

Registration number: 06590299

David Lloyd Leisure Properties No.4 Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



David Lloyd Leisure Properties No.4 Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 5
Independent Auditor's Report	6 to 9
Income Statement	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 25

David Lloyd Leisure Properties No.4 Limited

Company Information

Directors	PJ Burrows
Registered office	The Hangaar Mosquito Way Hatfield Business Park Hatfield Hertfordshire United Kingdom AL10 9AX
Registered Number	06590299
Independent auditor	Deloitte LLP Statutory Auditor 1 New Street Square London United Kingdom EC4A 3HQ
Bankers	Bank of Scotland London Chief Office PO BOX 54873 London United Kingdom SW1Y 5WX

David Lloyd Leisure Properties No.4 Limited

Strategic Report for the Year Ended 31 December 2021

The director presents his strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the Company is as a commercial property investment company.

Strategy

The Company is part of the Deuce Midco Limited Group (the "Group") and the Group's vision, values, brand, strategy and business model are disclosed within the annual report of Deuce Midco Limited on pages 3 to 6. See note 21 for details of where these financial statements can be obtained.

Key performance indicators

The director monitors the performance of the business on a Group basis. Key financial and other performance indicators are disclosed within the annual report of Deuce Midco Limited. The Group's annual report can be obtained from The Hangar, Mosquito Way, Hatfield, Hertfordshire, AL10 9AX. The Company's director believes 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.

Review of the business

The Company earns rental income, from another group company, from its investment property location in Cheam and revenue for the year of £1.1m (2020: £1.1m) is consistent with prior year. The Company achieved an operating profit of £1.0m (2020: £1.0m) for the financial year.

The Company earned interest of £4.7m (2020: £4.5m) on amounts due from group undertakings and incurred interest of £4.0m (2020: £3.8m) on amounts due to group undertakings and lease liabilities.

On a statutory basis, the Company recorded a profit after taxation for the year of £1.7m (2020: £1.7m).

The Company had net assets of £29.7m (2020: £28.0m) at the balance sheet date. Significant movements in the Company's financial position include increases in amounts due from group undertakings and amounts due to group undertakings as a result of earned interest and incurred interest.

For the second year in a row the impact of COVID-19 pandemic was significant for the Group. COVID-19 had a short-term negative impact on the Group's member base, but the bounceback has been fantastic. This has been considered as part of the going concern review of the Group and the Company.

Going concern

The director notes that as at 31 December 2021, the Company is in a net current liabilities position of £115.2m (2020: £111.3m). The Company is reliant on the Group for financial support. In preparing the Group's financial statements the directors have considered the Group and Company's cash flows, liquidity, expected trading performance to December 2023 including member count, the COVID-19 situation, and the impact of the current economic environment inflationary pressures principally around energy costs. Based on the Group's liquidity and cash flow forecasts the directors have concluded that the Group and Company has adequate resources to continue to remain a going concern for the foreseeable future and have therefore adopted the going concern basis in preparing these financial statements. Deuce Midco Limited has provided a letter of support to the Company and committed to ensure that all intercompany balances are repayable.


David Lloyd Leisure Properties No.4 Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the Deuce Midco Limited group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group which include those of the Company are discussed within the strategic report of the Deuce Midco Limited Annual report which does not form part of this report.

Approved by the director on 30 June 2022.


.....
PJ Burrows
Director

David Lloyd Leisure Properties No.4 Limited

Directors' Report for the Year Ended 31 December 2021

The director presents his annual report and the audited financial statements for the year ended 31 December 2021.

Principal activity

The principal activity of the Company is a commercial property investment company. 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.

Directors of the company

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

PJ Burrows

MA Stephens (resigned 12 May 2021)

Future developments

The Company will continue to earn rental income from its investment property.

Dividends

The director does not recommend the payment of a final dividend (2020: £nil).

Political donations

The Company made no political donations during the financial year (2020: £nil).

Post balance sheet events

There were no post balance sheet events.

Financial instruments

Information in respect of the Group and Company's policies on financial risk management objectives including policies to manage credit risk, liquidity risk and foreign currency risk are given in note 25 to the financial statements of Deuce Midco Limited. See note 21 for details of where these financial statements can be obtained.

Information included in the strategic report

A fair review of the business, including an analysis of the performance, financial position and going concern of the Company, together with key performance indicators, a description of the principal risks and uncertainties facing the Company has been included within the Strategic Report.

Statement of Directors' Responsibilities

The director is 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 director has 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 director must not approve the financial statements unless he is 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 Properties No.4 Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Statement of Directors' Responsibilities (continued)

The director is 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. He is 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 independent 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 director on 30 June 2022.



.....
PJ Burrows
Director

David Lloyd Leisure Properties No.4 Limited

Independent Auditor's Report to the members of David Lloyd Leisure Properties No. 4 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of David Lloyd Leisure Properties No. 4 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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 financial position;
- the statement of changes in equity; and
- the related notes 1 to 21.

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" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the 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.

David Lloyd Leisure Properties No.4 Limited

Independent Auditor's Report to the members of David Lloyd Leisure Properties No. 4 Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

David Lloyd Leisure Properties No.4 Limited

Independent Auditor's Report to the members of David Lloyd Leisure Properties No. 4 Limited (continued)

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.

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:

Impairment of fixed assets (Right of Use assets)

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.

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.

David Lloyd Leisure Properties No.4 Limited

Independent Auditor's Report to the members of David Lloyd Leisure Properties No. 4 Limited (continued)

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.



.....
Sarah Miller ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

30 June 2022

David Lloyd Leisure Properties No.4 Limited

Income Statement for the Year Ended 31 December 2021

	Note	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Revenue	4	1,088	1,096
Administrative expenses		<u>(68)</u>	<u>(83)</u>
Operating profit	5	1,020	1,013
Interest receivable and similar income	7	4,648	4,455
Interest payable and similar charges	8	<u>(3,951)</u>	<u>(3,811)</u>
Profit before tax		1,717	1,657
Tax on profit	11	<u>(66)</u>	<u>(7)</u>
Profit for the financial year		<u><u>1,651</u></u>	<u><u>1,650</u></u>

The above results were derived from continuing operations.

The Company has no other comprehensive income or expense other than the results above, and therefore no separate Statement of Comprehensive Income is presented.

David Lloyd Leisure Properties No.4 Limited

(Registration number: 06590299)

Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Non-current assets			
Investment properties (right-of-use assets)	12	5,559	5,570
Right-of-use assets	13	673	692
Lease straight line asset	14	1,757	1,747
Deferred tax assets	17	48	37
Loans to group undertakings	15	137,694	132,136
		<u>145,731</u>	<u>140,182</u>
Current assets			
Trade and other receivables	16	10	25
Total assets		<u>145,741</u>	<u>140,207</u>
Creditors: Amounts falling due within one year			
Trade and other payables	18	(114,873)	(111,039)
Lease liabilities	13	(12)	(13)
Deferred tax liability	17	(330)	(253)
Creditors: Amounts falling due within one year		<u>(115,215)</u>	<u>(111,305)</u>
Net current liabilities		<u>(115,205)</u>	<u>(111,280)</u>
Total assets less current liabilities		<u>30,526</u>	<u>28,902</u>
Creditors: Amounts falling due after more than one year			
Lease liabilities	13	(867)	(894)
Net assets		<u>29,659</u>	<u>28,008</u>
Capital and reserves			
Called up share capital		-	-
Share premium account		776	776
Capital contribution reserve		90,746	90,746
Accumulated losses		(61,863)	(63,514)
Total shareholders' funds	19	<u>29,659</u>	<u>28,008</u>

Approved by the director on 30 June 2022.



PJ Burrows
Director

The notes on pages 13 to 25 form an integral part of these financial statements.

David Lloyd Leisure Properties No.4 Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Called up share capital £ 000	Share premium account £ 000	Capital contribution reserve £ 000	Accumulated losses £ 000	Total £ 000
At 1 January 2021	-	776	90,746	(63,514)	28,008
Profit for the financial year	-	-	-	1,651	1,651
At 31 December 2021	<u>-</u>	<u>776</u>	<u>90,746</u>	<u>(61,863)</u>	<u>29,659</u>

	Called up share capital £ 000	Share premium account £ 000	Capital contribution reserve £ 000	Accumulated losses £ 000	Total £ 000
At 1 January 2020	-	776	90,746	(65,164)	26,358
Profit for the financial year	-	-	-	1,650	1,650
At 31 December 2020	<u>-</u>	<u>776</u>	<u>90,746</u>	<u>(63,514)</u>	<u>28,008</u>

The notes on pages 13 to 25 form an integral part of these financial statements.
Page 12

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The Company is a private company limited by share capital incorporated and domiciled in the 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 all the periods 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.

The financial statements are presented in pounds sterling, which is the currency of the economic environment in which the Company operates (its functional currency).

Summary of disclosure exemptions

As permitted by FRS101, 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.

Details of the parent company and the availability of the consolidated financial statements are in note 21.

Going concern

The director notes that as at 31 December 2021, the Company is in a net current liabilities position of £115.2m (2020: £111.3m). The Company is reliant on the Group for financial support. In preparing the Group's financial statements the directors have considered the Group and Company's cash flows, liquidity, expected trading performance to December 2023 including member count, the COVID-19 situation, and the impact of the current economic environment inflationary pressures principally around energy costs. Based on the Group's liquidity and cash flow forecasts the directors have concluded that the Group and Company has adequate resources to continue to remain a going concern for the foreseeable future and have therefore adopted the going concern basis in preparing these financial statements. Deuce Midco Limited has provided a letter of support to the Company and committed to ensure that all intercompany balances are repayable.

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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 translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the "fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the income statement in the period in which they arise.

Revenue recognition

Revenue represents rental income, net of value added tax, which is recognised over the term of the lease on a straight-line basis, allowing for inflationary increases.

Leases

The Company leases various properties. Rental contracts are typically made for fixed periods of 20 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.

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Leases (continued)

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

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

- The amount of the initial measurement of 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.

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.

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 balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

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

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Investment property

The property held by the Company is occupied by other group companies, although it still meets the requirements of IAS 40 to be classified as investment property as it is held to derive rental income. Property is held at cost, with the buildings element being depreciated over 50 years to a residual value of 80%. The land element is not depreciated.

In line with IFRS 16, any right-of-use assets that meet the amended definition of investment property are disclosed as an investment property on the face of the balance sheet, and separately disclosed as a right-of-use asset in the investment properties note to financial statements.

Impairment

At each statement of financial position date, the Company reviews the carrying amounts of its non-current assets 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.

Each individual site is considered to be a CGU. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Share capital

Ordinary shares are classified as equity.

Financial liabilities

Classification

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

Recognition and measurement

The 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.

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Financial assets (continued)

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 income statement.

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 OCI. 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.

Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 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 beyond June 2021 (Amendment to IFRS16);

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform phase 2.

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Changes in accounting policies and disclosures (continued)

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

At the date of authorisation of these financial statements, the 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 IAS 1 and IFRS Practice statement 2 - Disclosure of Accounting Policies;
- Amendments to IAS 8 - Definition of Accounting Estimates;
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IFRS 3, Reference to the Conceptual Framework;
- Amendments to IAS 16, Property, Plant and Equipment - Proceeds before Intended Use;
- Amendments to IAS 37, Onerous Contracts - Cost of Fulfilling a Contract;
- Annual Improvements to IFRS Standards 2018-2020 Cycle.

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

There were no critical accounting estimates and assumptions applied to the Company during the year.

Critical judgements in applying the entity's accounting policies

Lease accounting

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

Significant judgement is involved in determining the period over which a lease is considered to be 'enforceable'. Where contracts have a term of greater than 10 years remaining at transition, the 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.

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.

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

4 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 2021	Year ended 31 December 2020
	£ 000	£ 000
Rental income from investment property	<u>1,088</u>	<u>1,096</u>

All revenue is earned in the UK. All revenue is derived from within the Deuce Midco Group, of which the Company is a part.

5 Operating profit

Arrived at after charging:

		Year ended 31 December 2021	Year ended 31 December 2020
		£ 000	£ 000
Depreciation expense	12, 13	30	30
Operating lease expense		33	46
Monitoring fees		<u>5</u>	<u>8</u>

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

6 Auditor's remuneration

Auditor's remuneration in respect of the Company's annual financial statements for the year ended 31 December 2021 of £5,400 (2020: £4,100) was borne by another group undertaking.

7 Interest receivable and similar income

	Year ended 31 December 2021	Year ended 31 December 2020
	£ 000	£ 000
Interest receivable from other group companies	<u>4,648</u>	<u>4,455</u>

8 Interest payable and similar charges

	Year ended 31 December 2021	Year ended 31 December 2020
	£ 000	£ 000
Interest payable to other group companies	3,892	3,752
Interest on lease liabilities	<u>59</u>	<u>59</u>
	<u>3,951</u>	<u>3,811</u>

9 Staff costs

The Company did not have any employees in either period.

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Director remuneration

The director is not directly remunerated by the Company and does not receive a recharge. The directors' remuneration for services to the Company has all been paid and is disclosed in the financial statements of David Lloyd Leisure Limited, which can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. It is not possible to apportion the director's remuneration.

11 Tax on profit

Tax charged in the income statement:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Current taxation		
UK corporation tax	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	(2)	-
Change in tax rate	68	23
Adjustment in respect of prior periods	-	(16)
Tax charge in the income statement	<u>66</u>	<u>7</u>

UK Corporation tax is calculated at 19% (2020: 19%) of the estimated taxable loss for the year.

The tax charge for the year is lower than the standard rate of corporation tax in the UK (2020: lower than the standard rate of corporation tax in the UK). The differences are reconciled below:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Profit before tax	<u>(1,717)</u>	<u>(1,657)</u>
Corporation tax at standard rate	326	315
Adjustment in respect of prior period	-	(16)
Utilisation of unrecognised losses	-	(315)
Loss relief claimed for no consideration	(328)	-
Deferred tax charge relating to changes in tax rates or laws	<u>68</u>	<u>23</u>
Total tax charge in the income statement	<u>66</u>	<u>7</u>

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

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

12 Investment properties

	£ 000
Cost	
At 1 January 2021	5,652
At 31 December 2021	5,652
Accumulated depreciation	
At 1 January 2021	82
Charge for the year	11
At 31 December 2021	93
Carrying amount	
At 31 December 2021	5,559
At 31 December 2020	5,570

13 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

	Land and buildings £ 000
Right-of-use assets	
Cost	
At 1 January 2021	728
At 31 December 2021	728
Depreciation	
At 1 January 2021	36
Charge for the year	19
At 31 December 2021	55
Carrying amount	
At 31 December 2021	673
At 31 December 2020	692

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Leases (continued)

Lease liabilities

	31 December 2021 £ 000	31 December 2020 £ 000
Current lease liabilities	(12)	(13)
Non-current lease liabilities	(867)	(894)
	<u>(879)</u>	<u>(907)</u>

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Depreciation charge of right-of-use assets	(19)	(18)
Interest expense (included in finance cost)	(59)	(59)
	<u>(78)</u>	<u>(77)</u>

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

The total cash outflow for leases in 2021 was £0.1m (2020: £0.1m).

	31 December 2021 £ 000	31 December 2020 £ 000
Not later than one year	72	72
Later than one year and not later than five years	283	283
Later than five years	<u>3,902</u>	<u>3,973</u>
Total gross payments	4,257	4,328
Impact of finance expenses	<u>(3,378)</u>	<u>(3,421)</u>
Carrying amount of liability	<u>879</u>	<u>907</u>

(iv) Operating leases

Lessor Accounting

The total future minimum income receivable under the Company's non-cancellable operating leases with tenants for each of the following periods is as follows:

	31 December 2021 £ 000	31 December 2020 £ 000
Not later than one year	998	973
Later than one year and not later than five years	4,247	4,143
Later than five years	<u>7,967</u>	<u>9,068</u>
	<u>13,212</u>	<u>14,184</u>

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 Lease straight-line asset

	31 December 2021 £ 000	31 December 2020 £ 000
At 1 January	1,747	1,718
Credit to income statement	<u>10</u>	<u>29</u>
At 31 December	<u><u>1,757</u></u>	<u><u>1,747</u></u>

The lease straight-line asset relates to future uplifts of 2.5% per annum that will be applied to rental income in line with the lease agreement.

15 Loans to group undertakings

	31 December 2021 £ 000	31 December 2020 £ 000
Amounts due from group undertakings	<u>137,694</u>	<u>132,136</u>
	<u><u>137,694</u></u>	<u><u>132,136</u></u>

The intercompany debtor is repayable on demand and earns interest on an arm's length basis of 3.45% for the year ended 31 December 2021 (2020: 3.45%).

16 Trade and other receivables

	31 December 2021 £ 000	31 December 2020 £ 000
Prepayments and accrued income	<u>10</u>	<u>25</u>
	<u><u>10</u></u>	<u><u>25</u></u>

17 Deferred tax

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

	IFRS16: Leases £ 000
Deferred tax assets	
At 1 January 2021	37
Change in tax rate	12
Charge to the income statement	<u>(1)</u>
At 31 December 2021	<u><u>48</u></u>

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

17 Deferred tax (continued)

	Investment properties £ 000
Deferred tax liabilities	
At 1 January 2021	(253)
Change in tax rate	(80)
Credit to the income statement	<u>3</u>
At 31 December 2021	<u>(330)</u>

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 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 25.0% enacted as at 31 December 2021 is used. The opening balances in the UK used the corporation tax rate enacted as at 1 January 2021 of 19.0%, thus of the total movement in the year, a charge of £0.1m relates to the increase in rate.

18 Trade and other payables falling due within one year

	31 December 2021 £ 000	31 December 2020 £ 000
Accrued expenses	16	74
Amounts due to parent undertaking	<u>114,857</u>	<u>110,965</u>
	<u>114,873</u>	<u>111,039</u>

The intercompany creditor is repayable on demand and accrues interest on an arm's length basis of 3.45% for the year ended 31 December 2021 (2020: 3.45%).

David Lloyd Leisure Properties No.4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

19 Called up share capital and equity reserves

Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	No.	£	No.	£
Ordinary shares of £0.0001 each	10,000	1.00	10,000	1.00

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

Share premium

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

Capital contribution reserve

The capital contribution reserve represents the release of historic intercompany loans within the group.

Accumulated losses

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

20 Related party transactions

The remuneration of directors, analysed under the headings required by company law, is set out in Note 10.

The Company is taking advantage of the exemption provided in FRS101, 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 financial statements of Deuce Midco Limited.

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.

21 Parent and ultimate parent undertaking

At the statement of financial position date, the Company's immediate parent undertaking is Deuce Acquisitions Limited, a company incorporated in the United Kingdom and registered in England and Wales. The ultimate parent undertaking 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 the largest group undertaking for which group financial statements are prepared and of which the Company is a member. The registered office of Deuce Midco Limited and Deuce Topco Limited is The Hangar, Mosquito Way, Hatfield Business Park, AL10 9AX. 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.