Registration number: 11385914

Deuce Midco Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2023

Deuce Midco Limited

Contents

Deuce Midco Limited

Company Information

Directors	MA Stephens BJ Magnus DG Earlam PJ Burrows SA Lloyd MJ Evans R Barnes
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Registered Number	11385914
Bankers	Barclays Bank PLC Leicester Leicestershire LE87 2BB
Auditor	Deloitte LLP Statutory Auditor 1 New Street Square London United Kingdom EC4A 3HQ

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2023

Deuce Midco Limited ("the Company") is the holding company for David Lloyd Leisure Limited ("DLL") and other subsidiaries (together "the Group").

The directors present their strategic report on the Group for the year ended 31 December 2023.

This strategic report, which incorporates the information required in the non-financial and sustainability information statement and the section 172(1) statement, has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to the Group and its subsidiary undertakings when viewed as a whole.

David Lloyd Clubs ("DLC") helps members to live life better with a focus on physical and mental wellbeing and a sense of belonging. We are Europe's leading premium health and wellness group operating 133 Clubs - 103 Clubs in the UK and a further 30 Clubs across mainland Europe, comprising three brands David Lloyd Clubs, Harbour Clubs and David Lloyd Meridian Spa and Fitness in Germany.

Our clubs provide the perfect destinations to stay fit and healthy as a family. Helping our members to live a better life with a focus on physical and mental wellbeing and a sense of belonging is core to our ethos and member offering. Facilities include state-of-the-art gyms, heated indoor and outdoor pools, top-class racquets facilities, well-equipped group exercise studios and luxurious spas. And 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.

Our members and over 10,000 team members make a positive impact on the communities and environment in which we operate. We have an expert health and fitness team of over 2,000 and more than 680 tennis professionals work with us. David Lloyd Clubs' racquet facilities are unparalleled with over 1,080 tennis courts, 400 badminton and squash courts as well as 90 padel courts.

Business model

Our business model focuses on operating a portfolio of strategically located clubs in suburban areas, with each site situated in close proximity to affluent populations. Our clubs include heated indoor and outdoor pools, top-class racquet facilities, well-equipped group exercise studios, state-of-the-art gyms, luxurious spas, crèches, family-oriented club rooms and outdoor spaces, lounges with restaurants and bars as well as a fully complementary digital offering, thereby delivering an outstanding customer experience to our members. The range and breadth of services offered by our clubs' results in longer customer dwell-time, increased secondary spending, higher market penetration and industry leading retention rates.

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.

Our business model is underpinned by a large number of affluent members who are loyal and generate significant recurring subscription income. Our members value health and wellbeing and have a high disposable income. More than 75% of the Group's revenues are generated through member subscriptions with most members on 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 interdependent, 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 continued investment in our team members and club facilities improves 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.

Our history (continued)

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 capital ("TDR") in 2013, and since then our total number of clubs has increased from 90 to 133 through a combination of acquisition and new builds.

Our Vision and Values

Our vision is "My Club for My Life". Our clubs are places for me-time, together-time, work, rest and playtime under one roof. They improve the lives of our members and provide a home away from home under our "My Club for My Life" ethos. However you use us, we can improve your life for all of your life, and you will feel part of your Club. Nobody builds a sense of belonging like David Lloyd Clubs.

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 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".

Delivery of "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 places an emphasis on creating an environment of local autonomy, empowering local teams to make decisions for local members, which drives 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 and Key Performance Indicators ("KPIs") - Delivering My Club for My Life

We aim 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.

Strategies and Key Performance Indicators ("KPIs") - Delivering My Club for My Life (continued)

Delivering My Club for My Life has broader impacts beyond our members and our clubs, and our strategy is evolving to ensure the continued work of our team and members continues to make a positive impact on the communities and environment in which we will want to thrive.

To deliver My Club for My Life we have developed strategies and key performance indicators to measure our progress.

1. Live Life Better

Help every member live life better by expanding our wellness expertise and use of personalised data. We aim to achieve:

- In club attendance > 75%
- App penetration of 85% by 2024

In club attendance is measured through average monthly unique gate swipes. 2023 saw 72.6% of our members attend our clubs January to December 2023, an increase of 2.7% on the equivalent prior period. We are pleased with the progress achieved against our 75% target.

App penetration is measured by the number of members that have downloaded the app. Our new app was launched in April 2022 and satisfaction levels are high with an app rating of 4.6 out of 5. Our app penetration (calculated as % of members aged 14+ years who have downloaded the app) at December 2023 is 74% (December 2022: 68%) with c. 453k unique app users. We also have 158k digital app only members. We are pleased with the progress made in 2023 and we remain committed to achieving an app penetration target of 85% by 2024.

2. Do Good

Become positively integrated in the local community and put sustainability at our heart.

We aim to achieve:

- Carbon Net Zero by 2030

We've set ourselves the target of 2030 to become carbon net zero across Scope 1, 2 and 3 as defined by the Greenhouse Gas (GHG) Reporting Protocol. We have submitted our Net Zero targets to the Science Based Targets initiative (SBTi). These are expected to be approved in mid-2024.

We reduced our Scope 1 and 2 emissions in 2023 by c.8,000 tonnes vs 2022 predominately by moving onto a renewable electricity contract, and reductions in electricity consumption. The Group's target was to reduce emissions in 2023 by 11k tonnes. The 3k shortfall was due to;

- Solar pV installations – first batch not completed as quickly as originally anticipated;
- Delays in moving onto smaller CHP units and delivering heat decarbonisation, both now in progress.

The following projects were delivered, or in progress to deliver, reductions to emissions during 2023, or to further enhance our strategy:

- £2m utility capex – expected to deliver a reduction of c 2,000t/CO2e per annum. Capex allocated to European Building management Systems (BMS) upgrade projects.
- Renewable UK electricity contract – agreed from 1st January 2023. This removed the majority of our Scope 2 emissions (8,000/t).
- Solar Power Purchase Agreement opportunity – board agreement to move to exclusivity with identified solar farm project.
- Solar pV rollout – we continue to make good progress and expect 40 clubs to be completed by the end of 2024.
- Heat pump trial – Heat pumps will be installed in 3 clubs by the end of the year for a heat pump trial.
- New club build (removal of Scope 1 & 2 emissions) – we are currently reviewing how we transition to a gas free club.

Strategies - Delivering My Club for My Life (continued)

3. Belonging
Create a sense of belonging for our members so that they never want to leave.

We aim to achieve:
- MAT attrition 33% by 2024

MAT attrition records the rate of turnover of members, focusing efforts on long-term member retention. MAT attrition % is calculated by the total number of leavers in the last 12 months divided by opening count in the 12-month period.

The Group's MAT attrition was 36.5% in December (an improvement of 1.7% compared to the prior year) and total attrition for the year ended 31 December 2023 was 267k. We manage attrition through encouraging members to use our facilities more, continued investment in our club facilities and development of our product range to provide a premium offering to our members.

4. Premiumisation
Continually innovate and improve our product quality, physically and digitally, inside and outside.

We aim to achieve:
- Member experience score of 85% by 2024

Member experience is measured through member satisfaction app scores via the number of 'good' and 'very good' responses as a percentage of overall responses. We achieved an average member experience score of 81.5% for the year finishing up 1.4% vs full year 2022 and our highest score since launching feedback in the app in 2019.

Our Trustpilot and Google scores are also strong at 4.4 and 4.1 respectively. This reflects our focus on providing 5-star customer service.

We continue to see challenges within Clubs where investment works are in progress. The Group continues to premiumise its offering to deliver yield and to further differentiate from the market. 29 spa retreats were open as at December 2023. We have already identified 11 premiumisation projects for 2024 including 8 spa retreats.

5. Effortless service
Develop 5-star, personalised customer service that's supported by digitally intuitive systems and removes barriers for our members and our team.

We aim to achieve:
- Mystery shop score of 92% by 2024

Every club has a mystery shop visit at least 6 times a year. The score is based on 40 questions across 14 sections. We achieved an average mystery visit score of 89.4% for the year (2022: 91.3%). The score reduction against the previous year was driven by a change in the question set (more difficult) from July 2023. This revised question set includes an instant failure for clubs if non-negotiable questions are not passed.

6. The Best People Choose Us
We attract and keep the best people through our market leading standards, forward-thinking work environment and the values that guide us.

We aim to achieve:
- Employee engagement score of 86% by 2024

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%. Employee engagement is measured twice a year by way of an online employee survey. The engagement score is derived from 6 questions. The Group achieved a KPI rating of 86% in the current period which is up 4% on 2022. This was a fantastic result and only the second time in the Group's history that this result had been achieved.

6. The Best People Choose Us (continued)
In May 2023 the Group was delighted to be named in the top 10 of The Sunday Times' Best Very Large Places to Work in the UK in 2023. This accolade is awarded on the back of a survey of our team members so reflects just how valued and engaged our team members feel at David Lloyd Clubs.

Operational review
Financial Year 2023 was a year of investment and growth, with strong demand driving improving yields and returns. The Group delivered a strong performance over the past 12 months, both operationally and financially, with growth across key metrics, including membership numbers, revenue and adjusted EBITDA (pre-IFRS 16) as defined on page 19.

Membership growth of 3.5% was driven by a combination of like for like (LFL) growth, the acquisition of Wickwoods in Sussex and 3 of our most successful openings ever[1] in Rugby (Warwickshire), Shawfair (Edinburgh) and Sterrebeek (Brussels). Demand was particularly strong for our premium Platinum and Diamond packages, and we were pleased to see attrition continuing to reduce. We achieved very positive membership experience scores and robust value for money scores, despite the broader challenges in the macro environment.

Commenting on the results, Chief Executive Russell Barnes said: "I am pleased to report a strong financial and operational performance for the year, with the trading momentum seen in H1 continuing through H2. The membership base has increased steadily through the year, as families and individuals continue to prioritise their mental and physical well-being. We have continued to innovate and make disciplined investment across the group. Our focus remains on further improving the member experience, through premiumisation and expansion of our clubs and offering, which is reflected in our membership experience and retention scores. We remain very excited about the growth opportunities ahead and the Board is confident in the outlook for the business."

The Group remains highly cash generative, and we continue to invest in adjusted EBITDA (pre-IFRS 16) enhancing projects. Our 2023 capital expenditure was c. £115m which we categorised as Pipeline (c. £22m), Maintenance (c. £44m), Investment and Innovation (c. £46m) and Digital Innovation (c. £3m).

Premiumisation
We are 'Premiumising' our offering to deliver yield and to further differentiate David Lloyd Clubs ("DLC") from other competitors. The Group has continued to develop its product range to deliver an overall premium health and wellness experience. DLC bespoke products include Blaze, Cyclone, Rhythm, Battlebox, Spirit and Ign1te.

A key strategic initiative in this area has been the roll out of our spa retreats. We now have 31 open as at the date of this report, and are delighted with the positive reception that they have received from our members.

As we open these spa retreats, we premiumise other club facilities. Not every club within the estate has the space to accommodate a spa retreat so we are reviewing how we premiumise these clubs. We continue to improve the overall offering from the look, feel and style perspective as part of our strategy to further differentiate from the market. For example, we believe there is an opportunity to invest in facilities to expand and premiumise gyms, outdoor dining areas, co-working space, pools and locker areas.

In addition, we are further investing in wellness innovation, including offering more fitness and wellness opportunities outdoors for members who want to exercise and relax outside, all year around.

New clubs
The Group has developed a strong pipeline of sites that underpin our club roll-out programme for the next few years and has carried out extensive analysis to identify white space in target towns and cities, generating 100 and 500 potential opportunities in the UK and Europe respectively.

During 2023 the Group opened/acquired four clubs (Wickwoods, Shawfair, Rugby and Sterrebeek) giving us a portfolio of 133 premium locations across the UK and Europe. The table below outlines our contracted pipeline opportunities:

[1] *Defined as record opening member count.*

New clubs (continued)

Date	Location	Details
June 2022	Boadilla, Madrid	The Group acquired the former Club Santana site with plans to refurbish and reopen in 2024.
December 2022	Berlin	The Group entered into an agreement to lease a new club in Berlin. Aggregate Holdings will build a new David Lloyd club as part of its prestigious FÜRST project on Berlin's Kurfürstendamm. Development is expected to be completed in 2024 with the club opening in Q1 2025.
January 2023	Bury St Edmunds	The Group exchanged contracts to acquire freehold land to build a club in Bury St Edmunds. On 30 August 2023, the Group completed the purchase of the land for consideration of £3m. Construction of the club has commenced and is due to open in 2024.
April 2023	Meersbuch, Dusseldorf	The Group entered into an agreement to lease a new site in Meerbusch, Dusseldorf subject to planning permission. On 17 March 2024, the lease commenced whereby the Group became a lessee on the headlease, and lessor on the sub lease of an existing club.
May 2023	Nantwich, Cheshire Chalfont St Peter, Buckinghamshire	The Group exchanged contracts to purchase land in Nantwich, Cheshire subject to planning permission. The Group entered into an agreement to lease land in Chalfont St Peter, Buckinghamshire subject to planning permission.
July 2023	Moraleja, Madrid	The Group entered into an agreement to lease land in Moraleja, Madrid subject to planning permission.
August 2023	Herne Bay, Kent	The Group exchanged contracts to purchase land in Herne Bay, Kent, subject to planning permission.
September 2023	Wandsworth Swords, Dublin	The Group entered into an agreement to lease a club in Wandsworth, London. The Group exchanged contracts to purchase land in Swords, Dublin subject to planning permission.
December 2023	Kettering, Northamptonshire	The Group exchanged contracts to purchase land in Kettering, Northamptonshire subject to planning permission.
March 2024	Ashford	The Group exchanged contracts to purchase land in Ashford, Kent, subject to planning permission.

The Group's target is to open four or five new clubs per year, and we remain well on track to achieve our target of 150 clubs by 2027.

Innovation

We continually innovate to offer the best products and services for families and individuals in welcoming surroundings including state-of-the-art gyms, heated indoor and outdoor pools, top-class racquets facilities, well-equipped group exercise studios, luxurious spas, kids club facilities and crèches. We now offer facilities for the increasingly popular racquet sports Padel and Pickleball and we continue to implement our signature products and classes including Battlebox and Blaze Rebels across more clubs.

Padel is the world's fastest-growing racquet sport. The Group is intent on becoming the UK's largest provider of the sport and continues to build brand new courts within the UK estate. The Group currently offers nearly 90 Padel courts across the 133 Clubs in nine countries with plans for 140 padel courts by the end of 2024 and 170 by mid-2025.

Environmental, Social and Governance (ESG)

As Europe's leading health, fitness, and wellness group, we have been helping families lead healthy and active lives for more than 40 years. The Group recognises the importance of its role and responsibility in contributing to a healthy society and a sustainable environment.

To make sure we're accountable and deliver on our promises, we have an ESG Steering Committee which meets quarterly. Part of this includes setting our ESG goals and tracking progress to date and ensuring our ESG values form the fabric of our operation. Our ESG programme extends to the suppliers and partners we work with, as well as our members and team members. To help us do this, we have 3 parts to our ESG strategy.

1. **Environment – Club Tomorrow**

Sustainability is at the heart of everything we do at David Lloyd Clubs, and our target to become net zero by 2030 underpins our environmental programmes.

Carbon Net Zero 2030 Commitment

Net Zero means that as a business 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 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 we will aim to eliminate any remaining emissions from our supply chain.

Why should we do this now?

We recognise the importance of the Paris Agreement to limit global warming to 1.5°C. Our members and our team members tell us it is very important that we make a positive contribution in this area. To achieve this, greenhouse gas emissions must be halved by 2030, and drop to net-zero by 2050. We have now commenced projects including our solar pV estate wide rollout and our heat pump trials, which will deliver carbon reductions. The 2030 timeframe also gives us time to work out answers to the more difficult challenges.

Science Based Targets

We have worked with our external consultants to validate our latest (2022) carbon footprint and Net Zero strategy, and we have committed and submitted our targets to the Science Based Targets initiative (SBTi) - a global body that helps businesses set ambitious emissions reduction targets in line with the latest climate science.

How will we deliver our Net Zero commitment?

• Refer to the 'Do Good' strategy on page 4 of this strategic report.

What progress have we made?

• Refer to the 'Do Good' strategy on page 4 of this strategic report.

Our Solar pV Project

With large roof areas across the majority of our Clubs, solar pV is a great way to reduce our energy consumption via renewable onsite generation. This will deliver carbon and cost savings from the first day of installation.

The Board has approved £30m of capex to roll out across the Group and we estimate that 90 to 100 clubs are in scope for this project. We expect to generate over 25% of our total annual electricity consumption, which is enough to power 10,000 homes. 40 installations are due to complete before the end of 2024, with 10 clubs including Luton, La Finca and Geneva Country Club having already completed their solar pV rooftop installations. We anticipate that this project will result in an approximate CO_2e reduction of 9,000 tonnes per annum, or 13% of our current scope 1 and 2 emissions.

Energy and Water Efficiency Highlights

One of our priorities is using targeted energy and water efficiency measures to drive down carbon emissions. We have a well-established strategy to support ongoing delivery of this. We have committed £20 million since 2019 on utility efficiency initiatives. These initiatives have reduced our total carbon emissions by over 10,000 tonnes. That's over 10,200 individual passenger flights to New York and back. Key initiatives we have already invested in are building management system (BMS) upgrades, tennis court LED lighting upgrades, investment into more efficient heating and cooling plant, and trials on new technologies which include shower heads and more efficient motors.

The Big Night Switch Off - In addition to the investment in energy reduction technologies, we implemented a project earlier this year to further reduce our out-of-hour electricity consumption through behavioural and operational changes. By providing greater visibility and granularity of asset level data, we have reduced our out of hours energy consumption by 12%, which equates to a carbon emissions reduction of 500 tonnes per annum.

Waste

All of our waste is diverted away from landfill. Our recycling rates have shown a 7.2% improvement over the last 18 months. We incentivise team members and members to use their own reusable cups for takeaway drinks, and we have water taps in our club rooms so members can refill their bottles.

In addition, we are actively working with our supply chain to eliminate unnecessary packaging, and then where packaging is required, to improve recyclability. All of our food and beverage suppliers have their own sustainability charters and are working at ways to continually improve their operations and minimise their environmental impact. We are also reviewing how to further reduce food waste, with our primary aim always being not to over order and generate waste.

Our gym equipment partner upcycles our old gym equipment, which is then sold or passed on to other operators, and prevents the equipment from ending up in landfill.

Sustainable Travel

We are currently developing a solution to roll out electric vehicle charging points across 10 trial Clubs. This will help us understand member requirements before an estate wide deployment is rolled out.

Water

We consume 2 million m3 of water per annum, and we are always looking for ways to reduce this. As part of our longer-term climate risk review, we know that two out of three Clubs will be exposed to a medium or high-water stress risk (by 2030). Showers represent a third of our total water consumption, so we have been trialling new technologies to reduce our water consumption in this area. The technology is an air power shower head that reduces the volume of water required. Water is injected with high velocity air stream, reducing water consumption. We implemented this technology as a trial at David Lloyd Clubs in Ipswich and we have seen a 15% decrease in consumption during 2023. In addition to saving water, this technology will also reduce gas consumption as less water will need to be heated.

Self-Supply Licence

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

Keeping it Green Locally

We now have Green Champions in each of our Clubs and Support Functions. Our Green Champions play an important role in making local changes in their Clubs and teams that help us to reduce our carbon footprint and help the planet.

2. Social – Club Together

Doing the right thing for our members, our team members, and the communities in which we operate is something we are passionate about.

Making a Difference to our Members' Lives

Helping our members to achieve their goals is just part of what we do. At David Lloyd Clubs, we're proud to have the opportunity to make a difference to our members' lives and to be an industry leader in health, fitness and wellbeing.

My Club for My Life has been our Vision for 7 years and remains just as relevant today. Creating communities and a sense of belonging has a positive impact on our members' mental health and wellbeing. Since the pandemic, we have created DLRun Club, DLBook Club, a wide range of different Social Clubs and Happy to Chat Table.

Wellness Pledge

In 2021 we launched our Wellness Pledge saying 'no' to fitness fads and 'yes' to a lifetime of being healthy and happy that is sustainable. As part of our Wellness Pledge:

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

• 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.

As a family brand – we're continually investing in helping our DLKids to enjoy fitness and wellbeing. Working alongside industry experts such as Judy Murray to develop our professional junior tennis coaching programmes.

Making a Difference in the Community

Our 'Do Good' strategy is all about supporting the communities surrounding our Clubs and making a positive impact on people's lives. There are lots of ways we do this from local community initiatives to our coffee partnership with the social enterprise Change Please.

In 2023, we raised over £1.9 million for charities and good causes, including £1m for Change Please from the coffee sold in our UK Clubs. Across our Clubs, we raised £655k for 371 charities/causes. £73k was for BBC Children in Need Pudsey Bearpee Challenge, £56k for New Life Babies and the equivalent donation of £200k to the Stroke Association in various forms including the sharing of our expertise, materials and facilities. Each of our Clubs and Support Functions now have a Community Champion and have planning cycles along with meetings to support the "Do Good" strategy.

Change Please Coffee Partnership

We're proud to be one of the founding contributors to Change Please and we are their biggest corporate partner selling their award-winning coffee in our UK Clubs. Every cup of Change Please coffee sold goes towards people experiencing homelessness and offers them a living wage job, housing, training and onwards employment opportunities. So far, we've raised over £2.7million, helping 294 people access training, support and/or employment. We've also volunteered to help their trainees build the skills and confidence to move into employment. We are also working with Change Please to help their trainees find employment with us.

Making a Difference to our Team Members

Our team members are at the heart of what we do. We want everyone to have the opportunity to achieve their potential, to belong and to have a positive wellbeing. In the UK, we've been listed by The Sunday Times as a Top 10 Very Big Best Places to Work for in 2023.

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. The Group achieved an employee engagement score of 86% in the current period which is up 4% on 2022.

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. The trip saw our 2022 team members of the year winners enjoy a luxury four-day trip to Dubai.

Developing our Teams

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. 150 Team members have enrolled on to our Step up to Head of Department programme to become managers in the last 2 years. 60% of Step up to General Manager delegates have progressed to become a General Manager.

Our E-learning Management System allows all team members to access a range of e-learning training and development modules. 890 Team Members have completed an Apprenticeship with us since we started the Apprenticeship Programme in 2018, and 180 Team members are currently in-learning on an Apprenticeship Programme.

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. Learning Journeys have been implemented for all our Club Roles showcasing what training is required from Day 1 of joining us.

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.

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 part of our four "People Non-negotiables", which ensures that every employee has an induction, objectives, regular catch ups, and an end of year performance review.

Team Member Wellbeing

Wellbeing starts with our team members. We know everyone's wellbeing is different and so we have 3 wellbeing pillars with benefits to help Physical, Mental and Financial health.

(i) Physical Health

All our team members receive complimentary membership at our clubs to encourage a healthy and active lifestyle. Each team member also has one free adult associate and free DLkids associates as well as twice a year guest passes and Bring a Buddy Scheme. A free Flu Jab is also provided to any team member not eligible for a flu jab on the NHS.

Team Member Wellbeing (continued)

(ii) Mental Health

We understand that mental health is just as crucial as physical health when it comes to the overall wellbeing of our team members and Accredited Mental Health First Aid Training has been provided to 261 Managers in 2023. We offer a free and confidential Employee Advice Line to help our team members and their families deal with challenges that might adversely impact their health, wellbeing, or work performance. Every team member is given their birthday off so they can enjoy some 'me time'.

(iii) Financial Health

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 2023, our base wage increased to £10.52 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 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 are conscious that many of our team members have been impacted by the 'cost of living' crisis. To support the cost of living, we invested circa £0.5million and provided free meals to everyone (including our self-employed partners and contractors) during January – March 2023. We also made a financial hardship fund available for which team members can apply.

Every employee has personal objectives which should be aligned to the Group's 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.

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, Equity & Inclusion

In September 2023, the Group launched a new Diversity, Equity, and Inclusion (DE&I) Strategy. This strategy reaffirms our commitment to fostering an inclusive and equitable workplace where everyone is valued, respected, and given equal opportunities to thrive and feel they belong.

Diversity, Equity & Inclusion Mission Statement

We are committed to promoting Diversity, Equity, and Inclusion, every day, for everyone. Through our inclusive and winning culture, our team members have a sense of belonging and recognise David Lloyd Clubs as a Great Place to Work.

David Lloyd Clubs welcomes all team members and members into a friendly and inclusive environment. Our values are at the core of our ways of working, and we deliver these consistently, treating others with respect.

Through embracing Diversity, we benefit from different ways of seeing things, and foster a culture where all views are welcomed and considered. We are committed to ensuring that all team members are treated fairly and equitably in all our processes and practices.

We want everyone to feel like they belong at David Lloyd Clubs, and we are seen as very much an integral part of the lives of our team members in line with our values and vision of My Club for My Life.

Diversity, Equity & Inclusion Mission Statement (continued)

To achieve this:

- We have a strategy dedicated to improving Diversity, Equity and Inclusion;
- Quantitative KPIs measuring DE&I across all levels of the business;
- An Application Process for Leadership courses to ensure fairness for all; and
- We have 2 new Policies: DE&I Awareness and Personal Dignity, Respect & Belonging.

Gender diversity

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

	As at 31 December 2023		As at 31 December 2022	
	Male	Female	Male	Female
Directors	7	-	7	-
Senior managers	156	67	153	64
Employees (Headcount)	4,568	6,310	3,972	5,748
Total	4,731	6,377	4,132	5,812

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 referred to 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 2020 (Gender Pay Gap Information) Regulations 2017, the Group's gender pay reporting for 2023 is published on the website www.davidlloyd.co.uk.

Currently, there is a gender pay gap of 14.8% (2022: 12.1%) which means that the average mean pay of male team members is 14.8% higher than the average pay of female team members.

Our focus remains the percentage of females in senior leadership positions. The pay quartile reporting shows we have 47.7% of females in the upper quartile yet we have 59.1% females across the UK overall. This is the area we will focus on and predominantly on the number of females we have in our Regional Manager, General Manager and Assistant General Manager roles.

Our DE&I Strategy includes specific gender diversity goals including:

- The male to female ratio of the Group is reflected in our Regional Managers and General Managers. The goal is 40% by end of 2025 and 50% by end of 2028. Currently we have 17% female Regional Managers and 25% female General Managers; and
- The Gender pay gap reporting shows pay equity will be achieved by 2028, with a gender pay gap of 0%.

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.

3. Governance – Club Direction

Doing the right thing also extends to how we operate as a business, from ensuring we meet all our legal requirements to having fair and transparent ways of working in everything that we do.

Our Company structure ensures we have clear direction and accountability for what we deliver. The Board is responsible for setting our Vision, Values and Strategies and the Executive Team is responsible for the execution of the strategies and policies. The role of the Board is discussed further in the Section 172(1) statement below.

FITcert

We're proud to have achieved the FITcert Gold Standard Certificate for Operational and Health & Safety Excellence. We are the first and only Operator to receive full certification across all our Clubs.

FITcert is an accreditation overseen by Europe Active and industry experts. The FITcert scheme assesses for good practice in Operations and Management, Customer Service standards, and that there is a safe and appropriate environment. FITcert follows the new European standards EN17229. We have achieved Level 4, Full Certification - this is the 'Gold Standard' and means all our clubs consistently follow EN17229 standards.

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 internal audit visits and support visits every year to drive standards, foster continual improvement and embed 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 89 clubs achieving the highest grading.

There is increasing consumer demand to know what is in our food. We have a comprehensive allergen menu which is available on our website, on our 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 app.

The internal health and safety building and occupational scores for the period were:

Internal Health & Safety Audit Scores	**2023 Number of visits**	**2022 Number of visits**
Audits during the period	134	132
Scoring over 80%	128	119
Scoring 70% to 80%	5	12
Scoring under 70%	1	1

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 above a de-minimis value are logged on to 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 2023 has been published on our website: www.davidlloyd.co.uk.

Whistleblowing
Doing the right thing is one of our values (Edge) and we have created a culture where our team members are encouraged to come forward where they have evidence of malpractice in the workplace. To help our team members understand what whistleblowing is and how to raise a concern without being victimised, we have our Whistleblowing Policy which references a Whistleblowing Anonymous helpline and a Separate Report a Concern Anonymous Helpline. Both are available for any team member to raise a concern. The Whistleblowing helpline is monitored by the Employee Relations Manager in the first instance and escalated to those charged with governance where required.

Risk management
The Board has overall responsibility for identifying and managing risks. The Board aims to strike the right balance between seeking out opportunities to ensure we deliver against our strategy and mitigating risk. The Executive Committee (as delegated by the Board) considers risks as part of the day-to-day management of the business. The overall objective of the Executive Committee is to set policies and internal controls that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

As part of their 2023 review, the Board (via the Executive Committee) have identified the 5 principal risks detailed below. In addition to these principal risks, the Executive Committee and Board also consider emerging risks as part of their reviews.

Principal risks and uncertainties[2]
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.

Member Experience ➡
We aim 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 encouraging members to get the best from their membership, 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.

Injury of club members ➡
Any injury or death of a member whilst using our clubs 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 drowning, child safeguarding, fire and allergens. 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. Regular health and safety audits are performed at every club. The Group also takes out comprehensive insurance against these risks where this is possible.

Climate Change ⬆
Climate change is a critical global challenge. Science tells us that global warming must not exceed 1.5°C to avoid the catastrophic impacts of climate change. To achieve this, greenhouse gas emissions must be halved by 2030, and drop to Net-Zero by 2050. Globally, 2023 was the warmest year on record, and the average global temperature in the 12-month period between February 2023 and January 2024 exceeded pre-industrial levels by 1.5°C. As a result, we consider Climate Change to be an increasing risk. Climate-related risks can be categorised as physical and transition.

[2] Key
Change in risk assessment from prior year: ⬆ Increasing Risk ➡ No change ⬇ Decreasing risk

Principal risks and uncertainties (continued)

Climate Change (continued)
Physical Risk
Physical Risk can be classified into two major types: **acute** physical risks and **chronic** physical risks.

Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events such as cyclones, floods or hurricanes. These events pose a significant risk to physical business operations and facilities, as well as supply chains.

Chronic physical risks refer to longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level rise or chronic heat waves. These can lead to higher operational costs to cool facilities in warmer climates, water scarcity, supply chain impacts, as well as threatened business viability and employee safety in vulnerable locations.

Transition risks
Transition risks include increased pricing of greenhouse gas emissions, mandates on regulation of existing products and services, new regulatory requirements for buildings and equipment and increased costs of supply chain including increase in water tariffs. As a result, gas usage becomes expensive (through higher carbon taxation) resulting in higher operating costs. Furthermore, policy changes could result in the early retirement of existing assets, financial penalties and an increase in compliance costs.

Refer to our Non-Financial and Sustainability Information Statement on pages 28 to 34 for the identified climate-related physical and transition risks that impacts the Group and the mitigations we are implementing to address these risks both now and in the future.

Cyber and data security ⬆
The Group holds business critical and confidential information, including personal data, electronically. Unauthorised access, loss or disclosure of this information as a result of a cyber-attack, or a data breach may lead to regulatory penalties, disruption of operations, reputational damage, and legal claims. Cyber-attacks have continued to evolve, globally, increasing in both frequency and sophistication. We intercept over 48 million cyber threats each year on our apps, servers and mailboxes. These changes have led to an increase (prior to any mitigation) in the risk of cyber incidents.

Cyber Security is an ongoing critical area of focus for us. We take serious measures to defend, prevent, protect, recover and respond to ever evolving cyber threats and risks. We do this by:

- Security Governance: Monthly Cyber Security Steer Committee chaired by key Executive Stakeholders. This Committee assesses the risks posed by cyber threats and makes changes to the Group's technologies, policies, and procedures to mitigate identified risks.
- Investment in Cyber Security: continuously evolving our cyber capabilities and managing cyber risks.
- Data protection: The storing and sharing of sensitive data is maintained in line with GDPR and monitored closely.
- Incident Response: Clear Incident response process to ensure speedy and secure resolutions.
- Supplier Assurance: Regular reviews with our suppliers as part of our due diligence.
- Security Strategy: A Clear security strategy which is frequently reviewed.
- Cyber Awareness: Mandatory security awareness training for all team members.
- PCI compliant: ensuring credit or debit card payments are processed securely.
- Business Continuity: Technology solutions and Business plans in place so we can continue our business quickly should we experience a cyber-attack.
- ISO27001: We are now ISO27001 Accredited, which is the gold standard of cyber security controls, policies, and procedures.
- Cyber insurance policies have been taken out against this risk.

Principal risks and uncertainties (continued)

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.

Financial review of the business

During 2023, the UK economy grew by just 0.1%, compared to 2022. The UK economy slipped into a technical recession in the final quarter of 2023. The Office for National Statistics said UK gross domestic product (GDP) shrank by 0.3% in the final three months of the year following a decline of 0.1% in Q3 2023. A technical recession is defined as two consecutive quarters of contracting GDP.

High inflation remains the single biggest barrier to growth. The Consumer Prices Index (CPI) rose by 3.2% in the 12 months to March 2024, down from a recent peak of 11.1% in October 2022.

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the Government's 2% inflation target, and in a way that helps to sustain growth and employment. To curb inflation, the Bank of England has been steadily increasing interest rates and the base rate now stands at 5.25% at the date of this report. This results in higher mortgage payments squeezing households further. The impact of the cost-of-living crisis is most felt by lower income households as pricing pressures are on energy, food and fuel. Our business model is underpinned by a large number of affluent members. Given our members are typically from higher-income households we have been protected from the worst of the cost-of-living impact.

Financial KPIs

The Group's key financial KPIs have been outlined in the table below. They are considered by management to be the most appropriate measures to understand the underlying trading and financial performance of the Group and are the measures used to report performance to both the board and external lenders.

Financial KPI	**2023 £ 000**	**2022 £ 000**	**Definition**
Revenue	756,321	655,321	Revenue as defined in the accounting policies section of these financial statements.
Reported EBITDA	238,447	234,843	Outlined in the Non-statutory measures section below.
Adjusted EBITDA (pre-IFRS 16)	174,002	167,019	Outlined in the Non-statutory measures section below.
Profit/(loss) for the financial year	24,185	(8,960)	Net result calculated in accordance with IFRS accounting standards.
Net debt	(2,011,188)	(1,953,354)	As defined on page 21.

The Group delivered a strong financial performance over the past 12 months, with growth across key metrics, including revenue and adjusted EBITDA (pre-IFRS 16).

Statutory Measures

Revenue

The Group recorded revenue of £756.3m (2022: £655.3m) an increase of £101.0m (15%) reflecting (i) average membership numbers were higher for the year ended 31 December 2023 compared to the prior year; and (ii) an increase in average yield per member (up £8.86 on prior year) driven by a strong demand for our premium Platinum and Diamond packages and an average 10% price increase. The proportion of adult new members signing up for our premium package in 2023 was 81% leading to 61% of our December 23 closing adult member count being on a premium package. We closed the period with 755k members, up 25k (3.5%) on December 2022.

Financial review of the business (continued)

Cost of sales

Cost of sales were £187.8m (2022: £160.6m) an increase of £27.2m (17%) reflecting increased revenue and inflationary cost pressure. Gross margin remained flat at 75%.

Other income

Other income for the year was £3.7m (2022: £16.0m). This primarily related to construction contract revenue of £2.6m (2022: £13.7m).

Administrative expenses

Administrative expenses for the year were £76.9m (2022: £66.0m) an increase of £10.9m (16.5%) driven by higher costs across all categories reflecting the higher number of clubs and inflation. The increase was principally driven by pre-opening costs and the long-term incentive scheme charge which were up £2.3m and £2.0m year on year respectively.

Other operating expenses

Other operating expenses for the year were £346.3m (2022: £287.4m) being an increase of £58.9m (20.5%). The increase was primarily driven by utility costs, which were £30m higher year on year, reflecting the significant increase in wholesale gas and electrical prices as a result of geopolitical events. Other significant increases included cleaning and laundry (up £7.1m) and labour (up £11m). Depreciation and amortisation increased by £9.4m reflecting the increased capex across both FY23 and FY22.

A goodwill impairment charge of £3.0m has also been recognised within other operating expenses. This relates to Meridian and reflects that Germany remains a challenging market post pandemic.

Impairment losses on financial assets

The impairment charge of trade and other receivables reflects the expected credit losses in accordance with IFRS 9. The charge of £14.6m (2022: £17.5m) represents 2.4% (2022: 3.3%) of membership subscription revenues. The decrease against the prior year is driven by lower bad dets as a proportion of member subscription income.

Loss on disposal of PPE

The Group recorded a loss on disposal of £0.6m (2022: loss of £4.1m) driven by £2m disposals of assets in the normal course of business offset by £1.4m of profits on exiting leases.

Operating profit

The Group recorded an operating profit for the year of £133.7m (2022: £135.7m) which was down £2.0m on prior year as a result of the factors explained above.

Net finance costs

Net finance costs were £8.8m (6%) lower than the prior year driven by a foreign exchange swing of £19.6m. In the current year the Group recorded a foreign exchange gain of £5.5m (2022: FX loss of £14.1m) primarily due to a favourable exchange movement on the Group's Euro denominated borrowings. Offsetting this foreign exchange swing was an increase of £7.5m in 'interest on borrowings' driven by a higher Euribor rate (3.2% in 2023 vs 0.3% in 2022) and a £4.2m increase in 'interest on lease liabilities'.

Taxation

The tax credit for the year was £18.9m (2022: £7.4m charge). This is driven by group relief being surrendered for no consideration and increased recognition of losses carried forwards.

The consolidated profit after taxation for the year is £24.2m (2022: £9.0m loss). The increase in the statutory profit reflects the tax credit for the year and the foreign exchange swing on the Group's Euro denominated borrowings explained above.

Financial review of the business (continued)

Non-statutory measures

Adjusted EBITDA (pre-IFRS16) is considered the key measure of profitability and is a non-statutory financial measure. As Adjusted EBITDA is not defined by International Financial Reporting Standards (IFRS) it may not be comparable to similar measures presented by other entities.

Adjusted EBITDA (pre-IFRS 16) 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 profit or loss 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, gains from construction contracts, impairments of non-current assets, costs associated with legal claims, other property related fees, integration, acquisition and aborted expenses, monitoring fees and non-executive director fees, foreign exchange differences and after rent expense on a pre-IFRS16 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 7).

These non-statutory financial measures have been reconciled to the profit/(loss) for the financial year in the table below:

	31 December 2023 £ 000	31 December 2022 £ 000
Profit/(loss) for the financial year	**24,185**	**(8,960)**
Income tax (credit)/charge	(18,883)	7,400
Net finance costs	128,425	137,272
Operating profit	**133,727**	**135,712**
Depreciation and amortisation	98,069	88,714
Loss on disposal of PP&E	608	4,096
Exceptional items (note 7)	6,043	6,321
Reported EBITDA	**238,447**	**234,843**
Rent expense	(87,860)	(81,555)
Pre-opening costs	4,445	2,172
Monitoring fees and non-exec director fees	2,056	2,089
Long-term incentive scheme	5,239	3,294
Costs associated with legal claims	233	158
Other property related fees	-	929
Closed club costs	1,702	480
Gains from construction contracts	(1,388)	(5,777)
Impairments of non-current assets	3,716	5,164
Integration, acquisition and aborted expenses	7,258	5,698
Foreign exchange difference	154	(476)
Adjusted EBITDA (pre-IFRS16)	**174,002**	**167,019**

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, re-opening of a club closed for refurbishment or the opening of a spa retreat. This primarily consists of staff costs and marketing costs.

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

Long-term incentive scheme - share-based payment charges and fees in relation to management incentive schemes.

Closed club costs - ongoing costs in relation to clubs that are permanently closed.

Financial review of the business (continued)

Definitions (continued)

Gains from construction contracts – net income arising from the construction of clubs for sale and leaseback.

Costs associated with legal claims – ongoing costs associated with legal claims.

Other property related fees – costs of renegotiating leases as a direct consequence of COVID-19.

Impairment of non-current assets – the impairment charge recognised in respect of goodwill, property, plant and equipment and right-of-use assets.

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 Adjusted EBITDA (pre-IFRS 16) and actual exchange rate.

The Group recorded an adjusted EBITDA (pre-IFRS16) profit of £174.0m (2022 £167.0m) which was a record performance for the Group and an increase of £7.0m (4%) on the prior year. This result is driven by an increase in revenue as a result of higher member count and yield offset by an increase in utility costs driven by higher market spot price.

Financial position including capital structure

The Group has net liabilities of £359.2m (2022: £386.4m) and net current liabilities of £128.8m (2022: £99.7m) at the balance sheet date.

	31 December 2023 £ 000	**31 December 2022 £ 000**
Non-current assets excluding right-of-use assets	907,135	844,666
Right-of-use assets	1,096,192	1,063,094
Current assets (excluding cash)	18,215	19,609
Cash and cash equivalents	7,713	11,495
Current liabilities excluding loans and lease liabilities	(148,397)	(124,341)
Non-current liabilities excluding loans and lease liabilities	(231,439)	(249,481)
Lease liabilities	(1,108,526)	(1,048,464)
Loans and borrowings	(900,072)	(903,013)
Total net liabilities	(359,179)	(386,435)

Significant movements in the statement of financial position against prior year have been outlined below.

Property, plant and equipment has increased by £61.5m driven by additions of £124.2m and assets of £6.3m acquired through business combinations offset by the annual depreciation charge of £50.3m, disposals of £17.2m and foreign exchange movements of £1.3m.

Right-of-use assets have increased by £33.1m driven by additions of £75.0m. Partially offsetting this was the annual depreciation charge of £37.4m, foreign exchange movements of £3.2m, disposals of £0.7m and an impairment charge of £0.6m.

The decrease in intangible assets of £8.6m is driven by the annual amortisation charge of £10.3m, impairment of £3.0m, and foreign exchange movements of £1.9m. This is partially offset by additions of £4.2m and £2.5m of intangibles acquired through business combinations.

Trade and other payables have increased by £21.6m. This is principally driven by accrued expenses due to timing of invoices received (up £12.0m), social security and other taxes (up £6.4m), and contract liabilities (up £6.3m).

Provisions have decreased by £6.1m. Following an incident at our David Lloyd Leeds club on 21 April 2018, a £2.55m fine was imposed in addition to £0.26m legal costs. The liability for this court case was settled on 6 October 2023. This was the trigger to reassess our remaining provision for legal claims resulting in a £4.7m release to the income statement recognised within exceptional items.

Financial position including capital structure (continued)
Lease liabilities have increased by £60.1m principally driven by interest (£74.4m) and additions (£82.3m) offset by lease payments of £90.3m (principal and interest) and a foreign exchange gain of £3.8m.

The net deferred tax liability has decreased by £19.4m principally driven by recognition of increased losses carried forward.

Loans and borrowings have decreased by £2.9m driven by a favourable exchange movement of £5.5m on the Group's Euro denominated borrowings and the instalment payments of £0.4m against the loans from Spanish banks. This was offset by the annual amortisation charge on the loan fees of £3.1m.

The key terms of the Group's borrowing facilities at 31 December 2023 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
Super senior revolving credit facility	£125.0m	18/12/2026	3.25% + SONIA	£Nil
Kratus Inversiones D.A.C loan	€2.8m	31/03/2043	5.27%	€2.8m
Unicaja Banco loan	€3.2m	31/03/2029	5.69%	€3.2m

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 Group converted £20m of the SSRCF into an overdraft facility for short-term working capital funding. The SSRCF is not drawn at the statement of financial position date and remains undrawn at the date of approval of these financial statements.

The Group also has loans from Spanish banks Kratus Inversiones (€2.8m) and Unicaja Banco (€3.2m) assigned to the Group on acquisition of the Accura group. Interest accrues at 5.27% and 5.69% respectively, payable monthly. The loans are paid in monthly instalments and will be fully repaid by 31 March 2043 and 31 March 2029.

The Group has a gearing ratio of 122% (2022: 125%) based on its total borrowings over total equity and borrowings.

In March 2024 Moody's Ratings affirmed the B3 long-term corporate family rating (CFR) of Deuce Midco Limited. The outlook remains stable.

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

	31 December 2022 £ 000	Cash flows £ 000	Non-cash movement £ 000	31 December 2023 £ 000
Cash and cash equivalents	11,495	(3,745)	(37)	7,713
Loans and borrowings (excl. loan arrangement fees)	(916,385)	1,929	4,081	(910,375)
Net debt (excl. IFRS 16 lease liabilities)	**(904,890)**	**(1,816)**	**4,044**	**(902,662)**
Lease liabilities	(1,048,464)	90,323	(150,385)	(1,108,526)
Net debt	**(1,953,354)**	**88,507**	**(146,341)**	**(2,011,188)**

Financial position including capital structure (continued)

Net debt reconciliation (continued)
Cash and cash equivalents reduced by £3.8m, which is explained in the statement of cash flows. The non-cash movement represents foreign exchange movements on cash held in foreign currency.

Loans and borrowings (excluding loan arrangement fees) have decreased by £6.0m primarily because of a non-cash foreign exchange gain of £5.5m on the Group's Euro denominated borrowings. Other non-cash movements relate to the recognition of an external loan of £1.5m arising from the acquisition of Wickwoods Country Club. Upon completing the acquisition this external loan was settled and is included as a cash outflow. Other cash flow movements relate to monthly payments in respect to the loans from Kratus Inversiones and Unicaja Banco.

Overall, net debt (excluding IFRS 16 lease liabilities) has decreased by £2.2m.

The increase in lease liabilities was driven by entering into new leases at Rugby, Shawfair and Sterrebeek, a lease extension for the Fulham club and numerous lease re-measurements as a result of rent reviews. Other non-cash movements related to interest on lease liabilities charged and foreign exchange movements. Cash movements represent lease principal and interest payments made during the period. Overall net debt has increased by £57.8m.

Cash flow
The Group generated a net cash inflow from operating activities of £244.6m driven by reported EBITDA of £238.4m. This was more than offset by cash outflows from investing activities (£127.7m) and financing activities (£120.6m). The significant cash outflows within investing activities related to our 2023 capex programme, continued construction of our Rugby and Shawfair clubs, acquisition of Wickwoods and land purchase in Bury St Edmunds. Significant cash outflows within financing activities related to repayment of lease liabilities (£92.3m principal and interest), repayment of bank borrowings (£1.9m) and payment of interest (£57.6m) principally on the sterling and euro senior secured notes offset by proceeds from the sale and leasebacks of our Rugby and Shawfair clubs (£29.3m).

Financial risk management objectives and policies
The main financial risks faced by the Group relate to the risk of default by counterparties following financial transactions, to the availability of funds for the Group to meet its obligations as they fall due, and to fluctuations in interest and foreign exchange rates.

Note 27 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.

Outlook and trading update
Mental and physical well-being is seen by our target customer groups as being more important than ever before. Our focus is to continue to invest, and evolve our offer, ensuring that we always deliver a differentiated, best-in-class experience for members.

The momentum which we saw throughout 2023 has continued into the start of the new year and current trading remains positive. Membership at the end of March 2024 was 760.7k, versus 755.3k at the end of 2023. The Group has a clear strategy in place to deliver further growth across the business, with a focus on innovation, premiumisation and expansion. We have a strong future pipeline of new clubs across the UK and Europe and 11 premiumisation projects have already been identified for 2024, including 8 spa retreats, the first of which opened in Q1 2024.

The Board remains confident in the outlook for the current financial year and the longer term. Energy costs for 2024 and 2025 are more than 90% and 55% hedged respectively. With the impact of energy costs headwinds now hopefully behind us, and with strong positive momentum, we expect to deliver substantial EBITDA growth in 2024.

Financial position including capital structure (continued)

Tax strategy

Our tax strategy applies to all subsidiaries of the ultimate UK corporate parent Deuce Topco Limited (together "The Topco Group") from the date of publication until superseded. It is in accordance with paragraph 19 of Schedule 19 to the Finance Act 2016 and applies to the taxes and duties set out in paragraph 15(1) of that Schedule. Our tax strategy is underpinned by principles of full compliance, transparency, and sound risk management. The Topco Group acts lawfully and with integrity and, in our behaviour, we aspire to the highest professional and ethical standards.

Ultimate responsibility for The Topco Group's tax strategy and compliance rests with The Board of Deuce Midco Limited (Deuce Topco Limited is a parent of Deuce Midco Limited), as delegated to the Chief Financial Officer ("CFO"). 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 Topco Group manages tax risks and tax costs in a manner consistent with applicable regulatory requirements and with shareholders' best long-term interests, considering operational, economic, and reputational factors. The Topco 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 Topco 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 Topco 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 Topco Group maintains documented tax policies and procedures in relation to key tax processes which are regularly reviewed.

The Topco 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 Topco 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. The Topco Group takes a balanced approach to tax risk and does not engage in arrangements that are designed solely to reduce tax liabilities.

We seek to develop and maintain professional, transparent, and constructive relationships with all tax authorities in the jurisdictions in which we operate, based upon mutual trust and respect. Where appropriate we ensure there is access to relevant information demonstrating the integrity of our tax processes, returns and payments.

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 2023 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. In delivering this objective, consideration of the long-term consequences and impact on different stakeholders are key to the Board's decision-making process.

The Board sits at the Deuce Midco Limited level (referred to as "the Board" throughout) and consists of six executive directors and one non-executive director. 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 for their fiduciary duties and responsibilities.

Section 172(1) statement (continued)

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 reports;
- Employee survey reports;
- The Business Plan process; and
- Corporate governance, and regulatory development updates.

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

The table below sets out the approach to stakeholder engagement during the year:

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 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 over 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. 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 the year the Board approved the investment in spa retreats and 29 were open as of December 2023 with a further 8 spa retreats identified for investment in 2024. The Board also approved the acquisition of Wickwoods County Club & Spa, which completed in February 2023. 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, as well as updates on external factors, including the economy, inflation, and interest rates. These external factors are discussed to ensure that the potential impact of decisions, particularly in the long-term, are understood and considered.
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. The Board recognised that the 'cost of living' crisis has caused considerable financial hardship for our team members and made a hardship fund available for which team members can apply. We offered free meals to all employees from January to March 2023.

	The wellbeing, engagement and commitment of our team members are essential to the Group's long-term success. We have 3 wellbeing pillars with benefits to help our team members Physical, Mental and Financial health. The Board reviews people matters with regular discussions on Health and Safety and employee engagement. In September 2023 the Board launched a new Diversity, Equity, and Inclusion (DE&I) Strategy. This strategy reaffirms our commitment to fostering an inclusive and equitable workplace where everyone is valued, respected, and given equal opportunities to thrive and feel they belong. Read more on our engagement with employees on pages 11 to 13 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 our key stakeholders to the long-term sustainable success of the Group. This is reflected in the focus on building stronger relationships with members, employees, suppliers, and shareholders. <u>Members</u> Helping our members to achieve their goals is just part of what we do. At David Lloyd Clubs, we're proud to have the opportunity to make a difference to our members' lives and to be an industry leader in health, fitness, and wellbeing. My Club for My Life has been our Vision for 7 years and remains just as relevant today. Creating communities and a sense of belonging has a positive impact on our members' mental health and wellbeing. Since the pandemic, we have created DLRun Club, DLBook Club, a wide range of different Social Clubs and Happy to Chat Tables. Member satisfaction sits at the heart of our operating model. We improve member satisfaction, reduce attrition, and attract new high-quality members through investment in our staff and club facilities. Feedback from our members is monitored continuously through multiple channels (being member experience score and mystery visit score). Read more on our engagement with members on pages 5 and 10 of the strategic report. <u>Investors</u> The executive committee are responsible to the Group's shareholders and key stakeholders (including our 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's quarterly results are presented to our debt holders and the Executive Chairman, Chief Executive Officer and Chief Financial Officer are available to answer questions during these presentations. <u>Suppliers</u> 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. Employees of our cleaning contractors are allowed 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.

d. The impact of the company's operations on the community and environment.	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 recognises that Environmental, Social and Governance (ESG) issues are integral to the Group's values and strategies. The Board has oversight of climate related risks and opportunities and is responsible for our strategy, which includes the commitment to reduce our environmental impact. The ESG Committee has been formed to provide appropriate focus for the Group's ESG strategy, to inspire member and employee confidence and clarify expectations, helping to underpin long-term shareholder and stakeholder value. The ESG committee is chaired by our Executive Chairman, Glenn Earlam with additional board attendees being Russell Barnes (Chief Executive Officer) and Patrick Burrows (Chief Financial Officer). The ESG Committee meets quarterly and provides periodic reports and updates to the Board. All members of the Board are now required to undertake training on climate and sustainability issues. The ESG Committee has also agreed that Board members will have an ESG-related objective that must be linked to their remuneration. The Board recognises that increasing energy efficiency and reducing our dependency on gas is aligned to increasing EBITDA. Read more in the Non-Financial and Sustainability Information Statement on pages 28 to 34.
e. The desirability of the company maintaining a reputation for high standards of business conduct.	The Board takes 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. 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. Read more in the Governance section of this strategic report on pages 14 to 15.

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). Management shareholders as a body are provided with access to legal representation. The Board is represented by all parties and the Board culture allows for healthy and constructive debates.

Approved by the Board on 24 April 2024 and signed on its behalf by:

....
PJ Burrows
Director

Deuce Midco Limited

Non-Financial and Sustainability Information Statement for the Year ended 31 December 2023

The UK Government's Climate-related Financial Disclosure (CFD) regulations have introduced mandatory climate change reporting requirements, the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (SI 2022/31). UK private companies with over £500m in turnover and 500 employees must apply the new rules for financial periods beginning on or after 6 April 2022. The Group meets these thresholds for the year ended 31 December 2023. These regulations require companies to report on their governance, strategy, and risk management responses to climate change, as well as the metrics and targets they use to monitor climate-related impacts on the business.

The Group welcomes the CFD regulations and recognises the importance of its role and responsibility in contributing to a sustainable environment.

Governance

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 recognises that Environmental, Social and Governance (ESG) issues are integral to the Group's values and strategies. The Board has oversight of climate related risks and opportunities and is responsible for our strategy, which includes the commitment to reduce our environmental impact.

The Board delegates authority for day-to-day management of the Company and its subsidiaries to the Executive Team who are responsible for the execution of the strategies and policies.

In 2021, the Board established an ESG Committee to consider climate and other social and environmental risks and opportunities to improve the Group's sustainability.

ESG Committee

The ESG Committee has been formed to provide appropriate focus for the Group's ESG strategy, to inspire member and employee confidence and clarify expectations, helping to underpin long term shareholder and stakeholder value.

The purpose of the ESG Committee is:

- To review and advise the Board on the effectiveness of the Group's environmental, social and governance policies and strategies.
- To oversee and report to the Board as appropriate on management's implementation of those policies and strategies.
- To oversee the reporting of ESG to stakeholders.
- To identify relevant risks, trends, legislative and regulatory requirements and to determine how these should be reflected in the Group's ESG policies.

The ESG committee is chaired by our Executive Chairman, Glenn Earlam with additional board attendees being Russell Barnes (Chief Executive Officer) and Patrick Burrows (Chief Financial Officer). The ESG Committee meets quarterly and provides periodic reports and updates to the Board.

All members of the ESG Committee are now required to undertake training on climate and sustainability issues. During the year, the ESG Committee have established a climate risk working group to formally identify, classify and review climate risks and opportunities and which reports to the ESG committee quarterly.

The ESG Committee agreed in January 2024 that Board members will have an ESG-related objective that must be linked to their remuneration.

Climate Risk Working Group (CRWG)

The Climate Risk Working Group (CRWG) is a senior management team who are responsible for identifying, assessing and monitoring climate-related risks and opportunities. They also recommend metrics linked to the risks and opportunities identified within the strategy section of this statement. During the year the CRWG created and developed the Climate-related Risk and Opportunity Register. This risk register was approved by the ESG Committee in January 2024. Going forward the climate-related risks and opportunities will be reviewed and approved on an annual basis.

Risk Management

The Task Force on Climate-related Financial Disclosures divided climate-related risks into two major categories: (1) risks related to the transition to a lower-carbon economy and (2) risks related to the physical impacts of climate change.

Transition Risks - refer to the risks that companies face related to the transition to a low-carbon economy. This may include wide-reaching changes to technology, markets, policy and regulation, and law. Moving towards a more sustainable, lower-carbon economy involves navigating substantial shifts in policy, regulation, technology, and markets to address climate change mitigation and adaptation. These changes determine the financial and reputational risks to organisations during the transition.

Physical Risk can be classified into two major types: **acute** physical risks and **chronic** physical risks.

Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events such as cyclones, floods or hurricanes. These events pose a significant risk to physical business operations and facilities, as well as supply chains.

Chronic physical risks refer to longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level rise or chronic heat waves. These can lead to higher operational costs to cool facilities in warmer climates, water scarcity, supply chain impacts, as well as threatened business viability and employee safety in vulnerable locations.

During the year the Group engaged a third party, Rio ESG consulting to assist in the initial risk identification and assessment. This involved a series of workshops with the CRWG and other stakeholders within the Group. The climate risk identification methodology was based on the G20 Financial Stability Board Task Force in Climate-related Financial Disclosures (TCFD recommendations) and the Cambridge University Framework.

Climate-related risks and opportunities were identified at the Group level but can be adopted at a subsidiary level as individual club's locations were analysed.

The Climate-related Risks and Opportunity Register includes material transition and physical risks and opportunities and includes risk scoring based on their likelihood and financial impact, mitigation and resilience strategies, responsible risk owners, and estimation of potential financial losses. The register is reviewed annually by the ESG Committee.

As part of this review the ESG Committee prioritise the climate-related risk and opportunities and make decisions regarding their mitigation and control. The relative significance of identified risks is assessed with reference to their likely financial impact on the Group.

Principal risks and uncertainties are reviewed annually and approved by the Board at the time the Group financial statements are approved. Climate Change was identified as a principal risk in the 2022 financial statements. This risk remains a principal risk in the 2023 financial statements and the Board have considered the level of risk is increasing.

Strategy

Sustainability is at the heart of everything we do at David Lloyd Clubs, and our target to deliver net zero by 2030 underpins our environmental programmes. We have worked with our external consultants to validate our latest (2022) carbon footprint and Net Zero strategy, and we have committed and submitted our targets to the Science Based Targets initiative (SBTi) - a global body that helps businesses set ambitious emissions reduction targets in line with the latest climate science'.

Our Net Zero targets are expected to be approved by the SBTi in mid-2024, and the yearly progress towards Net Zero will be reported to the SBTi and in our annual financial statements.

Strategy (continued)

The Group has begun to integrate climate change considerations into its strategic planning process and evaluates the potential impact of climate change into future planning. The Group undertook climate scenario modelling based on climate scenarios developed by Network for Greening the Financial System (NGFS).

To evaluate the resilience of the Group's strategies to climate impacts, we adopted three-time horizons: short term (2030), medium term (2040) and long term (2050). Our net zero target date of 2030 forms the basis for our short-term horizon whilst the UK Government's net zero target of 2050 presents the milestone for the long term.

Two main scenarios were analysed:

Scenario 1: Orderly. Below 2°C. This scenario implies transition risks assuming the Group fails implementation of its capital investment projects. In this scenario, the Group fails to achieve a renewable energy transition and Net Zero targets by 2030, which will consequently lead to additional capital and operating expenses, carbon taxes, reduced demand, and increased costs of capital.

Scenario 2: Hot House World. Current Policies (3°C). Global warming results in acute and chronic risks for certain locations bringing additional operating costs, insurance costs, costs of buildings write-off and purchase or construction of new buildings. Chronic risks bring a decrease in gross domestic product GDP and demographic change affecting the demand.

Both quantitative and qualitative assessments of climate scenarios were conducted. As part of this assessment, a Climate Value-at-Risk (CVaR) model was developed in alignment with the Morgan Stanley Capital International (MSCI) methodology to allow valuation of potential financial losses caused by the climate risks and enable the development of a risk management strategy. Macro assumptions for the CvaR Model were based on publicly available dynamics of socio-economics parameters impacted by climate including demography, GDP, carbon taxes, unemployment rates, while the micro assumptions for each scenario were based on an internal analysis of the business trends.

All clubs within the Group's estate based on submission of postcode data, located across 9 countries were analysed for historical and future physical climate risks. Risks have been identified based on a risk score for each site. High risks are identified as those reaching 40-60% for each club, severe risks (60-80%) and extreme risks (80-100%).

Physical risk stress-tests for climate-related hazards showed that 50 of the Group's clubs across the UK and EU will face at least one severe acute risk with 60-80% risk score, 1 location in Spain (Malaga) will face extreme risk of Drought (80-100%) while 6 locations across the UK and EU will have severe chronic risks (Hot House World Scenario, long-term 2041-2050).

Relevant transition risks include increased pricing of greenhouse gas emissions, mandates on regulation of existing products and services, new regulatory requirements for buildings and equipment and increased costs of supply chain including increase in water tariffs.

TCFD Risk Category	Identified Climate Risks	Impact	Our Response	Time Horizon for materialisation
Transition: Policy and Legal	Increased pricing of greenhouse gas emissions	Gas usage becomes expensive (through higher carbon taxation) resulting in higher operating costs.	To mitigate this risk new clubs will be developed to minimise gas consumption by installing renewable generation technology.	Medium Term

Transition: Policy and Legal	Mandates on and regulation of existing products and services. New regulatory requirements for buildings and equipment.	Write-offs, asset impairment, and early retirement of existing assets due to policy changes - financial penalties, compliance costs Increased supply chain costs for construction of new clubs and refurbishment of existing clubs	We will retrofit existing clubs with heat decarbonisation technologies. The Group also intends to reduce its dependency on procurement of energy from the wholesale markets. This will be delivered by removing gas consumption (removal of CHPs & decarbonisation/ electrification of heat demand), installation of onsite generation (solar PV) and procurement of renewable electricity enhanced via one or multiple corporate Power Purchase Agreements ‘PPA’s).	Medium/Long Term
Transition: Market	Increased costs of supply chain including increase in water tariffs	Increased operating costs associated with higher water costs	Install low-flow fixtures in restrooms, showers, and sinks. Explore the possibility of implementing water recycling systems for showers/toilet flushing. Install rainwater harvesting systems to collect and store rainwater for non-potable uses.	Long Term
Physical: Acute	Increased severity of extreme weather events such as cyclones and floods, wildfires, drought, heatwave	1) Reduced revenue from club closures, increased insurance costs, cost of repairs, increased operating costs, impact on workforce (e.g., health, safety, absenteeism) 2) Increased capital costs, write-offs and early retirement of existing assets (e.g. damage to property and	Clubs facing heat waves and drought risks will need to prioritise effective cooling systems and proper ventilation in the face of high heat waves, along with water conservation measures to adapt to more frequent and severe droughts. Clubs at risk for flooding, extreme rainfall, and temperature	Long Term
Physical: Chronic	Changes in precipitation patterns and extreme variability in weather patterns			Long Term

		assets in "high-risk" locations) 3) Increased operating costs (e.g. inadequate water supply for hydroelectric plants or to cool nuclear and fossil fuel plants) 4) Increased insurance premiums and potential for reduced availability of insurance on assets in "high-risk" locations	change may benefit from flood insurance, as well as signing up to early warning systems to receive alerts about potential floods and physically preparing flood barriers and sandbags as protective measures in heavy rains. Clubs facing severe storm risks could consider reviewing their insurance coverage to ensure adequate protection, along with establishing protocols for storm monitoring and communicating potential risks to staff and members, along with installing backup power systems in case of outage.	

Relevant opportunities include costs saving on energy efficiency and on-site generation, alongside with the increased demand caused by raised brand perception after the Group reaches Net Zero targets in 2030.

TCFD Opportunity Category	Identified Climate Opportunity	Impact	Control	Time Horizon for materialisation
Resource Efficiency	Energy Efficiency through onsite energy generation	Operational savings as a result of reduced greenhouse gas emissions.	Various capex projects (solar pV rollout, heat pump trial) are progressing to reduce our carbon emissions.	Short Term
Energy Source	New technologies	Operational savings as a result of reduced greenhouse gas emissions.		Short Term
Markets	Growing demand. Reaching Net Zero by 2030 improves brand reputation and perception.	Increase in member experience driving increase in revenue due to higher new member sales and lower attrition.	We have committed and submitted our Net Zero targets to the SBTi. These are expected to be validated and approved in mid-2024.	Short Term

Strategy (continued)

The Group's business model and strategy are resilient to physical climate risks in a hothouse world scenario. Whilst climate change presents some risks it also presents opportunities. The Group is committed to an absolute reduction in Scope 1, 2 & 3 emissions in line with SBTi Net Zero by 2030. This industry leading commitment is 20 years ahead of the UK national commitment.

To achieve the Net Zero target the Group will need capital investment in new technology including heat pumps and solar pV rollout.

Our geographically diversified club estate means that over the short-term horizon climate change is only expected to impact a small number of clubs rather than the majority of the estate for a significant period of time. Furthermore, the fact that we lease rather than own the majority of buildings we operate means the Group is more agile and can move to different geographical locations as needed. As such the Directors have concluded that the Group's business model and strategy are resilient to climate-related physical impacts.

Metrics and Targets

The Group recognises the importance of its role and responsibility in contributing to a sustainable environment and is committed to significantly reducing our Scope 1, 2 and 3 greenhouse gas emissions in accordance with the Greenhouse Gas Protocol Standard.

Metrics and targets measure and describe the impact of climate-related risks and opportunities on strategy and financial planning, helping to enhance the resilience of the business against different scenarios.

The Group has adopted a series of climate-related metrics and targets, with the Head of Sustainability responsible for oversight and monitoring of these targets.

Climate Target Description	**KPIs to track progress**	**Progress**	**Link to CFD Risk/ Opportunity**
Absolute reduction of Scope 1, 2 and 3 emissions in line with SBTi Net Zero by 2030. This means an absolute reduction of 90% with a maximum of 10% allowed to offset.	Direct (Scope 1) GHG emissions Energy indirect (Scope 2) GHG emissions Other indirect (Scope 3) GHG emissions 2023 target was to reduce emissions by c. 11,000 tonnes.	Our scope 1 and 2 emissions reduced in 2023 by c.8,000 tonnes vs 2022. Emissions reduced predominately by move onto renewable electricity contract, and reductions in electricity consumption. The Group's target was to reduce emissions by 11k tonnes. The 3k shortfall was due to; • Solar pV installations – first batch not completed as quickly as originally anticipated; • Delays in moving onto smaller CHP units and delivering heat decarbonisation, both now in progress.	Increased pricing of greenhouse gas emissions Energy Efficiency

90% reduction by 2030 of Scope 1 and 2 emissions per member visit measured as kg CO2 per check in.	Intensity ratio being the CO2 emissions per member check in. This is calculated by dividing the absolute scope 1 and 2 emissions by the number of member visits.	Our emission value per visit was lower during 2023 as a result of a lower electricity emission factor and increased member visits compared to 2022.	Increased pricing of greenhouse gas emissions Energy Efficiency
Capital Deployment Amount of capital expenditure deployed toward climate related risks and opportunities.	£30m of capital expenditure to install solar pV renewable generation on 90 to 100 club rooftops. £2m utility capex expected to deliver a reduction of c 2,000t/CO2e per annum. Capex allocated to European Building management Systems (BMS) upgrade projects.	10 clubs have been completed with 40 clubs expected to have completed by end of 2024. £1.6m utility capex has been spent so far allocated to BMS upgrades, Night-time energy reduction and sub metering project, LED and asset upgrades and Compliance focused initiatives. Estimated annual savings are 1,350 CO2 tonnes.	Increased pricing of greenhouse gas emissions Growing demand. Reaching Net Zero by 2030 improves brand reputation and perception.
Remuneration Proportion of executive management remuneration linked to climate considerations.	% of board members that should have a climate-related objective linked to remuneration	The ESG Committee agreed in January 2024 that Board members will have an ESG-related objective that must be linked to their remuneration.	Growing market expectation that remuneration should be linked to climate considerations

Further to the metrics disclosed above the Group is in the process of developing an ICP (Internal Carbon Pricing) system to sufficiently account for the price of carbon dioxide emissions into our business financial decisions and encourage carbon emission reductions.

The Group will continue to develop its climate-related metrics and targets including cross-industry metrics in a constantly evolving sustainability landscape.

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2023

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

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"). We are Europe's leading premium health and wellness group operating 133 Clubs - 103 Clubs in the UK and a further 30 Clubs across mainland Europe, comprising three brands David Lloyd Clubs, Harbour Clubs and David Lloyd Meridian Spa and Fitness in Germany.

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 ("TDR") is a leading private investment firm with over €15 billion of assets under management. TDR typically acquire majority stakes in strong, market-leading European companies with potential for robust growth and resilience through economic cycles.

TDR was founded in 2002 by Stephen Robertson and Manjit Dale. TDR acquired the Group for £750m in 2013 from UK-based property company London & Regional and Caird Capital LLP. London & Regional had previously acquired the Group from Whitbread for £925m in 2007.

Since acquisition, TDR have worked with management to improve all aspects of the member experience to cement the Group's position as a market leader in premium family leisure.

Under TDR's ownership the Group re-launched its new site development programme in the UK and built out its position in Continental Europe through the acquisition of small portfolios of clubs as well as standalone sites, bringing the total estate to 133 clubs as at 31 December 2023 compared to 90 at acquisition.

During 2023 the Group opened/acquired four clubs (Wickwoods, Shawfair, Rugby and Sterrebeek).

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
MJ Evans
R Barnes

Mark Stephens (TDR Representative)
Mark joined TDR 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 holds a bachelor's degree in Business and Legal Studies, with first class honours, from University College Dublin.

Directors of the Group (continued)

Brian Magnus (TDR Representative)
Brian joined TDR 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. Brian joined Morgan Stanley in 2000 having previously worked in the Corporate Finance Division of Schroders, a company later acquired by Citigroup. He holds a bachelor's degree in Management Sciences from the University of Manchester and qualified as a Chartered Accountant with Price Waterhouse. External appointments include directorships at Stonegate Pubs, Montagu and Carpenter Holdco.

Scott Lloyd – Non-Executive Director
Scott holds the role of Non-Executive Director for the Group having previously been Chief Executive Officer (CEO) of the Group until June 2015. Scott led the business from 2007 through to the sale to TDR Capital in November 2013. External appointments include directorships at Lawn Tennis Association.

Glenn Earlam - Chairman
Glenn is the Executive Chairman for the Group having joined as CEO in June 2015 from Merlin Entertainments Plc where he was Managing Director of Midway Attractions, the largest operating business within Merlin. External appointments include directorships at Luigi Topco Limited.

Russell Barnes - Chief Executive Officer
Russell joined the Group 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 was also 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. Russell has held the position of CEO for the Group since April 2021.

Patrick Burrows - Chief Financial Officer
Patrick joined the Group 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 Commercial Officer
Martin has over 15 years of experience with the Group. He has held previous positions in sales, marketing and operations for First Leisure, Whitbread, DeVere and Esporta.

Executive Team (excluding Directors)
Simon Raggett – Chief Operating Officer
Simon joined the Group in September 2023, having previously been at Sky UK for nearly 10 years in various country level operational roles across Retail, Home Service, Contact Centres and Customer Service; including a period in Sky Germany and most recently leading B2B TV in the UK through Covid. Before his time at Sky, Simon has extensive experience across retail, hospitality and telecoms having previously worked for Exxon Mobil, Yum Restaurants, O2 and Starbucks.

Stuart Caswell – New Clubs Acquisitions Director
Stuart joined the Group 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 held several Property & Strategy roles for both Sainsbury's and Tesco in the UK & Ireland.

Bruce Gardner - New Clubs Director
Bruce joined the Group in 2011. 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.

Executive Team (excluding Directors) (continued)

Juliett Cattermole - Group People Director

Juliett joined David Lloyd Leisure in November 2022, having previously worked for Papa Johns International, prior to this, Mitchells & Butlers, and British Airways. Juliett has vast experience and specialist knowledge in the ESG, DE&I and well-being agenda through developing and leading brand transformational journeys.

Mia Manson-Bishop – Club Experience and Membership Director

Mia joined David Lloyd Leisure in March 2013, joining the executive 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.

Andrea Dearden - Marketing Director

Andrea has over 25 years' experience in the leisure industry, joining David Lloyd Leisure in February 2017 from Merlin Entertainments Plc where she was responsible for the marketing of the London and European attractions portfolio.

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 based in the US and playing a key role in Merlin's IPO. Prior to Merlin, Nick worked in private practice.

Yossef La-Cherie – Strategy Director/Investor Relations

Yossef joined David Lloyd in December 1999. His experience has primarily been within the Finance function with c.20 years in leadership roles.

James Willis – Operations Director, UK & Ireland

James has over 10 years' experience with David Lloyd Leisure and has held numerous senior roles in sales and operations during that time, having been operations director since 2021. He has previously held positions in operations with Lidl and finance with Citi and Danone.

Shiv Patel - European Operations Director

Shiv Patel joined David Lloyd in 2014. With a strong background in the leisure industry, Shiv has held various senior operational roles within David Lloyd in both the UK and international markets. Before joining David Lloyd, Shiv gained valuable experience in the leisure industry. Previously Shiv has also held roles within finance and has been an entrepreneur having set up and sold a coffee shop business.

Stephen Brown – Business Support Director

Stephen joined David Lloyd in 2015 and became Operations Director from 2016. He has over 30 years direct industry experience in the premium end of the sector with such brands as Next Generation, Esporta and Virgin Active. Stephen left the business on 31 December 2023.

Directors' liabilities

The Company maintains D&O insurance for its directors and officers.

Future developments

There are no significant changes planned to the existing estate and operations of the Group. The Group has a clear strategy in place to deliver further growth across the business, with a focus on innovation, premiumisation, expansion and ESG. We have a strong future pipeline of new clubs across the UK and Europe and 11 premiumisation projects have already been identified for 2024, including 8 spa retreats, the first of which opened in Q1 2024.

Employees

Consultation with employees and consideration for disabled employees have been discussed in the Strategic Report on pages 11 and 13 of these financial statements. The Strategic Report forms part of this Directors' Report and is incorporated into it by cross-reference.

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 27 to the financial statements.

Going concern

The Group and Company's 'going concern' review is set out in detail in note 2 on pages 61 to 62. 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 2024 to December 2025. 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 33 of these financial statements for details of post balance sheet events.

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 2023 to 31 December 2023 was 29 days (2022: 34 days) and 31 days (2022: 35 days) for the period 1 January 2023 to 30 June 2023.

Material variations to these standard payment terms are as follows:

- 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; and
- Landlords - all rental invoices are paid as contractually agreed.

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 24 of the Strategic Report. Further disclosure on how the Board engages with employees can be found on pages of 11 to 13 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 page 25 of the Strategic Report.

Statement of corporate governance arrangements
For the year ended 31 December 2023, 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
Our clubs provide the perfect destinations to stay fit and healthy as a family. Helping our members to live a better life with a focus on physical and mental wellbeing and a sense of belonging is core to our ethos and member offering. Facilities include state-of-the-art gyms, heated indoor and outdoor pools, top-class racquets facilities, well-equipped group exercise studios and luxurious spas. And 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.

Our vision is "My Club for My Life". Our clubs are places for me-time, together-time, work, rest and playtime under one roof, improving the lives of our members and providing a home away from home under our "My Club for My Life" ethos. However you use us, we can improve your life for all of your life and you will feel part of your Club. Nobody builds a sense of belonging like David Lloyd Clubs.

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.

The Board monitors the Group's culture through member experience and team member feedback. We focus on both member satisfaction and feedback and monitor club usage to maximise member experience. The member experience score is reported to the Board monthly. We invest in our team members to deliver enhanced service levels to our members. Employee engagement is measured and reported to the Board twice a year by way of an online employee survey to ensure the Group is listening and responding to its employees' needs.

The Board recognised that the 'cost of living' crisis has caused considerable financial hardship for our team members and made a hardship fund available for which team members can apply. We also offered free meals to all team members during January to March 2023.

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 business briefings, the Group's employee app 'Kitbag' and regular business communication from the CEO.

Statement of corporate governance arrangements (continued)

Wates Principle 2 Board composition
The Board sits at the Deuce Midco Limited level and consists of six executive directors and one independent non-executive director[3]. Biographies of the board members can be found in the Directors' Report on pages 35 to 36.

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 non-executive Director brings challenge, experience, and offers 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, Chief Operating Officer, Chief Commercial Officer, New Clubs Acquisitions Director, New Clubs Director, Group People Director, Club Experience and Membership Director, Marketing Director, Strategy Director, Operational Finance Director, the UK Operations Director, and the European Operations 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.

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. In response to this in September 2023 the Group launched a new Diversity, Equity, and Inclusion (DE&I) Strategy. This strategy reaffirms our commitment to fostering an inclusive and equitable workplace where everyone is valued, respected, and given equal opportunities to thrive and feel they belong.

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.

The Board has also established an ESG Committee which was formed to provide appropriate focus for the Group's ESG strategy, to inspire member and employee confidence and clarify expectations, helping to underpin long-term shareholder and stakeholder value.

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.

Other than shares held in Deuce Holdco Limited (a parent of the company) the independent non-executive director has no material business relationship with the Group which may influence his judgement or ability to provide independent challenge. Directors are required to declare any conflict of interest in advance of any discussion.

[3] *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 4 Opportunity and risk

The Board seeks out opportunities while mitigating risk. The Group's key risks and mitigations are described in the 'Principal risks and uncertainties' section of the Strategic Report on pages 15 to 17.

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 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 Wickwoods Country Club and the sale & leaseback of the Rugby club. The Board also approved the land purchase to build a club in Bury St Edmunds as well as approving various contracts in which we will lease/purchase land subject to planning permission.

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 profit protection audits by the respective function.

The Board recognises that Environmental, Social and Governance (ESG) issues are integral to the Group's values and strategies. The Board has oversight of climate related risks and opportunities and is responsible for our strategy, which includes the commitment to reduce our environmental impact.

The Board has established an ESG Committee to consider climate and other social and environmental risks and opportunities to improve the Group's sustainability. Refer to the Non-Financial and Sustainability Information Statement.

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 28 "Share based payments" on pages 102 to 103 of these financial statements.

We report on Gender Pay on page 13 of the strategic report. The executive committee's focus is to close the gap by increasing the proportion of females in our leadership roles.

The ESG Committee agreed in January 2024 that Board members will have an ESG-related objective that must be linked to their remuneration.

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.

The Board also 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 bondholder community.

The Section 172(1) Statement on pages 23 to 27 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 data for period 1 January 2023 to 31 December 2023			
		UK and offshore	
Energy Use	**Units**	**2023**	**2022**
Gas consumption	MWh	377,149	372,908
Purchased electricity consumption	MWh	64,170	64,809
Greenhouse Gas (GHG) Emissions			
Total gas	t/CO2e	68,991	68,071
Total fuel (gas oil)	t/CO2e	601	632
Total transport	t/CO2e	26	25
Total fugitive	t/CO2e	1,458	1,174
Total purchased electricity	t/CO2e	13,288	12,533
Greenhouse Gas (GHG) Emissions			
Direct emissions (Scope 1)	000t/CO2e	71,077	69,902
Indirect emissions from electricity (Scope 2)	000t/CO2e	13,288	12,533
Total CO2 emissions (location based)	t/CO2e	84,365	82,435
Total CO2 emissions (market based)	t/CO2e	71,077	79,571
Total Greenhouse Gas (GHG) Emissions	**Units**	**2023**	**2022**
Direct emissions (Scope 1)	000t/CO2e	71	70
Indirect emissions from electricity (Scope 2)	000t/CO2e	13	13
Total CO2 emissions (location based)	000t/CO2e	84	83
Procured renewable energy	000t/CO2e	13	3
Total C02 emissions (market-based approach)	000t/CO2e	71	80
Intensity ratio	**Units**	**2023**	**2022**
Total emissions per visit	kg/CO2e	1.81	2.00

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-2023.

Direct (Scope 1) emissions include gas and fuel consumption, transport, and fugitive emissions. Indirect (Scope 2) emissions relate to our purchased electricity consumption.

2023 vs 2022 Review
GHG emissions are from operationally controlled activities using the UK government 2023 greenhouse gas reporting conversions factors. The decrease in emissions from 2022 to 2023 is predominately because of securing renewable origin green certificates for all our UK procured electricity supply.

The intensity ratio is based on number of member visits (check ins). Our emission value per visit was lower during 2023 because of increased member visits compared to 2022.

Energy efficiency action
Further to the commitment to delivering Carbon Net Zero across Scope 1, 2 & 3 emissions by 2030, over £10m of capex was deployed during 2023 to reduce energy consumption across the estate. This includes continued investment in upgraded LED for the tennis lighting, upgrades to the clubs Building Energy Management Systems, and additional investment into replacing old large energy consuming assets with newer efficient versions, for example air handling units and motors.

A further £30m has been committed to self-fund solar pV rooftop projects across the UK and European estate. This rollout will be phased across 2023 to 2025. 3 UK clubs were completed at the end of 2023, and there is a target to complete 40 clubs by the end of 2024.

Green Champion roles were introduced at each club, to support by promoting sustainability, encouraging effective resource use, and leading by example to help colleagues do the same. They are part of a network of Green Champions across the business and can collaborate on topics, to learn more about sustainability issues, and to share best practice.

To ensure external validation and verification of the Net Zero strategy, the Group has submitted its 2030 targets to the Science Based Targets Initiative. These are expected to be approved in mid-2024.

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 are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 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.

Statement of Directors' Responsibilities (continued)

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 IFRS standards 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 Group’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 auditor is 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 24 April 2024 and signed on its behalf by:

....

PJ Burrows
Director

Independent auditor's report to the members of Deuce Midco Limited

Report on the audit of the financial statements

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 2023 and of the group's profit 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 36.

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 Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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, 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.

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.

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.

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.

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.

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.

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.

We considered the nature of the group’s industry and its control environment, and reviewed the group’s documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group’s business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and relevant tax legislation; and
- 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. These included General Data Protection Regulation (GDPR) and relevant Health and Safety legislation.

We discussed among the audit engagement team and relevant internal specialists such as tax, valuations and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

Impairment of fixed assets (Property, Plant & Equipment ("PPE"), Right of Use ("ROU") assets and goodwill)
The procedures performed to address the risk included the following:

- We 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;
- We understood the growth assumptions used to determine the cash flow forecasts in the model, including testing the supporting evidence and understanding any contradictory evidence and its potential impact on the growth assumptions;
- We performed a review of management's historical forecast accuracy of the supporting schedules, including looking at forecast vs. actual results and quantifying the impact of this on the future forecasts; and
- We performed sensitivity analysis on the key inputs into the model.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

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 of 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.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.

Kate Darlison

Kate Darlison, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
24 April 2024

Deuce Midco Limited

Consolidated Income Statement for the Year ended 31 December 2023

	Note	31 December 2023 £ 000	31 December 2022 £ 000
Revenue	5	756,321	655,321
Cost of sales		(187,807)	(160,584)
Gross profit		568,514	494,737
Other income	6	3,662	15,952
Administrative expenses		(76,927)	(65,991)
Other operating expenses		(346,269)	(287,407)
Impairment losses on financial assets	23	(14,645)	(17,483)
Loss on disposal of PP&E	8	(608)	(4,096)
Operating profit	9	133,727	135,712
Finance income		7,162	897
Finance costs		(135,587)	(138,169)
Net finance costs	14	(128,425)	(137,272)
Profit/(loss) before taxation		5,302	(1,560)
Income tax credit/(charge)	15	18,883	(7,400)
Profit/(loss) for the financial year		24,185	(8,960)

The above results were derived from continuing operations.

Deuce Midco Limited

Consolidated Statement of Comprehensive Income for the Year ended 31 December 2023

	31 December 2023 £ 000	31 December 2022 £ 000
Profit/(loss) for the financial year	24,185	(8,960)
Items that may be reclassified subsequently to profit and loss		
Exchange differences arising on the translation of foreign operations	(2,046)	7,745
Total comprehensive income/(loss) for the financial year	22,139	(1,215)

Deuce Midco Limited

(Registration number: 11385914)
Consolidated Statement of Financial Position as at 31 December 2023

	Note	31 December 2023 £ 000	31 December 2022 £ 000
Assets			
Non-current assets			
Property, plant and equipment	17	480,588	419,106
Right-of-use assets	18	1,096,192	1,063,094
Intangible assets	19	235,050	243,691
Deferred tax assets	30	183,032	174,657
Other investments	21	4,288	4,342
Other receivables	22	4,177	2,870
		2,003,327	1,907,760
Current assets			
Inventories		2,086	1,774
Trade and other receivables	23	16,129	17,835
Cash and cash equivalents	24	7,713	11,495
		25,928	31,104
Total assets		2,029,255	1,938,864
Current liabilities			
Trade and other payables	25	(144,870)	(123,229)
Income tax liability		(3,060)	(802)
Loans and borrowings	26	(422)	(487)
Provisions	29	(467)	(310)
Lease liabilities	18	(5,931)	(5,979)
		(154,750)	(130,807)
Net current liabilities		(128,822)	(99,703)
Non-current liabilities			
Loans and borrowings	26	(899,650)	(902,526)
Provisions	29	(1,560)	(7,858)
Contract liabilities	5	(6,228)	(6,905)
Deferred tax liabilities	30	(223,651)	(234,718)
Lease liabilities	18	(1,102,595)	(1,042,485)
		(2,233,684)	(2,194,492)
Total liabilities		(2,388,434)	(2,325,299)
Net liabilities		(359,179)	(386,435)

The notes on pages 60 to 107 form an integral part of these financial statements.

Deuce Midco Limited

(Registration number: 11385914)
Consolidated Statement of Financial Position as at 31 December 2023

	Note	31 December 2023 £ 000	31 December 2022 £ 000
Equity			
Share capital	31	425,798	425,798
Share premium	31	271,336	271,336
Capital contribution reserve	31	3,550	3,550
Merger reserve	31	(528,465)	(528,465)
Foreign currency translation reserve	31	1,083	3,129
Share based payment reserve	31	16,195	11,078
Other reserves	31	2,569	2,569
Accumulated losses	31	(551,245)	(575,430)
Total shareholders' deficit		(359,179)	(386,435)

Approved by the Board on 24 April 2024 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 2023

	Note	31 December 2023 £ 000	Restated 31 December 2022 £ 000
Assets			
Non-current assets			
Investments	20	675,305	670,188
Other receivables	22	755,808	736,085
		1,431,113	1,406,273
Current assets			
Trade and other receivables	23	-	109
Cash and cash equivalents	24	6	6
		6	115
Total assets		1,431,119	1,406,388
Current liabilities			
Trade and other payables	25	(1,020,338)	(964,793)
Net current liabilities		(1,020,332)	(964,678)
Non-current liabilities			
Loans and borrowings	26	1,869	2,498
Total liabilities		(1,018,469)	(962,295)
Net assets		412,650	444,093
Equity			
Share capital	31	425,798	425,798
Share premium	31	271,336	271,336
Share based payment reserve	31	15,255	10,138
Accumulated losses	31	(299,739)	(263,179)
Total shareholders' funds		412,650	444,093

Approved by the Board on 24 April 2024 and signed on its behalf by:

....
PJ Burrows
Director

No income statement has been 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 £36,560,000 (2022 restated: loss of £20,440,000).

The comparative information has been restated to increase trade and other payables on the face of the statement of financial position (see note 4).

The notes on pages 60 to 107 form an integral part of these financial statements.

Deuce Midco Limited

Consolidated Statement of Changes in Equity for the Year ended 31 December 2023

	Share capital £ 000	Share premium £ 000	Capital contribution reserve £ 000	Merger reserve £ 000	Foreign currency translation reserve £ 000	Share-based payment reserve £ 000	Other reserves £'000	Accumulated losses £ 000	Total shareholders' deficit £ 000
At 1 January 2023	425,798	271,336	3,550	(528,465)	3,129	11,078	2,569	(575,430)	(386,435)
Profit for the financial year	-	-	-	-	-	-	-	24,185	24,185
Other comprehensive expense	-	-	-	-	(2,046)	-	-	-	(2,046)
Total comprehensive income for the financial year	-	-	-	-	(2,046)	-	-	24,185	22,139
Share based payment transactions	-	-	-	-	-	5,117	-	-	5,117
At 31 December 2023	425,798	271,336	3,550	(528,465)	1,083	16,195	2,569	(551,245)	(359,179)

The notes on pages 60 to 107 form an integral part of these financial statements.

Deuce Midco Limited

Consolidated Statement of Changes in Equity for the Year ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Capital contribution reserve £ 000	Merger reserve £ 000	Foreign currency translation reserve £ 000	Share-based payment reserve £ 000	Other reserves £'000	Accumulated losses £ 000	Total shareholders' deficit £ 000
At 1 January 2022	425,798	271,336	3,550	(528,465)	(4,616)	8,138	2,569	(566,470)	(388,160)
Loss for the financial year	-	-	-	-	-	-	-	(8,960)	(8,960)
Other comprehensive income	-	-	-	-	7,745	-	-	-	7,745
Total comprehensive loss for the financial year	-	-	-	-	7,745	-	-	(8,960)	(1,215)
Share based payment transactions	-	-	-	-	-	2,940	-	-	2,940
At 31 December 2022	425,798	271,336	3,550	(528,465)	3,129	11,078	2,569	(575,430)	(386,435)

The notes on pages 60 to 107 form an integral part of these financial statements.

Deuce Midco Limited

Parent Company Statement of Changes in Equity for the Year ended 31 December 2023

	Share capital £ 000	Share premium £ 000	Share-based payment reserve £ 000	Accumulated losses £ 000	Total shareholders' funds £ 000
At 1 January 2023 (restated)	425,798	271,336	10,138	(263,179)	444,093
Loss for the financial year	-	-	-	(36,560)	(36,560)
Total comprehensive loss for the financial year	-	-	-	(36,560)	(36,560)
Share based payment transactions			5,117	-	5,117
At 31 December 2023	425,798	271,336	15,255	(299,739)	412,650

Deuce Midco Limited

Parent Company Statement of Changes in Equity for the Year ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Share-based payment reserve £ 000	Restated Accumulated losses £ 000	Restated Total shareholders' funds £ 000
At 1 January 2022	425,798	271,336	7,198	(242,739)	461,593
Loss for the financial year (restated)	-	-	-	(20,440)	(20,440)
Total comprehensive loss for the financial year (restated)	-	-	-	(20,440)	(20,440)
Share based payment transactions	-	-	2,940	-	2,940
At 31 December 2022 (restated)	425,798	271,336	10,138	(263,179)	444,093

The notes on pages 60 to 107 form an integral part of these financial statements.

Deuce Midco Limited

Consolidated Statement of Cash Flows for the Year ended 31 December 2023

	Note	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Cash flows from operating activities			
Profit/(loss) for the financial year		24,185	(8,960)
Adjustments to reconcile to operating cash flows:			
Depreciation and amortisation	9	98,069	88,714
Impairment charge	9	3,716	5,164
Loss on disposal of property, plant and equipment	8	608	4,096
Finance income	14	(7,162)	(897)
Finance costs	14	135,587	138,169
Share-based payment expense		5,117	2,940
Tax (credit)/charge	15	(18,883)	7,400
Other provision movements	29	(6,130)	1,549
		235,107	238,175
Working capital adjustments (including impact of acquisition):			
Decrease/(increase) in inventories		(270)	(282)
Decrease/(increase) in trade and other receivables		1,877	(1,126)
Increase/(decrease) in trade and other payables		8,535	(25,328)
Cash generated from operations		245,249	211,439
Income taxes paid		(697)	(873)
Net cash flows from operating activities		244,552	210,566
Cash flows from investing activities			
Payments for property, plant and equipment		(101,764)	(107,809)
Payments for assets under construction		(11,858)	(12,233)
Payment for right-of-use assets under construction		(5,798)	(8,446)
Payment for acquisition of subsidiary, net of cash acquired	10	(5,255)	(12,714)
Proceeds from sale of property, plant and equipment		84	166
Payment of contingent consideration		(32)	(417)
Acquisition of intangible assets		(4,181)	(16,035)
Interest received		1,556	792
Dividends received		18	9
Transaction costs paid in relation to right-of-use assets		(425)	-
Net cash flows from investing activities		(127,655)	(156,687)

The notes on pages 60 to 107 form an integral part of these financial statements.

Deuce Midco Limited

Consolidated Statement of Cash Flows for the Year ended 31 December 2023

	Note	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Cash flows from financing activities			
Repayment of principal on lease liabilities		(17,912)	(19,659)
Payment of interest on lease liabilities		(74,411)	(97,059)
Proceeds from funders for sale and leasebacks		29,286	10,488
Interest paid		(57,591)	(50,376)
Payment of rent guarantees		(85)	(3,937)
Receipt of rent guarantees		-	3,129
Repayment of borrowings		(1,929)	(10,407)
Lease incentives received		2,000	552
Net cash flows from financing activities		(120,642)	(167,269)
Net decrease in cash and cash equivalents		(3,745)	(113,390)
Cash and cash equivalents at beginning of year		11,495	124,213
Effect of exchange rate changes on cash and cash equivalents		(37)	672
Cash and cash equivalents at end of year	24	7,713	11,495

1 General information

The Company is a private company limited by share capital incorporated in the United Kingdom and registered in England and Wales.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 Material accounting policies

The material 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.

Basis of preparation
The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IFRS 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.

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; Pillar two tax reform disclosures; and related party transactions.

Climate change
In preparing the consolidated financial statements, management has considered the impact of climate change, particularly in the context of the disclosures in the strategic report and the Group’s target to deliver net zero by 2030. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group’s going concern assessment. The Group is continually developing its assessment of the impact that climate change has on the assets and liabilities recognised and presented in its financial statements.

Specifically, we note that:
- The Group is investing in renewable energy generation technology and de-carbonisation technologies in our clubs to mitigate the risk of increased oil and natural gas pricing and future regulatory requirements.
- We have considered the impact of climate change on the carrying value of property, plant and equipment when assessing for impairment and have not impaired any assets during the financial year as a direct result of climate related factors.

2 Material accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries at 31 December 2023. All subsidiaries have a reporting date of 31 December.

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 £36.6m (2022 restated: loss of £20.4m).

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 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 2025 and the current macroeconomic environment.

<u>Liquidity</u>

The Group is funded by £645m and €300m (c. £260m) of Senior Secured Notes with a maturity date of 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 single financial covenant relating to Consolidated Leverage Ratio (EBITDA to Net Debt ratio) only if the SSRCF is at least 40% drawn. The Group has converted £20m of the SSRCF into an overdraft facility for short-term working capital funding.

As of 31 March 2024, the Group had an immediately available cash balance of c. £10.0m and total liquidity of c. £135m including the undrawn SSRCF.

<u>Recent trading performance of clubs</u>

2023 was a year of growth, against difficult economic headwinds. The Group delivered a strong performance over the past 12 months, both operationally and financially, with growth in membership numbers, revenue and adjusted EBITDA (pre-IFRS 16).

Momentum has continued in 2024. At 31 March 2024 the Group had 761k members (December 2023: 755k). The Group’s business model is underpinned by affluent members who are loyal and generate significant recurring subscription income. Our members value health and wellbeing and have a high disposable income. More than 75% of the Group’s revenues are generated through member subscriptions with most members on rolling contracts requiring them to provide 3 months’ notice to leave. The Group expects to deliver substantial EBITDA growth in FY24.

2 Material accounting policies (continued)

Going concern (continued)

Cash flow forecasts

In making their assessment of going concern, the Directors have considered the forecast cash flows of the Group, and liquidity available in the 20-month period ending 31 December 2025.

The Group's base case scenario for the period to December 2025 reflects substantial EBITDA growth driven by net member count gain in FY24 and FY25, higher yield through premiumisation and further reduction in energy costs. Energy costs are c90% hedged for FY24 and c55% hedged for FY25 giving the Board increased confidence on likely outcomes.

The base case scenario includes cost increases in labour and cleaning accommodating further expected increases in the national living wage as well as inflationary cost increases across other cost categories.

Under the base case scenario, there is no requirement to test the financial covenant, and the Group has sufficient liquidity throughout the 20-month period ending 31 December 2025.

The Directors have considered a severe economic recession scenario modelling reduced new member sales and increased attrition so that by end of December 2025, member count is 75k (10%) lower than the actual December 2023 position. In this scenario there is no requirement to test the financial covenant, and the Group has sufficient liquidity throughout the 20-month period ending 31 December 2025.

A reverse stress test scenario to ascertain what reduction in membership numbers would be required to breach the Group's liquidity or financial covenant has been modelled. Mitigating actions including reducing operating and marketing costs, reducing repairs and maintenance expenditure to essential spend only and reducing investment and pipeline capex to preserve cash have been modelled. In this scenario member count would have to decline on average 22% each month during 2025 for the financial covenant to breach in December 2025. This is the equivalent of the December 2025 closing count being 31% (233k) lower than the closing count as at December 2023. Even under this severe scenario the Group would have sufficient liquidity to continue to settle liabilities as they fall due.

In this reverse stress scenario, the Directors could take further mitigating action, albeit not all within their control, including stopping all capital expenditure, delivering labour savings through head count reduction, asset liquidation through selling plant and equipment, the sale and leasebacks of remaining freehold and extending leases. Liquidity could also be generated from the issuance of new equity and covenant waivers could be sought from lenders. Given consumers continue to prioritise their wellbeing despite the difficult economic environment, the Directors consider the reverse stress test scenario to be extremely unlikely. Furthermore, the required member count reduction would be significantly higher than the 14% (c. 94k) members we lost during COVID-19.

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 period to 31 December 2025. As a result, the Directors have 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;
• Sale of spa vouchers;
• Other retail sales, including food and beverage and crèche services;
• Franchise rent income.

2 Material 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.

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

Retail sales

Revenue from food and beverage sales, and other merchandise is recognised at the point of sale, when control of the goods has transferred to the customer and the Group has a present right to payment therefore does not retain any of the significant risks and rewards.

Other revenue

Other revenue comprises income from personal training, tennis, swimming classes, spa income and franchise rent income. Personal training, tennis and swimming 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. Spa income is recognised at the point the service is provided, and any upfront payment is recognised as a contract liability on the statement of financial position.

Sports lessons are predominantly paid for monthly by direct debit. In Europe, sports lessons are paid for upfront at the beginning of the term. 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, as well as via the app, which allows weekly recurring payments. 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.

2 Material accounting policies (continued)

Other income (continued)

Research and development tax credits
Research and development tax credits are not recognised until there is reasonable assurance that the Group will comply with the relevant conditions and that the income will be received from the relevant tax authority.

Research and development tax credits are recognised in profit or loss in the period in which they become receivable.

VAT reclaims
Income from VAT reclaims are not recognised until there is reasonable assurance that the balance is recoverable from the relevant tax authority and that the income will be received.

Income from VAT reclaims are recognised in profit or loss in the period in which they become receivable.

Construction contracts for leaseback
The Group enters into certain arrangements in which it constructs a new club, transfers title to a third party, and leases the club back from the third party for a period of time. Such arrangements are accounted for by applying the sale and leaseback principles within IFRS 16, with the lease term and portion of asset transferred being determined in accordance with IFRS 16. The portion of the expenditure that relates to the right of use of asset retained is capitalised, while the remaining expenditure (relating to the portion of asset transferred) is recognised as an expense in profit or loss.

Correspondingly, amounts received from the third party that relate to the portion of the asset transferred are recognised as income in profit or loss, and the balance is recognised as a liability, which will be settled through subsequent lease payments.

When land is transferred at the start of such an arrangement, revenue relating to the portion of land that has been transferred is recognised when control has been transferred to the customer, which is typically upon legal title being passed to them. Subsequently, the customer typically obtains control over the properties as they are constructed, and the Group has an enforceable right to payment for work performed, such that the associated revenue is recognised over time. Accordingly, in relation to the portion of the properties that are transferred over time, revenue and costs are recognised with reference to the stage of completion of the contract activity at the balance sheet date based on the proportion of construction cost incurred in relation to total forecast construction costs.

This revenue is classified within ‘Other income’ so as not to distort the Group’s revenue which is derived from the provision of sport and leisure facilities. Construction costs are recognised within ‘Other operating expenses’.

Exceptional items
Exceptional items are not defined under IFRS but are disclosed separately in the financial statements, where it is necessary to provide further understanding of the financial performance of the Group. For an item to be considered exceptional it must meet at least one of the following criteria:

- It is a significant item which may span more than one accounting period;
- It is unusual in nature e.g. outside the normal course of business.

If an item meets at least one of these criteria, the Board exercises judgement on whether it should be classified as an exceptional item.

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.

2 Material accounting policies (continued)

Foreign currency transactions and balances (continued)
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: €1.15 (2022: £1: €1.17), and at the statement of financial position date was £1: €1.15 (2022: £1: €1.13).

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 or current liabilities based on their maturity date.

Borrowing costs
Costs directly attributable to 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. For each same taxing authority, the maximum deferred tax asset that can be recognised is equal to the deferred tax liability. There is no restriction if there is a net deferred tax liability.

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 are held at cost less accumulated impairment losses.

2 Material accounting policies (continued)

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.

Fixtures, fittings and equipment 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.

Assets under construction represent costs incurred in respect of the development of new clubs. 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.

Work in progress represents costs incurred in refurbishment of existing clubs, building spa retreats, and development of new products. No depreciation is charged until the project is complete.

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:

Freehold land, Assets under construction and work in progress are not depreciated.
Freehold Buildings - 50 years
Fixtures, Fittings and Equipment - between 3 and 23 years

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.

The useful lives of property, plant and equipment are reviewed at each year end. Any change to previous estimates are accounted for prospectively as a change in estimate in accordance with IAS 8.

Business combinations

Business combinations are accounted for using the acquisition method or using merger accounting where it is 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 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.

Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed 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.

2 Material accounting policies (continued)

Goodwill
Goodwill is initially recognised and measured as set out above.

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 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 or acquisitions of a group of clubs. For these acquisitions the relevant club or group of clubs 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.

Customer contracts and trademarks recognised on business combinations are amortised using the straight-line method over the following periods:

- Customer contracts – 2 to 7 years
- Trademarks – 15 years

Brand names acquired are recognised as intangible fixed assets with indefinite useful lives and are therefore tested annually for impairment.

Software is capitalised at cost and amortised over its useful life of 18 months to 3 years.

Costs arising from the Group's development of software and applications for providing services to members are capitalised once the project has progressed beyond a conceptual, preliminary stage of application development. Development costs are capitalised when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the development of the software and bring it into use;
- There is an ability to use or sell the software;
- It can be demonstrated that the software will generate probable future economic benefits;
- Adequate technical, financial and other resources are available to complete the development of the software is available;
- The expenditure can be recognised reliably.

Costs that qualify for capitalisation include both internal and external costs but are limited to those that are directly attributable to the specific project.

Internally-generated intangible assets are amortised over their useful lives of 18 months to 3 years.

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.

2 Material accounting policies (continued)

Impairment of tangible and intangible assets (continued)

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.

Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. In order for an impairment reversal to be recognised the recoverable amount of the tangible and intangible asset needs to be supported for a minimum of three consecutive years. Upon this criteria being met the impairment reversal would be recognised in the income statement. Impairment losses recognised for goodwill are not reversed.

Investments are reviewed for impairment based upon their recoverable amount.

Other investments

Other investments consist of rental guarantee deposits held in relation to leases entered into by the Group as a lessee. These deposits are not available for use due to the legal guarantee in place, and are therefore non-current in nature.

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 inventories 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.

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 recognised 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.

2 Material accounting policies (continued)

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.

Share-based payments

Applicable 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-vesting conditions 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.

2 Material accounting policies (continued)

Financial liabilities (continued)

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

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.

Leases
The Group leases various clubs and equipment. Rental contracts are typically made for fixed periods of 12 months to 125 years and 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.

2 Material accounting policies (continued)

Leases (continued)

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.

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.

Where the Group enters into a sale and leaseback transaction, a lease liability and corresponding right of use asset is recognised for the lease of land and buildings at the date the asset is available for use. The right of use asset recognised is calculated as a proportion of the carrying value of the asset held immediately prior to the sale. A portion of the gain or loss on sale is recognised to the extent that it relates to the rights transferred to the buyer.

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

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2023 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:

- IFRS 17 - Insurance Contracts
- 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 IAS 12 – International Tax Reform — Pillar Two Model Rules
- Amendments to the 'IFRS for SMEs' Standard – Application of the exception and disclosure of that fact – International tax reform

(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:

- Amendments to IAS 1, Classification of Liabilities as Current or Non-Current
- Amendments to IAS 1, Non-current liabilities with Covenants
- Amendments to IFRS 16 – Lease liability in a sale and leaseback
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements
- Amendments to IAS 21 Lack of Exchangeability

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

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

Key sources of estimation uncertainty
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 2023 and 2022 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 key assumptions are:

- The calculations use cash flow projections based on financial budgets and business plans approved by the Board covering a five-year period. The key assumptions in calculating EBITDA within the business plan are membership count growth, yield growth and inflationary increases applied to operating costs.
- The pre-tax discount rates of 11.3% for the UK, 11.5% for Germany, 11.7% for Spain, 10.8% for Holland and 9.3%-12.5% for other European countries have been determined using the Capital Asset Pricing Model ("CAPM").

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key assumptions used for value-in-use calculations continued
Cash flows beyond the five-year period, a judgement but not deemed a sensitive key assumption, are extrapolated using an estimated growth rate of 2.0% for the UK and 1.5% - 2.1% across Europe. These growth rates are consistent with forecasts specific to the industry and the country in which each CGU operates.

Sensitivity to changes in key assumptions are disclosed within note 16.

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, 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 inception, 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. See note 18 for future minimum lease payments in respect of leases with a term of less than 10 years remaining.

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 or acquisition of a group of clubs. For these acquisitions the relevant club or group of clubs 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 16.

4 Prior year adjustment

In the prior year, the Company applied the Group's intercompany interest rate of 3.5% to the proceeds loan between Deuce Finco Plc (a fellow group company) and the Company. This interest rate differed from that set out in the proceeds loan agreement between the two entities. In the current year, a restatement has been booked to correct the interest rate in the prior year from 3.5% to 5.50% on the original sterling proceeds loan and 3.5% to three-month EURIBOR (with a 0% floor) plus 4.75% on the original euro proceeds loan.

The effect of the prior year restatement on the 2022 financial statements of the Company is to increase the balance of trade and other payables from £947.7m to £964.8m and increase the loss after tax from £3.3m to £20.4m. There was no impact of this restatement on the consolidated financial statements.

5 Revenue

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

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Membership subscriptions	612,474	528,667
Retail	70,576	62,073
Other revenue	73,271	64,581
	756,321	655,321

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

Revenue in the year ended 31 December 2023 increased to £756.3m (2022: £655.3m) reflecting higher average membership numbers and yield in the year ended 31 December 2023 compared to the prior year.

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

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
UK	628,195	558,510
Europe	128,126	96,811
	756,321	655,321

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Membership subscriptions	30,863	29,958
Joining and other administration fees	2,619	2,743
Other	930	1,584
	34,412	34,285

Contract liabilities at the year end were as follows:

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Current contract liabilities (note 25)	43,247	36,943
Non-current contract liabilities	6,228	6,905
	49,475	43,848

Contract liabilities relate to membership subscriptions, joining and administration fees and sales of sports classes and spa vouchers 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 £43.2m is expected to be released and recognised within revenue in the next twelve months assuming all performance obligations have been satisfied.

6 Other income

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Construction contract revenue	2,569	13,687
Government grant income	295	509
Insurance proceeds	-	1,130
VAT reclaim	623	550
Research and development tax credit	175	76
	3,662	15,952

The Group's other income includes revenue from construction contracts that are recognised over time by reference to the stage of completion of the contract with the customer.

The Group entered into a funding agreement to construct a new club in Shawfair, Edinburgh and subcontracted the build to Pelikaan (Construction) Ltd. An agreement to lease the land and buildings had been entered into for a period of 30 years. The effective date of this agreement was the practical completion date, being 28 July 2023.

The construction of the club meets the definition of a sale under IFRS 15, with the Group recognising a right-of-use asset arising from the leaseback as the proportion relating to the right of use retained. The overall loss of £0.8m the Group has recognised is limited to the proportion of the total loss that relates to the rights transferred to the buyer.

During the year, £0.3m (2022: £0.5m) was recognised in relation to European government grants and £0.6m (2022: £0.6m) proceeds from a VAT claim. In the prior year, £1.1m of insurance proceeds were recognised in relation to an Irish COVID-19 interruption insurance claim.

7 Exceptional items

	Note	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
IT implementation costs		7,881	3,821
Legal claim provisions	29	(4,691)	2,500
Professional fees		2,853	-
Exceptional items		6,043	6,321

Exceptional items are included within other operating expenses in the income statement. IT implementation costs relate to costs of various IT projects classified as software as a service (SaaS) arrangements. These items are considered by the directors to be exceptional as they are significant costs spanning more than one accounting period, which are outside the normal course of business and are therefore separately disclosed.

Professional fees relate to significant costs incurred for corporate activities, which are outside the normal course of business.

Legal claim provisions are a significant cost spanning more than one accounting period and therefore considered by the directors to be exceptional in nature (note 29).

The tax effect of the exceptional items disclosed above was a £nil (2022: £nil).

Exceptional items listed above generated a net cash outflow of £9.6m (2022: £3.8m). There was a further £2.8m cash outflow in the year relating to the legal claim provision held at 31 December 2022 (note 29).

8 Loss on disposal of PP&E

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

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Loss on disposal of other PP&E	(1,966)	(4,037)
(Loss)/profit on sale and leaseback of UK land and buildings	(44)	40
Loss on disposal of land	-	(351)
Profit on exiting lease	1,402	252
	(608)	(4,096)

The Group recorded a profit on disposal of gym equipment of £0.5m (2022: £0.1m) for the year ended 31 December 2023 which is recognised within other operating expenses.

On 28 July 2023, the Group completed a sale and leaseback of a club in Shawfair, Edinburgh and a loss on disposal of £0.8m was recognised.

On 2 August 2023, the Group completed a sale and leaseback of a club in Rugby and a profit on disposal of £0.8m was recognised.

On 6 June 2023, notice was served to terminate the lease on the Kiel club at 30 June 2024. The remaining lease liability of £0.8m (€0.9m) was released at this date and recognised as a profit on disposal.

On 22 December 2023, the Birmingham Blaze lease was surrendered at a cost of £0.3m. The remaining lease liability was released at this date, resulting in a profit on disposal of £0.6m.

Loss on disposal of other PP&E (excluding gym equipment) of £2.0.m (2022: £4.0m) relates to disposals of assets in the normal course of business.

9 Operating profit

Arrived at after charging:

	Note	Year ended 31 December 2023 £ 000	Restated Year ended 31 December 2022 £ 000
Depreciation and amortisation expense	17, 18, 19	98,069	88,714
Impairment of goodwill	19	3,000	3,372
Impairment of property, plant and equipment	17	122	1,484
Impairment of right-of-use assets	18	594	308
Staff costs	12	214,112	182,336
IFRS 16 operating lease expense		3,884	3,126
Exceptional items	7	6,043	6,321

The cost of inventories recognised as an expense and included in cost of sales amounted to £25.1m (2022: £21.3m). This includes inventory write downs of £1.2m (2022: £1.2m).

Impairment losses of £3.7m (2022: £5.2m) have been included within other operating expenses.

9 Operating profit (continued)

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

Prior year staff costs have been restated to correct an issue identified with the source data (note 12).

10 Business combinations

On 10 February 2023, the Group entered into an agreement to purchase the entire issued share capital of Country Clubs (UK) Limited and Country Clubs and Leisure Limited which operates a club named Wickwoods Country Club in West Sussex. The purchase was effected through David Lloyd Leisure Limited, an entity within the Group.

The total cash consideration was £6.0m, transferred to the sellers for the shares. The purchase was funded from existing cash reserves. Upon completing the acquisition, the Group settled external loans of £1.5m held by the companies which has been classified as repayment of borrowings in the consolidated statement of cashflows.

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

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

	Book value £ 000	Provisional fair value adjustment £ 000	Provisional fair value on acquisition £ 000
Assets			
Customer contracts	-	227	227
Freehold investments	1,005	-	1,005
Leasehold improvements	1,852	2,435	4,287
Property, plant and equipment	981	-	981
Cash and cash equivalents	775	-	775
Inventories	46	-	46
Trade and other receivables	119	-	119
Liabilities			
Loans and borrowings	(1,544)	-	(1,544)
Trade and other payables	(1,029)	(117)	(1,146)
Deferred tax liabilities	(288)	(665)	(953)
Total identifiable net assets at acquisition	1,917	1,880	3,797
Consideration transferred			6,030
Goodwill recognised at acquisition			2,233

10 Business combinations (continued)

Provisional fair value adjustments principally relate to:

Customer contracts: On acquisition the Group recognised an intangible asset for customer contracts that were acquired as part of the transaction.

Fixed assets: The fair value of assets acquired has been determined through a third-party valuation at 10 February 2023.

Trade and other payables: On acquisition, the Group recognised a rates accrual that was liable due to losing small companies rates discount.

Deferred tax liabilities: The deferred tax liabilities arising on acquisition relate to the fair value adjustments for property, plant and equipment.

Goodwill is considered to represent the value of the assembled workforce and the benefits that will be generated from combining this site 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 £0.3m related to external legal and professional fees. These transaction costs have been charged to operating costs in the income statement and treated as an operating cash flow in the cash flow statement.

If the clubs had been acquired from 1 January 2023, they would have contributed pro-forma revenue for the financial period of £4.8m and an adjusted EBITDA (pre-IFRS 16) of £0.8m.

11 Auditor's remuneration

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	11	10
The audit of the Company's subsidiaries pursuant to legislation	1,205	1,009
	1,216	1,019
Other fees to auditor		
Audit related assurance services	43	10
	43	10
	1,259	1,029

12 Staff costs

The aggregate payroll costs were as follows:

	Year ended 31 December 2023 £ 000	Restated Year ended 31 December 2022 £ 000
Wages and salaries	187,178	161,413
Social security costs	18,094	14,743
Other pension costs	3,723	3,240
Long-term incentive plan charges	5,117	2,940
	214,112	182,336

During the year, the directors identified a presentation restatement in relation to staff costs. An inaccuracy was noted in the source data used to prepare the staff costs disclosure note resulting in the prior year staff costs being understated by £5.3m. Accordingly, this has been restated. There is no impact on the income statement as the error was restricted to the disclosure notes.

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

	2023 No.	2022 No.
Club Support	383	365
Clubs	6,263	5,876
	6,646	6,241

There were no employees within the Company.

13 Directors' remuneration

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

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Aggregate remuneration	2,517	1,425
Pension costs	36	36
	2,553	1,461

In respect of the highest paid Director:

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Aggregate remuneration	942	482
Pension costs	-	-
	942	482

14 Finance income and costs

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Finance income		
Interest income on bank deposits	1,556	792
Dividend income	18	9
Foreign exchange gains	5,527	-
Other interest income	61	96
Total finance income	7,162	897
Finance costs		
Interest on bank overdrafts and borrowings	(57,752)	(50,289)
Interest on lease liabilities	(74,411)	(70,161)
Amortisation of loan arrangement fees	(3,069)	(3,088)
Unwinding of discount on provisions	(16)	(34)
Foreign exchange losses	-	(14,115)
Other interest payable	(339)	(482)
Total finance costs	(135,587)	(138,169)
Net finance costs	(128,425)	(137,272)

Foreign exchange gains in the year (2022: losses) primarily relate to the gain (2022:loss) on translation of the Euro senior secured notes.

15 Income tax

Tax charge in the income statement:

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Current taxation		
UK corporation tax	50	-
Foreign corporation tax	2,050	902
Adjustment in respect of prior periods	(357)	(1,591)
	1,743	(689)
Deferred taxation		
Arising from origination and reversal of temporary differences	(16,624)	6,996
Adjustment in respect of prior periods	(4,002)	1,093
Total deferred taxation	(20,626)	8,089
Tax (credit) / charge in the income statement	(18,883)	7,400

15 Income tax (continued)

UK corporation tax is calculated at 23.5% (2022: 19%) of the estimated taxable profit for the year. On 1 April 2023, the UK corporation tax rate increased from 19% to 25%. Taxation for other corporation jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year is lower (2022: higher) than the standard rate of corporation tax. The differences are explained below:

	Year ended 31 December 2023 £ 000	Year ended 31 December 2022 £ 000
Profit / (loss) before tax	5,302	(1,560)
Corporation tax at standard rate 23.5% (2022: 19%)	1,246	(296)
Effect of non-deductible expenses	5,319	6,727
Impact of tax depreciation in excess of cost	(611)	(2,939)
Effect of tax losses	(17,248)	4,286
Deferred tax not recognised	2,358	1,541
Group relief with parent company for no consideration	(7,295)	8
Effect of different tax rates	1,707	(1,429)
Adjustments in respect of prior periods	(4,359)	(498)
Total tax (credit)/charge	(18,883)	7,400

The adjustment in respect of prior periods of £4.4m credit (2022: £0.5m credit) primarily relates to the analysis of the tax treatment of the interest restriction and increased losses carried forward.

The OECD Pillar Two Globe Rules introduce a global minimum corporate tax rate, initially at 15%, applicable to multinational enterprise (MNE) groups with global revenue over €750m. All participating OECD members are required to incorporate these rules into national legislation. The UK substantially enacted legislation to apply the OECD Pillar Two Globe Rules on 20 June 2023, and these rules will apply to the Group from 1 January 2024. Reviewing the rules, the Group assessment is that there is unlikely to be a material impact on the amounts recognised in its consolidated financial statements for 2024.

The Group has applied the temporary exception, introduced in May 2023, from the accounting requirements for deferred taxes in IAS 12, so that the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

16 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. Goodwill arising on the acquisition by TDR on 1 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 or acquisitions of a group of clubs. For these acquisitions the relevant club or group of clubs is considered to be the CGU. Club impairments of property, plant and equipment and right-of-use assets are charged to individual clubs as these are considered to be separate cash generating units (CGUs) at which the Group monitors performance.

The carrying amount of goodwill has been allocated to CGUs as follows:

CGU	31 December 2023 £'000	31 December 2022 £'000
Group	84,280	84,841
Germany	35,923	39,766
UK	32,804	32,804
Other CGUs	11,164	9,115
Total	164,171	166,526

Group CGU relates to goodwill arising on acquisition by TDR in 2013. Germany CGU relates to goodwill arising on the acquisition of 8 Meridian Spa and Health clubs in 2020. UK CGU relates to goodwill arising on the acquisition of 14 Virgin Active clubs in 2017. Other CGUs relates to goodwill arising on the acquisitions of Geneva Country Club in 2020, Accura clubs in 2021, Reebok clubs in 2022 and Wickwoods club in 2023.

Key assumptions used in value in use calculations

The recoverable amount of property, plant and equipment and right-of-use assets is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management for a five year period. The key assumptions in this calculation are the future cashflow projections to 2028 and the pre-tax discount rate. The pre-tax discount rates applied to cash flow projections used to extrapolate the cash flows beyond the five-year period are:

Country	2023	2022
UK	11.30%	11.30%
Germany	11.50%	11.75%
Spain	11.70%	13.75%
Holland	10.80%	11.50%
Other European countries	9.30-12.50%	9.25-14.50%

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

Cash flows beyond the five-year period are extrapolated using a range from 2.0% for the UK and between 1.5% and 2.1% across Europe (2022: 1.9% for UK and between 1.4% and 2.2% across Europe). This is a judgement made by management but not deemed to be a sensitive key assumption.

An impairment has been recognised where there is an indication that the future economic performance of the CGU will not be sufficient to support its carrying value. The value in use of clubs that have been impaired during the year was £5.3m.

16 Impairment testing continued

Sensitivity to changes in assumptions for goodwill, property, plant and equipment and right-of-use assets
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.

If the pre-tax discount rates applied to cash flow projections was to increase by 2% (200 basis points), a reasonably possible change in assumption considered by the directors, the Group would have to recognise a further impairment charge against goodwill of £16.2m – with £14.4m attributable to the Germany CGU, where headroom is £nil, and £1.8m attributable to Other CGUs, where headroom is minimal. Furthermore, there would be an additional impairment charge against property, plant and equipment of £1.5m and right-of-use assets of £1.3m, across multiple clubs.

For the headroom of £1,483.9m, relating to the Group CGU goodwill, to have been fully eliminated, the pre-tax discount rates applied to cash flow projections across the Group would have to increase by 9.16% (916 basis points).

For the headroom of £110.2m, relating to the UK CGU goodwill, to have been fully eliminated, the pre-tax discount rates applied to cash flow projections across the UK would have to increase by 8.60% (860 basis points).

If the future annual EBITDAR applied to cash flow projections were to decrease by 2% (200 basis points), a reasonably possible change in assumption considered by the directors, the Group would have to recognise a further impairment charge against goodwill of £3.0m attributable to the Germany CGU, where headroom is £nil. Furthermore, there would be an additional impairment charge against property, plant and equipment of £0.3m and right-of-use assets of £0.1m, across multiple clubs.

For the headroom of £1,483.9m, relating to the Group CGU goodwill, to have been fully eliminated, the future annual EBITDAR applied to cash flow projections across the Group would have to decrease by 38.65% (3,865 basis points).

Given the Germany CGU has no headroom, further sensitivity analysis has been performed based on reasonable changes in the future annual EBITDAR applied to cash flow projections. An increase in the goodwill impairment from the impact of a reasonable possible decrease in the future annual EBITDAR applied to cash flow projections is as follows:

	Impairment for the year ended 31 December 2023	Impact of change in EBITDAR	
		-500 Bps	-1000 Bps
	£ 000	£ 000	£000
Germany CGU	3,000	7,398	14,796

Given the Germany CGU has no headroom, further sensitivity analysis has been performed based on reasonable changes in the long-term growth rate. An increase in the goodwill impairment from the impact of a reasonable possible decrease in the long-term growth rate is as follows:

	Impairment for the year ended 31 December 2023	Impact of change in Long Term Growth Rate	
		-50 Bps	-100 Bps
	£ 000	£ 000	£000
Germany CGU	3,000	1,805	3,500

17 Property, plant and equipment

Group

	Land and buildings £ 000	Fixtures & fittings and equipment £ 000	Assets under construction £ 000	Work in progress £ 000	Total £ 000
Cost					
At 1 January 2022	268,980	286,627	-	20,729	576,336
Acquired through business combinations	1,633	1,323	-	-	2,956
Additions	20,295	59,868	12,233	29,951	122,347
Transfers	9,142	10,991	-	(20,133)	-
Disposals	(5,804)	(13,205)	-	-	(19,009)
Foreign exchange movements	5,983	3,275	169	804	10,231
As at 31 December 2022	300,229	348,879	12,402	31,351	692,861
Acquired through business combinations	5,292	981	-	-	6,273
Additions	41,471	51,546	11,858	19,295	124,170
Transfers	11,252	19,755	-	(31,007)	-
Disposals	(3,415)	(4,137)	(14,947)	-	(22,499)
Foreign exchange movements	(1,847)	(1,117)	(96)	(168)	(3,228)
As at 31 December 2023	352,982	415,907	9,217	19,471	797,577
Depreciation					
At 1 January 2022	62,020	171,481	-	-	233,501
Charge for the year	11,428	35,821	-	-	47,249
Impairments	1,284	200	-	-	1,484
Transfers	5,000	(5,000)	-	-	-
Disposals	(2,070)	(10,896)	-	-	(12,966)
Foreign exchange movements	2,145	2,342	-	-	4,487
As at 31 December 2022	79,807	193,948	-	-	273,755
Charge for the year	11,348	38,962	-	-	50,310
Impairments	63	59	-	-	122
Transfers	(3,670)	3,670	-	-	-
Disposals	(1,482)	(3,809)	-	-	(5,291)
Foreign exchange movements	(1,169)	(738)	-	-	(1,907)
As at 31 December 2023	84,897	232,092	-	-	316,989
Carrying amount					
At 31 December 2023	268,085	183,815	9,217	19,471	480,588
At 31 December 2022	220,422	154,931	12,402	31,351	419,106

17 Property, plant and equipment (continued)

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. The calculations use cash flow projections based on financial budgets and business plans approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2.0% for the UK and 1.5% - 2.1% across 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 11.3% for the UK, 11.5% for Germany, 11.7% for Spain, 10.8% for Holland and 9.3% - 12.5% for other European countries have been determined using the Capital Asset Pricing Model ("CAPM").

On 2 August 2023, the Group completed a sale and leaseback of a club in Rugby, which was constructed by the Group. Construction costs of £7.0m (2022: £5.4m of construction costs and £2.5m land cost) are included within additions in the year, and were subsequently disposed (£14.9m) from assets under construction on completion.

On 30 August 2023, the Group purchased land in Bury St Edmunds for £3.2m and construction commenced to build a new club on the site. Construction costs of £0.6m and the cost of land (£3.2m) are included within assets under construction.

Assets under construction also include £1.1m (2022: £4.3m) of additions relating to costs for a site in Boadilla, Madrid.

18 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	Assets under construction £ 000	Equipment £ 000	Total £ 000
Cost				
At 1 January 2022	1,130,113	-	2,922	1,133,035
Acquired through business combinations	36,795	-	-	36,795
Additions	63,499	3,495	280	67,274
Disposals	(2,983)	-	(381)	(3,364)
Transfers	961	(961)	-	-
Foreign exchange movements	8,377	-	9	8,386
As at 31 December 2022	1,236,762	2,534	2,830	1,242,126
Additions	68,824	5,798	348	74,970
Disposals	(2,636)	-	(472)	(3,108)
Transfers	8,332	(8,332)	-	-
Foreign exchange movements	(4,513)	-	(4)	(4,517)
As at 31 December 2023	1,306,769	-	2,702	1,309,471
Depreciation				
At 1 January 2022	142,372	-	2,193	144,565
Charge for the year	32,506	-	602	33,108
Disposals	(991)	-	(354)	(1,345)
Impairment charge	308	-	-	308
Foreign exchange movements	2,392	-	4	2,396
As at 31 December 2022	176,587	-	2,445	179,032
Charge for the year	36,912	-	531	37,443
Disposals	(1,973)	-	(472)	(2,445)
Impairment charge	594	-	-	594
Foreign exchange movements	(1,343)	-	(2)	(1,345)
As at 31 December 2023	210,777	-	2,502	213,279
Carrying amount				
At 31 December 2023	1,095,992	-	200	1,096,192
At 31 December 2022	1,060,175	2,534	385	1,063,094

18 Leases (continued)

Lease liabilities	31 December 2023 £ 000	31 December 2022 £ 000
Current	(5,931)	(5,979)
Non-current	(1,102,595)	(1,042,485)
	(1,108,526)	(1,048,464)

Additions of £5.8m were recognised in assets under construction in relation to the Shawfair club. On 28 July 2023, the Group completed a sale and leaseback of the club and the right of use asset under construction of £8.3m was transferred to the land and buildings category within right of use assets. A corresponding lease liability of £11.8m was recognised.

Right of use asset additions were recognised for new leases in Sterrebeek (£13.0m), Rugby (£9.4m), Wandsworth (£7.7m) and Purley (£0.5m) and for a lease modification due to a lease extension for Fulham (£3.8m). Other additions relate to remeasurements as a result of rent reviews of £34.4m, with a corresponding increase in the lease liability. Disposals primarily relate to the Birmingham Blaze Studio lease, which was surrendered on 22 December 2023, and the Maidstone lease, which expired on 3 June 2023.

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	31 December 2023 £ 000	31 December 2022 £ 000
Depreciation charge on right-of-use assets		
Land and buildings	36,912	32,506
Equipment	531	602
	37,443	33,108
Interest expense (included in finance cost)	74,411	70,161
Expenses relating to variable lease payments not included in lease liabilities	432	334
Net impairment charge	594	308

18 Leases (continued)

(iii) Future minimum lease payments as at 31 December 2023 are as follows:

The total cash outflow for leases for the period was £92.3m (2022: £116.7m). In addition, £2.0m of cash lease incentives were received. The prior year number included £30.5m of repayments of deferrals agreed with landlords as a result of COVID-19.

	31 December 2023 £ 000	31 December 2022 £ 000
Not later than one year	91,235	88,950
Later than one year and not later than five years	382,375	360,441
Later than five years and not later than ten years	468,154	440,704
Later than ten years and not later than twenty-five years	1,168,853	1,090,786
Later than twenty-five years and not later than fifty years	632,134	612,773
Later than fifty years	1,286,473	1,243,558
Total gross payments	4,029,224	3,837,212
Impact of finance expenses	(2,920,698)	(2,788,748)
Carrying amount of liability	1,108,526	1,048,464

Significant judgement is involved in determining the period over which a lease is considered to be 'enforceable'. We apply different assessments to leases that expire within ten years. The cash outflow for leases expiring in less than ten years and greater than ten years is as follows:

31 December 2023

	Less than 10 years £ 000	More than 10 years £ 000	Total £ 000
Gross payments	84,680	3,944,544	4,029,224
Impact of finance expenses	(17,491)	(2,903,207)	(2,920,698)
Carrying amount of liability	67,189	1,041,337	1,108,526

31 December 2022

	Less than 10 years £ 000	More than 10 years £ 000	Total £ 000
Gross payments	82,919	3,754,293	3,837,212
Impact of finance expenses	(18,635)	(2,770,113)	(2,788,748)
Carrying amount of liability	64,284	984,180	1,048,464

(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 2023 was £4.2m (2022: £4.3m).

19 Intangible assets

Group

	Goodwill £ 000	Customer contracts £ 000	Trademarks £ 000	Brands £ 000	Software & other internally generated intangibles £ 000	Total £ 000
Cost or valuation						
At 1 January 2022	160,780	4,813	13,809	43,347	21,545	244,294
Acquired through business combinations	5,492	518	-	-	20	6,030
Additions	37	-	-	-	15,998	16,035
Disposals	-	-	-	-	(452)	(452)
Foreign exchange movements	3,929	271	760	-	163	5,123
As at 31 December 2022	170,238	5,602	14,569	43,347	37,274	271,030
Acquired through business combinations	2,233	227	-	-	-	2,460
Additions	-	-	-	-	4,181	4,181
Disposals	-	-	-	-	(134)	(134)
Foreign exchange movements	(1,648)	(116)	(301)	-	(50)	(2,115)
As at 31 December 2023	170,823	5,713	14,268	43,347	41,271	275,422
Amortisation						
At 1 January 2022	262	1,134	1,810	-	12,465	15,671
Amortisation charge	-	992	890	-	6,475	8,357
Disposals	-	-	-	-	(452)	(452)
Impairment	3,372	-	-	-	-	3,372
Foreign exchange movements	78	101	134	-	78	391
As at 31 December 2022	3,712	2,227	2,834	-	18,566	27,339
Amortisation charge	-	1,234	978	-	8,104	10,316
Disposals	-	-	-	-	(90)	(90)
Impairment	3,000	-	-	-	-	3,000
Foreign exchange movements	(60)	(49)	(61)	-	(23)	(193)
As at 31 December 2023	6,652	3,412	3,751	-	26,557	40,372
Carrying amount						
At 31 December 2023	164,171	2,301	10,517	43,347	14,714	235,050
At 31 December 2022	166,526	3,375	11,735	43,347	18,708	243,691

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 recognised an impairment charge of £3.0m during the year (2022: £3.4m), of which £3.0m (2022: £2.5m) related to Meridian and £nil (2022: £0.9m) related to La Finca/Serrano.

On 10 February 2023, the Group purchased the entire issued share capital of Country Clubs (UK) Limited and Country Clubs and Leisure Limited for cash consideration of £6.0m, goodwill of £2.2m and customer contracts of £0.2m were recognised on acquisition.

20 Investments

Summary of Group investments

See note 21 for other investments held by the Group as at 31 December 2023.

Summary of the Company investments

	31 December 2023 £ 000	31 December 2022 £ 000
At start of year	670,188	667,248
Additions	5,117	2,940
At end of year	675,305	670,188

A share-based payment charge of £5.1m (2022: £2.9m) 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 of the Company.

Group subsidiaries and investments

Details of the Group subsidiaries and investments as at 31 December 2023 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Holding 2023	Holding 2022
Deuce Acquisitions Ltd*	Holding Company	England and Wales	100%	100%
Deuce FinCo Plc*	Holding Company	England and Wales	100%	100%
David Lloyd Leisure Operations Holdings Ltd	Dormant	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	Dormant	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 Ltd	Leisure clubs	England and Wales	100%	100%
David Lloyd Clubs Holdings Ltd	Holding company	England and Wales	100%	100%
David Lloyd Leisure JV Holdings Ltd	Dormant	England and Wales	100%	100%

20 Investments

Name of subsidiary	Principal activity	Country of incorporation	Holding 2023	Holding 2022
David Lloyd Leisure 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%
Burton Waters (HL&R) Ltd	Dormant	England and Wales	100%	100%
Markson Tennis and Leisure Centres Ltd	Dormant	England and Wales	100%	100%
Castledene Leisure td	Dormant	England and Wales	100%	100%
Grasspost Ltd	Dormant	England and Wales	100%	100%
Design Collective Ltd	Dormant	England and Wales	100%	100%
Gatehouse Nursery Holdings Ltd	Dormant	England and Wales	100%	100%
Tennis Club Management International Ltd	Dormant	England and Wales	100%	100%
Farnridge Ltd	Dormant	England and Wales	100%	100%
David Lloyd Sports Centres Ltd	Dormant	England and Wales	100%	100%
Racquets and Healthtrack Group Ltd	Dormant	England and Wales	100%	100%
Brooklands Healthtrack Ltd	Dormant	England and Wales	100%	100%
Solihull Racquets & Healthtrack Ltd	Dormant	England and Wales	100%	100%
Cheshire Oaks Racquets and Healthtrack Ltd	Dormant	England and Wales	100%	100%
Ealing Racquets and Healthtrack Ltd	Dormant	England and Wales	100%	100%
Manchester Racquets and Healthtrack Ltd	Dormant	England and Wales	100%	100%
Nottingham Racquets & Healthtrack Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nurseries Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nominee No.1 Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nominee No 2 Ltd	Dormant	England and Wales	100%	100%
Nextgen Ltd	Dormant	England and Wales	100%	100%
Newhaven Restaurant Ltd	Dormant	England and Wales	100%	100%
N.G.C. Project Management Ltd	Dormant	England and Wales	100%	100%
Smilewood Ltd	Dormant	England and Wales	100%	100%
Celsius Spa Limited	Dormant	England and Wales	100%	100%
Harbour Club Operations Ltd	Dormant	England and Wales	100%	100%

20 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Holding 2023	Holding 2022
David Lloyd Leisure Nominee No 3 Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nominee No 4 Ltd	Dormant	England and Wales	100%	100%
DLL Greenwich Ltd	Holding Company	England and Wales	100%	100%
Country Clubs & Leisure Ltd	Leisure clubs	England and Wales	100%	0%
Country Clubs (UK) Limited	Property company	England and Wales	100%	0%
Sports Management (Scotland) Ltd	Dormant	Scotland	100%	100%
DLL Talwalkars Club Private Limited	Dormant	India	50%	50%
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%
Meridian Spa & Fitness Frankfurt GmbH	Leisure clubs	Germany	0%	100%
Meridian Spa & Fitness Hamburg GmbH	Leisure clubs	Germany	0%	100%
Meridian Spa & Fitness Deutschland GmbH	Leisure clubs	Germany	100%	100%
DLL Greenwich Holding GmbH	Holding Company	Germany	100%	100%
DLL Greenwich GmbH	Holding Company	Germany	100%	100%
Geneva Country Club SA	Leisure clubs	Switzerland	100%	100%
David Lloyd Clubs Italia SRL	Leisure clubs	Italy	100%	100%
David Lloyd Leisure Espana II	Leisure clubs	Spain	100%	100%
DLL Leisure Espana III SL	Leisure clubs	Spain	100%	100%
DLL Clubs Malaga SL	Leisure clubs	Spain	0%	100%
DLL Clubs Zaragoza SL	Leisure clubs	Spain	0%	100%

20 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Holding 2023	Holding 2022
DLL Clubs Gava Mar SL	Leisure clubs	Spain	0%	100%
ASL Fitness SL	Leisure clubs	Spain	0%	100%
Alfabeto 19 SL	Leisure clubs	Spain	0%	100%

* indicates direct investment of the company.

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

Investment	Principal activity	Country of incorporation	Holding 2023	Holding 2022
Bonasport SA	Leisure clubs	Spain	5%	5%

The Group received dividends of £17,880 (2022: £9,000) from Bonasport SA during the year.

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
Meridian Spa & Fitness Deutschland GmbH: 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
ASL Fitness SL: Paseo Club Deportivo, 4, 28223 Pozuelo de Alarcón, Madrid, Spain
Alfabeto 19 SL: C. de Serrano, 61, 28006 Madrid, Spain
David Lloyd Clubs Italia SRL: Stradello S. Marone, 50, 41100 Modena MO, Italy
Bonasport SA: Calle Vistabella, 11, 08022 Barcelona, Spain

On 1 January 2023 Meridian Spa & Fitness Frankfurt GmbH and Meridian Spa & Fitness Hamburg GmbH were merged into Meridian Spa & Fitness Deutschland GmbH.

On 1 January 2023, ASL Fitness SL, Alfabeto 19 SL, DLL Clubs Gava Mar SL, DLL Clubs Zaragoza SL, and DLL Clubs Malaga SL were merged into DLL Leisure Espana III SL.

On 10 February 2023, the Group acquired the entire issued share capital of Country Clubs (UK) Limited and Country Clubs and Leisure Limited. On 1 July 2023, the trade and assets of Country Clubs and Leisure Limited were transferred to David Lloyd Leisure Limited.

21 Other investments

	31 December 2023 £ 000	31 December 2022 £ 000
Guarantees	4,288	4,342

Other investments held by the Group consist of bank guarantees in relation to leasehold premises in Germany, Spain and Italy.

22 Other receivables

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Other receivables	1,188	-	-	-
Amounts due from parent companies	2,989	2,870	-	-
Amounts due from subsidiaries	-	-	755,808	736,085
Total non-current other receivables	4,177	2,870	755,808	736,085

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 2023. They are included within non-current other receivables as there is no current intention for them to be repaid despite them being due within one year.

Other receivables of £1.2m represent a probable tax asset arising on loans provided to participators.

23 Trade and other receivables

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Trade receivables	19,173	21,629	-	-
Provision for impairment of trade receivables	(15,247)	(17,483)	-	-
Net trade receivables	3,926	4,146	-	-
Contract assets	2,555	6,133	-	-
Prepayments	5,864	5,164	-	-
Other receivables	3,784	2,392	-	-
Social security and other taxes	-	-	-	109
Total current trade and other receivables	16,129	17,835	-	109

In the prior year, contract assets included £5.2m of receivables arising from construction contracts for leaseback. This was completed during the financial year and the construction contract asset as at 31 December 2023 is £nil.

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

23 Trade and other receivables (continued)

The Group assesses the expected recoverability of trade receivables and applies a provision based on the historical recoverability rate. The Group also assesses the latest information it has available on customer collections post the balance sheet date in order to evaluate whether there has been any impact on its customer from changes in prevailing macro-economic situation.

The impairment charge of trade and other receivables reflects the expected credit losses in accordance with IFRS 9. The decrease against prior year is driven by lower bad debts as a proportion of member subscription income. The charge of £14.6m (2022: £17.5m) represents 2.4% (2022: 3.3%) of membership subscription revenues.

The movement in the allowances during the year is as follows:

	31 December 2023 £ 000	31 December 2022 £ 000
Allowances at 1 January	17,483	8,750
Allowances used on fully written down receivables	(16,881)	(8,750)
Additions – charged to consolidated income statement	14,645	17,483
Allowances at 31 December	15,247	17,483

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 2023, trade receivables of £1,212,000 (2022: £898,000) were past due but not impaired. The ageing of these receivables is as follows:

	31 December 2023 £ 000	31 December 2022 £ 000
1 to 3 months	974	752
Over 3 months	238	146
	1,212	898

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

	31 December 2023 £ 000	31 December 2022 £ 000
UK Pounds	11,241	14,597
Euros	4,727	3,158
Swiss Francs	161	80
	16,129	17,835

24 Cash and cash equivalents

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Cash at bank and in hand	7,713	11,495	6	6

25 Trade and other payables

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	Restated 31 December 2022 £ 000
Trade payables	14,343	18,176	1,571	69
Accrued expenses	64,792	52,754	1,847	531
Amounts due to Group companies	-	-	1,016,920	964,193
Social security and other taxes	20,273	13,903	-	-
Other payables	2,215	1,453	-	-
Contract liabilities (note 5)	43,247	36,943	-	-
	144,870	123,229	1,020,338	964,793

Accrued expenses includes £2.6m (2022: £2.4m) of accrued interest on loans and borrowings. Also included within accrued expenses is contingent consideration, arising on business combinations, of £0.2m (2022: £0.3m).

The amounts due to Group companies are repayable on demand. Interest on the loan with Deuce Finco Plc (a fellow group company) is charged at 5.50% on the original sterling proceeds loan and three-month EURIBOR (with a 0% floor) plus 4.75% on the original euro proceeds loan. Other amounts due to Group companies accrue interest at a rate of 3.5%. The prior year amounts due to Group companies have been restated – see note 4.

26 Loans and borrowings

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Current loans and borrowings				
Bank borrowings and loans	422	487	-	-
Non-current loans and borrowings				
Loan	909,953	915,898	-	-
Loan arrangement fees	(10,303)	(13,372)	(1,869)	(2,498)
	899,650	902,526	(1,869)	(2,498)

26 Loans and borrowings continued

Loan arrangement fees for the Company of £1.9m relate to the super senior revolving credit facility that was undrawn at 31 December 2023.

Non-current loans and borrowings consist of £645m of Senior Secured Notes ("the Sterling Notes") and €300m of Senior Secured Notes ("the Euro Notes"), issued by Deuce FinCo plc (a subsidiary of the Company). 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.

Non-current loans and borrowings also include loans from Spanish banks (€2.8m and €3.2m). The loans from Kratus Inversiones and Unicaja Banco were assigned to the Group on acquisition of the Accura group. Interest accrues at 5.27% and 5.69% respectively, payable monthly. The loans are paid in monthly instalments and will be fully repaid by 31 March 2043 and 31 March 2029. Capital payments for the next 12 months are classified within current loans and borrowings.

In addition, the Group has access to a £125m super senior revolving credit facility ("SSRCF") which has a maturity date of 18 December 2026. The Group converted £20m of the SSRCF into an overdraft facility for short-term working capital funding. As at 31 December 2023, both the SSRCF and the overdraft facility were undrawn.

On 10 February 2023, the Group acquired the entire issued share capital of Country Clubs (UK) Limited and Country Clubs and Leisure Limited who operated a club named Wickwoods Country Club in West Sussex, which held a health and fitness clubs in Brighton, UK. Upon completing the acquisition, the Group settled external loans of £1.5m held by the companies, which has been classified as repayment of bank and other borrowings in the consolidated statement of cashflows.

The loans and borrowings have expiry dates between 2026 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
Super senior revolving credit facility	£125.0m	18/12/2026	3.25% + SONIA	£Nil
Kratus Inversiones D.A.C loan	€2.8m	31/03/2043	5.27%	€2.8m
Unicaja Banco loan	€3.2m	31/03/2029	5.69%	€3.2m

	Book value 31 December 2023 £ 000	Fair value 31 December 2023 £ 000	Book value 31 December 2022 £ 000	Fair value 31 December 2022 £ 000
Sterling senior secured notes	645,000	601,463	645,000	513,356
Euro senior secured notes	260,236	261,212	265,745	241,058
Loans – other	5,139	5,028	5,640	5,624
	910,375	867,703	916,385	760,038

26 Loans and borrowings (continued)

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 is calculated by discounting the future cash flows at prevailing market interest rates, categorised as a Level 2 valuation.

27 Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and payables, borrowings and lease liabilities. The main financial risks faced by the Group relate to the risk of default by counterparties following financial transactions, to the availability of funds for the Group to meet its obligations as they fall due, and to fluctuations in interest and foreign exchange rates.

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.

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 is exposed to interest rate risk because the Group's €300m Euro senior secured notes are subject to a variable interest rate element being EURIBOR. The Group's super senior revolving credit facility ("SSRCF") is at floating interest rates based on GBP SONIA (Sterling Overnight Index Average), however this facility is currently undrawn. There is no exposure on the £645m Sterling senior secured notes as the interest rate is fixed.

The Group monitors interest rates and reacts accordingly. The Group would look to mitigate any material interest rate risk through entering into an interest rate swap contract.

The increase in the finance cost charge of a reasonable possible increase in the EURIBOR is as follows:

	Interest for the year ended 31 December 2023	Impact of change in EURIBOR %			
		+50 Bps	+100 Bps	+200 Bps	+300 Bps
	£ 000	£ 000	£000	£ 000	£ 000
Interest on euro senior secured notes	20,802	1,434	2,754	5,392	8,031

27 Financial risk management objectives and policies (continued)

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 2023, the €300 million Euro Notes had a carrying amount of £260.2m based on an exchange rate of 1.1528.

Had the exchange rate at 31 December 2023 been 10% lower, then the Group’s loss for the year on the Euro notes would have increased by £28.9m.

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	1,534,556	494,699	2,029,255	(44,973)	54,967
Liabilities	(1,876,877)	(511,557)	(2,388,434)	46,505	(56,840)
	(342,321)	(16,858)	(359,179)	1,532	(1,873)
Profit/(loss) for the financial year	26,822	(2,637)	24,185	240	(293)

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 FY24, 90% of the UK electricity and 94% of the UK gas volumes have been purchased. For FY25, 57% of the UK electricity and 54% 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. Our electricity supply contract ends October 2025, and our gas contract ends October 2026.

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 2023 the National Living Wage increased to £10.42 for those aged 21 and over and increased to £11.44 effective from 1 April 2024. The Group introduced a minimum hourly rate above the national minimum wage and national living wage. From 1 April 2023, our minimum wage increased to £10.52 for all hourly paid employees regardless of age. From 1 April 2024, our minimum wage increased to £11.54 for all hourly paid employees. This minimises the Group’s exposure to further increases in the national living wage.

27 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.

The Group also has access to a £125m super senior revolving credit facility ("SSRCF") which has a maturity date of 18 December 2026 and is undrawn at the statement of financial position date. 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. As there is no current scenario where the SSRCF would be 40% drawn the likelihood of any covenant breach is considered remote.

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 2023:

Financial assets

31 December 2023	Weighted average effective interest rate	Less than 1 year £ 000	2 to 5 years £ 000	Over 5 years £ 000	Total £ 000
Other investments	0%	-	-	4,288	4,288
Other receivables	0%	-	1,188	2,989	4,177
Trade and other receivables	0%	16,129	-	-	16,129
Cash and cash equivalents	0%	7,713	-	-	7,713
		23,842	1,188	7,277	32,307

31 December 2022	Weighted average effective interest rate	Less than 1 year £ 000	2 to 5 years £ 000	Over 5 years £ 000	Total £ 000
Other investments	0%	-	-	4,342	4,342
Other receivables	0%	-	-	2,870	2,870
Trade and other receivables	0%	17,835	-	-	17,835
Cash and cash equivalents	0%	11,495	-	-	11,495
		29,330	-	7,212	36,542

27 Financial risk management objectives and policies (continued)

Maturity analysis (continued)

Financial liabilities:

31 December 2023	**Weighted average effective interest rate**	**Less than 1 year £ 000**	**2 to 5 years £ 000**	**Over 5 years £ 000**	**Total £ 000**
Loans and borrowings	6.4%	59,058	1,051,601	3,604	1,114,263
Trade and other payables	0%	36,831	-	-	36,831
Lease liabilities*	6.5%	91,235	382,375	3,555,614	4,029,224
Contingent consideration in business combination	7.1%	192	18	-	210
		187,316	1,433,994	3,559,218	5,180,528

31 December 2022	**Weighted average effective interest rate**	**Less than 1 year £ 000**	**2 to 5 years £ 000**	**Over 5 years £ 000**	**Total £ 000**
Loans and borrowings	5.9%	54,135	1,098,392	3,433	1,155,960
Trade and other payables	0%	33,532	-	-	33,532
Lease liabilities	6.5%	88,950	360,441	3,387,821	3,837,212
Contingent consideration in business combination	7.1%	77	245	-	322
		176,694	1,459,078	3,391,254	5,027,026

Trade and other payables includes trade payables, social security and other taxes, and other payables as disclosed in note 25.

*Further disaggregation of lease liabilities over 5 years is shown in note 18.

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 26 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.

27 Financial risk management objectives and policies (continued)

Financial instruments not measured at fair value
Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables approximates their fair value.

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.

28 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. The vesting period expires in the event of an exit and has been re-assessed at the year end in line with management's best estimate of the expected exit date.

The following table shows the shares granted and outstanding at the beginning and end of the year:

	31 December 2023		31 December 2022	
	Weighted average exercise price	No. of shares	Weighted average exercise price	No. of shares
	£		£	
Outstanding at start of year	6.46	2,108,966	7.68	1,150,989
Granted during the year	-	-	5.02	962,827
Forfeited during the year	5.99	(21,100)	10.00	(4,850)
Outstanding at end of year	6.47	2,087,866	6.46	2,108,966
Exercisable at the end of the year		2,087,866		2,108,966

28 Share-based payments (continued)

The shares can only be exercised in the event of an exit. The fair value of the shares outstanding at the end of the year ranges between £0.90 to £33.58 per share.

On 20 February 2023, Deuce Holdco bought back and cancelled 11,800 E1 shares with a nominal value of £1 each, and 9,300 E2 shares with a nominal value of £0.01 each, for nil consideration. The cancellation of shares has been recognised as a credit to the capital redemption reserve of Deuce Holdco Limited.

The expense recognised in employee expenses during the year is £5.1m (2022: £2.9m). This has increased on prior year due to the full year charge being recognised for shares issued in July 2022 and November 2022.

29 Provisions

Group

	Legal claims £ 000	Senior Management Incentive Plan £ 000	Other £ 000	Total £ 000
At 1 January 2022	5,000	58	1,480	6,538
New provisions created	2,500	102	-	2,602
Release of provision	-	-	(1,053)	(1,053)
Unwinding of discount	-	-	34	34
Exchange differences	-	-	47	47
At 31 December 2022	7,500	160	508	8,168
New provisions created	-	150	1,250	1,400
Utilisation of provision	(2,809)	-	(30)	(2,839)
Release of provision	(4,691)	-	-	(4,691)
Unwinding of discount	-	-	16	16
Exchange differences	-	-	(27)	(27)
At 31 December 2023	-	310	1,717	2,027

	31 December 2023 £ 000	31 December 2022 £ 000
Current provisions	467	310
Non-current provisions	1,560	7,858
Total provisions	2,027	8,168

a) Legal claims

Following an incident at our David Lloyd Leeds club on 21 April 2018, a £2.55m fine was imposed in addition to £0.26m legal costs. The provision was remeasured accordingly and the liability was settled on 6 October 2023.

29 Provisions (continued)

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, Kiel and Kembrey Park clubs. The new provision created in the year was in relation to estimated dilapidation costs for Kembrey Park. The dilapidation costs for Solihull of £0.03m were settled on 29 March 2023.

30 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. These deferred tax assets and liabilities are not offset because these balances do not unwind on the same basis.

Deferred tax liabilities

	Land and buildings £ 000	IFRS 16: Leases £ 000	Brand £ 000	Leasehold intangible £ 000	Total £ 000
At 1 January 2022	66,602	145,258	20,042	9,726	241,628
Acquired through acquisition of subsidiaries	-	9,328	-	-	9,328
(Credit)/charge to income statement	796	(13,555)	(5,428)	1,693	(16,494)
Foreign exchange movements	-	256	-	-	256
As at 31 December 2022	67,398	141,287	14,614	11,419	234,718
Acquired through business combinations	-	-	-	953	953
(Credit)/charge to income statement	(2,282)	(5,625)	323	(4,328)	(11,912)
Foreign exchange movements	-	(108)	-	-	(108)
As at 31 December 2023	65,116	135,554	14,937	8,044	223,651

30 Deferred tax (continued)

Deferred tax assets

	Fixtures and fittings £ 000	Losses £ 000	IFRS 16: Leases £ 000	Other £ 000	Total £ 000
At 1 January 2022	42,255	13,436	96,526	40,781	192,998
Acquired through acquisition of subsidiaries	-	-	5,342	-	5,342
Credit/(charge) to income statement	(3,585)	(3,732)	(22,419)	5,153	(24,583)
Foreign exchange movements	126	-	774	-	900
As at 31 December 2022	38,796	9,704	80,223	45,934	174,657
Credit/(charge) to income statement	2,622	20,398	(6,142)	(8,164)	8,714
Foreign exchange movements	(37)	-	(302)	-	(339)
As at 31 December 2023	41,381	30,102	73,779	37,770	183,032

In addition to the recognised deferred tax assets and liabilities above, the Group has unrecognised deferred tax assets of £2.3m (2022: £2.3m) in respect of the UK property portfolio, and unrecognised deferred tax assets of £27.9m (2022: £49.2m) in relation to carried forward losses where it is not sufficiently probable they will be utilised against future profits.

31 Share capital and equity reserves

Allotted, called up and fully paid shares

	31 December 2023		31 December 2022	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	425,798	425,798	425,798	425,798

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.

31 Share capital and equity reserves (continued)

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.

32 Commitments

Group

Capital commitments

The Group had committed to providing significant refurbishment at four existing sites in Fulham, La Finca, Serrano and Modena. At the statement of financial position date, the amount contracted for but not provided in the financial statements was £12.5m (2022: £nil).

In 2022, the Group had committed to providing spa retreats and significant refurbishment at existing sites for which the total amount contracted but not provided in the financial statements as at 31 December 2022 was £5.9m. The Group also committed to building new clubs in Rugby and Shawfair in 2022, for which the amounts contracted but not provided in the financial statements as at 31 December 2022 was £13.5m. These projects have subsequently been completed.

The Group has committed to building new clubs in Bury St Edmunds and Boadilla. At the statement of financial position date, the amount contracted for but not provided in the financial statements was £25.1m (2022: £nil).

33 Post balance sheet events

On 1 March 2024, the Group announced that the Kiel club would close on 31 May 2024.

On 17 March 2024, the lease for a new site in Meerbusch, Dusseldorf commenced whereby the Group became a lessee on the headlease, and lessor on the sub lease of an existing club.

On 18 March 2024, the Group exchanged contracts to acquire land in Ashford, Kent subject to planning.

34 Contingent liabilities

In the prior year there was a tragic fatal accident at the David Lloyd Luton Club. It remains too early to conclude whether there is an obligation that will require an outflow of resources embodying economic benefits.

35 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 35 to 37.

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

	31 December 2023 £ 000	31 December 2022 £ 000
Short-term employee benefits	4,785	2,663
Post-employment benefits	66	59
Compensation for loss of office	158	-
	5,009	2,722

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 2023, £2,000,000 (2022: £2,000,000) was charged, of which £1,000,000 (2022: £500,000) remains unpaid as at the statement of financial position date.

36 Parent and ultimate parent undertaking

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.

Deuce Midco Limited is the smallest and Deuce Topco Limited is the largest group undertaking for which group financial statements are prepared and of which the Company is a member. The financial statements of Deuce Midco Limited and Deuce Topco Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

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).