Registration number: 01516226

David Lloyd Leisure Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

David Lloyd Leisure Limited

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David Lloyd Leisure Limited

Company Information

Directors	PJ Burrows DG Earlam
Registered office	The Hangar Mosquito Way Hatfield Business Park Hatfield Hertfordshire AL10 9AX
Registered number	01516226
Auditor	Deloitte LLP Statutory Auditor 1 New Street Square London United Kingdom EC4A 3HQ
Bankers	Bank of Scotland Level 3 City Mark 150 Fountainbridge Edinburgh EH3 9PE

The directors present their strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of David Lloyd Leisure Limited (the "Company") is the operation of health, sport and leisure clubs in the United Kingdom and Europe under the David Lloyd Clubs brand name. As at 31 December 2020, the Company operated 67 clubs (2019: 68 clubs). The Company is part of the Deuce Midco Limited group ("the Group").

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

Business model

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

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

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

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

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

David Lloyd Leisure Limited

Strategic Report for the Year ended 31 December 2020

Our history

David Lloyd Clubs was founded in 1984 by former professional tennis player David Lloyd, who sought to create high-quality fitness destinations suitable for the whole family. He recognised that the UK had very few indoor sport and leisure facilities, so created a pioneering concept of combining fitness and tennis in a family-friendly environment.

The very first David Lloyd Club to open its doors was David Lloyd Heston - a club which is still open and operating today. By 1995 there were 18 clubs in the UK, at which point the business was bought by British leisure giant Whitbread. David Lloyd Leisure was purchased by private equity firm TDR in 2013, and since then our total number of clubs across the Group has increased from 90 to 113 through a combination of acquisition and new builds.

Our Vision and Values

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

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

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

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

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

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

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

David Lloyd Leisure Limited

Strategic Report for the Year ended 31 December 2020

Strategy and key performance indicators

The Company is part of the Deuce Midco Limited group and the Group's strategy is disclosed in the annual report of Deuce Midco Limited on pages 3 to 6. The directors monitor the performance of the clubs and business on a Group basis. Key financial and other performance indicators are disclosed within the annual report of Deuce Midco Limited on pages 4 to 6. The Group's annual report can be obtained from The Hangar, Mosquito Way, Hatfield, Hertfordshire, AL10 9AX. The Company's directors believe that analysis using the key performance indicators for the Company alone is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

Impact of COVID-19

The COVID-19 pandemic meant that 2020 was the most challenging year in our history. The impact of the COVID-19 pandemic was significant, as the Company's clubs were required by the UK Government to close on 20 March 2020. The clubs re-opened in Summer 2020, but a second wave of COVID-19 in Autumn 2020 led to increased government restrictions resulting in clubs closing again. The Company's clubs were closed for 5.5 months in total for the year-ended 31 December 2020.

Economic Environment

As well as having serious implications for people's health and the NHS, the coronavirus (COVID-19) pandemic continues to have a significant impact on businesses and the economy.

In the latest IMF World Economic Outlook, the UK was estimated to have experienced the largest decline in GDP last year of all the major economies the IMF included in its latest forecast, except for Spain. UK GDP is estimated to have fallen by 10% in 2020 due to consumer spending (going to the cinema, out to eat at restaurants etc) being particularly hit by COVID restrictions.

The UK economy grew by 1% in Q4 2020, exceeding expectations as businesses and people continue to adapt to restrictions. However, GDP is still 8.6% smaller than it was at the end of 2019 and the labour market remains under pressure (Source: PwC UK Economic Update February 2021).

Prior to COVID-19, the UK health and fitness industry has evolved over the last three decades into a relatively mature yet still attractive and growing market. The Leisure Database Company estimates the fitness market (private and public) to be worth c. £5 billion. Prior to the pandemic, the UK private fitness market was showing year on year growth across all four-key metrics: penetration rate, market value, number of members and clubs.

The COVID-19 pandemic had a significant impact on the fitness and leisure industry in 2020 as gyms were forced to close. European fitness operators will face increased consolidation, accelerated digitalisation and the new reality of creating hybrid models due to the COVID-19 pandemic (Source: Deloitte report: impact of COVID-19 on the European fitness market). UKActive projections show the latest lockdown and closure of gyms and leisure centres affects more than 7,000 facilities across the UK, serving more than 17 million people, including more than 10 million members. The economic cost of lockdown for the sector was £90 million in lost revenue every week, based on lost membership fees despite the Government's furlough and business rate support. UKActive estimates that 2,800 facilities are at risk of permanent closure, along with 100,000 jobs in fitness and leisure.

However, there is reason for optimism. According to PwC's Consumer Sentiment Index, consumer confidence is at its highest level since before the financial crisis as consumers prepare to spend. Improvements in consumer confidence have been seen across all demographic groups and all UK regions with the over-65s demographic driving the increase, reflecting the vaccine effect.

The UK Government's vaccine programme has been largely successful with c. 48 million people in the UK having received at least two doses of a coronavirus vaccine. Furthermore, every eligible adult has been offered a booster jab by the end of December 2021 with c. 36m administered to date. The booster programme provides further protection against the virus.

Financial review of the business
The results reflect a period of significant disruption in which the Company's clubs were required by the UK Government to close due to COVID-19. The Company's clubs were closed for 5.5 months in total for the year-ended 31 December 2020.

During the year, the directors identified a prior year adjustment which resulted in the restatement of balances in the Income Statement and the Statement of Financial Position. The prior year adjustment is discussed further in the directors' report.

On a statutory basis, the Company recorded revenue of £238.7m (2019: £463.7m) a decrease of £225.0m (48.5%).

During the period the clubs were closed, members were not charged a monthly subscription and as a result no subscription revenue was earned during the closed period. Membership levels started to fall during March as the impact of COVID-19 started to become widespread and we continued to see additional cancellations after our clubs were closed on 20 March 2020.

The significant decline in revenue coupled with a largely fixed cost base resulted in the Company recording an operating loss of £84.8m (2019: operating profit of £56.9m). The result benefitted from £23.0m of other income relating to government grants.

Net interest payable for the year was £23.5m (2019: net interest receivable £24.9m). This resulted in an overall loss after taxation of £86.6m (2019: profit after taxation of £83.5m). This includes a tax credit of £21.7m (2019: £1.7m) on the underlying loss before tax for the year.

The Company had net assets of £471.0m (2019: £556.7m) and net current liabilities of £1,075.2m (2019: £962.4m) at the balance sheet date. Significant movements in the statement of financial position include trade and other receivables, and trade and other payables. Trade and other receivables have increased by £7.8m. This is principally driven by prepayments (up £8.6m). This increase in prepayments is driven by deferred rent payments (£10.7m) which have been recorded within prepayments under IFRS 16.

Trade and other payables have increased by £158.4m. This is principally driven by amounts due to group undertakings (up £102.7m) trade payables (up £28.0m), social security and other taxes (up £9.9m), and contract liabilities (up £10.8m). Increase in trade payables primarily relates to invoices from landlords and suppliers where payment has been deferred. Increase in social security and other taxes is driven by the Q1 2020 VAT liability of £10.4m. This has been deferred in accordance with the UK Government's VAT deferral new payment scheme. This will be paid over eight equal instalments, interest free commencing June 2021. Increase in contract liabilities is driven by member credits relating to subscriptions that had been taken prior to the clubs closing.

The Company sought additional sources of liquidity to ensure viability could be safeguarded in the event of further sustained periods of closure. On 15 December 2020, the Company completed the sale and leaseback of our Emersons Green club generating net proceeds of £20.5m.

We utilised the UK Coronavirus Job Retention Scheme. This grant support covered up to 80% of salary costs of anyone not working due to Coronavirus but whose job has been retained (up to a maximum of £2,500 per month). During the year-ended 31 December 2020 we recognised £23.0m within 'Other Income' in relation to this scheme.

Going concern
The directors note that as at 31 December 2020, the Company has net assets of £471.0m (2019: £556.7m), and a net current liabilities position of £1,075.2m (2019: £962.4m). The Company is reliant on the Group for financial support. In preparing the Group's financial statements the directors have considered the forecast cash flows of the Group and the liquidity available over an eighteen-month period to June 2023. These forecasts indicate that the Group will have sufficient cash and operate with a satisfactory level of headroom. The directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for at least 12 months and for the foreseeable future thereafter. Deuce Midco Limited has provided a letter of support to the Company and committed to ensure that all intercompany balances are repayable. Accordingly, the directors continue to adopt the going concern basis in preparing the annual reports and financial statements.

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

The Company manages tax risks and tax costs in a manner consistent with applicable regulatory requirements and with shareholders' best long-term interests, taking into account operational, economic and reputational factors. The Company 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 Company'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 Company 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 Company maintains documented tax policies and procedures in relation to key tax processes which are continually reviewed.

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

Principal risks and uncertainties
The risks and uncertainties of the Company remain largely unchanged from those previously reported. The impact of COVID-19 and resulting risks continue to be significant. We are continually monitoring the impact of the pandemic and the health and well-being of members and team members continues to be our number one priority. We are closely following government guidelines in each country we operate in and are also working with the industry body UKActive in the UK.

Principal risks - financial
The Company's activities expose it to several financial risks. The Board is responsible for identifying financial risks and for agreeing and reviewing policies to manage these risks. The most important components of financial risk impacting the Company are as follows:

Price risk
The Company is exposed to increases in the price of electricity and gas. The Company manages its exposure by purchasing its utility requirements in advance through industry leading advisers. Unused utility volumes are sold back to the market with the Company liable for any losses due to lower pricing. We have recently extended our electricity supply contract to October 2022.

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

Principal risks and uncertainties (continued)

Price risk (continued)
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 Company has a comprehensive pricing policy which is reviewed annually to ensure this risk is mitigated.

The Company's employees are subject to the Working Time Regulations which controls the hours they are legally allowed to work. In addition, on 1 April 2021 the national living wage increased to £8.91 for those aged 23 and over. The Company introduced a minimum hourly rate above the national minimum wage and national living wage. From 1 April 2020, our minimum wage increased to £8.82 for all hourly paid employees regardless of age. From 1 April 2021, our minimum wage increased to £9.00 for all hourly paid employees. This minimises the Company's exposure to further increases in the national living wage.

Liquidity risk
Liquidity risk arises from the Company's management of working capital, loan facilities and the finance charges on its debt instruments and being able to pay them as they fall due. To ensure that the Company always has sufficient cash to meet its liabilities, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements by performing detailed cash flow forecasts and monitoring this monthly.

The impact of COVID-19 on the Company's liquidity was significant. The Company's liquidity in the next 12 months will be influenced by i) the trading performance of clubs when open and (ii) any periods of club closure due to further disruption caused by COVID-19.

Exchange rate risk
Foreign exchange risk arises when individual Company entities enter into transactions denominated in a currency other than their functional currency. The Company's policy is to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where the Company has 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.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its trade debtors. 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 Company assesses the credit quality of customers, taking into account their financial position, past experience and other factors. The credit risk of the Company is minimised due to a large number of customers who generally pay by direct debit in advance.

Principal risks - non financial
The Company is exposed to a variety of non-financial risks which could materially affect the financial results of operations. The Board is responsible for identifying non-financial risks and for agreeing and reviewing policies to manage these risks. The most important non-financial risks are:

Principal risks and uncertainties (continued)

Injury of club members
Any injury or death of a member could impact the Company'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 Company are safety around the swimming pools, child safeguarding within the DL Kids programmes and safe use of the gym equipment. Effective procedures have been put in place to prevent their occurrence including prominent signage around swimming pools, establishing remote pool monitoring outside lifeguarding hours and fully documented procedures and operating practices for the supervision of children within the DL Kids programme. These policies are under continuous review. The Company also takes out comprehensive insurance against these risks where this is possible.

Legislation
The Company is subject to a broad range of environmental, health and safety and other laws, regulations, standards and best practices which affect the way the Company operates and give rise to significant compliance costs and potential legal liability exposure. Compliance with laws and regulations is monitored.

UK's decision to leave the European Union and consumer confidence
On 31 December 2020, the transition period for the UK to withdraw from the European Union otherwise known as "Brexit," expired. This was replaced with the Trade & Cooperation Agreement ("TCA") which came into provisional effect at 11pm GMT on 31 December 2020 and establishes the commercial and regulatory arrangements between the EU and the UK. Goods moving between the UK and EU are now subject to customs declarations and a new UK Border Operating Model is in place. This impacts supply chains and buyer behaviours, not only between the UK and EU, but also between Great Britain and Northern Ireland. Employing EU nationals without settled status is now more complicated and costly for UK businesses.

The Board assessed the potential impact that Brexit could have on the Company. The key risk identified was a temporary supply chain issue regarding the delivery of food into our clubs. Other risks identified include employee recruitment and retention, due to the number of employees from the EU working in the UK. To date the business has incurred minimal disruption because of Brexit.

Health and safety
As well as providing a fantastic experience for our members, David Lloyd is also committed to a high standard of health and safety. Clubs are assessed on a regular basis on food safety, fire safety, legionella, licensing and health and safety. The majority of clubs attain our expected standards and the minority that do not are provided with the coaching, advice and guidance to achieve the required standards. Every club has multiple audit visits and support visits every year to drive standards, foster continual improvement and imbed safety culture.

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

Asset security
A substantial proportion of the Company's value lies in its property interests and capital equipment. The buildings are at risk of being destroyed or damaged through fire or misuse and the equipment is also at risk of theft. All properties are fitted with appropriate fire protection and security systems. Insurance policies have been taken out to replace damaged or destroyed assets and to insure against business interruption.

Information technology dependency
The Company 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.

Environmental, Social and Governance Performance Management

The Company recognises the importance of its role and responsibility in contributing to a healthy society and a sustainable environment.

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

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

The Company constantly strives to improve its environmental performance and we are currently working with key stakeholders to update and further develop our long-term group sustainability strategy.

We are proud to have secured the Carbon Trust Double Standard accreditation for carbon and water reduction performance. Awarded in January 2020, the Carbon Trust Standard is the world's leading independent certification of an organisation's achievements in acting on climate change and managing and reducing water usage.

Since the end of 2018, the Company has invested £8m to deliver a number of utility related initiatives. These incorporated a mixture of well-established and new technologies, such as further LED upgrades to tennis court lighting, upgrades to BMS systems, and improvements to other heating and cooling infrastructure.

From 1 January 2020, the Company began purchasing renewable electricity for its group UK contract. This will support our ongoing commitment to reduce our carbon footprint.

Our waste diverted from landfill remains above 99%, and we have been working through removing single use items from our clubs such as plastic straws and wet kit bags. We are now working towards collaborating with our supply chain and implementing initiatives to reduce our total waste volumes and increase our recycling rates.

We measure our carbon footprint per member visit and are proud to have reduced our CO2 emissions per visit by 30% from 2013 to 2019. For further information please refer to our Energy and carbon reporting on page 23 of these financial statements.

Doing the right thing by our members, our employees, and the communities in which we operate is something we are passionate about. In April 2019, we introduced 'DL Giving', giving our team members the opportunity to give something back to the local community through charity volunteering and fundraising. On 30 May 2020 we held our first DL Giving charity day and raised £12,522 for NHS Together, comfortably beating our £10,000 target.

In April 2020 we launched a partnership with Change Please, an award-winning coffee company with a difference; a social enterprise supporting people out of homelessness through Life Changing Coffee. Members in all our UK clubs are now enjoying Change Please coffee with 100% of the profits going towards reducing homelessness. This partnership enables Change Please to expand their training programme nationally and help more people across the UK.

We recognised that the COVID-19 pandemic caused considerable significant hardship in our communities. Upon our clubs being required to close, we donated all excess perishables to local NHS teams and vulnerable groups. For our team members and self-employed professionals, we created a hardship fund to support those in most financial need.

Environmental, Social and Governance Performance Management (continued)
Sense of a community and a desire to belong will continue to grow in 2021. Across lockdown, the David Lloyd community came alive online, best illustrated through DL Run Club, a Facebook community group for runners of all abilities.

We also use our expertise to motivate and inspire schools, higher education institutions and other organisations. As an employer we understand the importance of supporting local causes and we want to lead the way and become Europe's most environmentally aware health and fitness operator.

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

Our People
Our people make us who we are. The Company aims to provide a happy, inviting, and safe culture where our team members feel comfortable and are able to thrive. We are really passionate about our people and creating a great place to work and are proud to have won a spot in The Sunday Times 25 Best Big Companies to work for four years in a row. 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.

Employee involvement
Employee engagement is typically measured twice a year by way of an online employee survey to ensure the Company is listening and responding to its employees' needs. Action plans are prepared by each department to improve engagement on an ongoing basis. Due to COVID-19 and our clubs being closed no formal engagement surveys happened in 2020.

Celebrating success underpins our value of 'Thank You' and is something which lives and breathes in our clubs. One of the ways we celebrate success is through our Team Member of the Month scheme, which runs across all of our clubs. At the end of the year each club identifies their Team Member of the Year who is then invited to attend an all-expenses-paid trip overseas with their fellow winners. Unfortunately, the 2020 trip had to be cancelled because of COVID-19 restrictions.

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

Employee consultation

The Company 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 Company's employee app 'Kitbag' and a quarterly business communication from the CEO.

This engagement continued throughout lockdown when many of our team members were furloughed. Our CEO ran several live webcasts to all team members providing a business update and providing an opportunity for team members to ask questions.

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

Employee reward

The Company is proud to offer pay that exceeds the National Living Wage to all our UK team members, as well as ensuring our pay is highly competitive. From 1 April 2021, our minimum wage increased to £9.00 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.

To do the right thing by our team members, we topped up their salary to 100% for March and April. We recognised that the COVID-19 pandemic caused considerable financial hardship for our team members and created a hardship fund for which team members and self-employed professionals could apply.

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

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

Employment of disabled persons

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

Employee health & safety
The Company 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.

In response to COVID-19, we are doing everything we can to ensure our team members are kept safe.

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

Gender Pay
In accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 we have published our gender pay reporting for 2020 on our website www.davidlloyd.co.uk

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

Human rights: Modern Slavery Act 2015
The Company 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 Company's slavery and human trafficking statement for the financial year ended 31 December 2020 has been published on our website www.davidlloyd.co.uk.

Section 172(1) statement
Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. This statement sets out how the directors have complied throughout 2020 with the requirements of Section 172 of the Companies Act 2006.

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

The Role of the Board (continued)
The COVID-19 pandemic has required us to work more closely with our key stakeholders. We have kept them informed of the decisions we have taken because of the pandemic and how it affects them.

In practice, the Board sits at the Deuce Midco Limited level and consists of 7 directors and 2 non-executive directors. David Lloyd Leisure Limited is a subsidiary of Deuce Midco Limited. As is normal for large companies, the Deuce Midco Limited Board delegates authority for day-to-day management of the Company and its subsidiaries to the Executive Board and then engages management in setting, approving and overseeing execution of the business strategy and related policies. The corporate governance structure and group policies are set by the Board of Deuce Midco Limited. The Board ensure that when they are applying these group policies, they have due regard to their fiduciary duties and responsibilities.

The Board meet monthly and are advised of stakeholder views in several different ways, including:

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

During 2020, the Board met virtually for several meetings as a result of the COVID-19 pandemic. All formal Board meetings are minuted and these minutes are formally approved at the following meeting.

a. The likely consequences of any decisions in the long-term.	The Board's decision making is focused around ensuring that the Company is sustainable in the long term. Each year, the Board considers our 3-year Business Plan, which assesses the opportunities and risks for the Group over this timeframe. 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. Unfortunately, the 2020 conference had to be cancelled because of COVID-19 restrictions. Significant capex investment appraisals of 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. In 2020, the Board signed-off the decision to complete the sale and leaseback of the Emersons Green club plus completed the acquisitions of the Meridian Group and Geneva Country Club. During 2020, the Board's priority was managing the business during the COVID-19 pandemic. Our response to COVID-19 focussed on preserving cash, member engagement and implementing the COVID-secure re-opening procedures. The Board took great care in ensuring the decisions they made struck the right balance between protecting the interest of the Group and its stakeholders in the short term and longer term.

b. The interests of the company's employees.

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

Employee engagement is measured twice a year (going forward three times a year) by way of an online employee survey to ensure the Board is listening and responding to its employees' needs. Due to COVID-19 and our clubs being closed no formal engagement surveys happened in 2020.

The Board recognised that the COVID-19 pandemic caused considerable financial hardship for our team members and created a hardship fund for which team members and self-employed professionals could apply.

The Board spends a good proportion of time on people matters with regular discussions on Health & Safety, employee engagement, talent, and succession planning. Read more on our engagement with employees on pages 10 to 12 of the strategic report.

c. The need to foster the company's business relationships with suppliers, customers and others.

The Board recognises the importance of its role and responsibility in contributing to a healthy society and a sustainable environment in addition to its responsibilities to members, employees, suppliers and shareholders.

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

Doing the right thing for our members was a key priority for us and we communicated with them throughout the pandemic. We did not charge customers when our clubs were closed and provided members with health concerns relating to COVID-19 the ability to freeze memberships. We used lockdown to accelerate our digital transformation to keep members engaged. Within 3 days of Lockdown 1 we had developed @home training, resulting in member satisfaction reaching an all-time high.

The Board developed COVID-secure operating protocols to give our members confidence to return to our clubs. Specifically, our members can maintain at least a 2m distance from each other in all areas of our Clubs, including our Group Exercise Studios where we've created 2.5m spaces for all class participants. Our cleaning schedules and procedures have been greatly enhanced to maintain a high level of hygiene across all our Clubs.

Feedback from our members is monitored continuously through multiple channels. Read more on our engagement with members on page 8 of the financial statements of Deuce Midco Limited.

c. The need to foster the company's business relationships with suppliers, customers and others (continued).	Investors - We are responsible to the Group's shareholders and key stakeholders 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. Suppliers – We recognise the importance of our supply chains and invest in our relationships with them to ensure that they are treated in a fair and consistent way. Upon closure of the clubs due to COVID-19, we engaged with landlords to manage rent obligations through securing rent-free periods/rent deferrals. We have also worked with our key suppliers through the pandemic to minimise contractual costs and to discuss revisions to payment terms. We are grateful for their support. 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 recognises the importance of its role and responsibility in contributing to a healthy society and a sustainable environment. The Board is committed to actions and initiatives that support our other Corporate Social Responsibility (CSR) principles. This includes doing our utmost towards combating climate change by reducing our clubs' waste and using sustainable raw materials. From 1 January 2020, DLL began purchasing renewable electricity for its group UK contract. The Board monitors on a quarterly basis the Group's performance against key Environmental, Social and Governance metrics which are also benchmarked against other portfolio businesses. Read more in the Environmental, Social and Governance Performance Management section in the Strategic report on pages 18 to 19 of the financial statements of Deuce Midco Limited.
e. The desirability of the company maintaining a reputation for high standards of business conduct.	The Board take the reputation of the Group seriously and is committed to a high standard of health & safety. Clubs are assessed on a regular basis on food safety, fire safety, legionella, licensing and health & safety. The majority of clubs attain our expected standards and the minority that do not are provided with the coaching, advice and guidance to achieve the required standards. Refer to page 18 of the financial statements of Deuce Midco Limited for our health & safety internal audit scores. The Board is fully committed to respecting the human rights of our employees and to compliance with all applicable laws. David Lloyd Clubs has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all its business dealings and relationships to ensure that modern slavery is not taking place in the business or supply chains. All new team members are required to complete a compulsory online training module on 'Modern Slavery' to drive awareness and understanding.

e. The desirability of the company maintaining a reputation for high standards of business conduct (continued).	In accordance with section 54(1) of the Modern Slavery Act 2015, the Group's slavery and human trafficking statement for the financial period ended 31 December 2020 has been published on our website: www.davidlloyd.co.uk.
f. The need to act fairly between members of the company.	The Board seeks to act fairly between all members of the Group by seeking to align the interests of the majority shareholders (TDR) and minority shareholders (Management). The Board is represented by all parties and the Board culture allows for healthy and constructive debates.

Approved by the Board on 19 January 2022 and signed on its behalf by:

....

P J Burrows
Director

David Lloyd Leisure Limited

Directors' Report for the Year ended 31 December 2020

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Principal activity
The principal activity of the Company is the operation of health, sport and leisure clubs in the United Kingdom and Europe under the David Lloyd Clubs brand name. The Company is a private company limited by shares, registered in England and Wales. The address of the registered office is shown on page 1.

Ownership
The ultimate parent of the Company is Deuce Holding S.a r.l. and the ultimate controlling party is a group of investment funds managed by TDR Capital LLP (registered in the UK). TDR Nominees Limited holds the investment on behalf of the following fund Partnerships: TDR Capital III Holding LP (74%) and TDR Capital Deuce Co-investment L.P. (26%). TDR Capital is a leading private equity firm with over €5 billion of committed capital. TDR invests in medium-sized, European businesses and partners with them to develop and grow their operations.

TDR Capital acquired the Group from UK-based property company London Regional Properties Limited and Caird Capital LLP, the manager of Bank of Scotland's legacy Integrated Finance portfolio in November 2013. Following the acquisition of the business TDR undertook a major capital investment programme, making significant improvements in the style and range of facilities available to members across the estate. TDR have also worked with management to improve all aspects of the member experience in order to cement the Group's position as a market leader in premium family leisure.

TDR have supported David Lloyd's new site development programme in the UK and Continental Europe through the acquisition of small portfolios as well as standalone sites. With the initial focus on the UK, the Group acquired 14 racquet clubs from Virgin Active in May 2017 and has opened seven individual new clubs. The current focus of the new club strategy is on expansion in Continental Europe where to date the Group has acquired four individual clubs in Spain, Italy, Germany and France as well as completing the acquisition of Meridian Spa & Fitness, an estate of eight clubs in Germany and one club in Switzerland. The Group is executing an accretive capital expenditure programme across the acquired estate and transforming the customer proposition.

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

PJ Burrows
DG Earlam

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

Future developments
There are no significant changes planned to the existing estate and operations of the Company. The Company's future strategy will focus on building the DL membership base, new club acquisition and integration, and DL Digital. The aim of building the Company's membership base is to increase membership of existing clubs. Acquisition and Integration is to grow the estate through new acquisitions and successfully integrating them into the David Lloyd operational and business model. DL Digital is the continuation of the development of @home and production of a first-class whole lifestyle app that enhances our members lives.

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

Dividends
The directors do not recommend the payment of a final dividend (2019: £nil).

Political donations
The Company made no political donations during the period (2019: £nil).

Post balance sheet events
Please refer to note 30 of these financial statements for details of post balance sheet events.

Prior year adjustments
During the year the directors assessed the classification of intercompany balances as current or non-current. Although the intercompany balances are repayable on demand, the likelihood of repayment within the next 12 months is remote. Following this reassessment, the directors have concluded that the loans to group and parent undertakings should be reclassed to non-current assets. As a result, a prior year adjustment has been made and is reflected in the restated 2019 balances as presented. The effect of the prior year restatement is to decrease trade and other receivables by £1,437.3m and increase non-current other receivables by £1,437.3m. The net impact on the income statement and statement of financial position is £nil. The restatement has been made to ensure comparability between the periods.

Also during the year the directors re-assessed the relationship between the Company and UK trading subsidiaries in terms of their contractual arrangements, the transfer pricing model and customer relationships to determine whether the Company has promised to provide the specified goods and services itself (as a principal) or to arrange for those specified goods and services to be provided by another party (as an agent). Following this reassessment, the directors have concluded that the Company is the principal as it has primary responsibility for providing services across the David Lloyd Clubs, even when they do not sit directly in the legal entity of the Company. As a result, the Company is required to recognise the gross revenue and costs for the goods and services provided to these customer relationships. Accordingly, a prior year adjustment has been made and is reflected in the restated 2019 balances as presented. The effect of the prior year restatement is to increase revenue by £157.3m and increase cost of sales by £157.3m. The net impact on the income statement is £nil, and there is no impact on the statement of financial position. The restatement has been made to ensure comparability between the periods.

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

Supplier payment policy
The Company 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 Company 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 1st July 2020 to 31st December 2020 was 37 days (2019: 25 days) and 31 days (2019: 26 days) for the period 1st January 2020 to 30th June 2020. The increase in average time taken to pay invoices is driven by the significant impact on the Company of COVID-19.

Supplier payment policy (continued)
Variations to these standard payment terms are by exception only:

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

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 14 of the Strategic Report.

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

We have set this out in our Section 172(1) statement (see section c) on pages 14 and 15 of the Strategic Report.

Statement of corporate governance arrangements
In practice, the Board sit at the Deuce Midco Limited level. The Company is a subsidiary company of Deuce Midco Limited. These financial statements will include a statement on the corporate governance code the Group has applied.

For the year ended 31 December 2020, the Company has voluntarily applied the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council (FRC) in December 2018.

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

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

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

Our culture is about making our clubs a comfortable and welcoming place to come together with friends, family and fellow members to maintain physical and mental health and wellness. The Board monitors the Group's culture through member feedback. Employee engagement is also measured twice a year (going forward three times a year) by way of an online employee survey to ensure the Group is listening and responding to its employees' needs. Due to COVID-19 and our clubs being closed no formal engagement surveys happened in 2020.

The Board recognised that the COVID-19 pandemic caused considerable financial hardship for our team members and created a hardship fund for which team members and self-employed professionals could apply.

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 2 to 4.

Wates Principle 2 Board composition
The Board sits at the Deuce Midco Limited level and consists of seven directors and two independent non-executive directors (one of who is designated the Chairman). Biographies of the board members can be found in the Directors' Report of the Deuce Midco group financial statements on pages 26 to 28.

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

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

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

The Executive Committee comprises the Chief Executive, Chief Financial Officer, Chief Operating Officer, Innovation and Product Development Director, Property Director, New Clubs Director, HR Director and Member Experience Director.

Wates Principle 2 Board composition (continued)
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 85% men and 15% women. We acknowledge that there is a relative lack of diversity on the Board and this is not reflective of the mix in the business. Page 21 of the strategic report of the Deuce Midco group financial statements analyses the gender diversity of the Group.

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

Both the Board and the Executive Committee meet monthly. Attendance and proceedings at meetings are recorded with action points noted and followed up. Following the outbreak of COVID-19, the Board and the Executive Committee adapted their ways of working by moving to virtual working and meeting online. The Executive Committee held more regular informal meetings to manage the business through the pandemic.

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

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

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

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

Wates Principle 4 Opportunity and risk
The Board seeks out opportunities while mitigating risk. The Group's key financial and non-financial risks and mitigations are described in the 'Principal risks and uncertainties' section of the Strategic Report on pages 6 to 8.

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

The Board's priority has been managing the business during the COVID-19 pandemic. Our response to COVID-19 focussed on preserving cash, member engagement and implementing COVID-secure re-opening procedures. The Board considered the impact of the COVID-19 pandemic on the cash flows and liquidity of the Group as well as assessing the Group and Company's ability to adopt the going concern basis of accounting in preparing the financial statements.

Wates Principle 4 Opportunity and risk (continued)
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 sale and leaseback of Emersons Green.

The Board appointed an Innovation and Product Development Director with primary responsibility to consider and assess how the Group should create value in the medium to long term. The Property Director's principal focus is the opportunity for expansion both within and outside the UK.

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 finance audits by group risk and the internal audit function. Red audit revisits are reported to the Executive Committee who monitor both the results and remediation action plan.

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

During the year, each of the statutory directors that are directly remunerated by the Group took a 25% reduction in their salary for the period April to July 2020 in response to the pandemic. The non-executive directors took a 100% salary reduction for the same period.

The directors, senior management and operational management participate in an equity-based incentive plan which is linked to shareholder value. More detail is given in Note 26 "Share based payments" on page 67 of these financial statements.

We report on Gender Pay on page 12 of the strategic report. The Board's focus is to close the gap by increasing the proportion of females in our leadership roles.

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

The Section 172(1) Statement on page 14 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 2020 to 31 December 2020			
		UK and offshore	
Energy Use	**Units**	**2020**	**2019**
Gas consumption	MWh	298,569	391,533
Purchased electricity consumption	MWh	37,298	48,757
Greenhouse Gas (GHG) Emissions			
Total gas	t/CO2e	54,898	71,983
Total fuel (gas oil)	t/CO2e	238	277
Total transport	t/CO2e	9	25
Total fugitive	t/CO2e	1,190	239
Total purchased electricity	t/CO2e	8,696	12,462
Greenhouse Gas (GHG) Emissions			
Direct emissions (Scope 1)	000t/CO2e	56,335	72,524
Indirect emissions from electricity (Scope 2)	000t/CO2e	8,696	12,462
Total CO2 emissions (location based)	t/CO2e	65,030	84,986
Total CO2 emissions (market based)	t/CO2e	56,334	72,524
Total Greenhouse Gas (GHG) Emissions	**Units**	**2020**	**2019**
Direct emissions (Scope 1)	000t/CO2e	56	73
Indirect emissions from electricity (Scope 2)	000t/CO2e	9	12
Total CO2 emissions (location based)	000t/CO2e	65	85
Procured renewable energy	000t/CO2e	9	-
Total C02 emissions (market based approach)	000t/CO2e	56	85
Intensity ratio	**Units**	**2020**	**2019**
Total emissions per visit	kg/CO2e	2.93	1.94

David Lloyd Leisure Limited

Directors' Report for the Year ended 31 December 2020

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, as described at https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020 .

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

2020 vs 2019 Review
GHG emissions are from operationally controlled activities using the UK government 2020 greenhouse gas reporting conversions factors. The reduction in emissions from 2019 to 2020 is largely due to our club closures for a significant proportion of 2020 as a result of the COVID-19 pandemic. Scope 2 market-based emissions reduced as a result of transitioning to a UK group electricity renewable purchasing contract.

Intensity ratio is based on number of member visits. Our emissions per visit increased during 2020 as a result of club closures and no member visits, however energy was still consumed albeit at reduced levels.

Energy efficiency action
David Lloyd Leisure (DLL) has achieved the Carbon Trust Standard certification for Carbon and Water. Awarded in January 2020, the Carbon Trust Standard recognises organisations that follow best practice in measuring, managing, and reducing their environmental impact, achieving year-on-year reductions. Between 2017 and 2018 a 7.7% carbon emissions reduction was achieved.

Since the end of 2018, the Group has invested £8m to deliver a number of utility related initiatives. These incorporated a mixture of well-established and new technologies, such as further LED upgrades to tennis court lighting, upgrades to BMS systems, and improvements to other heating and cooling infrastructure.

From 1 January 2020, DLL began purchasing renewable electricity for its group UK contract.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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

In preparing these 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.

David Lloyd Leisure Limited

Directors' Report for the Year ended 31 December 2020

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.

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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that 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 19 January 2022 and signed on its behalf by:

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PJ Burrows
Director

Independent auditor's report to the members of David Lloyd Leisure Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of David Lloyd Leisure Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 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 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.

Independent auditor's report to the members of David Lloyd Leisure Limited

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 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 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 company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company 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 the 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 company's ability to operate or to avoid a material penalty.

Independent auditor's report to the members of David Lloyd Leisure Limited

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT 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 specific procedures performed to address them are described below:

Classification of refurbishment expenditure versus capital expenditure

The procedures performed to address the risk included the following:

- Obtained an understanding of the relevant controls around the maintenance and refurbishment expenditure, capital expenditure and purchasing processes;
- Tested general IT controls around the user access and change management in the system;
- Tested a sample of costs capitalised in the year across all clubs with material additions to assess whether they met the capitalisation criteria of IAS 16;
- Tested a sample of journals posted to the maintenance and refurbishment expenditure account in the Income Statement to evaluate the appropriateness of each item; and
- Performed analytical review procedures to assess if material additions were in line with expectation on a club-by-club basis.

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

The procedures performed to address the risk included the following:

- Obtained an understanding of the relevant controls surrounding the impairment assessment;
- Involved our internal specialists to challenge the appropriateness of the discount rate and long-term growth rate used in the model, including comparison of key inputs to market evidence;
- Engaged internal modelling specialists to assess the mechanics of the impairment model;
- Assessed the reasonableness of the key judgments around cash flow projections made in the value in use model against industry expectations and historical performance;
- Confirmed that the forecasts used in the Value in Use ("VIU") model were the latest Board approved forecasts;
- Tested management's ability to accurately forecast future revenues and growth rates by comparing actual results to management's historical forecasts;
- Performed detailed analysis on the clubs deemed most at risk of impairment;
- Performed a sensitivity analysis on the inputs into the value in use model to determine if this would materially change any impairment charge currently recognised; and
- Assessed the disclosure in the accounts, including the disclosure as a key source of estimation uncertainty.

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.

Independent auditor's report to the members of David Lloyd Leisure Limited

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, internal audit 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 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 company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

19 January 2022

David Lloyd Leisure Limited

Income Statement for the Year ended 31 December 2020

	Note	Year ended 31 December 2020 £ 000	(As restated)[1] Year ended 31 December 2019 £ 000
Revenue	5	238,700	463,675
Cost of sales		(147,347)	(231,756)
Gross profit		91,353	231,919
Administrative expenses		(204,202)	(173,638)
Other income	6	23,013	-
Profit/(loss) on disposal of PP&E	7	5,040	(1,350)
Operating (loss)/profit	8	(84,796)	56,931
Interest receivable and similar income	10	53,623	88,661
Interest expense	11	(77,105)	(63,790)
(Loss)/profit before tax		(108,278)	81,802
Income tax credit	14	21,722	1,708
(Loss)/profit for the financial year		(86,556)	83,510

The above results were derived from continuing operations.

[1] The prior year figures have been restated to reflect the role of the company as principal for some subsidiary companies. See note 4.

The notes on pages 36 to 69 form an integral part of these financial statements.

David Lloyd Leisure Limited

Statement of Comprehensive Income for the Year ended 31 December 2020

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
(Loss)/profit for the financial year	(86,556)	83,510
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on the translation of foreign branch	(33)	(79)
Total comprehensive (expense)/income for the financial year	(86,589)	83,431

The notes on pages 36 to 69 form an integral part of these financial statements.

David Lloyd Leisure Limited

(Registration number: 01516226)
Statement of Financial Position as at 31 December 2020

	Note	31 December 2020 £ 000	(As restated)[1] 31 December 2019 £ 000
Non-current assets			
Intangible assets	15	14,949	18,306
Right-of-use assets	16	466,515	494,666
Property, plant and equipment	17	147,689	164,882
Investments	18	88,660	88,660
Deferred tax assets	19	60,771	39,049
Other receivables	20	1,484,460	1,437,336
		2,263,044	2,242,899
Current assets			
Inventory		496	1,570
Trade and other receivables	21	19,318	11,487
Cash and cash equivalents	22	72,794	21,630
		92,608	34,687
Current liabilities			
Trade and other payables	23	(1,133,679)	(975,314)
Lease liabilities	16	(34,042)	(21,717)
Provisions	24	(43)	(46)
		(1,167,764)	(997,077)
Net current liabilities		(1,075,156)	(962,390)
Total assets less current liabilities		1,187,888	1,280,509
Non-current liabilities			
Contract liabilities		-	(770)
Lease liabilities	16	(711,415)	(722,493)
Provisions	24	(5,436)	(512)
		(716,851)	(723,775)
Net assets		471,037	556,734

[1]The prior year figures have been restated as discussed in note 4.

David Lloyd Leisure Limited

(Registration number: 01516226)
Statement of Financial Position as at 31 December 2020 (continued)

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Equity			
Share capital	25	147,832	147,832
Share premium		11,254	11,254
Capital redemption reserve		1,300	1,300
Capital contribution reserve		3,550	3,550
Foreign currency translation reserve		(119)	(86)
Share based payment reserve	26	5,970	5,078
Retained earnings		301,250	387,806
Total shareholders' funds		471,037	556,734

Approved by the Board on 19 January 2022 and signed on its behalf by:

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PJ Burrows
Director

The notes on pages 36 to 69 form an integral part of these financial statements.

David Lloyd Leisure Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Capital contribution reserve £ 000	Foreign currency translation £ 000	Share based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	147,832	11,254	1,300	3,550	(86)	5,078	387,806	556,734
Loss for the financial year	-	-	-	-	-	-	(86,556)	(86,556)
Other comprehensive expense	-	-	-	-	(33)	-	-	(33)
Total comprehensive expense for the year	-	-	-	-	(33)	-	(86,556)	(86,589)
Share based payment charge	-	-	-	-	-	892	-	892
At 31 December 2020	147,832	11,254	1,300	3,550	(119)	5,970	301,250	471,037

The notes on pages 36 to 69 form an integral part of these financial statements.

David Lloyd Leisure Limited

Statement of Changes in Equity for the year to 31 December 2019

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Capital contribution reserve £ 000	Foreign currency translation £ 000	Share based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 31 December 2018	147,832	11,254	1,300	3,550	(7)	940	409,287	574,156
Effect of adoption of IFRS 16: Leases	-	-	-	-	-	-	(104,991)	(104,991)
At 1 January 2019	147,832	11,254	1,300	3,550	(7)	940	304,296	469,165
Profit for the financial year	-	-	-	-	-	-	83,510	83,510
Other comprehensive expense	-	-	-	-	(79)	-	-	(79)
Total comprehensive income/(expense) for the financial year	-	-	-	-	(79)	-	83,510	83,431
Share based payment charge	-	-	-	-	-	4,138	-	4,138
At 31 December 2019	147,832	11,254	1,300	3,550	(86)	5,078	387,806	556,734

The notes on pages 36 to 69 form an integral part of these financial statements.

1 General information

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

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

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

2 Accounting policies

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

Basis of preparation
The financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Summary of disclosure exemptions
As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available in relation to presentation of a cash flow statement; business combinations; non-current assets held for sale; presentation of comparative information in respect of certain assets; impairment of assets and related party transactions. Where relevant, equivalent disclosures can be found in the consolidated financial statements of the Group. The Company has taken advantage of the exemption to prepare group accounts required by s401.

Details of the parent company and the availability of the consolidated financial statements are in Note 31.

2 Accounting policies (continued)

Going concern
The directors note that as at 31 December 2020, the Company has net assets of £471.0m (2019: £556.7m), and a net current liabilities position of £1,075.2m (2019: £962.4m). The Company is reliant on the Group for financial support. In preparing the Group's financial statements the directors have considered the forecast cash flows of the Group and the liquidity available over an eighteen-month period to June 2023. These forecasts indicate that the Group will have sufficient cash and operate with a satisfactory level of headroom. The directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for at least 12 months and for the foreseeable future thereafter. Deuce Midco Limited has provided a letter of support to the Company and committed to ensure that all intercompany balances are repayable. Accordingly, the directors continue to adopt the going concern basis in preparing the annual reports and financial statements.

Revenue recognition
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 Company's revenues are recognised mainly from the following goods and services:
• Membership subscriptions
• Administration and joining fees
• Sale of sports lessons including swimming, tennis and personal training
• Other product sales, including food and beverage and crèche services

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

During the period clubs were closed, members were put on 'free freeze' and therefore not charged a monthly subscription. For March 2020 members had already paid their monthly direct debit. The clubs were closed for the last 11 days of March. Consequently, 11 days of the March subscription was recognised as a contract liability. Members were given the option to choose vouchers (food and beverage (F&B), personal training (PT) or guest passes) to reflect the fact that they had not been able to use the club. Revenue relating to the vouchers is recognised at the earliest of: the guest pass, PT voucher or F&B voucher being utilised; the voucher expiring or the member leaves David Lloyd and the vouchers are not transferrable. For November 2020, members had already paid their monthly direct debit. The clubs were closed for 26 days in November. Consequently, 26 days of the November subscription was recognised as a contract liability. This member credit was offset against their December monthly direct debit and revenue was recognised during the period clubs were open.

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.

2 Accounting policies (continued)

Revenue recognition (continued)

The average membership periods over which revenue is recognised are:

Standard membership 24 months
Flexible membership 1 month
Annual membership 24 months

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

Other revenue
Other revenue comprises income from personal training, tennis and swimming classes. 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.

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

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

Principal vs Agent Considerations
Further to the services described above, the Company also earns revenue from other UK group undertakings who provide sport and leisure facilities in the United Kingdom. The other UK group undertakings' services comprise membership subscriptions, retail sales and other revenue, primarily relating to the provision of personal training, tennis and swimming classes. In accordance with IFRS 15 'Revenue from contracts with customers', the directors have assessed the terms of contractual arrangements and customer relationships to determine whether the Company has promised to provide the specified goods and services itself (as a principal) or to arrange for those specified goods and services to be provided by another party (as an agent). The directors have concluded that the Company acts as a principal in respect of the services provided by the other UK group undertakings. The income from these transactions is recognised gross within revenue. The equal and opposite cost of these transactions being the fee paid to the other UK group undertakings are recognised within cost of sales and have a nil gross profit impact.

2 Accounting policies (continued)

Other income / Government grants
Government grants are not recognised until there is reasonable assurance that the Company 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 Company 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 Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Money received under the Coronavirus Job Retention Scheme is recorded within other income in the period in which the related expense is incurred.

Foreign currency transactions and balances
The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (the "functional currency").

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

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 are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Exchange differences are recognised in profit or loss in the period in which they arise.

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

Tax
The tax expense for the year 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 statement of financial position date in the countries where the Company operates and generates taxable income.

2 Accounting policies (continued)

Tax (continued)

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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.

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.

Property, plant and equipment

Land and buildings held for use in the production or 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.

Depreciation

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

Fixtures and Fittings - between 3 and 20 years
Leasehold improvements - over the shorter of 50 years or the remaining lease term.

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 profit/(loss) on disposal of Property, Plant & Equipment (PP&E) within the income statement.

Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition-related costs are expensed as incurred and included in exceptional operating expenses.

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

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

2 Accounting policies (continued)

Goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised in accordance with IFRS 3 Business Combinations. This is a departure from the requirement of paragraph 22 of Schedule 1 to the Regulations for the overriding purpose of giving a true and fair view. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each group 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. The Company is considered to be the smallest relevant CGU for goodwill impairment testing, as this is the level at which goodwill is monitored internally.

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 (see section related to critical estimates and judgements below). They are amortised over their useful lives from the date of acquisition.

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

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

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

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

Impairment of tangible and intangible assets

At each statement of financial position date, the Company 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 Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Each individual club is considered to be a CGU.

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

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

2 Accounting policies (continued)

Impairment of tangible and intangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Investments

Investments in subsidiaries are held at cost less accumulated impairment loss. Investments are reviewed for impairment based upon their recoverable amount.

Share capital

Ordinary shared are classified as equity.

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.

Trade Payables

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

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

Inventories

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 Accounting policies (continued)

Employee benefits

Pension obligations

The Company operates various defined contribution pension plans. The Company pays contributions to privately administered pension insurance plans on a mandatory, contracted or voluntary basis. The Company 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 Company.

Senior management incentive plan

The Company 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

Employees (including senior executives) of the Company 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 Company'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.

2 Accounting policies (continued)

Financial liabilities

Classification

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

Recognition and measurement

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

Financial assets

Classification

The Company 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 Company 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 Company 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 Company 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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2 Accounting policies (continued)

Leases

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

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

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

The Company 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 Company.

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

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

2 Accounting policies (continued)

Leases(continued)
Right-of-use assets are measured at cost comprising the following:

• The amount of the initial measurement of 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.

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.

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

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

Changes in accounting policies and disclosures
(a) New standards, amendments and interpretations

Impact of the initial application of 'COVID-Related Rent Concessions' Amendment to IFRS 16
In May 2020, the IASB issued COVID-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

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

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease. In the current financial year, the Company has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

The impact of applying this practical expedient during the year was to increase the lease liability by £5.1m for rents that have been deferred.

2 Accounting policies (continued)

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have had a material impact on the Company's financial statements. For completeness the following new standards, amendments and interpretations are newly mandatorily effective for the first time in the current period:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16);
- Amendments to IFRS 4, Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts';
- Amendments to IFRS 3, Definition of a Business;
- Amendments to IAS 1 and IAS 8, Definition of Material;

(b) New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17, Insurance Contracts;
- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1, Classification of Liabilities as Current or Non-Current;
- Amendments to IFRS 3, Reference to the Conceptual Framework;
- Amendments to IAS 16, Property, Plant and Equipment - Proceeds before Intended Use;
- Amendments to IAS 37, Onerous Contracts - Cost of Fulfilling a Contract;
- Annual Improvements to IFRS Standards 2018-2020 Cycle;
- Amendments to IFRS9, IAS39 and IFRS7, Interest Rate Benchmark Reform.

None of these are expected to have a significant impact on the financial statements of the Company.

3 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions
The Company 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:

Lease accounting
The lease payments are discounted using the lessee's incremental borrowing rate ("IBR"), being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the IBR, the Company has considered three main risk premiums (adjustments) being: reference rate, credit risk premium and asset specific adjustment.

Reference rate (risk free rate) - In assessing the relevant reference rate, we have taken into account currency, economic environment and unexpired terms of the leases. Relevant government bond yields have been used as a proxy for the risk free rate.

Credit risk premium - The Company have estimated an additional credit risk to reflect the difference in risk profile between a Government bond and another debt security with the same maturity.

Asset (lease) specific adjustment - The Company have used property yields as a proxy to differentiate between different property types and locations. The asset specific adjustment has been based on property initial yield benchmarks taking into account the expected annual rental growth rate and the expected annual building depreciation rate.

The key factors influencing the discount rate in the lease sample are:
• Economic environment/country
• Length of Lease
• Lessee entity
• Type of collateral
• Rent review mechanism in the lease i.e. contingent market rent reviews versus fixed increases or indexation

The Company developed a categorisation of leases and a matrix of discount rates at transition to reflect the specific factors above. During the year, a number of the Company's leases were re-negotiated and have been treated as lease modifications under IFRS16. A revised discount rate at the effective date of the modification has been used to re-measure the lease liabilities, with a corresponding adjustment to the right-of use-asset. The calculated IBR at 31 December 2020 range between 2.8% - 9.0% (2019: 2.8% - 9.0%) translating to an average rate of 6.4% (2019: 6.2%). A 5-basis point increase/(decrease) in the rate would cause the lease liabilities to increase/(decrease) by £58.2m (2019: 5-basis point increase/(decrease) £59.9m) and a corresponding increase/(decrease) in the right-of-use assets of £36.4m (2019: 5-basis point increase/(decrease) £39.8m). The IBR can change due to the type of leases that are held by the Company, the economic environment, the lease terms and asset types.

3 Critical accounting estimates and judgements (continued)

Key assumptions used for assessing goodwill for impairment
Goodwill is tested for impairment on an annual basis. The Company is considered to be the smallest relevant group of CGUs for goodwill impairment testing, as this is the level at which goodwill is monitored internally. Goodwill has also been recognised in relation to individual club acquisitions. For these acquisitions the relevant club is considered to be the CGU for goodwill impairment testing. The Company has determined the recoverable amount by estimating the value in use of the cash-generating units within the Company. The calculation of value in use requires estimation of future cashflows and a discount rate to determine the present value.

Key assumptions used for value-in-use calculations
The Company tests the carrying amounts of individual club non-current assets for impairment for those clubs that meet pre-defined impairment indicators. For the 2020 and 2019 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets and business plans approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 1.8% for the UK. These growth rates are consistent with forecasts specific to the industry and the country in which each CGU operates. The pre-tax discount rates of 10.5% for the UK has been determined based on the weighted average cost of capital. The impact of the impairment assessment is disclosed in note 17.

Option valuation
On 30 January 2020, Deuce Topco Limited (the Company's ultimate parent) granted the Company an option to acquire the entire issued share capital of DLL Greenwich Limited. The option is exercisable at any point from 30 January 2020 to 30 January 2023. The fair value of the call option is derived using option valuation techniques, with key inputs being the market value of DLL Greenwich, the cost to exercise the option and other key factors such as market volatility. The key driver of the fair value of the option is the equity value of DLL Greenwich Ltd which as an unlisted entity requires significant management judgement to determine. Using the purchase price of the Meridian Group and the year-end enterprise value of the business we have concluded the value of the option is £nil.

Critical judgements in applying the Company's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

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

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

3 Critical accounting estimates and judgements (continued)

For the current leases held by the Company, 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.

Judgements in determining the timing of satisfaction of performance obligations under IFRS 15
The timing of satisfaction of performance obligations of administration and joining fees for members requires judgment. Administration and joining fees represent a fee for the initial set-up costs of the contract and for the right to renew the membership for no additional fee when the contract expires. The set-up costs are critical to the contract with the new member, but they do not satisfy performance obligations, as no good or service is transferred to the member. The member effectively pays for the future right of renewing their membership for no additional fee. It is at these renewal dates that the performance obligation is fulfilled, therefore it is appropriate to recognise the revenue over the total membership period, which includes any renewal period. Historical data and trends have been used to determine the average period of membership and number of renewals for each package type.

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

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

Control
On 30 January 2020, DLL Greenwich GmbH, an entity outside the Group, but related by virtue of a common ultimate controlling party, purchased the entire issued share capital of Meridian Spa & Fitness Deutschland GmbH and its subsidiaries (known as the "Meridian Group") which consists of eight health and spa clubs from leasehold premises in Germany. On the same date, Deuce Topco Limited (the Company's ultimate parent) and DLL Greenwich GmbH entered into an agreement with the Company whereby the Company will provide certain management and operation services and to license the Trade Marks to the Meridian Group. In consideration for the provision of these services, Deuce Topco Limited (the Company's ultimate parent) granted the Company an option to acquire the entire issued share capital of DLL Greenwich Limited, which is the parent undertaking of DLL Greenwich GmbH. The option is exercisable at any point from 30 January 2020 to 30 January 2023.

This option requires management to determine whether the Meridian Group should be considered within these financial statements due to the rights bestowed to the Company by this option. In order to exercise the option, DLL would need to obtain consent from its banking group. Given this requirement and the economic and restrictive barriers in place, the Directors have concluded that the Company does not have control over DLL Greenwich Limited until the option is exercised and has therefore not consolidated DLL Greenwich Limited as at 31 December 2020.

4 Prior year adjustment

During the year the directors assessed the classification of intercompany balances as current or non-current. Although the intercompany balances are repayable on demand, the likelihood of repayment within the next 12 months is remote. Following this reassessment, the directors have concluded that the loans to group and parent undertakings should be reclassed to non-current assets. As a result, a prior year adjustment has been made and is reflected in the restated 2019 balances as presented. The effect of the prior year restatement is to decrease trade and other receivables by £1,437.3m and increase non-current other receivables by £1,437.3m. The net impact on the income statement and statement of financial position is £nil. The restatement has been made to ensure comparability between the periods.

Also during the year the directors re-assessed the relationship between the Company and UK trading subsidiaries in terms of their contractual arrangements, the transfer pricing model and customer relationships to determine whether the Company has promised to provide the specified goods and services itself (as a principal) or to arrange for those specified goods and services to be provided by another party (as an agent). Following this reassessment, the directors have concluded that the Company is the principal as it has primary responsibility for providing services across the David Lloyd Clubs, even when they do not sit directly in the legal entity of the Company. As a result, the Company is required to recognise the gross revenue and costs for the goods and services provided to these customer relationships. Accordingly, a prior year adjustment has been made and is reflected in the restated 2019 balances as presented. The effect of the prior year restatement is to increase revenue by £157.3m and increase cost of sales by £157.3m. The net impact on the income statement is £nil, and there is no impact on the statement of financial position. The restatement has been made to ensure comparability between the periods.

The restated Income Statement reconciles to that previously reported :

	As reported 31 December 2019 £ 000	Adjustment 31 December 2019 £ 000	Restated 31 December 2019 £ 000
Revenue	306,385	157,290	463,675
Cost of sales	(74,466)	(157,290)	(231,756)
Gross profit	231,919	-	231,919
Administrative expenses	(173,638)	-	(173,638)
Loss on disposal of property, plant & equipment	(1,350)	-	(1,350)
Operating profit	56,931	-	56,931
Interest receivable and similar income	88,661	-	88,661
Interest expense and similar charges	(63,790)	-	(63,790)
Profit before tax	81,802	-	81,802
Income tax credit	1,708	-	1,708
Profit for the financial year	83,510	-	83,510

5 Revenue

The analysis of the Company's revenue for the year from continuing operations by class of business is as follows:

	Year ended 31 December 2020 £ 000	(As restated)[1] Year ended 31 December 2019 £ 000
Membership subscriptions	189,967	358,676
Retail	24,488	51,478
Other revenue	24,245	53,521
	238,700	463,675

[1] The prior year figures have been restated as discussed in note 4.

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

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

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
UK	237,267	460,968
Europe	1,433	2,707
	238,700	463,675

6 Other income

The analysis of the Company's other income for the year is as follows:

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Other income	23,013	-

During the year, £23.0m was recognised in relation to the UK Coronavirus Job Retention Scheme; and £0.5m from participation in the UK Government's 'Eat Out to Help Out' scheme in August 2020.

7 Profit/(loss) on disposal of PP&E

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

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Profit on sale and leaseback of UK land and buildings	4,735	-
Profit/(loss) on disposal of PP&E	305	(1,246)
(Loss) on disposal of intangible assets	-	(104)
	5,040	(1,350)

The Company recorded a profit on disposal of gym equipment of £34,000 for the year ended 31 December 2020 (2019: £33,000) which is recognised within administrative expenses.

8 Operating (loss)/profit

Stated after charging/(crediting):

		Year ended 31 December 2020 £ 000	As restated Year ended 31 December 2019 £ 000
Depreciation expense	16, 17	57,882	58,302
Amortisation expense	15	4,626	7,412
Rent expense		1,778	1,826
Royalty payable/(receivable)		24,619	(31,485)
Staff costs	12	124,266	137,741
Impairment of investments	18	-	11,212
Expected credit loss		7,904	4,341
Impairment of property, plant & equipment	17	931	-
Impairment of right-of-use assets	16	2,700	-
Legal claim provision	24	5,000	-

The cost of inventories recognised as an expense and included in cost of sales amounted to £5.8m (2019: £10.0m). This includes inventory write-downs of £0.9m (2019: £0.6m).

In accordance with IFRS 16 operating lease expense in the current year represents turnover certificate rent, service charge and service charge insurance.

9 Auditor remuneration

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Audit of the financial statements	313	272
Other fees to auditor		
The audit of other group companies where the fee is borne by the Company	200	146
Total audit fees	513	418

10 Interest receivable and similar income

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Intercompany interest receivable	51,589	36,557
Other interest receivable	15	338
Dividends received	-	51,519
Foreign exchange gains	2,019	247
	53,623	88,661

No dividends were received by the Company in the current year (2019: £51.5m).

11 Interest expenses

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Intercompany interest payable	32,535	17,798
Interest on lease liabilities	44,524	45,695
Unwinding of discount on provisions	46	-
Foreign exchange losses	-	288
Other interest payable	-	9
	77,105	63,790

12 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Year ended 31 December 2020 £ 000	As restated Year ended 31 December 2019 £ 000
Wages and salaries	113,915	123,609
Social security costs	7,064	7,941
Pension costs, defined contribution scheme	2,395	2,053
Long-term incentive plan charges	892	4,138
	124,266	137,741

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	Year ended 31 December 2020 No.	As restated Year ended 31 December 2019 No.
Club Support	285	277
Clubs	4,635	4,825
	4,920	5,102

Money received under the Coronavirus Job Retention Scheme is recorded within "Other income" in note 6. The payroll costs in the table above is the gross cost.

Remuneration of key management personnel

The Company is taking advantage of the exemption provided in FRS 101, and not disclosing remuneration for key management personnel. Details of the remuneration of the key management personnel of the Group are disclosed in the consolidated accounts of the parent, Deuce Midco Limited, which can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

13 Directors' remuneration

The directors' remuneration for the year was as follows:

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Aggregate remuneration	619	731
Pension costs	-	1
	619	732

In respect of the highest paid director:

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Aggregate remuneration	367	458

14 Income tax

Tax credit in the income statement

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Current taxation		
Current taxation	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	(20,291)	(505)
Adjustment in respect of prior periods	(1,431)	(1,203)
Deferred taxation	(21,722)	(1,708)
Total tax in the income statement	(21,722)	(1,708)

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

After the balance sheet date, the UK Government have subsequently announced in the 2021 Budget that the corporation tax rate will increase to 25% in 2023 (the impact of this is disclosed in note 19).

14 Income tax (continued)

The tax credit for the year is lower (2019: lower) than the standard rate of corporation tax. the differences are outlined below:

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
(Loss)/profit before tax	(108,278)	81,802
Corporation tax at standard rate of 19% (2019: 19%)	(20,573)	15,542
Increase from effect of expenses not deductible	5,633	5,034
Decrease from effect of unrelieved tax losses carried forward	(54)	-
Group relief claimed for no payment	(535)	(11,596)
Adjustment in respect of prior periods	(1,431)	(1,203)
Deferred tax (credit)/expense relating to changes in tax rates or laws	(4,762)	304
Non-taxable dividend received	-	(9,789)
Total tax credit	(21,722)	(1,708)

15 Intangible assets

	Goodwill £ 000	Leasehold health clubs intangible £ 000	Software & licences £ 000	Total £ 000
Cost or valuation				
At 1 January 2020	8,228	802	17,370	26,400
Additions	-	-	1,969	1,969
Disposals	-	-	(700)	(700)
At 31 December 2020	8,228	802	18,639	27,669
Amortisation				
At 1 January 2020	-	55	8,039	8,094
Amortisation charge	-	23	4,603	4,626
At 31 December 2020	-	78	12,642	12,720
Carrying amount				
At 31 December 2020	8,228	724	5,997	14,949
At 31 December 2019	8,228	747	9,331	18,306

Goodwill is not amortised but tested annually for impairment. No impairment has been recognised for the year ended 31 December 2020 (2019: nil).

16 Leases

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

(i) Amounts recognised in the Statement of Financial Position

Right-of-use assets

	Land and buildings £ 000	Equipment £ 000	Total £ 000
Cost			
At 1 January 2020	528,602	1,474	530,076
Additions	8,713	601	9,314
At 31 December 2020	537,315	2,075	539,390
Depreciation			
At 1 January 2020	34,608	802	35,410
Depreciation charge for the year	34,108	657	34,765
Impairments	2,700	-	2,700
Transfers	(218)	218	-
At 31 December 2020	71,198	1,677	72,875
Carrying amount			
At 31 December 2020	466,117	398	466,515
At 31 December 2019	493,994	672	494,666

Lease liabilities

	31 December 2020 £ 000	31 December 2019 £ 000
Current lease liabilities	(34,042)	(21,717)
Non-current lease liabilities	(711,415)	(722,493)
	(745,457)	(744,210)

As a direct result of COVID-19, the Group has renegotiated a number of its leases of land and buildings in the year. The Group has remeasured the lease liability with the revised lease payments and lease term, using a revised discount rate at the effective date of the lease modification. This has resulted in an increase in the lease liability of £3.1m, with a corresponding adjustment to the right of use asset of £2.4m. The Group also entered into a sale and leaseback transaction over the land and buildings at Bristol Emersons Green. This transaction resulted in the recognition of a £5.6m of right-of-use asset and £11.7m lease liability. Other additions in the year relate to remeasurements as a result of rent reviews in the year.

16 Leases (continued)

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Year ended 31 December 2020	Year ended 31 December 2019
Depreciation expense on right-of-use assets	**£ 000**	**£ 000**
Land and buildings	34,108	34,608
Equipment	657	1,027
	34,765	35,635

Interest expense on lease liabilities	44,524	45,695
Impairment charge	2,700	2,569

(iii) Future minimum lease payments as at 31 December 2020 are as follows:

The total cash outflow for leases in 2020 was £63.0m (2019: £70.2m). The decrease from prior year is due to rent deferrals agreed with landlords as a result of COVID-19.

	31 December 2020 £ 000	31 December 2019 £ 000
Not later than one year	80,935	70,778
Later than one year and not late than five years	302,257	297,335
Later than five years	877,346	807,444
Total gross payments	1,260,538	1,175,557
Impact of finance expenses	(515,081)	(431,347)
Carrying amount of liability	745,457	744,210

17 Property, plant and equipment

	Land and buildings £ 000	Fixtures and fittings £ 000	Work in progress £ 000	Total £ 000
Cost				
At 1 January 2020	96,372	309,346	2,270	407,988
Additions	841	7,343	8,013	16,197
Transfers	2,494	5,913	(8,407)	-
Disposals	(9,627)	(615)	-	(10,242)
Foreign exchange movements	261	83	-	344
At 31 December 2020	90,341	322,070	1,876	414,287
Depreciation				
At 1 January 2020	20,066	223,040	-	243,106
Charge for the year	2,573	20,544	-	23,117
Disposals	(46)	(556)	-	(602)
Impairment charge	275	656	-	931
Foreign exchange movements	23	23	-	46
At 31 December 2020	22,891	243,707	-	266,598
Carrying amount				
At 31 December 2020	67,450	78,363	1,876	147,689
At 31 December 2019	76,306	86,306	2,270	164,882

For the purposes of property, plant and equipment impairment reviews, the Company considers each club to be an individual cash-generating unit (CGU), with each CGU reviewed annually for indicators of impairment. The Company compared the carrying value of property, plant and equipment to the estimated value in use. This was calculated based on projected cash flows to 2025, using a discount factor of 10.5% (2019: 10.5%). This resulted in a total impairment charge of £0.9m (2019: nil).

18 Investments

Subsidiaries	**£ 000**
Cost	
At 1 January 2020 and 31 December 2020	103,503
Provision	
At 1 January 2020 and 31 December 2020	14,843
Carrying amount	
At 31 December 2020	88,660
At 31 December 2019	88,660

18 Investments (continued)

Investments are reviewed annually for impairment based upon their recoverable amount. No impairment charges have been recognised during the year (2019: £11.2m).

Details of the subsidiaries, associated undertakings and significant holdings as at 31 December 2020 are as follows:

Subsidiary	Country of incorporation	Principal activity	Holding	
			31 December 2020	31 December 2019
Next Generation Clubs Limited*	England and Wales	Leisure clubs	100%	100%
Harbour Club Limited	England and Wales	Leisure clubs	100%	100%
David Lloyd Clubs Limited	England and Wales	Leisure clubs	100%	100%
David Lloyd Clubs Holdings Limited*	England and Wales	Holding company	100%	100%
David Lloyd Leisure Farnham Limited*	England and Wales	Leisure clubs	100%	100%
David Lloyd Leisure GR Limited*	England and Wales	Property company	100%	100%
Next Generation Amida Beckenham Limited*	England and Wales	Dormant	100%	100%
Next Generation Amida Hampton Limited*	England and Wales	Dormant	100%	100%
Burton Waters (H L & R) Limited*	England and Wales	Dormant	100%	100%
Core Exercise Clinics Limited*	England and Wales	Dormant	100%	100%
Castledene Leisure Limited*	England and Wales	Dormant	100%	100%
Next Generation Amida Services Limited*	England and Wales	Dormant	100%	100%
Gatehouse Nursery Holdings Limited*	England and Wales	Dormant	100%	100%
Next Generation Amida Fleet Limited*	England and Wales	Dormant	100%	100%
Sports Management (Scotland) Limited	Scotland	Dormant	100%	100%
Grasspost Limited*	England and Wales	Dormant	100%	100%
Design Collective Limited*	England and Wales	Dormant	100%	100%
Markson Tennis and Leisure Centres Limited*	England and Wales	Dormant	100%	100%
Tennis Club Management Limited*	England and Wales	Dormant	100%	100%
Farnridge Limited	England and Wales	Dormant	100%	100%
David Lloyd Sports Centres Limited*	England and Wales	Dormant	100%	100%
Brooklands Healthtrack Limited	England and Wales	Dormant	100%	100%
Cheshire Oaks Racquets and Healthtrack Limited	England and Wales	Dormant	100%	100%
Ealing Racquets and Healthtrack Limited	England and Wales	Dormant	100%	100%
Manchester Racquets and Healthtrack Limited	England and Wales	Dormant	100%	100%
Nottingham Racquets and Healthtrack Limited	England and Wales	Dormant	100%	100%

18 Investments (continued)

Solihull Racquets & Healthtrack Limited	England and Wales	Dormant	100%	100%
David Lloyd Leisure Nurseries Limited*	England and Wales	Dormant	100%	100%
David Lloyd Leisure Nominee No 1 Limited*	England and Wales	Dormant	100%	100%
David Lloyd Leisure Nominee No 2 Limited*	England and Wales	Dormant	100%	100%
David Lloyd Leisure Nominee No 3 Limited	England and Wales	Dormant	100%	100%
David Lloyd Leisure Nominee No 4 Limited	England and Wales	Dormant	100%	100%
Racquets and Healthtrack Group Limited*	England and Wales	Dormant	100%	100%
Odyssey Glory Mill Limited*	England and Wales	Dormant	100%	100%
Newhaven Restaurant Limited	England and Wales	Dormant	100%	100%
N.G.C. Project Management Limited	England and Wales	Dormant	100%	100%
Smilewood Limited	England and Wales	Dormant	100%	100%
Celsius Spa Limited	England and Wales	Dormant	100%	100%
Harbour Club Operations Limited	England and Wales	Dormant	100%	100%
David Lloyd Leisure JV Holdings*	England and Wales	Holding company	100%	100%
Pure Sports Medicine at David	England and Wales	Sports medicine	0%	50%
DLL Talwalkars Club Private	India	Leisure clubs	50%	50%
David Lloyd Riverview Operations Ireland Limited	Ireland	Leisure clubs	100%	100%
David Lloyd Riverview Property Ireland Limited	Ireland	Property company	100%	100%
David Lloyd Riverview Holdings Ireland Limited*	Ireland	Holding company	100%	100%
David Lloyd Riverview Limited	Ireland	Holding Company	100%	100%
David Lloyd Leisure Health & Fitness BV	Netherlands	Leisure clubs	100%	100%
David Lloyd Leisure Property BV	Netherlands	Property company	100%	100%
David Lloyd Leisure Property Holdings BV	Netherlands	Holding company	100%	100%
David Lloyd Leisure Nederland BV*	Netherlands	Holding company	100%	100%
David Lloyd Leisure Ter Elst BVBA	Belgium	Leisure clubs	50%	50%
David Lloyd Leisure Operations SPRL*	Belgium	Leisure clubs	50%	50%
David Lloyd Clubs France SAS*	France	Leisure clubs	100%	100%
LK International SARL	France	Restaurant	100%	100%
David Lloyd Clubs Deutschland GmbH*	Germany	Leisure clubs	100%	100%

* indicates direct investment of the Company

18 Investments (continued)

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 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

On 31 December 2020, the investment in the joint venture Pure Sports Medicine at David Lloyd was sold for consideration of £255,000.

During the year, the Company received no dividends. In the prior year, the Company received dividends of £51.5m from David Lloyd Riverview Holdings Ireland Limited.

19 Deferred tax

	31 December 2020 £ 000	31 December 2019 £ 000
Deferred tax assets	60,771	39,049
	60,771	39,049

Deferred tax movement during the year:

	Accelerated tax depreciation £ 000	Corporate interest restrictions £ 000	IFRS 16: Leases £ 000	Total £ 000
At 1 January 2020	16,820	-	22,229	39,049
Credit/(charge) to income statement	4,843	13,091	(974)	16,960
Effect of change in rate of tax	2,149	-	2,613	4,762
At 31 December 2020	23,812	13,091	23,868	60,771

19 Deferred tax (continued)

Deferred tax is recognised on the timing differences between amounts recognised in the financial statements and amounts recognised in the tax computations. Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

Deferred tax assets and liabilities have been recognised at the main rate of corporation tax in the relevant jurisdiction prevailing at the expected date of unwind with reference to enacted rates on the statement of financial position date. In the UK the long term corporation tax rate of 19% enacted as at 31 December 2020 is used. The opening balances in the UK used the corporation tax rate enacted as at 1 January 2020 of 17%, thus of the total movement in year, a charge of £4.8m relates to the increase in rate. The UK government has subsequently announced in the 2021 Budget that the corporation tax rate will rise to 25% in 2023. This revised rate would increase the net deferred tax asset by £19.2m.

There are no unrecognised deferred tax assets at 31 December 2020 (2019: £nil).

20 Other receivables

	31 December 2020 £ 000	(As restated)[1] 31 December 2019 £ 000
Amounts due from group undertakings	591,315	1,437,336
Amounts due from parent	893,145	-
	1,484,460	1,437,336

Amounts due from group undertakings are repayable on demand and earns interest of 3.45% for the year ended 31 December 2020 (2019: 3.45%).

21 Trade and other receivables

	31 December 2020 £ 000	(As restated)[1] 31 December 2019 £ 000
Trade receivables	3,156	4,795
Contract assets	2,383	549
Prepayments	13,255	4,620
Other receivables	524	1,523
Total current trade and other receivables	19,318	11,487

[1]The prior year figures have been restated as discussed in note 4.

22 Cash and cash equivalents

	31 December 2020 £ 000	31 December 2019 £ 000
Cash at bank and on hand	72,794	21,630

23 Trade and other payables

	31 December 2020 £ 000	31 December 2019 £ 000
Trade payables	40,347	12,318
Accrued expenses	27,249	21,504
Amounts due to group undertakings	1,015,631	912,918
Social security and other taxes	18,927	9,071
Other payables	2,626	1,422
Contract liabilities	28,899	18,081
	1,133,679	975,314

Amounts due to group undertakings are repayable on demand and accrued interest of 3.45% for the year ended 31 December 2020 (2019: 3.45%).

24 Provisions

	Legal claims £ 000	Senior management incentive plan £ 000	Other provisions £ 000	Total £ 000
At 1 January 2020	-	-	558	558
New provision created	5,000	138	-	5,138
Reversal of provision	-	-	(263)	(263)
Unwinding of discount	-	-	46	46
At 31 December 2020	5,000	138	341	5,479

	31 December 2020 £ 000	31 December 2019 £ 000
Current provisions	43	46
Non-current provisions	5,436	512
Total provisions	5,479	558

24 Provisions (continued)

a) Legal claims
Following a tragic accident on 21st April 2018 at David Lloyd Leeds, Leeds City Council has served prosecution papers upon the Company alleging a Health & Safety offence. The case has been listed for trial from 17th July 2023. A legal provision of £5m has been recognised based on a prudent assessment of the potential outcome.

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 estimated dilapidation costs for the Solihull, Maidenhead and Maidstone clubs. The dilapidation provision for Kingston was released during the year due to the lease being extended.

25 Share capital

Allotted, called up and fully paid

	31 December 2020		31 December 2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary A shares of £0.25 each	523,977	130,994	523,977	130,994
Deferred shares of £0.25 each	67,352	16,838	67,352	16,838
	591,329	147,832	591,329	147,832

Each class of ordinary shares carries no right to fixed income.

26 Share-based payments

Scheme details and movements

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

On 17 March 2020, Deuce Holdco Limited bought back and cancelled 24,550 E shares from leavers with a nominal value of £1 each, for consideration of £0.3m. The consideration was equal to the outstanding balance of the limited recourse loan used to fund the purchase of these shares, plus accrued interest. The cancellation of shares has been recognised as a credit to the capital redemption reserve. The limited recourse loan was written off to distributable reserves at the date the shares were issued, therefore no further entries have been made during the year for the consideration.

The expense recognised in employee expenses during the year is £0.9m (2019: £4.1m). This has decreased on prior year due to the assumptions around the potential timing of exit being extended further into the future.

27 Commitments

Capital commitments

At the statement of financial position date, the Company had committed to purchasing land for a new site in Bicester. The total amount contracted for but not provided in the financial statements was £2.2m (2019: £2.2m in relation to a spa retreat at an existing site, Cheadle).

28 Related party transactions

The remuneration of directors, analysed under the headings required by company law, is set out in Note 13.

Details of the exemption taken from disclosing the remuneration of key management personnel is detailed in Note 12.

Summary of transactions with other related parties

The Company has relied on the exemptions under FRS 101 from disclosing transactions with other wholly-owned group companies on the basis that the Company is a fully owned subsidiary.

29 Contingent liabilities

As part of the overall group financing, the Company is a guarantor for the £125m Super senior revolving credit facility ("SSRCF") available to Deuce Midco Limited. At the date of signing the financial statements the amount drawn down on the SSRCF is £nil. In addition, the Company is a guarantor for the £645m and €300m Senior Secured Notes issued by Deuce Finco Plc. The Company is jointly and severally liable for these amounts should Deuce Midco Limited or Deuce Finco Plc be unable to meet its obligations.

From time to time, the Company is subject to various legal proceedings and claims that arise in the ordinary course of business. A liability is recorded only when it is probable that the case will result in a future economic outflow which can be reliably measured. In the directors' opinion, after taking appropriate legal advice, it is not considered probable that an outflow of economic benefits will occur in relation to any ongoing claims.

30 Post balance sheet events

On 4 January 2021, England entered a third national lockdown with all UK clubs closed.

On 22 February 2021, the UK Government announced the government's four-step roadmap to cautiously ease lockdown restrictions in England if there is continued progress with the Government's four test criteria. Under Step 1 of the roadmap, we opened our outdoor facilities (tennis, group exercise and swimming) across the vast majority of our English clubs from the 29 March 2021.

Our English clubs re-opened on 12 April 2021 under Step 2 of the English government's four step roadmap with indoor group exercise and indoor hospitality restarting on 17 May 2021 under Step 3.

In the Government's Budget statement of 3 March 2021, it was announced that Business Rates relief for Retail, Hospitality & Leisure extended until 30 June 2021 and then up to 2/3 discount until 31 March 2022 (up to a maximum of £2 million). The announcement also included the extension of the Coronavirus Job Retention Scheme in its current form to 30 September 2021, with employers contributing 10% of reference pay from July and 20% of reference pay from August.

In March 2021, the UK Government announced an increase in the corporation tax rate from 19% to 25% from April 2023. The increased rate has not been substantively enacted as at the date the accounts have been signed. The impact of the increased rate would be to increase deferred tax assets by £19.2m.

In May 2021 the Company exchanged contracts to purchase a site for another new club in the Shawfair area south east of Edinburgh.

On 18 June 2021, a newly incorporated company, Deuce FinCo plc (an associated undertaking of the Company) issued £645m and €300m of Senior Secured Notes with a maturity date of 15 June 2027. Interest is charged on the £645m Senior Secure Notes at a fixed rate of 5.5%. Interest is charged on the €300m Senior Secure Notes at 4.75% plus three-month EURIBOR.

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

30 Post balance sheet events (continued)

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

The proceeds will be used to repay existing indebtedness, for general corporate purposes including working capital requirements, capital expenditures and strategic acquisitions, and to pay fees and expenses incurred in connection with this transaction.

On 14 January 2022, the Company entered into a lease agreement for a new club in Cricklewood, London.

31 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is David Lloyd Leisure Group Limited, a company incorporated in the United Kingdom and registered in England and Wales. 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 in the UK).

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.