per visit	kg/CO2e	2.45	2.93

Methodology
This report covers all UK operations and the methodologies used are in accordance with the WBCSD/WRI GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition), and conversions into CO2e have been calculated using the most recent government conversion factors
https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021 .

Direct (Scope 1) emissions include gas and fuel consumption, business travel in company owned or controlled assets, and fugitive emissions. Indirect (Scope 2) emissions relate to our purchased electricity consumption.

2021 vs 2020 Review
GHG emissions are from operationally controlled activities using the UK government 2021 greenhouse gas reporting conversions factors. The increase in emissions from 2020 to 2021 is as a result of the COVID-19 pandemic, as our clubs were open for a longer period in 2021.

Intensity ratio is based on number of member visits. Our emissions per visit reduced during 2021 as a result of increased member visits compared to 2020.

Energy efficiency action
During 2021 the Group updated its Environmental Sustainability strategy, and as a result of this have committed to delivering Carbon Net Zero across Scope 1,2 & 3 emissions by 2030. This will be delivered through continued capex investment in energy reduction initiatives, increasing our onsite renewable energy generation, and a longer-term strategy to de-carbonise our heat usage. The Group uses an external consultancy to help calculate scope 3 baseline emissions. A hybrid approach is used, where actual emissions data is used for relevant categories where available, and then where data is not available emissions are calculated using the EEIO spend based methodology as per GHG Protocol Scope 3 advice.

The Group have committed to its first full solar pV renewable technology installation at its Luton club, which will be completed during the summer of 2022, and there is continued capex investment in upgrades to a number of tennis lighting and Building Energy Management Systems which will reduce ongoing energy consumption. Further renewable technology installations are expected to be completed during the second half of 2022.

In addition to the above, the Group intends to develop an educational programme in 2022 to improve awareness around energy and other environmental issues, to support progress and action in the workplace and at home.

Statement of Directors' Responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Accounting Standards as adopted by the United Kingdom and the parent Company financial statements inaccordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 “Reduced Disclosure Framework”.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of auditor

The auditor, Deloitte LLP, has indicated their willingness to continue in office and appropriate arrangements have been put in place concerning their re-appointment in the absence of an Annual General Meeting.

Approved by the Board on 4 May 2022 and signed on its behalf by:

....

PJ Burrows
Director

Deuce Midco Limited

Independent Auditor's Report to the members of Deuce Midco Limited

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Deuce Midco Limited (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of fixed assets (property, plant & equipment, right-of-use-assets and goodwill); and • Classification of maintenance or refurbishment expenditure vs capital expenditure for clubs with material additions. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £6.1m, which was determined on the basis of total assets.
Scoping	Our scoping has resulted in 99% of the Group's revenue and 94% of total assets being subject to full audit scope.
Significant changes in our approach	In the prior year, our key audit matter in respect of impairment included the fixed assets (PPE, ROU assets) of all clubs and Group goodwill. Due to the Group's recovery from the impact of Covid-19, in the current year our risk was revised and is now pinpointed to the clubs that show an impairment indicator only. In the prior year, our key audit matter in respect of the accuracy of lease inputs was focussed on renegotiated leases due to the impact of Covid-19. In the current year this risk has been lowered as there were fewer renegotiations in the year. The Group has gone through a refinancing during 2021 and the proceeds were used to repay existing indebtedness, for general corporate purposes including working capital requirements, capital expenditures and strategic acquisitions. As a result of the improved liquidity within the Group, the risk relating to going concern was lowered.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Understanding of the relevant controls that are in place in order to allow management to determine the appropriateness of the business plan used on the going concern assessment;
- Reviewing the mechanics of the base model and assess all formulae flow through the model as expected;
- Assessing the appropriateness of the assumptions made in the base model and comparing to the most recent board approved budgets;

- Challenging and understanding sensitivity analysis and mitigating actions that management have identified and their impact on the model; and
- Reviewing the disclosures in the accounts to determine whether sufficient disclosures have been made.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment of fixed assets (Property, Plant & Equipment, Right of Use assets and goodwill)

Key audit matter description	Management has performed an impairment review on those clubs displaying impairment indicators, to determine if any impairment of fixed assets is required in line with IAS 36 “Impairment of Assets”. In the prior year Covid-19 led to all David Lloyd clubs being shut for a period of time during 2020 due to local lockdowns. In the current year Covid-19 restrictions were lifted and clubs were open for longer in 2021, hence our significant risk has been pinpointed to the clubs that show an impairment indicator only. Management has used the following judgments to determine their impairment indicators: • Clubs impaired in the prior year; • A club with declining EBITDA (<10%) in FY22 budget compared to FY19 actuals; and • European clubs. If a club shows an impairment indicator management will assess if an impairment is required for PPE and ROU assets on an individual club level and goodwill on a Group level. The fixed assets balances as at 31 December 2021 are £342.8m of Property, Plant and Equipment (“PPE”), £947.7m of Right of Use (“ROU”) assets and £163m of goodwill. An impairment of £0.2m was identified, being £0.1m on PPE and £0.1m on ROU assets. Management assessed fixed assets for impairment by comparison of the carrying value to their value in use (VIU). The key judgements in the VIU calculation are as follows: • The future cash flow forecasts of the individual clubs; • The long term growth rate; and • The discount rates used to discount the future cash flows to a present value. Refer to the significant accounting policies (page 59 and 60) and note 15 “Impairment Testing” of the Consolidated Financial Statements (page 75 and 76).

How the scope of our audit responded to the key audit matter	Our audit procedures focused on challenging the inputs used to determine the value in use of the clubs within the Group and included the following: • Obtained an understanding of the relevant controls surrounding the impairment assessment; • Involved our internal specialists to challenge the appropriateness of the discount rate and long-term growth rate used in the model, including comparison of key inputs to market evidence; • Assessed the reasonableness of the key judgments around cash flow projections made in the value in use model against industry expectations and historical performance; • Evaluated whether the forecasts used in the VIU model were the latest Board approved forecasts; • Tested management's ability to accurately forecast future revenues and growth rates by comparing actual results to management's historical forecasts; • Performed detailed analysis on the clubs deemed most at risk of impairment; • Performed a sensitivity analysis on the inputs into the value in use model to determine if this would materially change any impairment charge currently recognised; and • Assessed the disclosure in the accounts, including the disclosure as a key source of estimation uncertainty.
Key observations	We are satisfied that management's assessment of the impairment recognised across PPE, ROU assets and goodwill within the Group is appropriate.

5.2. Classification of refurbishment expenditure versus capital expenditure for clubs with material additions

Key audit matter description	At 31 December 2021 total additions to property, plant and equipment ("PPE") during the year were £50.5m (2020: £23.6m) of which £6m was material on an individual club by club basis together with £12.7m acquired through business combinations (2020: £26.2m). The classification of maintenance and refurbishment expenditure versus capitalised expenditure has been identified as a key audit matter due to the level of judgement involved in determining whether an item is capital in nature or not. If it is determined that an item is capital in nature, it will be capitalised to PPE, with the related annual depreciation charge not being included in adjusted EBITDA (pre-IFRS16). Any maintenance expenditure will be recognised in full within adjusted EBITDA (pre-IFRS16) during the year the expense was incurred. Adjusted EBITDA (pre IFRS16) is a key performance indicator for the Group and therefore we have identified manipulation of these costs as a potential area for fraud. Refer to the significant accounting policies (page 58) and note 16 "Property, Plant & Equipment" of the Consolidated Financial Statements (page 77).
How the scope of our audit responded to the key audit matter	The procedures performed to address the key audit matter included the following: • Tested the controls in place around maintenance and refurbishment expenditure, capital expenditure and purchasing processing; • Tested general IT controls around the user access and change management in the system;

	• Tested a sample of costs capitalised in the year across all clubs with material additions to assess whether they met the capitalisation criteria of IAS 16; • Tested a sample of journals posted to the maintenance and refurbishment expenditure account in the Income Statement to evaluate the appropriateness of each item; and • Performed analytical review procedures to assess if material additions were in line with expectation on a club-by-club basis, for the entities scoped in our audit.
Key observations	We are satisfied that the classification of costs as property, plant and equipment assets capitalised in the year is appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£6.1m (2020: £4.7m)	£3.6m (2020: £1.9m)
Basis for determining materiality	We determined materiality based on 0.39% of total assets. In 2020 we determined materiality to be £5.9m, using a benchmark of 0.32% of total assets. The factor applied to assets was increased by 0.07% to reflect the lower risk in the current year due to the reduced impact of Covid-19 on the business over the course of the year.	We determined materiality based on 1.9% of net assets (2020: 1.9%) capped at 60% of Group's materiality.
Rationale for the benchmark applied	In the prior year, the significant impact of Covid-19 in the business caused us to reassess the benchmarks used to determine materiality. EBITDA is still not an appropriate benchmark as the Group is still recovering from the impact of Covid -19. Total assets was again used in the current year, as the balance remained stable and was not as impacted by Covid-19.	The parent company is a holding company, which does not trade. It has therefore been considered that a materiality determined on net assets is the most appropriate basis for a holding entity.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	65% (2020: 65%) of Group materiality	65% (2020: 65%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered factors including: • our assessment of the Group's overall control environment; • the low number of corrected and uncorrected misstatements in the previous audit; and • the significant impact that Covid-19 has had on the business in the prior year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £305k (2020: £295k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. The Group operates clubs principally in the UK, but also elsewhere in Europe, and has a centralised finance function operating in the UK.

Our audit scoping has resulted in 99% (2019: 99%) of the Group's revenue and 94% of total assets (2019:100%).

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement on the aggregated financial information of the remaining components not subject to full scope audit procedures.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations and IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: Classification of refurbishment expenditure versus capital expenditure for clubs with material additions and impairment of fixed assets (PPE, ROU assets and goodwill), as detailed in the key audit matters section of this report. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified Classification of refurbishment expenditure versus capital expenditure for clubs with material additions and impairment of fixed assets (PPE, ROU assets and goodwill) as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to these key audit matters.

In addition to the above our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

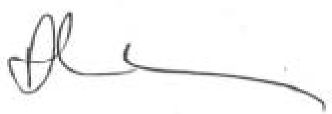
13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Darren Longley, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 May 2022

Deuce Midco Limited

Consolidated Income Statement for the Year ended 31 December 2021

	Note	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Revenue	4	390,552	284,374
Cost of sales		(126,513)	(119,873)
Gross profit		264,039	164,501
Other income	5	30,610	39,730
Administrative expenses		(54,976)	(46,775)
Other operating expenses		(230,902)	(247,899)
(Loss)/profit on disposal of PP&E	7	(3,122)	5,291
Operating profit/ (loss)	8	5,649	(85,152)
Finance income		5,163	70
Finance costs		(152,170)	(163,963)
Net finance costs	13	(147,007)	(163,893)
Loss on ordinary activities before taxation		(141,358)	(249,045)
Income tax (charge)/credit on ordinary activities	14	(11,630)	22,703
Loss for the financial year		(152,988)	(226,342)

The above results were derived from continuing operations.

The comparative information has been restated to reflect the results of all the combining entities under merger accounting principles (see note 2).

Deuce Midco Limited

Consolidated Statement of Comprehensive Income for the Year ended 31 December 2021

	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Loss for the financial year	(152,988)	(226,342)
Items that may be reclassified subsequently to profit and loss		
Exchange differences arising on the translation of foreign operations	(3,234)	2,806
Total comprehensive loss for the financial year	(156,222)	(223,536)

The comparative information has been restated to reflect the results of all the combining entities under merger accounting principles (see note 2).

Deuce Midco Limited

(Registration number: 11385914)
Consolidated Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Assets			
Non-current assets			
Property, plant and equipment	16	342,835	335,090
Right-of-use assets	17	947,710	959,010
Intangible assets	18	269,383	275,358
Deferred tax assets	28	192,998	153,308
Other receivables	20	5,748	3,269
		1,758,674	1,726,035
Current assets			
Inventories		1,430	652
Trade and other receivables	21	45,209	32,843
Cash and cash equivalents	22	124,213	82,566
		170,852	116,061
Total assets		1,929,526	1,842,096
Current liabilities			
Trade and other payables	23	(171,163)	(189,160)
Income tax liability		(2,395)	(1,394)
Loans and borrowings	24	(3,384)	(50,110)
Provisions	27	(691)	(43)
Lease liabilities	17	(49,004)	(35,072)
		(226,637)	(275,779)
Non-current liabilities			
Loans and borrowings	24	(887,167)	(1,086,749)
Provisions	27	(5,847)	(807)
Contract liabilities	4	(2,956)	(643)
Deferred tax liabilities	28	(241,628)	(190,673)
Lease liabilities	17	(953,451)	(949,918)
		(2,091,049)	(2,228,790)
Net liabilities		(388,160)	(662,473)

Deduce Midco Limited

(Registration number: 11385914)
Consolidated Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Equity			
Share capital	29	425,798	-
Share premium		271,336	271,336
Capital contribution reserve		3,550	3,550
Merger reserve		(528,465)	(528,465)
Foreign currency translation reserve		(4,616)	(1,382)
Share based payment reserve		8,138	5,970
Other reserves		2,569	-
Accumulated losses		(566,470)	(413,482)
Total shareholders' deficit		(388,160)	(662,473)

The comparative information has been restated to reflect the balance sheet of all the combining entities under merger accounting principles (see note 2).

Approved by the Board on 4 May 2022 and signed on its behalf by:

....
PJ Burrows
Director

Deuce Midco Limited

(Registration number: 11385914)
Parent Company Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Assets			
Non-current assets			
Investments	19	667,248	665,030
Other receivables	20	707,337	516,320
		1,374,585	1,181,350
Current assets			
Cash and cash equivalents	22	6	-
Total assets		1,374,591	1,181,350
Current liabilities			
Trade and other payables	23	(916,062)	(27,918)
Loans and borrowings	24	-	(40,000)
		(916,062)	(67,918)
Net current (liabilities)/assets		(916,056)	(67,918)
Non-current liabilities			
Loans and borrowings	24	3,064	(1,016,538)
Net assets		461,593	96,894
Equity			
Share capital	29	425,798	-
Share premium		271,336	271,336
Share based payment reserve		7,198	5,030
Accumulated losses		(242,739)	(179,472)
Total shareholders' funds		461,593	96,894

Approved by the Board on 4 May 2022 and signed on its behalf by:

....
PJ Burrows
Director

The Company made a loss after tax for the financial year of £63,267,000 (2020: loss of £83,495,000).

Deuce Midco Limited

Consolidated Statement of Changes in Equity for the Year ended 31 December 2021

	Share capital	Share premium	Capital contribution reserve	Merger reserve	Foreign currency translation	Share based payment reserve	Other reserves	Accumulated losses	Total shareholders' deficit
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£'000	£ 000	£ 000
At 1 January 2021 (Restated)	-	271,336	3,550	(528,465)	(1,382)	5,970	-	(413,482)	(662,473)
Loss for the financial year	-	-	-	-	-	-	-	(152,988)	(152,988)
Other comprehensive expense	-	-	-	-	(3,234)	-	-	-	(3,234)
Total comprehensive expense for the financial year	-	-	-	-	(3,234)	-	-	(152,988)	(156,222)
Share based payment transactions	-	-	-	-	-	2,168	-	-	2,168
Group common control transaction (note 2)	-	-	-	-	-	-	2,569	-	2,569
Issue of ordinary shares	425,798	-	-	-	-	-	-	-	425,798
At 31 December 2021	425,798	271,336	3,550	(528,465)	(4,616)	8,138	2,569	(566,470)	(388,160)

The notes on pages 53 to 99 form an integral part of these financial statements.

Deuce Midco Limited

Consolidated Statement of Changes in Equity for the Year ended 31 December 2020

	Share capital	Share premium	Capital contribution reserve	Merger reserve	Foreign currency translation	Share based payment reserve	Accumulated losses	Total shareholders' deficit
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 31 December 2019	-	271,336	3,550	(530,000)	(4,188)	5,078	(208,140)	(462,364)
Effect of prior year restatement	-	-	-	-	-	-	21,000	21,000
Group common control transaction	-	-	-	1,535	-	-	-	1,535
Restated balance at 1 January 2020		271,336	3,550	(528,465)	(4,188)	5,078	(187,140)	(439,829)
Loss for the financial year	-	-	-	-	-	-	(226,342)	(226,342)
Other comprehensive income	-	-	-	-	2,806	-	-	2,806
Total comprehensive income/(expense) for the financial year	-	-	-	-	2,806	-	(226,342)	(223,536)
Share based payment transactions	-	-	-	-	-	892	-	892
At 31 December 2020 (Restated)	-	271,336	3,550	(528,465)	(1,382)	5,970	(413,482)	(662,473)

The notes on pages 53 to 99 form an integral part of these financial statements.

Deuce Midco Limited

Parent Company Statement of Changes in Equity for the Year ended 31 December 2021

	Share capital £ 000	Share premium £ 000	Share based payment reserve £ 000	Accumulated losses £ 000	Total shareholders' equity £ 000
At 1 January 2021	-	271,336	5,030	(179,472)	96,894
Loss for the financial year	-	-	-	(63,267)	(63,267)
Total comprehensive expense for the financial year	-	-	-	(63,267)	(63,267)
Share based payment transactions	-	-	2,168	-	2,168
Issue of ordinary shares	425,798	-	-	-	425,798
At 31 December 2021	425,798	271,336	7,198	(242,739)	461,593

The notes on pages 53 to 99 form an integral part of these financial statements.

Deuce Midco Limited

Parent Company Statement of Changes in Equity for the Year ended 31 December 2020

	Share capital £ 000	Share premium £ 000	Share based payment reserve £ 000	Accumulated losses £ 000	Total shareholders' equity £ 000
At 1 January 2020	-	271,336	4,138	(95,977)	179,497
Loss for the financial year	-	-	-	(83,495)	(83,495)
Total comprehensive expense for the financial year	-	-	-	(83,495)	(83,495)
Share based payment transactions	-	-	892	-	892
At 31 December 2020	-	271,336	5,030	(179,472)	96,894

The notes on pages 53 to 99 form an integral part of these financial statements.

Deuce Midco Limited

Consolidated Statement of Cash Flows for the Year ended 31 December 2021

	Note	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Cash flows from operating activities			
Loss for the year		(152,988)	(226,342)
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	8	83,275	89,994
Finance income	13	(5,163)	(70)
Finance costs	13	152,170	163,963
Share-based payment transactions		2,168	892
Net impairment charge	6	1,445	30,079
Impairment of intangible assets		-	1,004
Profit on disposal of property, plant and equipment	7	3,122	(5,291)
Tax charge/(credit)	14	11,630	(22,703)
Other provision movements	27	5,742	(308)
Senior management incentive plan		-	138
		101,401	31,356
Working capital adjustments (including impact of acquisition):			
Decrease/(increase) in inventories		(787)	997
(Increase) in trade and other receivables		(15,290)	(17,587)
Increase in trade and other payables		20,874	81,296
Cash generated from operations		106,198	96,062
Income taxes received/(paid)		(375)	594
Net cash flows from operating activities		105,823	96,656
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(45,349)	(25,810)
Acquisition of business (net of cash)		(9,028)	(73,090)
Proceeds from sale of property, plant and equipment		2,639	23,887
Acquisition of intangible assets		(7,612)	(1,775)
Interest received		43	25
Dividends received		8	8
Net cash flows from investing activities		(59,299)	(76,755)

Deuce Midco Limited

Consolidated Statement of Cash Flows for the Year ended 31 December 2021

	Note	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		342,365	-
Repayment of lease liabilities		(65,080)	(48,869)
Interest paid		(88,839)	(25,737)
Proceeds from shareholder loan		-	61,775
Proceeds from bank borrowings		902,136	48,459
Proceeds from parent company		2,569	-
Payment of debt issue costs		(17,900)	-
Repayment of bank borrowings		(1,080,192)	-
Proceeds from settlement of financial derivative		414	-
Lease incentives received		336	495
Net cash flows from financing activities		(4,191)	36,123
Net increase in cash and cash equivalents		42,333	56,024
Cash and cash equivalents at beginning of period		82,566	26,706
Effect of exchange rate fluctuations on cash held		(686)	(164)
Cash and cash equivalents at end of period	22	124,213	82,566

The comparative information has been restated to reflect the cash flows of all the combining entities under merger accounting principles (see note 2).

1 General information

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom. The address of its registered office is:

The Hangar
Mosquito Way
Hatfield Business Park
Hertfordshire
United Kingdom
AL10 9AX

The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 2.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

Merger accounting

On 18 June 2021, following the refinancing, the Company's ultimate parent Deuce Topco Limited transferred its shareholding in DLL Greenwich Limited and its subsidiaries to David Lloyd Leisure Group Limited (a subsidiary of the Company) in exchange for £10.2m. The transaction resulted in the Company issuing £425.8m of new ordinary shares to a new parent company, Deuce Parentco Limited.

This transaction was considered to fall within the scope of a common control transaction as the ultimate shareholders, and their relative rights remained the same before and after the combination. Common control transactions are outside the scope of IFRS 3, but merger accounting principles are typically applied. The Group has therefore chosen to apply merger accounting principles.

Under merger accounting principles, the results and cash flows of all the combining entities have been brought into the consolidated financial statements of the combined entity from the beginning of the financial year in which the combination occurs. The comparative figures have been restated to reflect the results and cash flows of all the combining entities for the previous year and their balance sheets for the previous balance sheet date, with an entry to the merger reserve in the year.

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Deuce Midco Limited transitioned to UK-adopted International Accounting Standards in its financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS101).

The consolidated and Company financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2 Significant accounting policies (continued)

Basis of preparation (continued)

As permitted by FRS101, the Company has taken advantage of the disclosure exemptions available in relation to presentation of a cash flow statement; standards not yet effective; business combinations; non-current assets held for sale; presentation of comparative information in respect of certain assets; impairment of assets; and related party transactions.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2021.

No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made a loss after tax for the financial year of £63,267,000 (2020: loss of £83,495,000).

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intergroup transactions and balances between Group companies are therefore eliminated in full. The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Going concern

The Directors note that as at the balance sheet date, the Group and the Company is in a net current liabilities position.

In preparing the financial statements the Directors are required to assess the Group and Company’s ability to adopt the going concern basis of accounting. In making this assessment the Directors have considered the Group and Company’s cash flows, liquidity, expected trading performance to December 2023 including member count, the COVID-19 situation, and impact of the current economic environment inflationary pressures principally around energy costs.

Liquidity

On 18 June 2021, a newly incorporated company, Deuce FinCo plc (a subsidiary of the Company) issued £645m and €300m (c. £258m) of Senior Secured Notes with a maturity date of 15 June 2027.

On the same date, Deuce Holdco Limited (a parent of the Company) issued £250m of PIK debt with a maturity date of 18 June 2028. In addition, £100m of cash equity was contributed into Deuce Holdco Limited (via Deuce Topco Limited) by TDR Capital.

The total proceeds (c. £1,253m) were used to repay existing indebtedness, for general corporate purposes including working capital requirements, capital expenditure and strategic acquisitions, and to pay fees and expenses incurred in connection with the transaction.

The Group also has access to a £125m super senior revolving credit facility (“SSRCF”) which has a maturity date of 18 December 2026. The SSRCF is subject to a financial covenant relating to Consolidated Leverage Ratio (EBITDA to Net Debt ratio) only if the SSRCF is at least 40% drawn.

2 Significant accounting policies (continued)

Going concern (continued)

Liquidity (continued)

As a result of this transaction, the Group has significantly increased its liquidity and strengthened the balance sheet.

As of 30 April 2022, the Group had an immediately available cash balance of c. £98.8m and total liquidity of c. £223.8m including the undrawn SSRCF.

Cash flow forecasts

In making their assessment of going concern the directors have considered the forecast cash flows of the Group, the liquidity available and compliance with the financial leverage covenant up to the 20-month period ending 31 December 2023.

The Group's base case scenario for the period to December 2023 broadly assumes membership is flat in 2022 and a return to membership growth in FY23 driven by like for like growth and new club openings. The base case scenario includes inflationary pressures primarily due to energy costs, cleaning, and labour. The base case scenario also reflects the repayment of deferred COVID liabilities to landlords, suppliers and other creditors that were accumulated during the closure period with the SSRCF remaining undrawn. In this base case scenario, the Group has sufficient liquidity.

The directors have also considered the impact of plausible downside scenarios being i) a slower than anticipated recovery in member count and EBITDA in Europe due to ongoing COVID-19 operating restrictions; and ii) further impact of inflationary pressures due to increasing energy costs. Given the new funding within the Group, there is sufficient liquidity for the Group to operate and comply with the financial covenants over the period to December 2023 in these downside scenarios with the SSRCF remaining undrawn.

In making their going concern assessment the directors have also considered the COVID-19 situation. The UK's vaccination programme has largely been successful and despite the recent Omicron variant all sectors of the economy remained open during Winter 2021/2022. Furthermore, the UK Government has lifted all restrictions and adopted a plan for 'living with COVID'. As such the directors consider the possibility of further periods of UK enforced club closures due to future waves of COVID-19 arising from new variants to be remote. In the unlikely event there was another national lockdown, the directors have modelled a 3-month full closure commencing October 2022. Under this downside scenario the Group has sufficient liquidity.

Conclusion

Based on the Group's liquidity and cash flow forecasts the directors have concluded that the Group has adequate resources to continue to remain a going concern for the foreseeable future and have therefore adopted the going concern basis in preparing these financial statements.

Revenue recognition

Revenue is derived from the provision of sport and leisure facilities in the United Kingdom and Europe. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

The Group's revenues are recognised mainly from the following goods and services:

• Membership subscriptions;
• Administration and joining fees;
• Sale of sports lessons including swimming, tennis and personal training;
• Other product sales, including food and beverage and crèche services.

2 Significant accounting policies (continued)

Revenue recognition (continued)

Membership subscriptions

Membership subscriptions can be paid annually or monthly by direct debit. Subscriptions are recognised over the period of membership, with any subscriptions payments received in advance of the period in which the service is provided being recorded as a contract liability on the statement of financial position.

During the period clubs were closed, members were put on 'free freeze' and therefore not charged a monthly subscription. For March 2020 members had already paid their monthly direct debit. The clubs were closed for the last 11 days of March. Members were given the option to choose vouchers (food and beverage (F&B), personal training (PT) or guest passes) to reflect the fact they had not been able to use the club. Deferred revenue relating to the vouchers has been fully recognised in the financial year.

Administration and joining fees

Administration and joining fees are paid upfront and are non-refundable. They represent a fee for the initial set up costs of the contract and for the right to renew the membership for no additional fee when the contract expires. Revenue is recognised in line with when the performance obligations are performed which is over the average membership period, including any period of renewal. Cash received relating to future periods of membership are recognised as contract liabilities in the statement of financial position.

The average membership periods over which revenue is recognised are:
Standard membership 24 months
Flexible membership 1 month
Annual membership 24 months

Product sales

Revenue from food and beverage sales, and other merchandise is recognised at the point of sale.

Other revenue

Other revenue comprises income from personal training, tennis, swimming classes and franchise rent income. Revenue is recognised over the period that classes are provided, and any upfront payment is recognised as a contract liability on the statement of financial position. Franchise rent income is recognised over the lease term.

Sports lessons are paid for upfront at the beginning of the term or monthly by direct debit. Cash received is recognised over the period that lessons are provided, and any upfront payment is recognised as a contract liability on the statement of financial position.

Personal training is paid for monthly by direct debit, through the purchase of vouchers online or in club. Sessions can be purchased in packs of one, four or eight. Revenue is recognised as and when personal training sessions are delivered (or vouchers have expired). Vouchers normally have an expiry date of between one and three months depending on quantity purchased, from the date of purchase. Cash received in relation to future periods is recognised as a contract liability on the statement of financial position.

Other income / Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses related to the costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Money received under the Coronavirus Job Retention Scheme, or equivalent schemes across Europe, is recorded within other income in the period in which the related expense is incurred.

2 Significant accounting policies (continued)

Exceptional items

Exceptional items are disclosed separately in the financial statements, where it is necessary to provide further understanding of the financial performance of the Group. They are items that are material, either because of their size or their nature, and that they are non-recurring.

Foreign currency transactions and balances

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in pound sterling, which is also the Group's functional currency.

Transactions in currencies other than the functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

On consolidation, the results of overseas operations are translated into pounds sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at the opening rate and the results of overseas operations at the actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

The average conversion rate during the period was £1: €1.16 (2020: £1: €1.10), and at the statement of financial position date was £1: €1.19 (2020: £1: €1.11).

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Borrowings are classified as loans within non-current, current liabilities based on their maturity date.

Borrowing costs

Costs directly attributable to the refinancing have been capitalised and amortised over the related loan period. Where fees do not relate directly to a particular loan, they have been apportioned between the loans based on the total loan principal.

Tax

The tax expense for the period comprises current tax and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Significant accounting policies (continued)

Tax (continued)
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Investments
Investments in subsidiaries and joint ventures are held at cost less accumulated impairment losses.

Property, plant and equipment
Land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their net book value, being the fair value at the date of acquisition less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Plant and machinery are stated at historical cost less accumulated depreciation and any recognised impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation
Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Fixtures and Fittings - between 3 and 23 years
Freehold Buildings - 50 years
Freehold land is not depreciated.

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit/(loss) on disposal of PP&E within the income statement.

Club opening costs
Site development costs capitalised represent costs incurred in respect of the development of new sites. No depreciation is charged until the new club is brought into operation.

Costs incurred prior to the date of opening a club which are not directly associated with its acquisition, construction, refurbishment or fitting out are charged to the profit and loss account as incurred.

Goodwill
Business combinations are accounted for using the acquisition method or using merger accounting where it was a common control transaction and the relative rights remained the same before and after the combination. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition-related costs are expensed as incurred and included in exceptional operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of acquired assets and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill arising on the acquisition by TDR on 1

2 Significant accounting policies (continued)

Goodwill (continued)

November 2013 is monitored internally by management at the Group level. The Group is considered to be the smallest relevant group of CGUs for goodwill impairment. Goodwill has also been recognised in relation to individual club acquisitions. For these acquisitions the relevant club is considered to be the CGU.

Intangible assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques. They are amortised over their useful lives from the date of acquisition.

The fair value of clubs held under operating leasehold interest at acquisition are carried as intangible assets. Amortisation is charged to the income statement on a straight-line basis over the remaining lease terms.

The estimated value of brand names acquired are recorded as intangible fixed assets with indefinite useful lives and are therefore tested annually for impairment.

An identifiable internally-generated intangible asset arising from the Group's Information Technology development is recognised only to the extent its cost can be reliably measured and future economic benefits will flow to the Group as a result.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives - usually 3 years.

Computer software and licenses are capitalised at cost, and amortised over their useful life or licence period, where applicable - 18 months to 3 years.

The Group amortises other intangible assets with a limited useful life, using the straight-line method over the following periods:

- Customer contracts – 7 years
- Trademarks – 15 years
- Leasehold health club intangibles – Over the remaining lease term

Impairment of tangible and intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets (including goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Each individual club is considered to be a CGU.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. An impairment reversal is recognised where the recoverable amount can be supported for a minimum of three consecutive years. A reversal of an impairment loss is recognised immediately in profit or loss.

2 Significant accounting policies (continued)

Impairment of tangible and intangible assets (continued)
Investments are reviewed for impairment based upon their recoverable amount.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Restricted cash relates to cash held in escrow which is not immediately available for use in the ordinary course of business.

Creditors
Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other receivables
Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The amortisation of the discount is recognised as interest expense.

Employee benefits
Pension obligations
The Group operates various defined contribution pension plans. The Group pays contributions to privately administered pension insurance plans on a mandatory, contracted or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense. The assets of the scheme are invested and managed independently of the finances of the Group.

Senior management incentive plan
The Group recognises a liability and an expense for participants of the Senior Management Incentive Plan which is payable upon sale of the business if certain conditions are met by amortising the present value of the estimated payment over the expected service period. This liability is recorded within provisions.

2 Significant accounting policies (continued)

Employee benefits(continued)

Share-based payments
Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for the right to purchase equity instruments in the parent company (equity-settled transactions).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The fair value at start date of equity-settled transactions is recognised, together with a corresponding increase in the share-based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vestingconditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Employee Benefit Trust
The Employee Benefit Trust is considered to be controlled by the Group. The activities of the Trust are conducted on behalf of the Group according to its specific business needs in order to obtain benefits from its operation and on this basis, the assets held by the Trust are consolidated into the Group's financial statements.

Share capital
Ordinary shares are classified as equity.

Financial liabilities
Classification
Financial liabilities can be classified as 'fair value through profit or loss' or held at amortised cost. All are initially recognised at fair value, and in the case of loans, net of any transaction costs. Loans are measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Recognition and measurement
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2 Significant accounting policies (continued)

Financial assets

Classification

The Group classifies its financial assets in the following measurement categories: financial assets at fair value (either through Other Comprehensive Income (OCI) or through profit or loss) and financial assets at amortised cost.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI.

Recognition and measurement

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset measured at amortised cost or fair value through OCI, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss (FVTPL) are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and fair value through profit or loss. Expected credit losses are measured through a loss allowance at an amount equal to the expected credit losses for the next 12 months or the expected credit losses over the lifetime of the asset. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2 Significant accounting policies (continued)

Leases

The Group leases various clubs and equipment. Rental contracts are typically made for fixed periods of 12 months to 125 years but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group has entered into commercial property leases and other plant and equipment as a lessee. The leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the incremental borrowing rate ("IBR"). This is the rate of interest that a lessee would have to pay to borrow, over a similar term and with security funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Where lease payments have been deferred as a direct consequence of COVID-19, no allocation is made against the lease liability during the deferral period. Invoices received in relation to deferred rents are recognised as trade payables, with a corresponding deferred rent prepayment recognised in the statement of financial position.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

2 Significant accounting policies (continued)

Leases (continued)

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in note 3.

Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations

Impact of the application of 'COVID-Related Rent Concessions beyond 30 June 2021' (Amendment to IFRS 16)

In May 2020, the IASB issued COVID-Related Rent Concessions (Amendment to IFRS 16) to provide practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient was limited to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2021. On 31 March 2021, the IASB issued COVID-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) in order to extend the time period over which the practical expedient is available for use, to include a reduction in lease payments due on or before 30 June 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
(c) There is no substantive change to other terms and conditions of the lease.

The impact of applying this practical expedient during the year was a net increase to the lease liability of £11.2m for rents that have been deferred.

(a) New standards, amendments and interpretations (continued)

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the Group's financial statements. For completeness the following new standards, amendments and interpretations are newly mandatorily effective for the first time in the current period:

- COVID-19-Related Rent Concessions beyond June 2021 (Amendment to IFRS16);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform phase 2;

2 Significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

(b) New standards, amendments and interpretations not yet adopted
At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17, Insurance Contracts;
- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1, Classification of Liabilities as Current or Non-Current;
- Amendments to IAS 1 and IFRS Practice statement 2 – Disclosure of Accounting Policies;
- Amendments to IAS 8 – Definition of Accounting Estimates;
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IFRS 3, Reference to the Conceptual Framework;
- Amendments to IAS 16, Property, Plant and Equipment - Proceeds before Intended Use;
- Amendments to IAS 37, Onerous Contracts - Cost of Fulfilling a Contract;
- Annual Improvements to IFRS Standards 2018-2020 Cycle

None of these are expected to have a material impact on the financial statements of the Group or the Company.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The Group makes estimates and assumptions concerning the future. The related accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Key assumptions used for value-in-use calculations
The Group tests the carrying amounts of individual club non-current assets for impairment for those clubs that meet pre-defined impairment indicators. For the 2021 and 2020 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets and business plans approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 1.9% for the UK and 0.7% - 2.1% for Europe. These growth rates are consistent with forecasts specific to the industry and the country in which each CGU operates. The pre-tax discount rates of 10.5% for the UK and other European countries, 12.0% for Italy, 10.0% for Germany and 8.5% for Switzerland have been determined using the Capital Asset Pricing Model ("CAPM"). Sensitivity to changes in assumptions are disclosed within note 15.

Valuation of identifiable assets and liabilities on acquisition
The consideration paid on acquisition is allocated to identifiable assets and liabilities at their estimated fair value, with any excess recognised as goodwill. Fair values are estimates, as active markets do not always exist for assets and liabilities acquired through acquisition and therefore alternative valuation methods are used. The allocation of consideration to identifiable assets and liabilities is made on a provisional basis and is revised based upon improved knowledge in subsequent periods, but no later than one year following the date of acquisition. The key estimate in relation to the acquisitions in the year ended 31 December 2021 is the valuation of the individual acquired clubs as a business. The valuations have been determined by third parties which included certain assumptions around projected revenues, EBITDA and discount rates.

3 Critical accounting estimates and judgements (continued)

Critical judgements in applying the entity's accounting policies

Lease accounting

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Periods covered by an option to extend the lease term are included in the lease term if the lessee is reasonably certain to exercise that option. The same rationale applies to termination options.

Significant judgement is involved in determining the period over which a lease is considered to be 'enforceable'. Where contracts have a term of greater than 10 years remaining at transition, the Group assesses there to be an unclear indication that it would in substance be deemed to be 'enforceable' beyond the original contractual term, despite the rights provided by The Landlord and Tenant Act 1954. The lease end date has therefore been used as the end date for the lease. For leases due to expire within 10 years of transition, the likelihood of extension is being assessed up to the year end with reference to the facts available and looking at the Group's history of renewing leases beyond the contractual end date.

For the current leases held by the Group, we currently conclude the minimum lease term to be the term of the lease contract, including any reversionary leases. We assess, based on our current plans or expectations, the situation for each lease for which options to extend, terminate or purchase exist annually and judgement will be applied in the weighting of relevant factors in each case.

Key assumptions used for assessing goodwill for impairment

Goodwill is tested for impairment on an annual basis. Goodwill arising on the acquisition by TDR on 1 November 2013 is tested at the Group level. The Group is considered to be the smallest relevant group of CGUs for goodwill impairment testing, as this is the level at which goodwill is monitored internally. Goodwill has also been recognised in relation to individual club acquisitions. For these acquisitions the relevant club is considered to be the CGU for goodwill impairment testing. The Group has determined the recoverable amount by estimating the value in use of the cash-generating units within the Group. The calculation of value in use requires estimation of future cashflows and a discount rate to determine the present value. Sensitivity to changes in this assumption are disclosed in note 15.

Judgements in determining the timing of satisfaction of performance obligations under IFRS15

The timing of satisfaction of performance obligations of administration and joining fees for members requires judgment. Administration and joining fees represent a fee for the initial set-up costs of the contract and for the right to renew the membership for no additional fee when the contract expires. The set-up costs are critical to the contract with the new member, but they do not satisfy performance obligations, as no good or service is transferred to the member. The member effectively pays for the future right of renewing their membership for no additional fee. It is at these renewal dates that the performance obligation is fulfilled, therefore it is appropriate to recognise the revenue over the total membership period, which includes any renewal period. Historical data and trends have been used to determine the average period of membership and number of renewals for each package type.

COVID-19 resulted in club closures. During this period, no revenue was recognised as performance obligations had not been satisfied.

In making their judgement, the directors have considered the detailed criteria for the recognition of revenue set out in IFRS 15. Following the detailed review of the Group's membership base and historic trends, the directors are satisfied that the recognition of revenue in the current year is appropriate.

4 Revenue

The analysis of the Group's revenue for the year from continuing operations is as follows:

	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Membership subscriptions	310,306	228,136
Retail	40,830	24,828
Other revenue	39,416	31,410
	390,552	284,374

Other revenue primarily relates to provision of personal training, tennis and swimming classes.

The impact of the COVID-19 pandemic was significant as almost all the Group’s clubs were required by UK and European Governments to close for at least the first 3.5 months of 2021. Our English clubs re-opened on 12 April 2021, with the rest of the estate re-opening in April and May in accordance with Government guidelines within each country.

During the period clubs were closed, members were not charged a monthly subscription and as a result revenue recorded for the year has been materially impacted. Revenue for the year ended 31 December 2020 was also materially impacted as the Group’s clubs were closed on or before 20 March 2020 for a significant time of the financial period.

The analysis of the Group's revenue for the year by geographic location is as follows:

	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
UK	340,538	239,766
Europe	50,014	44,608
	390,552	284,374

	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Membership subscriptions	34,152	18,629
Joining and other administration fees	1,972	2,023
Other	1,393	1,045
	37,517	21,697

4 Revenue (continued)

Contract liabilities at the year end were as follows:

	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Current contract liabilities	43,025	38,189
Non-current contract liabilities	2,956	643
	45,981	38,832

Contract liabilities relate to membership subscriptions, joining and administration fees and sales of sports classes received in advance of performance under the contract. IFRS 15 uses the term 'contract liability' to describe what might more commonly be known as 'deferred revenue'. The current contract liability balance of £43.0m is expected to be released and recognised within revenue in the next twelve months assuming all performance obligations have been satisfied.

5 Other income

	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Government grant income	30,428	39,730
Research and development tax credit	182	-
	30,610	39,730

During the year, £17.4m (2020: £34.3m) was recognised in relation to the Coronavirus Job Retention Scheme; £4.3m (2020: £0.8m) in relation to other UK Government grants and £8.7m (2020: £4.6m) in relation to European employee support schemes.

6 Exceptional items

	Note	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Impairment of property, plant and equipment	16	56	9,094
(Net impairment reversal)/impairment of right-of-use assets	17	(458)	20,985
Impairment of intangible assets	18	-	1,004
Impairment of finance lease receivable	20	1,847	-
Costs of lease re-negotiations		1,567	6,019
Refinancing transaction and acquisition related costs		2,119	2,144
Business restructuring		-	2,495
Legal claim provisions	27	5,000	-
Exceptional costs		10,131	41,741

Exceptional items are included within other operating expenses in the income statement. Costs of lease re-negotiations relate to direct costs of re-negotiating lease terms as a result of COVID-19.

Refinancing transaction and acquisition related costs include direct costs of repaying the existing debt on 18 June 2021 and direct costs of acquiring the Accura Group on 14 December 2021.

These items are considered by the directors due to their size and nature to be exceptional and are therefore separately disclosed.

The tax effect of the exceptional items disclosed above was a charge of £121,000 (2020 restated: credit £3,955,000) due to the increase in deferred tax assets as a result of the above items.

Exceptional items listed above generated a net cash outflow of £3,686,000 (2020 restated: £10,658,000).

7 (Loss)/profit on disposal of PP&E

The analysis of the Group's (loss)/profit on disposal of PP&E (excluding gym equipment) for the year is as follows:

	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Profit on recognition of finance lease receivable	1,192	-
Loss on disposal of land	(323)	-
(Loss)/profit on disposal of other PP&E	(3,991)	301
Profit on sale and leaseback of UK land and buildings	-	4,735
Profit on sale of joint venture	-	255
	(3,122)	5,291

The Group recorded a profit on disposal of gym equipment of £0.1m (2020 restated: £0.1m) for the year ended 31 December 2021 which is recognised within other operating expenses.

The profit recognised on the finance lease receivable relates to the disposal of the right-of-use asset for Dordrecht on entering into a sub-lease of the leased premises in Dordrecht.

8 Operating profit/(loss)

Arrived at after charging:

	Note	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Depreciation expense	16, 17	72,475	79,236
Amortisation expense	18	10,800	10,758
Staff costs	11	157,595	145,391
IFRS 16 operating lease expense		3,105	3,001
Exceptional costs	6	10,131	41,741
Expected credit loss		8,779	8,599

The cost of inventories recognised as an expense and included in cost of sales amounted to £13.3m (2020 restated: £8.8m). This includes inventory write downs of £1.0m (2020 restated: £0.9m).

In accordance with IFRS 16 operating lease expense represents turnover rent, service charge and service charge insurance.

9 Business combinations

Accura Group

On 14 July 2021, the Group entered into an agreement to purchase the entire issued share capital of Sporttrust S.L. and its subsidiaries (known as the "Accura Group") which consists of three health and spa clubs from leasehold premises in Spain. The acquisition completed on 14 December 2021 with the purchase effected through DLL Greenwich Ltd, an entity within the Group.

The total consideration was £9.8m (€11.5m) comprising cash consideration of £5.8m (€6.8m) transferred to the sellers for the shares and £3.4m (€4.0m) to the lenders paid on completion, in addition to £0.45m (€0.53m) of contingent consideration and £0.08m (€0.09m) of deferred consideration payable after the balance sheet date. The purchase was funded from existing cash reserves.

The Accura Group has been acquired for the purpose of expanding David Lloyd Clubs' ("DLC" the brand) market share. By applying DLC best practice to these clubs, it is believed that synergies and economies of scale can be obtained.

9 Business combinations (continued)

The provisional fair value of the assets and liabilities of the acquired Accura Group as at the date of acquisition were:

	Book value £ 000	Provisional fair value adjustment £ 000	Provisional fair value on acquisition £ 000
Assets			
Lease intangible - fair value uplift	-	24	24
Customer contracts	-	685	685
Property, plant & equipment	12,794	(13)	12,781
Software and licences	464	-	464
Right of use assets	-	2,479	2,479
Cash and cash equivalents	218	(11)	207
Trade receivables	1,115	(215)	900
Deferred tax assets	-	379	379
Liabilities			
IFRS 16 Lease liabilities	-	(1,540)	(1,540)
Bank loans	(6,646)	-	(6,646)
Trade and other payables	(1,233)	(29)	(1,262)
Deferred income	(66)	-	(66)
Deferred tax liabilities	-	(620)	(620)
Total identifiable net assets at acquisition	6,646	1,139	7,785
Cash consideration			9,235
Deferred consideration			81
Contingent consideration			453
Consideration transferred			9,769
Goodwill recognised at acquisition			1,984

Provisional fair value adjustments principally relate to:

Lease intangibles: The fair value of the acquired business has been determined through a third party valuation at 14 December 2021. The value over and above the property, plant and equipment acquired has been recognised as an intangible asset.

Right-of-use assets and lease liabilities: Upon acquisition the Group recognised lease liabilities under the principles of IFRS 16 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 14 December 2021. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 14 December 2021 was 7.1%. The right-of-use asset was initially measured at the amount of the lease liability and adjusted by the value of favourable lease agreements determined by a third party valuation.

Deferred tax assets and liabilities: The deferred tax liabilities arising on acquisition predominantly relate to the right of use asset. The deferred tax asset arising on acquisition relates to IFRS16 lease liabilities.

9 Business combinations (continued)

Consideration: The contingent consideration arrangement requires the Group to pay, in cash, to the former owners of the Accura Group, a maximum amount of £0.55m (€0.65m) over the period to 30 June 2025. The amount payable is contingent on the expiry of any third party claims made against the Group within this period. The fair value of the contingent consideration was estimated by applying a discount rate of 7.1% to the expected payments. Deferred consideration is payable based on the number of members at 31 December 2021, and has been paid after the balance sheet date.

Goodwill is considered to represent the value of the assembled workforce and the benefits that will be generated from combining these sites with the existing portfolio of brands and clubs. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group incurred acquisition-related costs of £0.6m related to external legal and professional fees. These transaction costs have been charged to exceptional operating costs in the income statement for the year ended 31 December 2021 and treated as an operating cash flow in the cash flow statement.

If the Accura Group had been acquired from 1 January 2021, they would have contributed pro-forma revenue for the financial year of £4.9m and an adjusted EBITDA loss of (£0.02m).

10 Auditor's remuneration

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	5	4
The audit of the Company's subsidiaries pursuant to legislation	796	692
	801	696
Other fees to auditor		
Audit related assurance services	10	9
Tax services	-	13
	10	22
	811	718

11 Staff costs

The aggregate payroll costs were as follows:

	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Wages and salaries	141,752	130,187
Social security costs	10,479	11,163
Other pension costs	3,196	3,149
Long-term incentive plan charges	2,168	892
	157,595	145,391

11 Staff costs (continued)

The average number of persons (full-time equivalents) employed by the Group (including directors) during the year, analysed by category was as follows:

	2021 No.	Restated 2020 No.
Club Support	333	340
Clubs	5,242	5,367
	5,575	5,707

There were no employees within the Company.

Money received under the Coronavirus Job Retention Scheme and equivalent European employee support scheme is recorded within "Other income" in note 5. The payroll costs in the table above is the gross cost.

12 Directors' remuneration

The remuneration for the Directors for the year was as follows:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Aggregate remuneration	1,292	882
Pension costs	36	11
	1,328	893

In respect of the highest paid Director:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Aggregate remuneration	441	367
Pension costs	-	-
	441	367

13 Finance income and costs

	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Finance income		
Interest income on bank deposits	43	25
Dividend income	8	8
Foreign exchange gains	5,112	37
Total finance income	5,163	70
Finance costs		
Interest on bank overdrafts and borrowings	(81,461)	(103,049)
Interest on lease liabilities	(65,899)	(60,079)
Amortisation of loan arrangement fees	(4,019)	(601)
Unwinding of discount on provisions	(10)	(46)
Other interest payable	(781)	(188)
Total finance costs	(152,170)	(163,963)
Net finance costs	(147,007)	(163,893)

Foreign exchange gains in the year primarily relate to the retranslation of the Euro senior secured notes.

During the year the Group wrote off £2.1m of previously capitalised loan arrangement fees on 18 June 2021 as part of the Group refinancing transactions, this figure is included in the amortisation of loan arrangement fees.

14 Income tax

Tax charge/(credit) in the income statement:

	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Current taxation		
UK corporation tax	-	-
Foreign corporation tax	1,292	135
Adjustment in respect of prior periods	173	(9)
	1,465	126
Deferred taxation		
Arising from origination and reversal of temporary differences	(5,522)	(24,133)
Adjustment in respect of prior periods	(56)	(4,621)
Change in tax rate	15,743	5,925
Total deferred taxation	10,165	(22,829)
Tax charge/(credit) in the income statement	11,630	(22,703)

14 Income tax (continued)

UK corporation tax is calculated at 19% (2020: 19%) of the estimated taxable profit for the year. Taxation for other corporation jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 (on 24 May 2021). These included an increase in the corporation tax rate from 19% to 25% from 1 April 2023. Deferred tax balances have been remeasured accordingly where appropriate.

The tax charge/(credit) for the year is higher (2020: higher) than the standard rate of corporation tax. The differences are explained below:

	Year ended 31 December 2021 £ 000	Restated Year ended 31 December 2020 £ 000
Loss before tax	(141,358)	(249,045)
Corporation tax at standard rate 19% (2020: 19%)	(26,858)	(47,318)
Effect of non deductible expenses	5,850	9,128
Effect of tax losses	8,209	19,831
Interest restriction not recognised in full	12,699	-
Group relief with parent company for no consideration	(2,517)	41
Effect of different tax rates	(1,613)	(5,680)
Deferred tax expense relating to changes in tax rates or laws	15,743	5,925
Adjustments in respect of prior periods	117	(4,630)
Total tax charge/(credit)	11,630	(22,703)

The prior year adjustment of £0.1m charge (2020: £4.6m credit) primarily relates to the analysis of the tax treatment of the interest restriction and fixed assets where further information is subsequently available on the nature of these costs.

15 Impairment testing

Goodwill and brands with indefinite lives are subject to an annual impairment test. Goodwill and brands are allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the Group for goodwill arising on the acquisition of the Group by TDR on 1 November 2013 and individual clubs for goodwill arising on acquisitions of individual clubs. Club impairments of tangible fixed assets are charged to individual clubs as these are considered to be separate cash generating units (CGUs) at which the Group monitors performance.

15 Impairment testing (continued)

Key assumptions used in value in use calculations

The recoverable amount of tangible fixed assets is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management. The pre-tax discount rate applied to cash flow projections is 10.5% for UK and other European countries, 12.0% for Italy, 10.0% for Germany and 8.5% for Switzerland (2020: 10.5% for UK and other European countries and 11.5% for Spain) and cash flows beyond the five-year period are extrapolated using a range from 0.7% for Switzerland to 2.1% for Ireland and Germany, with 1.9% for the UK (2020: 1.8% for UK and Holland, 1.2% for Germany, 1.7% for Spain and 1.4% for France and Belgium).

Discount rate - The discount rate has been determined using the Capital Asset Pricing Model ("CAPM").

Sensitivity to changes in assumptions for goodwill

Any change to the above key assumptions could have a material impact on the recoverable amount; which is then compared to the carrying value of the cash generating unit to determine if there is an impairment. The Group has determined the recoverable amount by estimating the value in use of the cash-generating units within the Group. The calculation of value in use requires estimation of future cashflows and a discount rate to determine the present value. The sensitivity of goodwill impairment to give a material impact on the recoverable amount is shown below:

	Impairment £ 000	Impact of change £ 000	Adjusted impairment £ 000
Discount rate increase of 7.26%	-	6,646	6,646

Sensitivity to changes in assumptions for tangible fixed assets (being property, plant and equipment and right-of-use assets)

With regard to the assessment of value in use, a change in any of the above key assumptions could have a material impact on the carrying value of the cash generating unit. Clubs have been assessed for impairment at the year end by comparing the carrying value of tangible fixed assets for each CGU against its value in use. The sensitivity of the club impairments to give a material impact on the recoverable amount is shown below:

	Current impairment £ 000	Impact of change £ 000	Adjusted impairment £ 000
Discount rate increase of 5.65%	(204)	(6,112)	(6,316)

16 Property, plant and equipment

Group

	Land and buildings £ 000	Fixtures & fittings and equipment £ 000	Work in progress £ 000	Total £ 000
Cost				
At 1 January 2021 (restated)	261,006	278,823	2,356	542,185
Acquired through business combinations	10,901	1,893	-	12,794
Additions	7,109	16,893	26,514	50,516
Transfers	2,561	2,527	(7,671)	(2,583)
Disposals	(6,605)	(9,728)	-	(16,333)
Foreign exchange movements	(5,992)	(3,781)	(470)	(10,243)
As at 31 December 2021	268,980	286,627	20,729	576,336
Depreciation				
At 1 January 2021 (restated)	53,385	153,710	-	207,095
Charge for the year	10,550	32,656	-	43,206
Impairments	49	7	-	56
Transfers	(413)	(2,170)	-	(2,583)
Disposals	-	(9,687)	-	(9,687)
Foreign exchange movements	(1,551)	(3,035)	-	(4,586)
As at 31 December 2021	62,020	171,481	-	233,501
Carrying amount				
At 31 December 2021	206,960	115,146	20,729	342,835
At 31 December 2020 (restated)	207,621	125,113	2,356	335,090

For the purposes of property, plant and equipment impairment reviews, the Group considers each club to be an individual cash-generating unit (CGU), with each CGU reviewed annually for indicators of impairment. The Group compared the carrying value of property, plant and equipment to the estimated value in use. This was calculated based on projected cash flows to 2024, using a discount factor of 10.5% for UK and other European countries (2020: 10.5%), 10.0% for Germany (2020: 7.8%), 10.5% for Spain (2020: 11.5%). This has resulted in a total impairment charge of £0.1m (2020: £9.1m), which was in relation to the club in Utrecht, Netherlands.

17 Leases

The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the Statement of Financial Position

Right-of-use assets

	Land and buildings £ 000	Equipment £ 000	Total £ 000
Cost			
At 1 January 2021 (restated)	1,047,816	2,231	1,050,047
Acquired through business combinations	2,419	60	2,479
Additions	28,532	780	29,312
Disposals	(5,058)	(78)	(5,136)
Transfers to finance lease receivable	(753)	-	(753)
Foreign exchange movements	(9,735)	(71)	(9,806)
As at 31 December 2021	1,063,221	2,922	1,066,143
Depreciation			
At 1 January 2021 (restated)	89,300	1,737	91,037
Charge for the year	28,731	538	29,269
Disposals	-	(78)	(78)
Transfers to finance lease receivable	(109)	-	(109)
Net impairment reversal	(458)	-	(458)
Foreign exchange movements	(1,224)	(4)	(1,228)
As at 31 December 2021	116,240	2,193	118,433
Carrying amount			
At 31 December 2021	946,981	729	947,710
At 31 December 2020 (restated)	958,516	494	959,010

Lease liabilities	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Current	(49,004)	(35,072)
Non-current	(953,451)	(949,918)
	(1,002,455)	(984,990)

17 Leases (continued)

As a direct result of COVID-19, the Group has renegotiated a number of its leases of land and buildings in the year. The Group has remeasured the lease liability with the revised lease payments and lease term, using a revised discount rate at the effective date of the lease modification. This has resulted in an increase in the lease liability of £6.7m, with a corresponding adjustment to the right of use asset. Remeasurements that result in an increase in the lease liability are recognised as additions. Remeasurements that resulted in a decrease in the lease liability are recognised as disposals. On 14 December 2021, the Group acquired three clubs in Spain operating under the Accura brand, resulting in the recognition of right of use assets of £2.5m and lease liabilities of £1.5m. Other additions in the year relate to remeasurements as a result of rent reviews in the year.

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Depreciation charge on right-of-use assets		
Land and buildings	28,731	34,063
Equipment	538	719
	29,269	34,782
Interest expense (included in finance cost)	65,899	60,079
Expenses relating to variable lease payments not included in lease liabilities	98	7
Net impairment (reversal)/charge	(458)	20,985

(iii) Future minimum lease payments as at 31 December 2021 are as follows:

The total cash outflow for leases in 2021 was £65.1m (2020 restated: £48.9m). The increase from prior year is driven by the repayment of rent deferrals agreed with landlords as a result of COVID-19.

	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Not later than one year	113,413	103,748
Later than one year and not later than five years	329,920	324,439
Later than five years	3,202,477	3,152,179
Total gross payments	3,645,810	3,580,366
Impact of finance expenses	(2,643,355)	(2,595,376)
Carrying amount of liability	1,002,455	984,990

(iv) Amounts recognised in relation to operating leases:

The Group has entered into a number of concession agreements. Lease income from these arrangements recognised in the year ended 31 December 2021 was £3.1m (2020 restated: £3.0m).

18 Intangible assets

Group

	Goodwill £ 000	Customer contracts £ 000	Trademarks £ 000	Brands £ 000	Software & licenses £ 000	Leasehold health clubs intangible £ 000	Total £ 000
Cost or valuation							
At 1 January 2021 (restated)	163,368	4,430	14,961	43,347	16,194	67,077	309,377
Acquired through business combinations	1,984	685	-	-	464	24	3,157
Additions	238	-	-	-	7,374	-	7,612
Disposals	-	-	-	-	(2,262)	-	(2,262)
Foreign exchange movements	(4,810)	(302)	(1,152)	-	(225)	(208)	(6,697)
As at 31 December 2021	160,780	4,813	13,809	43,347	21,545	66,893	311,187
Amortisation							
At 1 January 2021 (restated)	277	577	931	-	9,632	22,602	34,019
Amortisation charge	-	606	967	-	5,641	3,586	10,800
Disposals	-	-	-	-	(2,262)	-	(2,262)
Foreign exchange movements	(15)	(49)	(88)	-	(546)	(55)	(753)
As at 31 December 2021	262	1,134	1,810	-	12,465	26,133	41,804
Carrying amount							
At 31 December 2021	160,518	3,679	11,999	43,347	9,080	40,760	269,383
At 31 December 2020 (restated)	163,091	3,853	14,030	43,347	6,562	44,475	275,358

Goodwill and brands are not amortised but tested annually for impairment. The brand is considered to have an indefinite life due to the history and market position of the trade name. The Group has not recognised an impairment charge during the year (2020: £1.0m against goodwill).

On 14 December 2021, the Group acquired the entire issued share capital of Sporttrust S.L. and it's subsidiaries (known as the "Accura Group"). Goodwill of £2.0m, customer contracts of £0.7m, software and licenses of £0.5m and leasehold intangibles of £0.02m were recognised on acquisition.

The goodwill addition of £0.2m arises from a measurement period adjustment in relation to the acquisition of Geneva Country Club.

19 Investments

Summary of Group investments
On 31 December 2020, the Group sold its investment in the joint venture Pure Sports Medicine at David Lloyd for consideration of £255,000. No investments are held by the Group as at 31 December 2021.

Summary of the Company investments

	31 December 2021 £ 000	31 December 2020 £ 000
At start of year	665,030	664,138
Additions	2,218	892
At end of year	667,248	665,030

A share-based payment charge of £2.2m (2020: £0.9m) was recognised in the subsidiary David Lloyd Leisure Limited during the year which has been recorded as a debit to investments and a credit in the share based payment reserve.

On 18 June 2021, the Company purchased 50,000 ordinary shares in Deuce Finco Plc for £1 per share.

Group subsidiaries
Details of the group subsidiaries as at 31 December 2021 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Holding 2021	Holding 2020
Deuce Acquisitions Limited*	Holding Company	England and Wales	100%	100%
Deuce FinCo Plc*	Holding Company	England and Wales	100%	100%
David Lloyd Leisure Operations Holdings Ltd	Holding Company	England and Wales	100%	100%
David Lloyd Leisure Properties No.1 Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Properties No.2 Ltd	Property company	England and Wales	100%	100%
David Lloyd Leisure Properties No.3 Ltd	Property company	England and Wales	100%	100%
David Lloyd Leisure Properties No.4 Ltd	Property company	England and Wales	100%	100%
David Lloyd Leisure Group Ltd	Holding company	England and Wales	100%	100%
David Lloyd Leisure Ltd	Leisure clubs	England and Wales	100%	100%
David Lloyd Leisure Farnham Ltd	Leisure clubs	England and Wales	100%	100%
David Lloyd Leisure GR Ltd	Property company	England and Wales	100%	100%
Next Generation Clubs Ltd	Leisure clubs	England and Wales	100%	100%
Harbour Club Ltd	Leisure clubs	England and Wales	100%	100%
David Lloyd Clubs Limited	Leisure clubs	England and Wales	100%	100%
David Lloyd Clubs Holdings Limited	Holding company	England and Wales	100%	100%
David Lloyd Leisure JV Holdings Ltd	Holding company	England and Wales	100%	100%

19 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Holding 2021	2020
DLL Talwalkars Club Private Limited	Dormant	India	50%	50%
David Lloyd Leisure Limited Development Sites Ltd	Dormant	England and Wales	100%	100%
Next Generation Amida Beckenham Ltd	Dormant	England and Wales	100%	100%
Next Generation Amida Hampton Ltd	Dormant	England and Wales	100%	100%
Core Exercise Clinics Ltd	Dormant	England and Wales	100%	100%
Odyssey Glory Mill Ltd	Dormant	England and Wales	100%	100%
Next Generation Amida Services Ltd	Dormant	England and Wales	100%	100%
Next Generation Amida Fleet Ltd	Dormant	England and Wales	100%	100%
Sports Management (Scotland) Ltd	Dormant	Scotland	100%	100%
Burton Waters (HL&R) Limited	Dormant	England and Wales	100%	100%
Markson Tennis and Leisure Centres Limited	Dormant	England and Wales	100%	100%
Castledene Leisure Limited	Dormant	England and Wales	100%	100%
Grasspost Limited	Dormant	England and Wales	100%	100%
Design Collective Limited	Dormant	England and Wales	100%	100%
Gatehouse Nursery Holdings Limited	Dormant	England and Wales	100%	100%
Tennis Club Management International Limited	Dormant	England and Wales	100%	100%
Farnridge Limited	Dormant	England and Wales	100%	100%
David Lloyd Sports Centres Limited	Dormant	England and Wales	100%	100%
Racquets and Healthtrack Group Limited	Dormant	England and Wales	100%	100%
Brooklands Healthtrack Limited	Dormant	England and Wales	100%	100%
Solihull Racquets & Healthtrack Limited	Dormant	England and Wales	100%	100%
Cheshire Oaks Racquets and Healthtrack Limited	Dormant	England and Wales	100%	100%
Ealing Racquets and Healthtrack Limited	Dormant	England and Wales	100%	100%
Manchester Racquets and Healthtrack Limited	Dormant	England and Wales	100%	100%
Nottingham Racquets & Healthtrack Limited	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nurseries Limited	Dormant	England and Wales	100%	100%

19 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Holding 2021	2020
David Lloyd Leisure Nominee No.1 Limited	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nominee No 2 Limited	Dormant	England and Wales	100%	100%
Nextgen Limited	Dormant	England and Wales	100%	100%
Newhaven Restaurant Limited	Dormant	England and Wales	100%	100%
N.G.C. Project Management Limited	Dormant	England and Wales	100%	100%
Smilewood Limited	Dormant	England and Wales	100%	100%
Celsius Spa Limited	Dormant	England and Wales	100%	100%
Harbour Club Operations Limited	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nominee No 3 Limited	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nominee No 4 Limited	Dormant	England and Wales	100%	100%
David Lloyd Leisure Espana II SL	Leisure clubs	Spain	100%	100%
David Lloyd Leisure Operations SPRL	Leisure clubs	Belgium	100%	100%
David Lloyd Leisure Ter Elst BVBA	Leisure clubs	Belgium	100%	100%
David Lloyd Riverview Operations Ireland Ltd	Leisure clubs	Ireland	100%	100%
David Lloyd Riverview Holdings Ireland Ltd	Dormant	Ireland	100%	100%
David Lloyd Riverview Ltd	Dormant	Ireland	100%	100%
David Lloyd Riverview Property Ireland Ltd	Dormant	Ireland	100%	100%
David Lloyd Leisure Nederland BV	Holding company	Holland	100%	100%
David Lloyd Health & Fitness BV	Leisure clubs	Holland	100%	100%
David Lloyd Leisure Property Holdings BV	Holding company	Holland	100%	100%
David Lloyd Leisure Property BV	Property company	Holland	100%	100%
David Lloyd Clubs France SAS	Leisure clubs	France	100%	100%
LK International SARL	Restaurant	France	100%	100%
David Lloyd Clubs Deutschland GmbH	Leisure clubs	Germany	100%	100%
Bonasport SA	Leisure clubs	Spain	5%	5%
Meridian Academy GmbH	Leisure clubs	Germany	100%	100%
Meridian Mezzanine GmbH	Leisure clubs	Germany	100%	100%
Meridian Spa & Fitness Frankfurt GmbH	Leisure clubs	Germany	100%	100%

19 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Holding 2021	2020
Meridian Spa & Fitness Berlin GmbH	Leisure clubs	Germany	100%	100%
Meridian Spa & Fitness Hamburg GmbH	Leisure clubs	Germany	100%	100%
Meridian Spa & Fitness Kiel GmbH	Leisure clubs	Germany	100%	100%
Meridian Spa & Fitness Deutschland GmbH	Leisure clubs	Germany	100%	100%
Geneva Country Club SA	Leisure clubs	Switzerland	100%	100%
DLL Greenwich Limited	Holding Company	England and Wales	100%	100%
DLL Greenwich Holding GmbH	Holding Company	Germany	100%	100%
DLL Greenwich GmbH	Holding Company	Germany	100%	100%
DLL Leisure Espana III SL	Holding Company	Spain	100%	0%
DLL Clubs Malaga SL	Leisure clubs	Spain	100%	0%
DLL Clubs Zaragoza SL	Leisure clubs	Spain	100%	0%
DLL Clubs Gava Mar SL	Leisure clubs	Spain	100%	0%

* indicates direct investment of the company

All of the above subsidiary companies are included within the consolidated Group financial statements.

The registered offices of Group companies are as follows:

Sports Management (Scotland) Limited & Newhaven Restaurant Limited: 302 St Vincent St, Glasgow, G2 5RZ
All other UK Group companies: The Hangar, Hatfield Business Park, Hatfield, Herts, AL10 9AX
All companies incorporated in Holland: Peter zuidlaan 30 5502NH, Veldhoven, Netherlands
All companies incorporated in Ireland: Beech Hill, Clonskeagh, Dublin 4, 662822
All companies incorporated in France: 740 Route des Plantets, 74140 Veigy-Foncenex, France
David Lloyd Leisure Espana II SL: Av. Diagonal 673-685 08028 Barcelona, Spain
David Lloyd Leisure Operations SPRL: 41 Drève de Lorraine, 1180 Uccle, Belgium
David Lloyd Leisure Ter Elst BVBA: Kattenbroek 3, 2650 Edegem, Belgium
David Lloyd Clubs Deutschland GmbH: c/o NHS GmbH WPG, Am Wehrhahn 100, 40211 Düsseldorf
DLL Talwalkars Club Private Limited: 801-813, Mahalaxmi Chambers, 22, Bhulabhai Desai Road, Mumbai - 400026
Bonasport SA: Calle Vistabella, 11, 08022 Barcelona, Spain
All Meridian Spa & Fitness companies: 87-89 Wandsbeker Zollstrasse, Germany
Geneva Country Club SA: Rte de Collex 47, 1293 Bellevue, Switzerland
DLL Clubs Malaga SL: Calle Juan Sebastian Elcano 129-131, 29017 Malaga
DLL Clubs Zaragoza SL, DLL Clubs Gava Mar SL and DLL Leisure Espana III SL: Calle Maria Montessori 13, 500018 Zaragoza

On 14 December 2021, the Group acquired the entire issued share capital of Sporttrust S.L. and it's subsidiaries (known as the "Accura Group"). The Company has been renamed DLL Leisure Espana III SL.

The Group received dividends of £8,000 (2020: £8,000) from Bonasport SA during the year.

20 Other receivables

	Group		Company	
	31 December 2021 £ 000	Restated 31 December 2020 £ 000	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Amounts due from parent companies	2,706	-	-	-
Amounts due from subsidiaries	-	-	707,337	516,320
Other receivables	3,042	3,269	-	-
Total non-current other receivables	5,748	3,269	707,337	516,320

The movement in other receivables during the year is as follows:

	31 December 2021 £ 000	Restated 31 December 2020 £ 000
At start of year	3,269	-
Recognition of receivables	1,847	3,233
Provision for impairment of receivables	(1,847)	-
Foreign currency movements	(227)	36
At end of year	3,042	3,269

A finance lease receivable was recognised in the year of £1.8m relating to a sublease entered into in respect of leased premises in Dordrecht. In October 2021, the counterparty was declared bankrupt. As a result, the finance lease receivable of £1.8m has been fully impaired during the year.

Other receivables include rent guarantees in relation to leasehold properties in Germany.

The amounts due from parent companies and amounts due from subsidiaries are repayable on demand and accrue interest of 3.5% for the year ended 31 December 2021.

21 Trade and other receivables

	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Trade receivables	16,917	13,790
Provision for impairment of trade receivables	(8,750)	(9,355)
Net trade receivables	8,167	4,435
Amounts due from parent companies	-	497
Contract assets	1,925	3,357
Prepayments	33,547	23,117
Other receivables	1,570	1,437
Total current trade and other receivables	45,209	32,843

21 Trade and other receivables (continued)

The carrying value of trade and other receivables classified as receivables approximates fair value.

The amounts due from parent companies and amounts due from subsidiaries are repayable on demand and accrue interest of 3.5% for the year ended 31 December 2021.

The creation and release of the provision for impaired receivables are included in 'other operating expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The movement in the provision during the year is as follows:

	31 December 2021 £ 000	Restated 31 December 2020 £ 000
At start of year	9,355	7,747
New provision (reversed)/created	(605)	1,608
At end of year	8,750	9,355

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

As of 31 December 2021, trade receivables of £895,000 (2020 restated: £579,000) were past due but not impaired. The ageing of these receivables is as follows:

	31 December 2021 £ 000	31 December 2020 £ 000
1 to 3 months	872	476
Over 3 months	23	103
	895	579

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	31 December 2021 £ 000	Restated 31 December 2020 £ 000
UK Pounds	38,501	24,778
Euros	6,497	5,942
Swiss Francs	211	2,123
	45,209	32,843

22 Cash and cash equivalents

	Group		Company	
	31 December 2021 £ 000	Restated 31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Cash at bank and in hand	121,183	58,791	6	-
Restricted cash	3,030	23,775	-	-
	124,213	82,566	6	-

Restricted cash at 31 December 2021 relates to cash held in escrow for the repayment of the Mezzanine loan notes.

Restricted cash at 31 December 2020 related to April and July 2020 capitalised loan interest. A condition of the capitalisation of this interest was for the cash to be held in a designated bank account that is not under the control of the Group and is not immediately available for use in the ordinary course of business. On 13 April 2021 the restrictions on the cash were lifted.

23 Trade and other payables

	Group		Company	
	31 December 2021 £ 000	Restated 31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Trade payables	61,013	43,714	170	-
Accrued expenses	52,575	68,551	690	25,947
Amounts due to Group companies	-	16,138	915,202	1,971
Social security and other taxes	11,979	19,607	-	-
Other payables	2,571	2,961	-	-
Contract liabilities	43,025	38,189	-	-
	171,163	189,160	916,062	27,918

Accrued expenses includes £2.6m (2020: £26.0m) of accrued interest on loans and borrowings.

The amounts due to parent company and amounts due to Group companies are repayable on demand and accrued interest of 3.5% for the year ended 31 December 2021. The increase in amounts due to Group companies in the year has arisen from Deuce FinCo Plc on lending proceeds from the issue of loan notes to the Company as part of the refinancing of the Group on 18 June 2021.

24 Loans and borrowings

	Group		Company	
	31 December 2021	Restated 31 December 2020	31 December 2021	31 December 2020
	£ 000	£ 000	£ 000	£ 000
Current loans and borrowings				
Bank borrowings and loans	3,384	41,124	-	-
Shareholder loan notes	-	8,986	-	40,000
	3,384	50,110	-	40,000
Non-current loans and borrowings				
Loan	903,429	1,089,130	-	1,018,919
Loan arrangement fees	(16,262)	(2,381)	(3,064)	(2,381)
	887,167	1,086,749	(3,064)	1,016,538

Loan arrangement fees for the Company of £3.1m relate to the super senior revolving credit facility that was undrawn at 31 December 2021.

On 18 June 2021, a newly incorporated company, Deuce FinCo plc (a subsidiary of the Company) issued £645m of Senior Secured Notes (“the Sterling Notes”) and €300m of Senior Secured Notes (“the Euro Notes”). The Notes are listed on The International Stock Exchange, for which Deuce FinCo plc is the issuer and certain subsidiaries of the Group are guarantors. Interest on the Sterling Notes accrues at a rate of 5.50%, payable semi-annually. Interest on the Euro Notes accrues at 4.75% plus three-month EURIBOR, payable quarterly in arrears. The Notes are due to be repaid in full on 15 June 2027.

Capitalised issue costs are amortised over the period to the repayment date of the Notes.

Other loans and borrowings consist of a Mezzanine Bond (€3.5m), a loan from the Swiss Government (CHF 0.5m) and loans from Spanish banks (€2.9m and €4.0m). The Mezzanine Bond was issued in October 2010. Interest accrues at 7%. Formal notice has been given to repay the Mezzanine Bond in December 2021 and therefore has been classified as a current liability, with repayment made in January 2022.

The loan from the Swiss Government was obtained to support the Swiss club as a result of COVID-19. The loan is interest free and has been fully repaid in April 2022.

The loan from Kratus Inversiones and Unicaja Banco were assigned to the Group on acquisition of the Accura group. Interest accrues at 2% and 1.75% respectively, payable monthly. The loans are due to be repaid on 31 March 2043 and 31 March 2029.

In addition, the Group has access to a £125m super senior revolving credit facility (“SSRCF”) which has a maturity date of 18 December 2026. As at 31 December 2021, this facility was undrawn.

24 Loans and borrowings (continued)

The loans and borrowings have expiry dates between 2021 and 2043 and are secured with a fixed charge against the assets of the Group. The loans and borrowings attract interest as shown in the table below:

	Loan amount	Maturity	Interest	Amount drawn
Sterling senior secured notes	£645.0m	15/06/2027	5.50%	£645.0m
Euro senior secured notes	€300.0m	15/06/2027	4.75% + EURIBOR	€300.0m
Mezzanine bonds	€3.5m	31/12/2021	7.00%	€3.5m
Super senior revolving credit facility	£125.0m	18/12/2026	3.25% + LIBOR	£Nil
Swiss government loan	CHF0.5m	30/09/2027	Interest free	CHF0.5m
Kratus Inversiones D.A.C loan	€2.9m	31/03/2043	2.00%	€2.9m
Unicaja Banco loan	€4.0m	31/03/2029	1.75%	€4.0m

	Book value 31 December 2021 £ 000	Fair value 31 December 2021 £ 000	Book value 31 December 2020 £ 000	Fair value 31 December 2020 £ 000
Sterling senior secured notes	645,000	639,066	1,089,130	1,108,401
Euro senior secured notes	251,889	249,924	-	-
Loans – other	9,924	9,367	-	-
	906,813	898,357	1,089,130	1,108,401

The fair value of Senior Secured Notes is taken from the quoted market price. This is a Level 1 valuation. The fair value of all other borrowings are calculated by discounting the future cash flows at prevailing market interest rates, categorised as a Level 2 valuation.

25 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments: liquidity risk, credit risk, and market risk arising from interest rate risk.

This note presents information about the Group’s exposure to each of the above risks and describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The key market risks affecting the Group are interest rate risk and foreign exchange rate risk.

25 Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is limited as the senior secured notes have a fixed interest rate. The super senior revolving credit facility ("SSRCF") remains undrawn but would be subject to SONIA (Sterling Overnight Index Average). The Group monitors interest rates and reacts accordingly.

Exchange rate risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

Financial instruments affected by exchange rate risk include the Euro Notes. At 31 December 2021, the €300 million Euro Notes had a carrying amount of £251.9m based on an exchange rate of 1.1910.

Sensitivity analysis

Sensitivity of balance sheet movements in the Euro exchange rate are shown below:

	Sterling **£ 000**	**Euros** **£ 000**	**Total** **£000**	**+10%** **£ 000**	**-10%** **£ 000**
Assets	1,626,937	302,589	1,929,526	(27,508)	33,621
Liabilities	(2,007,236)	(310,450)	(2,317,686)	28,223	(34,494)
	(380,299)	(7,861)	(388,160)	715	(873)
Loss after tax	150,396	2,592	152,988	(236)	288

Price risk

The Group is exposed to increases in the price of electricity and gas. The Group manages its exposure by purchasing its utility requirements in advance through industry leading advisers. For 2022, 80% of the UK electricity volumes and 94% of the UK gas volumes have been purchased. Unused utility volumes are sold back to the market with the Group liable for any losses due to lower pricing. We have recently extended our electricity supply contract to October 2025, and our gas contract to October 2024.

Inflation risk is the risk that the cost of key services and products procured by the Group will rise with inflation and affect the Group's margin. A large proportion of the Group's leasehold rents are subject to RPI or CPI increases which presents an ongoing risk. The Group has comprehensive cost control processes in place to ensure these inflation driven risks are minimised.

If membership price changes do not reflect market sensitivities and elasticities, this may result in decreased revenue and profit through increased attrition or eroded margins. The Group has a comprehensive pricing policy which is reviewed annually to ensure this risk is mitigated.

The Group's UK employees are subject to the Working Time Regulations which controls the hours they are legally allowed to work. In addition, on 1 April 2021 the National Living Wage increased to £8.91 for those aged 23 and over and increases to £9.50 effective from 1 April 2022. The Group introduced a minimum hourly rate above the national minimum wage and national living wage. From 1 April 2021, our minimum wage increased to £9.00 for all hourly paid employees regardless of age. From 1 April 2022, our minimum wage increased to £9.60 for all hourly paid employees. This minimizes the Group's exposure to further increases in the national living wage.

25 Financial risk management objectives and policies (continued)

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by performing detailed cash flow forecasts and monitoring this monthly, matching the maturity profiles of financial assets and operational liabilities and by maintaining cash balances (or agreed facilities) to meet expected requirements.

On 18 June 2021 the Group completed a refinancing which significantly increased its liquidity and strengthened the balance sheet.

Maturity analysis
The following table sets out the contractual undiscounted maturities including cashflows of the financial assets and liabilities of the Group as at 31 December 2021:

Financial assets:

31 December 2021	Weighted average effective interest rate	Less than 1 year £ 000	2 to 5 years £ 000	Over 5 years £ 000	Total £ 000
Cash and cash equivalents	0%	124,213	-	-	124,213
Trade and other receivables	0%	45,209	-	-	45,209
Other receivables	0%	-	-	5,748	5,748
		169,422	-	5,748	175,170

31 December 2020	Weighted average effective interest rate	Less than 1 year £ 000	2 to 5 years £ 000	Over 5 years £ 000	Total £ 000
Cash and cash equivalents	0%	82,566	-	-	82,566
Trade and other receivables	0%	32,346	-	-	32,346
Other receivables	0%	-	-	4,881	4,881
		114,912	-	4,881	119,793

Financial liabilities:

31 December 2021	Weighted average effective interest rate	Less than 1 year £ 000	2 to 5 years £ 000	Over 5 years £ 000	Total £ 000
Loans and borrowings	5.3%	47,553	190,252	893,489	1,131,294
Trade and other payables	0%	75,563	-	-	75,563
Lease liabilities	6.5%	113,413	329,920	3,202,479	3,645,812
Contingent consideration in business combination	7.1%	178	268	-	446
		236,707	520,440	4,095,968	4,853,115

25 Financial risk management objectives and policies (continued)

Restated 31 December 2020	Weighted average effective interest rate	Less than 1 year £ 000	2 to 5 years £ 000	Over 5 years £ 000	Total £ 000
Loans and borrowings	9.4%	171,283	1,365,500	-	1,536,783
Trade and other payables	0%	66,281	-	-	66,281
Finance lease liabilities	6.5%	102,299	318,642	3,135,845	3,556,786
		339,863	1,684,142	3,135,845	5,159,850

Trade and other payables includes trade payables, social security and other taxes, and other payables as disclosed in note 23.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, which are made where there is evidence of a reduction in the recoverability of the cash flows.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating "A" are accepted. The Group assesses the credit quality of customers, taking into account their financial position, past experience and other factors. The credit risk of the Group is minimised due to exposure spread over a large number of customers who generally pay by direct debit in advance.

Capital risk
Capital risk arises from the management of the capital structure, which consists mainly of the loans and borrowings detailed in note 24 and shareholder equity. The capital structure should be managed to ensure the Group can remain a going concern, and to maximise shareholder funds. Detailed cash flow forecasts based on expected working capital requirements and expected capital projects are maintained throughout the year to ensure that the Group has sufficient funds to operate as a going concern using the available facilities.

Principal financial instruments
- Trade receivables;
- Fixed rate loans;
- Cash and cash equivalents;
- Lease liabilities;
- Trade and other payables.

Financial instruments not measured at fair value
Financial instruments not measured at fair value includes all of the above.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and lease liabilities approximates their fair value.

25 Financial risk management objectives and policies (continued)

Fair value measurement
Any fair value measurement is categorised within the fair value hierarchy:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of Senior Secured Notes is taken from the quoted market price. This is a Level 1 valuation. The fair value of all other borrowings are calculated by discounting the future cash flows at prevailing market interest rates, categorised as a Level 2 valuation.

Where the fair valuations are on a recurring basis the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have not been any transfers between levels in the hierarchy for any financial instruments.

26 Share-based payments

Scheme details and movements

Under the Management Incentive Plan ("MIP") senior executives of the Group are entitled to purchase B, C, D and E ordinary shares. The B, C, D and E ordinary shareholders are entitled to participate in proceeds on a sale of the Group in accordance with the Articles of the Company. Members of the plan must remain employees of the Group in order to retain their full entitlement to participate in proceeds. There are no other vesting conditions. The intrinsic value (being the difference between the cash paid and the fair value) at the date of grant is recognised as an equity-settled share-based payment and spread on a straight-line basis over the vesting period.

On 10 December 2021, Deuce Holdco Limited bought back and cancelled 12,500 D shares from leavers with a nominal value of £1 each, for consideration of £0.13m. The consideration paid was £0.03m greater than the outstanding balance of the limited recourse loan used to fund the purchase of these shares, plus accrued interest. On the same date, Deuce Holdco Limited bought back and cancelled 20,950 E shares from leavers with a nominal value of £1 each, for consideration of £0.22m. The consideration paid was equal to the outstanding balance of the limited recourse loan used to fund the purchase of these shares, plus accrued interest. The cancellation of shares has been recognised as a credit to the capital redemption reserve of Deuce Holdco Limited. The limited recourse loans were written off to distributable reserves at the date the shares were issued, therefore the amount of consideration paid over and above the limited recourse loans of £0.03m has been deducted from distributable reserves of Deuce Holdco Limited during the year.

The expense recognised in employee expenses during the year is £2.2m (2020: £0.9m). This has increased on prior year due to the assumptions around the timing of exit being amended and recognised in the prior year.

27 Provisions

Group

	Legal claims £ 000	Senior Management Incentive Plan £ 000	Other £ 000	Total £ 000
At 1 January 2021 (restated)	-	138	712	850
New provisions created	5,000	-	995	5,995
Utilisation of provision	-	-	(42)	(42)
Reversal of provision	-	(80)	(173)	(253)
Unwinding of discount	-	-	11	11
Exchange differences	-	-	(23)	(23)
At 31 December 2021	5,000	58	1,480	6,538

	31 December 2021 £ 000	Restated 31 December 2020 £ 000
Current provisions	691	43
Non-current provisions	5,847	807
Total provisions	6,538	850

a) Legal claims

Following a tragic accident on 21st April 2018 at David Lloyd Leeds, Leeds City Council has served prosecution papers upon the Company alleging a Health & Safety offence. The case has been listed for trial from 17th July 2023. A provision has been recognised on a prudent assessment of the potential outcome and included within legal claims provisions in the table above.

b) Senior Management Incentive Plan

The Senior Management Incentive Plan "SMIP" is an incentive plan for senior managers. Participants do not receive equity shares but rather an invitation to share in a bonus pool upon exit. The bonus on exit is calculated on the same basis as the amount receivable in respect of an E share, except it will be paid net of employment taxes.

c) Other provisions

Other provisions relate to a retention guarantee that has been withheld by the Group in relation to the Aravaca land purchase, and estimated dilapidation costs for the Solihull, Maidstone and Kiel clubs.

28 Deferred tax

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Deferred tax liabilities

	Land and buildings	IFRS 16: Leases	Brand	Leasehold intangible	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 January 2021 (restated)	51,748	116,842	14,156	7,927	190,673
Acquired through acquisitions of subsidiaries	-	620	-	-	620
(Credit)/charge to the income statement	(1,488)	(6,806)	1,416	(702)	(7,580)
Change in tax rate	16,342	35,030	4,470	2,501	58,343
Foreign exchange movements	-	(428)	-	-	(428)
At 31 December 2021	66,602	145,258	20,042	9,726	241,628

28 Deferred tax (continued)

Deferred tax assets	**Fixtures and fittings**	**Losses**	**IFRS 16: Leases**	**Other**	**Total**
	£ 000	**£ 000**	**£ 000**	**£ 000**	**£ 000**
At 1 January 2021 (restated)	32,707	9,906	87,059	23,636	153,308
Acquisitions	-	-	379	-	379
Credit/(charge) to the income statement	34	402	(12,154)	9,716	(2,002)
Change in tax rate	9,663	3,128	22,380	7,429	42,600
Foreign exchange movements	(149)	-	(1,138)	-	(1,287)
At 31 December 2021	42,255	13,436	96,526	40,781	192,998

In addition to the recognised deferred tax assets and liabilities above, the Group has unrecognised deferred tax assets of £2.3m (2020 restated: £2.8m) in respect of the UK property portfolio, and unrecognised deferred tax assets of £35.2m (2020 restated: £23.4m) in relation to carried forward losses where it is not sufficiently probable they will be utilised against future profits.

Deferred tax assets and liabilities have been recognised at the main rate of corporation tax in the relevant jurisdiction prevailing at the expected date of unwind with reference to enacted rates on the balance sheet date. In the UK the long term corporation tax rate of 25% enacted as at 31 December 2021 and applying from 1 April 2023 is used. The opening balances in the UK used the corporation tax rate enacted at 1 January 2021 of 19%. Thus, of the total movement in year, £15.7m relates to the increase in rate.

29 Share capital and equity reserves

Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	425,798	425,798	-	-

On 18 June 2021, the Company issued 425,797,898 ordinary shares of £1 for cash proceeds of £342.4m and the contribution of DLL Greenwich Ltd and its subsidiaries (comprising the Meridian Group and Geneva Country Club) for £83.4m.

Share premium

Share premium represents the premium arising on issue of ordinary shares.

Capital contribution reserve

The capital contribution reserve represents the sale of shares from David Lloyd Group Employee Share Trust in 2018.

Merger reserve

The Merger reserve represents balances arising on group common control transactions.

Foreign currency translation reserve

Foreign exchange differences arising on translating the net assets of foreign operations.

Share based payment reserve

The share based payment reserve represents the credit to equity for equity-settled share based payments.

Other reserves

Other reserves represents proceeds from parent companies for the issue of shares by DLL Greenwich Limited, a subsidiary of the Company.

Accumulated losses

Accumulated losses represent cumulative losses recognised up to the balance sheet date.

30 Commitments

Group

Capital commitments

The Group had committed to providing a padel court at an existing site in Raynes Park, a resort concept at Hampton and providing a significant refurbishment of one existing site in Geneva and one new site in Cricklewood. The total amount contracted for but not provided in the financial statements was £7.2m (2020: £nil).

Other commitments

The Group has entered into a forward funding agreement to construct a new club in Bicester. The Group will pay the building contractor construction costs which is being reimbursed by the forward funder. On completion of the build, an agreement to lease the land and buildings has been entered into for a period of 30 years. At the statement of financial position date, the amount contracted for but not provided in the financial statements was £6.9m (2020: £2.2m).

31 Prior year adjustment

During the year the directors assessed the classification of the Company intercompany balances as current or non-current. Although the intercompany balances are repayable on demand, the likelihood of repayment within the next 12 months is remote. Following this reassessment, the directors have concluded that the loans to group undertakings should be reclassed to non-current assets. As a result, a prior year adjustment has been made and is reflected in the restated 2020 balances as presented. The effect of the prior year restatement is to decrease Company trade and other receivables by £516.3m and increase Company non-current other receivables by £516.3m. The net impact on the Company's income statement results and statement of financial position is £nil. The restatement has been made to ensure comparability between the periods.

32 Post balance sheet events

On 14 January 2022 the Group signed a lease for a new premium club in north-west London. The club, named David Lloyd Cricklewood Lane will offer a wide range of market-leading fitness, spa and wellness facilities. The club will reopen in Spring with the full refurbishment completed by late Summer 2022.

On 25 February 2022 the Group was successful with a bid of c. €4.6m to acquire Club Santana, Spain. The administration process is ongoing and is expected to complete later in 2022.

On 25 February 2022 the Group exchanged contracts to build another club in Rugby. This will complete in 2023.

On 11 April 2022 the Group purchased land in Shawfair for £2.1m.

The loan from the Swiss Government (CHF 0.5m) was fully repaid in April 2022.

33 Contingent liabilities

Occasionally, the Group is subject to legal proceedings and claims. A liability is recorded only when it is probable that the case will result in a future economic outflow which can be reliability measured. In the Directors' opinion, after taking appropriate legal advice it is not considered probable that a material outflow of economic benefits will occur in relation to any ongoing cases not currently provided for.

34 Related party transactions

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activity of the Group, including the Directors and senior management of the Group listed on pages 22 to 24.

The remuneration for key management personnel for the year was as follows:

	31 December 2021 £ 000	31 December 2020 £ 000
Short-term employee benefits	2,292	1,696
Post-employment benefits	55	51
	2,347	1,747

34 Related party transactions (continued)

Summary of transactions with other related parties

Since 1 November 2013, TDR (employees of which sit on the Board) has provided managerial advice to the Group, for which a fee is due annually. For the year ended 31 December 2021, £2,000,000 (2020: £2,000,000) was charged, of which £500,000 (2020: £2,000,000) remains unpaid as at the statement of financial position date.

TDR also provided operating partner services since 1 January 2020. For the year ended 31 December 2021, £19,000 (2020: £76,000) was charged. At the statement of financial position date, the balance is fully paid (2020: £76,000 remained unpaid).

35 Parent and ultimate parent undertaking

On 18 June 2021, the Company's immediate parent, Deuce Holdco Limited, contributed the shares in the Company to Deuce Parentco Limited (a newly incorporated company) in exchange for the issuance of ordinary shares by Deuce Parentco Limited.

At the statement of financial position date the Company's immediate parent is Deuce Parentco Limited, a Company incorporated in the United Kingdom and registered in England and Wales. The financial statements of Deuce Parentco Limited can be obtained from the Register of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3YZ.

The ultimate parent of the Company is Deuce Holding S.à r.l. and the ultimate controlling party is a group of investment funds managed by TDR Capital LLP (registered office: 20 Bentinck Street, London W1U 2EU).